

# 4

## Management Efforts

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## 1. 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 Internal Affairs and Telecommunications Ordinance No. 4). The plan has been approved by the Minister of Internal Affairs and Telecommunications.

## 2. Management Plan for Fiscal 2005

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 Internal Affairs and Telecommunications prior to the commencement of each business year. The Management Plan for Fiscal 2005 contains items set down in the Mid-term Management Plan that are to be implemented during fiscal 2005, and includes documents related to forecasts for income and expenses for fiscal 2005.

Note: For detailed information on the Mid-term Management Goals, Mid-term Management Plan and the Management Plan for fiscal 2005, please see Japan Post's website:

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

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

Business Operations	Items	Japan Post as a Whole	Postal Services	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	

## 2. MID-TERM MANAGEMENT PLAN

	Objectives for all business operations
Japan Post as a whole	Effective use of the post office network ("one-stop service," ATM Tie-Up services, etc.) Promotion of independent and flexible management (introduce region-based profit-loss management, use of information technology, etc.) International cooperation and partnerships Enhancement of operational efficiency (computerize business processing, reduce procurement costs, etc.) Improving customer satisfaction and enforcement of compliance
Postal services	Enhancement of operational efficiency (promote computerization of postal handling, increase competitive contracts, etc.) Maintenance and enhancement of postal services (enhance forwarding and receiving services, promote a letter-writing culture, improve delivery speed, etc.) Upgrading of management (introduce region-based profit-loss management, strengthen information systems, etc.)
Postal savings services	Enhancement of operational efficiency (computerize business processing, re-examine administrative processes, re-organize Postal Savings Operations Centers, etc.) 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.) 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	Enhancement of operational efficiency (enhance efficiency of collecting, reorganize Postal Life Insurance Operations Centers, etc.) 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.) 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)

**Total income:**  
**¥87.8 trillion**

Postal service:  
¥8.1 trillion  
Postal savings:  
¥15.9 trillion  
Postal life insurance:  
¥64.0 trillion

**Total expense: ¥83.8 trillion**

Postal service: ¥8.1 trillion  
Postal savings: ¥12.0 trillion  
Postal life Insurance: ¥64.0 trillion

**Total current profit: ¥4.0 trillion**

Postal service: ¥0.05 trillion  
Postal savings: ¥3.9 trillion  
Postal life Insurance: —

### (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.

Note: 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)

**Total assets:**  
**¥364.5 trillion**

Postal service:  
¥2.5 trillion  
Postal savings:  
¥246.5 trillion  
Postal life insurance:  
¥115.7 trillion

**Total liabilities: ¥359.8 trillion**

Postal service: ¥2.8 trillion  
Postal savings: ¥241.5 trillion  
Postal life insurance: ¥115.6 trillion

**Total funds: ¥4.7 trillion**

Postal service: ¥-0.3 trillion  
Postal savings: ¥5.0 trillion  
Postal life insurance: ¥0.06 trillion

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

## 1. Action Plan Objectives

The Action Plan is a corporate action program for turning Japan Post's corporate vision into a reality and ensuring the achievement of goals for the mid-term management plan (fiscal 2003 through fiscal 2006 – the corporation's first term), as well as for further strengthening its management foundation, under the new management structure. We have worked hard to restructure our management under this plan, which was divided into two phases: Phase 1 for the first two years and Phase 2 for the remaining two years.

For Phase 2, we have set two themes: "Promote the reformation of awareness and the workplace culture, create new value and pursue sound growth" and "During these two years Japan Post will firm up its foundation for sound growth in FY 2007 and beyond."

## 2. Main Menus for Action Plan Phase 2 (Corporation-wide Strategy)

In Action Plan Phase 2, Japan Post has formulated a corporation-wide strategy, focusing on five core areas: "Business," "Growth," "Strengthening competitiveness," "Personnel," and "Organization." Specific main menus for each area are described below. Under this strategy, we will further promote corporate reform, continuously carry out reforms, and ensure their achievement, which we regard as putting the finishing touches to the corporation's first term.

### MAJOR MENUS

#### "Business"

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

In the postal business, we will further improve services, for example, by increasing the speed of the Yu-Pack service, aiming to grab a 10% share of the parcel delivery market under the slogan "Target 10." We will improve services that meet corporate needs to expand the market for corporate mail and direct mail. By strengthening tie-ups with government postal service agencies overseas, we will make the EMS service more reliable and increase its speed.

Regarding the postal savings business, we will expand ATM alliances, increase partners in association with remittance services, and enhance the multi-payment network service. At the same time, we will establish a system for selling trust funds and promote their sales through offering consultation services. We will also review product lineups, centering on remittance and settlement services.

In the postal life insurance business, we will reinforce the system for providing customers with consultation services through the Kampo Call Center, and promote sales by offering consultation services based on face-to-face communication.

To boost CS, we will introduce the Customer Treatment Level Certification System, set targets for satisfaction levels that customers express through questionnaires, and correct any unevenness among employees and among post offices.

#### "Growth"

We will strive to create new earnings sources, aiming to reform earnings structures of the current three service sectors responding to the changes of customer needs and the market. To this end, we will make a prior investment of about 370 billion yen in total, with the future in mind.

As for the postal business, we will invest around 260 billion yen in the improvement of information systems to enhance customer services, including the reorganization of the network to increase the speed of services and increasing the number of points where postal tracking information is input. In the financial business, we will invest

about 80 billion yen in boosting the functions of post offices as a family bank. Specifically, we will install automatic cashier machines at all post offices, and improve security functions by introducing IC-based cash cards to increase the accuracy of identifying the individual concerned. Furthermore, we will make an investment worth some 30 billion yen to strengthen the IT base of post offices.

To realize a “one-stop convenience office concept,” which is designed to enhance counter services, we will strengthen alliances with private companies and local public organizations. We will examine flexible system so that we can engage in clerical work entrusted by local public bodies and offer services that meet the needs of local customers.

### “Strengthening Competitiveness”

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

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

Through these efforts, we will shift to a highly productive system, and reduce the work force (to 252,000 employees as of the end of fiscal 2006).

### “Personnel”

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

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

### “Organization”

We will further promote “the reformation of awareness and the workplace culture” enhance the frontline functions of post offices, and drastically overhaul the internal control system aiming to establish an accounts system that is comparable to that adopted by private businesses and to further our risk management system.

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

We will also improve accounts-settlement systems through fully implementing corporate accounting principles and making earlier announcements of earnings results, establishing compliance and personal information protection systems, advancing risk management systems, and reconstructing crisis management systems.

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

For further details of the Action Plan, please see the Japan Post website at:

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

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

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

## Postal Service's Vision

### Business Management Issues

1. Reforming the profit structure (balance of revenues from ordinary mail and parcels) through priority investment in growth markets (parcels, DM and EMS)
2. Improve customer satisfaction
3. Improve productivity and reduce costs
4. Establish an information infrastructure

### Numerical Goals

Profit Target: Reserve Fund (end of FY 2006): 100.0 billion yen or more

	FY2005	FY2006
Revenues	1,906.2 billion yen	1,896.2 billion yen
Expenses	1,881.2 billion yen	1,866.2 billion yen
Profit	25.0 billion yen	30.0 billion yen

### Reform of Profit Structure

Ratio of ordinary mail to parcels and international mail (end of FY 2006): 8:2 (FY 2003: 9:1)

Yu-Pack's Market Share (FY 2003: 6.0%)

FY 2005: 10%

### Productivity Improvement and Cost Reduction

Promotion of JPS (total work hours): 15% reduction in two years

Procurement cost reduction: 10% reduction in two years

No. of employees: 114,000 persons (Mar. 2005) to 109,000 persons (Mar. 2007)

### Strategic Measures to Strengthen Competitiveness

Implement measures for service improvements and capital investment totaling approximately 260 billion yen (about 100 billion yen on a profit and loss basis) for the two-year period of FY 2005-06

## Principal Efforts in FY 2005-FY2006

### I. Provision of service achieving a high level of customer satisfaction

Establishment and further enhancement of first rate service

#### 1. Customer Satisfaction Improvement

- (1) Promote training programs for customer treatment and employee manners and certify the levels attained, in order to improve customer treatment and employee manners.
- (2) Take exhaustive measures to prevent misdelivery and ensure the observance of desired deliver dates and times, in order to improve service quality.
- (3) Promote the expansion of call centers for handling inquiries concerning mail collection and redelivery, in order to improve customer service; for example, by resolving the problem of phone lines often being busy.

#### 2. Product and Service Improvement

- (1) Yu-Pack  
Strive to expand utilization by further improving service and quality; for example, through faster deliveries.
- (2) Business Mail  
Strive to expand utilization by improving service for booklets, parcels, non-standard-sized mail, and other items used by businesses.
- (3) Direct Mail (DM)  
Strive to expand utilization by improving service concerning computer-generated mail, etc., so that

direct mail can be used conveniently as a more attractive advertising medium.

#### (4) EMS

Strive to expand utilization by improving service; for example, through faster deliveries by making use of the Chubu (Central Japan) International Airport near Nagoya.

#### (5) Issue Appealing Stamps and Postcards

Strive to encourage postal utilization by issuing appealing stamps and postcards through a reevaluation of the issuance policy, in order to respond to diverse demands for stamps and postcards.

#### (6) Enrichment of Overall Service

Strive to enrich overall service through the promotion of tie-ups with private-sector distribution enterprises and the establishment of subsidiaries financed by Japan Post's investments.

### 3. Improvement of Convenience

- (1) Strive to expand access points through efforts such as increasing the number of Yu-Pack service counters, along with post offices operating on Saturdays and Sundays and extending their counter service hours.
- (2) Strive to improve Japan Post's Internet website, along with quickly providing detailed operational information concerning mail, such as by increasing points of input into the postal tracking system.

## II. Structural Reforms to Achieve Reliably Profitable Operations

Productivity Improvement and Reinforcement of Business Capabilities



### 1. Promotion of JPS (JAPAN POST SYSTEM)

Strive to firmly establish and enhance JPS, which began at the Koshigaya Post Office in FY 2003, and was implemented throughout the nation in FY 2004.

### 2. Sweeping Reform of Operation Foundations

(1) Rebuild the postal network through efforts such as the implementation of a double network, the integration of regional offices, the establishment of node offices, the reorganization of collection and distribution bases and the establishment of international postal facilities, in order to achieve both speed and efficiency.

(2) Implement a reevaluation of external work systems, such as the one-network system and the two-network system.

(3) Promote the reduction of procurement costs through efforts such as outsourcing internal operations and improving logistics systems.

### 3. Reinforcing Sales Capabilities

(1) Strive to improve sales skills by implementing training programs for employees in charge of corporate sales.

(2) Promote the development of special personnel to handle DM through overseas training programs, etc., for acquiring direct marketing expertise.

(3) Strive to improve sales to small and medium-sized offices by effectively utilizing local ties and agile response.

(4) Strive for nationwide implementation of the improvement in display methods and sales approaches better tailored to the customer's perspective, in order to promote sales at service counters.

(5) Strive to increase personnel at International Postal Business Centers.

### 4. Improvement of Information System

Promote further enhancement of the information system so as to reduce paperwork, eliminate waste, inconsistency and overexertion, and improve convenience, through efforts such as improving the functions of the POS system at service counters, adopting the "one input system," and comprehensively rebuilding the postal information system.

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

As a "family bank," the main bank used by households, we will enhance consulting activities, build and strengthen continuing relationships with depositors and aggressively sell strategic products, such as investment trusts, in order to provide financial products and services that are suited to the needs of customers even more than at present.

We will work to reduce operational load by reevaluating products and services and strive to improve the quality of operations as a financial institution that satisfies customers' trust, along with making timely and concentrated investments of business resources by focusing on frontline areas such as infrastructure improvement and human resources development.

### Direction of the Postal Savings Service Sector's Efforts

#### Recognition of Existing Conditions

Amid the decline in net interest income as a result of the declines in the Postal Savings deposit balance and profit margin, it is necessary to strive to raise profitability structurally by strengthening the customer base through improving the rate of customer retention

Along with reevaluating the fees and delivery channels of remittance and settlement services, it is necessary to broadly integrate or abolish unprofitable services

As one of the pillars of future earnings, it necessary to secure the profitability of investment trust sales through aggressive and adequate sales activities at an early date

It is urgent that we improve its structure as a financial institution by investing in the infrastructure of areas such as the automation of service counter operations

#### Direction of Medium and Long-term Business Strategies

(1) The strengthening of family bank functions

Provide comprehensive financial services (savings,

remittance, settlement, asset management) through service counters, the Post Office network that is familiar and trusted by individual depositors

Implement a consulting service for carefully thought out asset management that precisely responds to the financial needs of customers over their life times

(2) The building of long-term, continuing relationships with depositors

Ensure high service quality by reevaluating the line of products and services offered

Separate the consulting function and the standardized paperwork function and study the efficient provision of services that respond to the needs of customers

(3) The improvement of the system as a financial institution and the practice of business management that develops our characteristics and strengths

Secure the greater peace of mind and trust of customers through concentrated infrastructure improvement of the frontline and human resources development

Further improve convenience by effectively utilizing the manned post office network and ATM network

## Business Indicators

	FY2005	FY2006
Balance of postal savings	207 trillion yen	201 trillion yen
Net interest income	1,923.6 billion yen	1,737.5 billion yen
Fees and Commissions	99.3 billion yen	105.9 billion yen
Net income	890.0 billion yen	680.0 billion yen

Note: Figures exclude profits and losses from the management of money held in trust

### Cost Reduction and Productivity Improvement

Procurement cost reduction: Reduction of 10% or more compared with the actual figure for FY 2004

**Efficiency improvement plan: Reduction of approx. 2,800 employees over a two-year period**

(Unit: persons)

	FY2005	FY2006	Total
Efficiency improvement plan figure (reduction in number of employees)	-1,131	-1,970	-3,101
Increase in employees (increase in number of employees in specific fields)	+230	+70	+300
Net increase-decrease	-901	-1,900	-2,801

### Strategic Measures for Service Improvement and Securing Trust: Family Bank Investments

From the perspectives of improving customer service and securing customer trust, we will make timely and concentrated investments of business resources in areas such as infrastructure improvements focusing on frontline areas, to introduce automation and build systems. For example, selling investment trusts at service counters, increased installations of Automatic Cashier Machines, issuing IC cards (83.3 billion yen over a two-year period)

## Specific Efforts in FY2005-FY2006

### 1. "Macco Service" (straightforward customer oriented service)

#### Improvement of customer service

Improvement of the level of customer satisfaction through the effective utilization of the "Customer Treatment Manual"

Improvement of services through the effective utilization of the results of customer satisfaction surveys

#### Ensuring the operational quality demanded of a financial institution

Prevention of incidents of excessive or insufficient cash through the installation of Automatic Cashier Machines

Thoroughgoing implementation of basic operational tasks

Thoroughgoing implementation of compliance through the effective utilization of training programs and manuals and verification of the state of observance through monitoring

Thoroughgoing implementation of customer information control under the enforcement of the Personal Information Protection Law

Improvement of security through the improvement of the accuracy of personal identification by adopting IC cards

Thoroughgoing implementation of operational risk management on the frontline

### 2. Building a sound management base (efforts from the perspective of in-house procedures)

#### Strengthening earnings management and risk management of existing services

Bolstering of ALM control through strengthening analysis of liability trends

Reevaluation of investment assets portfolios

Promotion of the Teigaku savings deposit and Time savings deposit from the perspective of ALM

Reevaluation of products, services and fee systems

for remittance and settlement services, etc.

Strengthened and thoroughgoing risk management

#### Improvement of the marketing base and effective utilization of data

Promotion of efficient sales through the introduction of a marketing data system for user households

Improvement of the customer retention rate through exhaustive promotion of multiple contracts

#### Selective investment in new business service fields

Securing profitability of investment trust sales and improvement of customer service at the early date

Establishment of a management system in preparation for the diversification of asset type, such as ABS

Development of products and systems to enrich IC card related services

#### Reevaluation of delivery channels

Trial implementation of model shops in the central areas of large cities

Improvement of productivity through the reevaluation of the placement of ATMs and personnel

Strengthening of direct channels

#### Promotion of JPS (JAPAN POST SYSTEM; efforts to improve productivity)

Improvement of the productivity of Postal Savings Operations Centers

Implementation of JPS in all post offices

### 3. Providing a satisfying working environment where employees can have expectations for a bright future (efforts from the perspectives of skill and ability development and growth)

#### Developing and securing human resources

Encouragement and support for the acquisition of the Securities Solicitation Agent Qualification

Securing persons possessing specialized abilities in fields requiring advanced specialized knowledge



and experience, such as fund management and risk management

Improvement of skills and abilities of part-time workers through setting up Postal Savings Training Centers

Granting incentives for strategic product sales

Improvement of the working environment

Improvement of employee satisfaction through

appropriate establishment of goals and evaluations, such as through the introduction of a point system  
Invigoration of the organization through the mutual exchange of opinions by reforming communications

Improvement of service counter operations through installation of Automatic Cashier Machines and issuing IC cards

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

### Business Philosophy

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

### Basic Strategy

**Business Vision** (direction in which business management should move)

“Macco Service”

Practicing “business management that puts the customer first”

Improvement of customer service

Securing trust (exhaustive implementation of compliance)

Strengthening of family bank functions

Along with the Postal Savings Services Sector, use the post office network to implement a consulting service to provide carefully thought out advice that fits the needs that arise in the cycle of events in a customer's life

**Creating a sound management foundation**

Building of a firm and sound financial foundation by strengthening sales abilities and fund management abilities

Increase internal reserve funds by raising profitability through the strengthening of sales abilities and fund management abilities and the improved efficiency of operational management

Build a firm and sound financial foundation to be able to guarantee customers' livelihoods over the long-term

Secure a fixed share of the individual life insurance market

Secure, for the medium and long-term, a fixed share (10% or more of insured amount in force) of the individual life insurance market by providing the highest quality services to customers

**Providing a satisfying working environment where employees can have expectations for a bright future**

Providing a congenial and satisfying working environment

Raise the motivation of employees and have each one demonstrate his/her abilities to the fullest

**Strategic Domains** (markets, customers, products and services)

Duty to the customers

As life insurance provided by the post office, provide “peace of mind” that guarantees the basic livelihoods of the customers

Market Segmentation

Household market -> mainly customers who are housewives and elderly

Workplace market -> mainly customers who are young or in the prime of life and not at home during the day

Shares of insured amount on new contracts by age (FY 2003)

Postal Life Insurance:

20s - 17.5% 30s - 16.3% 40s - 15.4%

50s - 16.1% 60 or older - 11.2%

Private-sector Life Insurance:

20s - 28.1% 30s - 30.8% 40s - 16.0%

50s - 8.8% 60 or older - 2.7%

Customer needs that must be satisfied

Small death coverage, savings substitute and asset accumulation, hospitalization coverage, etc.

Leading products

Small basic policies (protection-type products and savings-type products) + riders (illness and hospitalization riders, etc.)

Note: Riders cover customers' needs concerning hospitalization coverage, etc.

### Individual Strategies = Implementation in Action Plan - Phase 2

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

**Principal Efforts**

#### 1. Maintain and improve the brand

Improvement of customer satisfaction through the participation of all employees

Strengthening of the customer consultation system to provide advice (enhancement of knowledge of business procedures, improvement

of treatment of customers, improvement of Kampo Call Centers, etc.)

Reinforcement of the internal operational system (strengthening the operational instructor system, etc.)

Securing trust

Thoroughgoing implementation of compliance (promotion of proper sales activities, etc.)

Improvement of operational quality (prevention of accidents in handling business operations, etc.)

## 2. Improvement of profitability

Establishment of a sales system and improvement of sales strength

Broadening of sales areas

Human resources development (establishment of a system to educate new employees, etc.)

Creation of special insurance sales courses

Strengthening sales force in workplace market

Expansion of the staff of experts (part-time hiring of outstanding former employees)

Curbing lapses and surrenders that occur soon after a policy is bought

Implementation of outbound operations

Improvement of the rate of rider attachment

Expansion of marketing activities

Improvement of the efficiency of operational management

Promotion of JPS

Improvement of the efficiency of collection operations

Establishment of investment system and improvement of investment abilities

Strengthening of market analysis and investigation system

Diversification of investment targets

## 3. Enrichment of business management

Increasing the sophistication of ALM

Increasing the sophistication of risk management

## 4. Improvement of employee satisfaction

Development and improvement of employees' skills and abilities

### Numerical Targets

#### 1. Strengthening the financial foundation

Internal reserve fund increase: 150.0 billion yen or more (FY 2005 - 55.0 billion yen; FY 2006 - 95.0 billion yen)

Note: Internal reserve fund balance at the end of FY 2004 - 1,369.8 billion yen

#### 2. Improvement of sales strength

Secure new contracts: New policy insurance premiums (insurance) -60.0 billion yen

Curb lapses and surrenders: Ceilings for lapse and surrender rates: Insurance policies -3.6%

Annuities -2.3%

Improvement of rider attachment rate: New policy rider attachment rate - 90% or higher

#### 3. Increased efficiency of business operations

Operating expense rate - 5.1% (achievement of the medium-term management goal of "an operating expense rate of 5.1% or less" (average rate for FY 2003 - FY 2006)

### Reference:

Estimated number of employees: End of FY 2004 - 42,000 employees at End of FY 2006 - 40,500 employees

Estimated fund volume: End of FY 2004 - 117.2 trillion yen at End of FY 2006 - 111 trillion yen

# 3

## Corporate Governance

### 1. Governance within Japan Post

In Japan Post, the "Board of Directors," which consists of the President, Senior Executive Vice Presidents and Executive Vice Presidents, serves as the highest decision-making body and discusses and decides on such key managerial issues as management strategies, budgets and settlement of accounts. Among participants in Board of Directors meetings are outside Executive Vice Presidents (five of them as of June 2005).

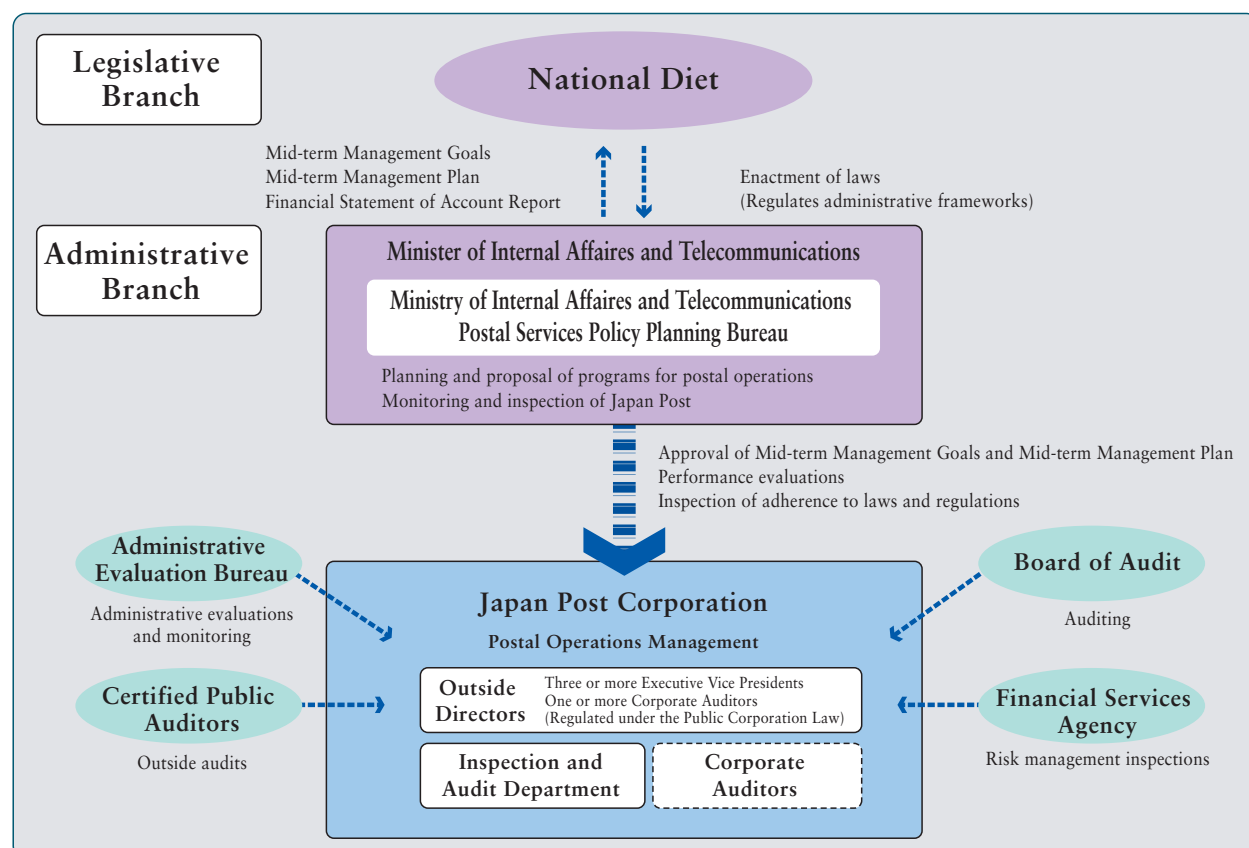
The "Strategic Committee" (which consists of Executive Officers who hold responsible posts) deliberates on important matters concerning Japan Post's management or business operations. The "Executive Committee" (which is composed of all Executive Officers) discusses important matters decided by the president.

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

In April 2004, as part of its management overhaul, Japan Post increased the number of outside Executive Vice Presidents to enhance its corporate governance structure, and introduced an executive officer system to strengthen its management power.

## 2. Outside Governance of Japan Post

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



## (Reference 1) Executive Officer System

Executive officer system since April 1, 2005

Title	Name	Areas of responsibility
President Executive Officer	IKUTA Masaharu	Serves as representative for Japan Post and oversees all operations
Deputy President Executive Officer	TAKAHASHI Toshihiro	Supervises operations at the Postal Business Headquarters, the Procurement Department and the Facilities Department
	DAN Hiroaki	Supervises operations at the Financial Business Headquarters, the Personnel Department and Affiliated Business Departments
Acting President and Executive Officer	YAMASHITA Izumi	Supervises operations at the Corporate Planning Department, the Accounting Department and the Corporate Information Technology Department
Senior Managing Executive Officer	HIROSE Shunichiro	Items related to operations at the Secretaries Office, the Human Resources Department and Affiliated Business Departments
Managing Executive Officer	NISHIMURA Kiyoshi	Items related to operations at the CS Promotion Office, the Post Office Network Department and the Public Relations Department
	HONPO Yoshiaki	Items related to operations at the Corporate Planning Department Project Development Division, the International Office and the China Office, and operations in the Postal Business Headquarters Express Business Department
	ITO Takao	Items related to operations at the Procurement Department and the Tokyo Regional Office
	OKADA Katsuyuki	Items related to operations at the Facilities Department, the Postal Business Headquarters Mail Business Department and the Marketing Promotion Department
	MASE Tomohisa	Items related to operations at the Corporate Information Technology Department and the Financial Business Headquarters Information Systems Department
	SAIO Chikanori	Items related to operations at the Postal Savings Business Department
	SASAKI Hideharu	Items related to postal marketing in Western Japan and items related to operations at the Kinki Regional Office
Executive Officer	MORI Takamasa	Items related to operations at the Corporate Social Responsibility Office, and items specifically assigned by the President Executive Officer
	MINAKATA Toshihisa	Items related to operations at the Corporate Planning Department Corporate Planning Division
	FUJIMOTO Eisuke	Items related to operations at the Accounting Department
	YUZAWA Yoshio	Assistant to Managing Executive Officer in charge of the Procurement Department
	TERASAKI Yuki	Assistant to Managing Executive Officer in charge of the Facilities Department
	TSUKADA Tameyasu	Items related to operations at the Postal Business Headquarters Operations Department
	SHIRAKANE Ikuo	Items related to operations at the Postal Business Headquarters Information Technology Department
	GANNYO Hisamitsu	Items related to operations at the Postal Life Insurance Business Department
	IKEDA Syuichi	Items related to supervision of operations of postal savings and postal life insurance
	AOKI Yukiharu	Items related to supervision of marketing of postal savings and postal life insurance
	SHIRAKAWA Hitoshi	Items related to operations at the Chugoku Regional Office

## (Reference 2) Special Committees

Committee	Items for discussion
Information Technology Strategy Committee	Improving efficiency of information technology-based operations throughout the corporation
Governance and Compliance Committee	Strengthening of governance functions and promotion of compliance
Investment Committee	Optimizing high-cost expenditures, and the like
Regional and Network Strategy Committee	Promoting measures related to regions and measures for contributing to society, and utilization of the post office network
Environmental Committee	Promoting environmental measures
Public Relations Committee	Promoting public relations and disclosure
Human Resources and Employee Satisfaction Promotion Committee	Development and utilization of potential employee skills, and improvement of employee satisfaction, and the like
Procurement Committee	Reducing of costs, and rationalization of procurement activities and improvement of their efficiency
CS Promotion Committee	Analyzing customers' opinions, and improving services, and the like
Crisis Management Committee	Measures to be taken in case of emergencies such as disasters, and the like



Japan Post believes that compliance is one of its most important management issues and is striving to ensure observance. We strive to put compliance into practice in daily work to gain the customers' trust (society's trust). "Compliance" does not simply refer to observance of laws, regulations and rules. All Japan Post executives and employees observe such laws as a matter of course and also strive to practice ethical behavior, observe social mores, morals and manners, as well as act in an equitable manner.

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

## 1. Establishment of Compliance Policies

Japan Post has established the compliance policies outlined below:

(1) Japan Post Basic Compliance Policy

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

(2) Guidelines for Provision of Products and Services

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

(3) Japan Post Compliance Program

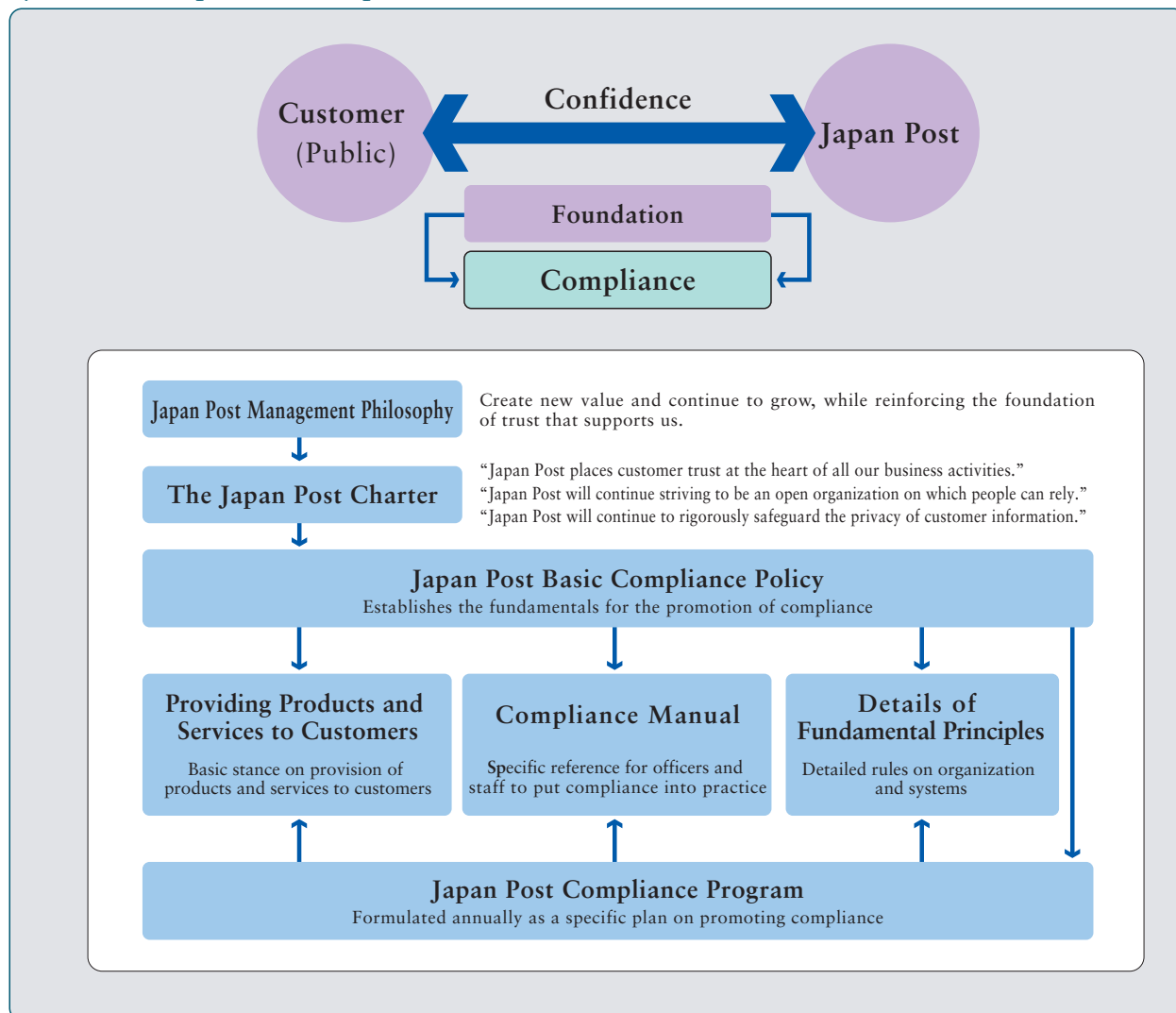
Based on (1), the Compliance Program establishes specific plans to promote compliance and is formulated on an annual basis.

(4) Compliance Manual

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

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

## System of Compliance Principles



## Guidelines for Provision of Products and Services

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

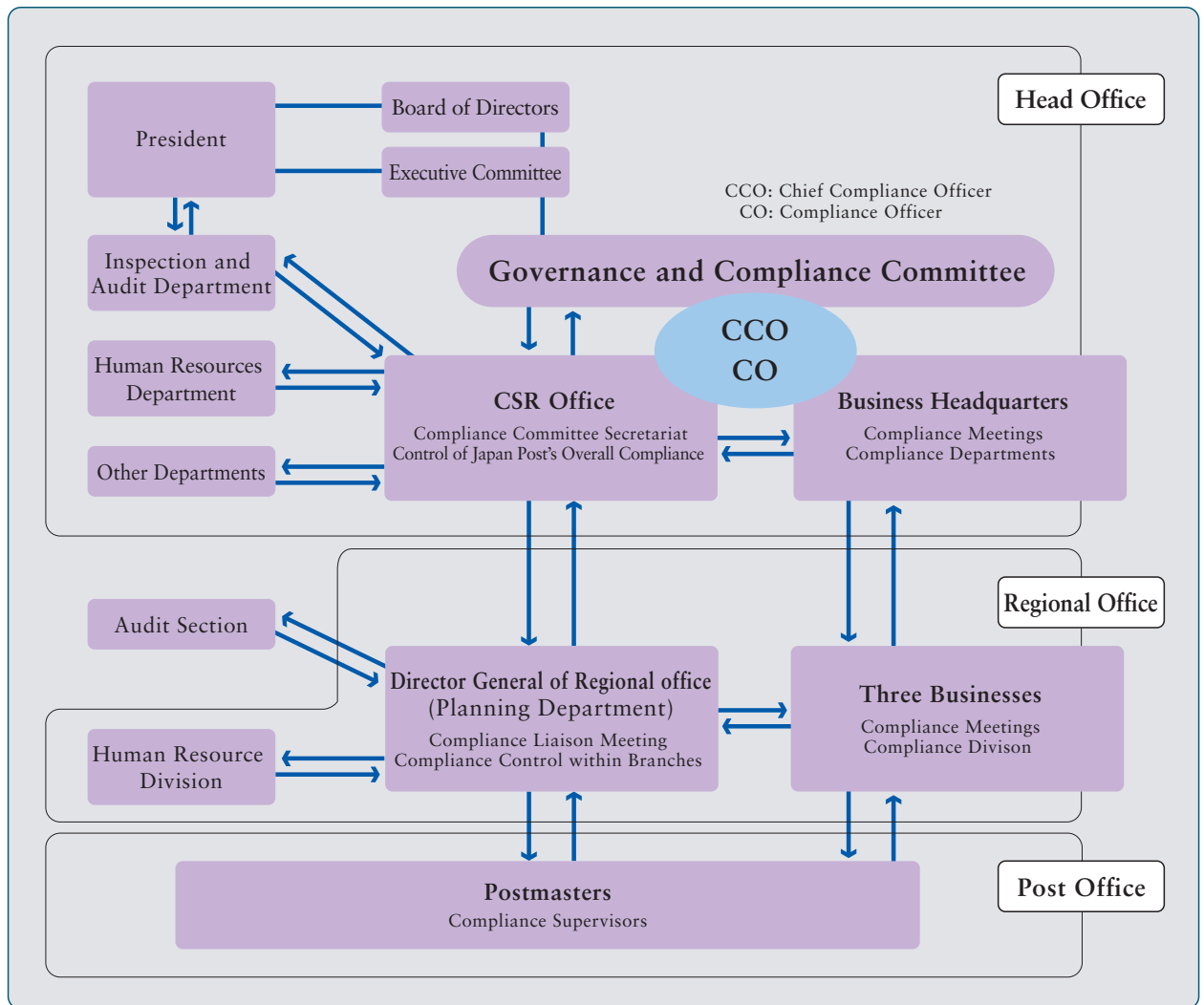
1. We shall seek to meet customer needs by providing products and services in an appropriate manner.
2. We shall endeavor to provide information that leads to an adequate understanding of the content of goods and services so that customers are able to make their own choices.
3. We shall not give out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

## 2. Creating a System for Compliance Promotion

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

Compliance Officers (CO) were also appointed at the headquarters' CSR Office and the three business departments to take responsibility for controlling the promotion of compliance efforts, and a compliance supervisor was appointed in each organization.

Compliance Promotion System Chart



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

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

## Policy on the Handling of Personal Data

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

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

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

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

## 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 the 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 check and balance from the risk management viewpoint. The risk management in the postal savings business is discussed at the Risk Management Committee, established in the Financial Business Headquarters under the control of the Director General of the Financial Business Headquarters, and at the Postal Savings Risk Management Committee under the control of the Director General of the Postal Savings Business Department.

### EFFORTS TO SUSTAIN SOUND MANAGEMENT

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

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

## MEASURING CORPORATE VALUE FLUCTUATION RISK

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

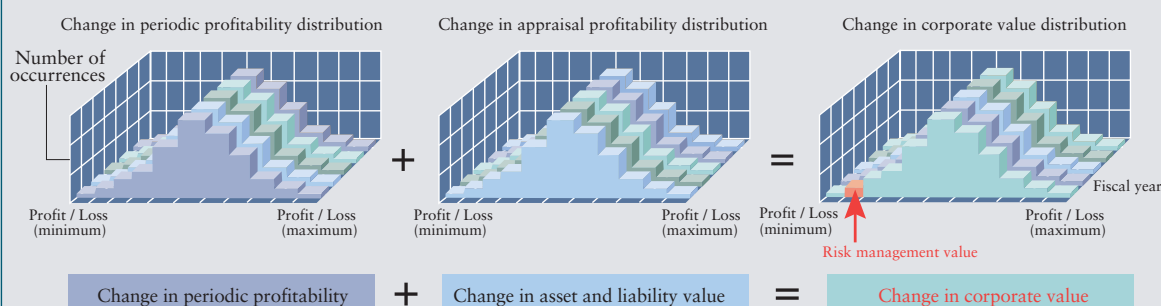
Specifically, future assets and liabilities are calculated based on scenarios generated from 10,000 randomly generated interest rates, exchange rates and share prices. Simulating fluctuations in periodic profits and losses and asset values enables Japan Post to gain a quantitative and probabilistic understanding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

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

Note 1: The postal savings' risk management model that practically measures CEVaR is called "RaVEC (trademark)."

Note 2: "CEVaR (based on the balance sheet)" is the sum of the "difference in assets and liabilities at establishment," "retained earnings (or losses)," and "differences in valuation losses on other securities" (corresponding to capital in the balance sheet of the financial statements).

### Determining Corporate Value Fluctuation Risk



### Results of Measurements of Corporate Value Fluctuation Risk (at End of March 2005)

	End of FY 2005	End of FY 2006	End of FY 2007
Worst 95% CEVaR (based on the balance sheet)	5,261.8 billion yen	5,861.6 billion yen	6,633.2 billion yen

Note 1: The figures for each fiscal year correspond to capital in the balance sheet of the financial statements). 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 (based on the balance sheet) is the sum of the "difference in assets and liabilities at establishment," "retained earnings (or losses)," and "differences in valuation losses on other securities" (corresponding to capital in the balance sheet of the financial statements), and represents the 9,500th value starting from the positive values among the 10,000 simulation results.

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

(End of March 2005)

Factor	Asset (impact on financial statements)	Balance	Sensitivity	
Interest rate	Bonds held until maturity	102trillion yen	+ 0.1%	- 396 billion yen
	Other securities (balance sheet)	30 trillion yen	+ 0.1%	- 88 billion yen
Foreign exchange	Foreign currency denominated bonds (balance sheet)	3 trillion yen	10 yen appreciation	- 237 billion yen
	Stocks (P/L)	3 trillion yen	10 yen appreciation	- 83 billion yen
Share prices	Stocks (P/L)		- 1,000 yen	- 202 billion yen
			- 1,000 \$	- 92 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).

## EFFORTS TO MAINTAIN CONFIDENCE

In order to maintain customers’ confidence in the postal savings business, it is important to successfully manage the “operational risks” associated with the business, which consist of market risk, liquidity risk, system risk, and administration risk. We identify risks using a risk evaluation sheet for every operation process, understanding the causes of the risks and the current risk management system. A risk map is used to measure the frequency with which a risk occurs and the extent of its impact is categorized, in order to decide which “risks need to be managed.”

We are striving to reduce “risks need to be managed” by setting up management systems that go beyond the previous operations management.

Furthermore, we manage market and liquidity risks by setting their limits depending on the nature of these risks, by deciding upon the amount of their fluctuation and their maximum value, while selecting business partners in accordance with internal rating standards.

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

### Market Risk

Market risk indicates the risk of loss due to improper management or management standards relating to market transactions (procurement, investment, and investment consignment) and ALM operations.

Specific risk management is as follows:

#### - ALM risk management

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

#### - Credit risk management

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

#### - Management of investment consignment risk

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

### Liquidity Risk

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

### System Risk

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

### Administration Risk

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

## 3. Risk Management in Postal Life Insurance Business

The Postal Life Insurance Service is entrusted with the important funds 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 an 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.

The risk management in the postal life insurance business is discussed in the Risk Management Committee, established in the Financial Business Headquarters under the control of the General Manager for the Financial Business Headquarters, and at the Postal Life Insurance Risk Management Committee under the control of the General Manager for the Postal Life Insurance Business Department.

## 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.

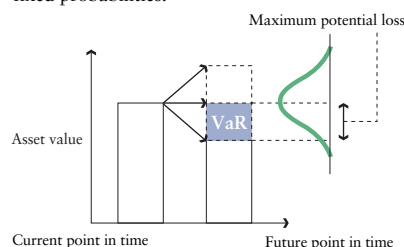
#### - Market Risk

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. 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.

Value at Risk (VaR) is the maximum potential loss (amount of risk) for assets held that might be incurred based on fixed probabilities.

#### Value at Risk (VaR)

is the maximum potential loss (amount of risk) for assets held that might be incurred based on fixed probabilities.



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

(End of March 2005)

Factor	Asset	Balance	Sensitivity	
Interest rates	Bonds held until maturity	22 trillion yen	+0.1%	[-106 billion yen]
	Bonds to cover premium reserves	52 trillion yen	+0.1%	[-275 billion yen]
	Other (balance sheet)	12 trillion yen	+0.1%	-40 billion yen
Foreign exchange	Foreign currency-denominated bonds (balance sheet)	3 trillion yen	10 yen appreciation	-292 billion yen
	Foreign stocks (balance sheet)	1 trillion yen	10 yen appreciation	-126 billion yen
Share prices	Domestic stocks (balance sheet)	4 trillion yen	-1,000 yen	-379 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.

### System Risk

System risk results in losses due to failures of information systems, unauthorized use of them, and the like.

In the postal life insurance business, we have 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 goes down. We have also formulated a manual with guidelines on responding to severe interruptions in our computing system. Thus we have established a structure enabling a quick response to system risks. Furthermore, we carry out a variety of security measures and strive to thoroughly protect information assets, based on the Japan Post's Policy on Information Security.

## 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 offices 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 offices 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.

## 8 Efforts of JPS

### 1. Postal Service

#### OUR PAST EFFORTS

Japan Post has been striving to improve productivity and security and provide quality services to customers by reviewing the entire process of operations, from the receipt of mail right through to its delivery, and has also made efforts to eliminate waste, irregularities and irrationalities from the system. To achieve this, we have applied JPS to Koshigaya Post Office in Saitama Prefecture since January 2003, and we have divided 1,001 post offices nationwide that were engaged in postal collection and delivery operations into three groups (A, B and C). Through these measures, we are now working on the following measures:

- **Thoroughly implementing a custom of tidying up and cleaning**

We will thoroughly implement a custom of tidying up and cleaning, which is the basis of creating a comfortable, safe and efficient working environment.

- **Measurement of workload: standardization of work**

We divided the sorting of mail items and other operations into a certain time period (e.g. 15 minutes) so that we can get an idea of the working hours needed when we standardize our working process.

- **Clarifying deadlines and prioritizing work**

We will make efforts to perform appropriate work in time and without errors, by attaching flags on transportation containers for mail items (see the photos below), which indicate the work deadlines, and by attaching plates to mail items to separate them into workload units.

We have achieved the following as a result of implementing the target of Fiscal 2004 “10% increase in productivity for Fiscal 2005 (reduction of working hours year-on-year)”:

We have achieved a 9.1% increase in productivity as a whole (10.4% at Koshigaya Post Office; a cumulative improvement of 29.2% since the start of the measures). (Group A: 10.4% (a cumulative improvement of 21.2% since the start of the measures); Group B group: 10.7%; Group C: 8.0%).

In terms of service quality, we have increased our efforts to be punctual in our operations for sorting parcels and eliminating misdeliveries by attaching flags to transportation containers that indicate deadlines. As a result, misdeliveries were reduced to 67.8% of the previous year's levels.

Note: Group A consists of 30 post offices including Koshigaya Post Office; Group B consists of 177 post offices and Group C consists of 794 post offices.

## THIS YEAR'S EFFORTS

For Fiscal 2005, we have designated 108 post offices in 50 areas as core post offices to further promote JPS. Together with neighboring post offices, these core post offices will make determined efforts to achieve the goal of improving productivity, security and service quality through the individual efforts of participating post offices, based on the know-how they obtained through the experience of participating in JPS.

### EXAMPLE OF INDIVIDUAL WORK IMPROVEMENT

Photos 1) & 2) : Divide the mail items to be sorted into 15 minute workloads for each container, to clarify the working hours needed. In addition, to clarify the working order, a plate is attached to each container, displaying the work's deadline.

Photo 3) : Attach flags displaying the process time of mail-sorting in large letters to containers (pallets) so that it is possible to tell from a distance whether or not there are any delays.



Photo 1)



Photo 2)



Photo 3)

## 2. Postal Savings Business

Our aim is to strengthen management base by encouraging our postal saving employees to examine workplace administrative processes and operating environments, so that they can use creativity and ingenuity to make continuing efforts to improve operations, streamline procedures, increase productivity and promote cost reduction.

By repeatedly implementing the above efforts, we will improve our operation quality, customer services, and create a workplace that provides job satisfaction.

### SPECIFIC EFFORTS AT POST OFFICES

Ensuring a flow line between post office counters and the desks of employees engaged in assisting paperwork has made it easier for these employees to provide assistance, leading to reduced waiting times for customers and improved efficiency of clerical work.

Before improvement



After improvement



(Ensuring a flow line)

## SPECIFIC EFFORTS AT POSTAL SAVINGS OPERATIONS CENTERS

By using cases that can store 60 floppy disks (FDs), we have improved the efficiency of preparing and accepting checking work.

Before improvement



After improvement



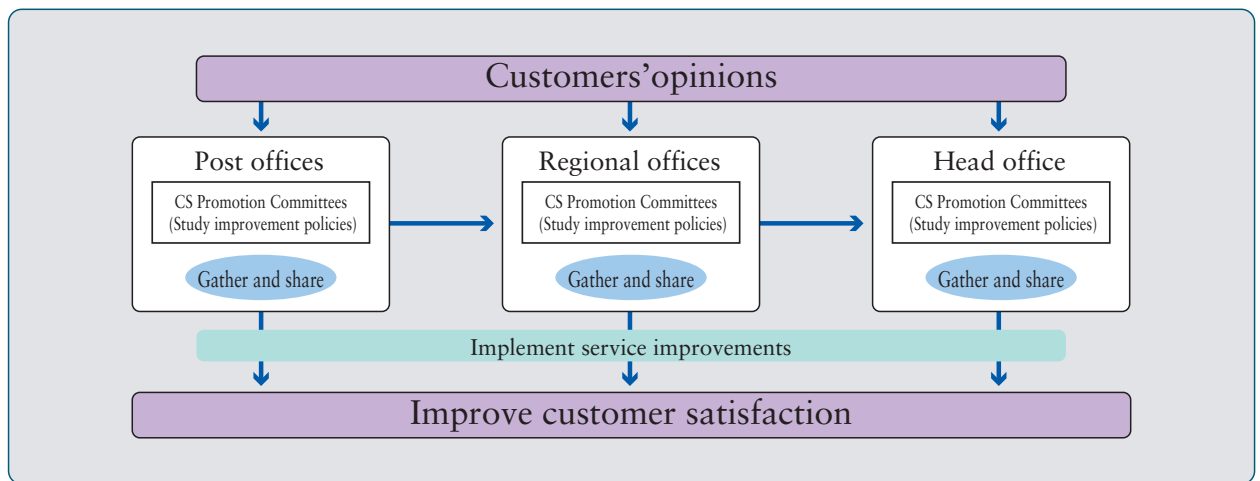
## 3. Postal Life Insurance Business

In the Postal Life Insurance business, employees are making efforts to implement JPS (efforts to improve productivity using the Toyota Production Method) by repeatedly using creativity and ingenuity and implementing PDCA (Plan Do Check Action) to further improve and reform operations, upgrade customer services, enhance operation quality and increase productivity to strengthen and enhance management foundation.

During Fiscal 2004, we implemented JPS at all Postal Life Insurance Operations Centers and experimented with some offices. In Fiscal 2005, we will promote JPS by developing the system at post offices throughout the nation.

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

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





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

## 1. Leasing of Space in Post Office Buildings

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

Lease period	Details of Lease	Participating Post Offices
May 2003	Gallery, concert hall	Shimonoseki Nanbu-cho Post Office
June 2003	Summer gift season sales counter	Nagoya Naka Post Office Chikusa Post Office Kasugai Post Office
August 2003	Convenience store (Lawson)	Yoyogi Post Office Aobadai Post Office
October 2003	Tourist goods sales counter	Kakunodate Post Office
October 2003	Stationery sales counter	Sendai Central Post Office
November 2003	Stationery sales counter	Nagano Central Post Office
November 2003	Japanese confectionery sales counter	Matto Post Office
November 2003	Year-end gift sales counter	Hongo Post Office Asakusa Post Office Adachi Kita Post Office
November 2003	Hometown goods sales counter	Hiroshima Higashi Post Office
August 2004	Convenience store (Lawson)	Japan Post Hokkaido Office
October 2004	Convenience store (am/pm)	Hongo Post Office
April 2005	PR corner of Shizuoka green tea	Shizuoka Central Post Office



## 2. Development of Soft Drink Vending Machines at Post Offices

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

### Vending Machine Features:

A good mix of products without bias toward any particular manufacturer, offers customers a diverse choice  
A unique color design (five colors) based on a traditional Japanese style

The latest in energy-saving technology ensures the machines are environmentally friendly

There is a space immediately below the drinks window for attaching post office notices, and the like



## 1. Alliances with Convenience Stores

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

### List of Tie-ups

Date implemented	Overview	Tie-up partners
January 2003	Post boxes established in all Lawson stores nationwide (about 7,700 outlets)	Lawson, Inc.
December 2003	Post boxes established in Circle K and Sunkus stores located in Aichi, Gifu, Shizuoka and Mie Prefectures (about 1,400 outlets)	Circle K Sunkus Co., Ltd. (Newly formed)
April 2004	Post boxes established in Circle K and Sunkus stores located in prefectures other than Aichi, Gifu, Shizuoka and Mie Prefectures (about 3,300 outlets)	Circle K Sunkus Co., Ltd. (Newly formed)
June 2004	Pilot program for Yu-Pack pick-up introduced at a few directly operated am/pm stores (10 outlets in Tokyo) and Daily Yamazaki stores (16 outlets in Tokyo) Post boxes also established in those stores	am/pm Japan Co., Ltd. Daily Yamazaki Co., Ltd.
August 2004	Introduced a 24-hour pick-up service for postal items, such as registered mail and parcels that were not able to be delivered due to the recipient not being at home, at “full-time boxes” established at some of the am/pm stores (30 stores in Tokyo)	am/pm Japan Co., Ltd.
November 2004	Introduced Yu-Pack pick-up service at Lawson stores nationwide (about 7,900 outlets)	Lawson, Inc.
June 2005	Introduced Yu-Pack pick-up service at Ministop stores nationwide (about 1,700 outlets) and am/pm stores in Tokyo (about 700 outlets) and Daily Yamazaki stores in Tokyo (about 200 outlets) Post boxes established in Ministop stores and Daily Yamazaki stores nationwide	Ministop Co., Ltd. am/pm Japan Co., Ltd. Daily Yamazaki Co., Ltd.
July 2005	Post boxes established in am/pm stores in Ibaraki, Tochigi, Gunma, Saitama, Chiba, Tokyo, Kanagawa and Yamanashi Prefectures (about 850 outlets)	am/pm Japan Co., Ltd.



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

A tie-up between Japan Post and Oriental Land was signed in December 2003, and the following activities were implemented:

- 1) Starting March 2004, the Oriental Land mail order catalogue “many many” became available at all post offices nationwide.
- 2) Also, on May 5, 2004, Oriental Land launched Kodomo Post House for the sale of stamps and postcards, acceptance of Yu-Pack parcels, and sale of original goods for children.



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. (Revised in April 2005)

In addition, we set up an Environmental Committee as an ad hoc committee. 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.

## 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 2005 Eco Action Plan (formally known as "Fiscal 2005 Environmental Action Plan") is a fiscal plan that outlines targets and specific measures for the fiscal year to support efforts to achieve The Japan Post's Eco Plan.

Under these plans, Japan Post has specified the targets and measures of cutting CO<sub>2</sub> emissions generated by its business activities, by 2.2% in the Japan Post's Eco Plan and by 1.0% in the Fiscal 2005 Eco Action Plan, over Fiscal 2002, as well as making numerical targets and measures for reducing electricity consumption, photocopier paper and the use of waterworks.

### (1) REDUCTION IN ENVIRONMENTAL BURDENS (OVERALL)

Outline of The Japan Post's Eco Plan (target period: fiscal 2004-2006)		Outline of The Fiscal 2005 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

## (2) EFFORTS TO DECREASE ENVIRONMENTAL BURDENS

Outline of The Japan Post's Eco Plan (target period: fiscal 2004-2006)		Outline of The Fiscal 2005 Eco Action Plan
Area	Targets (points to be achieved over three years)	Targets to achieve
1. Energy and resource conservation	<p><b>Conservation of energy, such as electricity and gas, at facilities</b></p> <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> <p><b>Conserve resources such as paper and water</b></p> <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>	<ul style="list-style-type: none"> <li>• Cut electricity consumption by 5% (relative to fiscal 2002 levels [same below])</li> <li>• Reduce fuel consumption by 6%</li> <li>• Ensure promotion of energy conservation at 683 sites that have undergone energy conservation assessment</li> <li>• Cut the use of copy paper (per employee) by 12.5%</li> <li>• Reduce use of waterworks by 5%</li> </ul>
2. Upgrading post offices	<p><b>Set up post offices that are environmentally friendly (Eco Post Office) (CO<sub>2</sub> emissions per floor area)</b></p> <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>	<p>(CO<sub>2</sub> emissions per floor area)</p> <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	<p><b>Targets for specified procurement goods referred to in the Law on Promoting Green Purchasing</b></p> <ul style="list-style-type: none"> <li>• 100% target for all commodities</li> </ul> <p><small>* Law concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities</small></p>	<p><b>Targets of 100% for specified procurement goods</b></p> <p>(However, 1-ton trucks, refrigerated vehicles and other cases where it is not possible to buy the appropriate type of vehicle, are all excluded from the automobile category)</p>
4. Logistics	<p><b>Encouragement of environment-friendly distribution by introducing low-emission vehicles and shifting to a distribution system</b></p> <ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions by 4.1% for each ton of postal matter</li> <li>• Cut total nitric oxide (NO<sub>x</sub>) emissions by 6.3% in light four-wheel vehicles owned by Japan Post</li> </ul>	<ul style="list-style-type: none"> <li>• For light four-wheel vehicles for mail pickup (excluding refrigerated vehicles), the entire fleet was switched to low-fuel consumption and ultralow-emission (☆☆☆) vehicles</li> <li>• For 2-tons trucks (excluding refrigerated vehicles), the entire fleet was switched to hybrid vehicles</li> <li>• For 1-ton trucks, the entire fleet conformed to the Automobile NO<sub>x</sub> PM Control Law and control on exhaust emissions from diesel-powered vehicles in the Tokyo Metropolitan area</li> <li>• Promote eco-friendly drive</li> <li>• Improve load efficiency of transportation vehicle</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	Encourage environmental conservation activities in local communities	Encourage activities that contribute to the environment and the community

Note: Please refer to the Japan Post's environment website for the more information on the Japan Post's Eco Plan and the Fiscal 2005 Eco Action Plan (<http://www.japanpost.jp>)

### (3) FOUNDATION FOR PROMOTION OF ENVIRONMENTAL POLICIES

Overview of The Japan Post's Eco-Plan (target period: fiscal 2004-2006)		Outline of The Fiscal 2005 Eco Action Plan
Area	Targets (points to be achieved over three years)	Targets to achieve
1. Promotional system	<b>Implement regular environmental conservation patrols and self-checks to establish and upgrade environmental measures at the Japan Post head quarters, regional offices and post offices.</b>	<ul style="list-style-type: none"> <li>Designate personnel responsible for and in charge of promotion of environmental conservation measures</li> <li>Total practice of regular (four times a year) environmental conservation patrols, at workplaces</li> <li>Check 70% or more of all the check items for environmental conservation patrol</li> <li>Employees conduct regular self-checks (twice a year) using a self-check sheet. Ensure 80% or more of employees participate in these self-checks</li> </ul>
	<b>Build and operate the environmental management system to autonomously deal with environmental measures on a continuous basis</b> <ul style="list-style-type: none"> <li>Attain ISO14001 certification at model post offices (Noda Post Office in Chiba prefecture, Hirakata-Higashi Post Office in Osaka prefecture)</li> <li>Prepare manual based on the environmental management system created at model post offices and expand to all post offices</li> </ul>	<ul style="list-style-type: none"> <li>Attain ISO 14001 certification at 25 pilot offices under the environmental management system created by model post offices</li> <li>Based on the environmental management system created by model post offices, expand the penetration and establishment of a simplified manual to post offices nationwide</li> </ul>
2. Education and training	<b>Promotion of training in environmental matters for employees and heightened awareness of environmental matters in the workplace</b>	<ul style="list-style-type: none"> <li>Addition of environmental education to training topics</li> <li>Run an environmental article in "Yusei" magazine (once a month)</li> <li>Use Japan Post's "Environmental Grand Prize" to pay tribute to post offices and showcase especially praiseworthy examples</li> <li>Celebrate environment month events (June)</li> </ul>
3. Public Relations	<b>Actively disseminate Japan Post's environmental efforts through the environmental report and website</b>	<ul style="list-style-type: none"> <li>Prepare an environmental of social report (tentative title)</li> <li>Expand the environmental Website and intranet step-by-step</li> <li>Research a method of introduction and partially introduce environmental accounting</li> <li>Examine effective PR methods such as marking "hybrid vehicle" on the bodies of hybrid vehicles and displaying an "eco post office" notice in the customer lobby space</li> </ul>
4. Understanding environmental burdens and so on	<b>Build a system to compile data on environmental burden and so on</b> <b>Quantitatively understand the generation status of the environmental burden of Japan Post as a whole</b>	<ul style="list-style-type: none"> <li>Build a system for compiling data on the environmental burden and so on of Japan Post as a whole, connecting the headquarters, regional offices and post offices, and understand corporation-wide data on this environmental burden and so on (Input data at post offices and so on)</li> </ul>

Note: Please refer to the Japan Post's environment website for the more information on the Japan Post's Eco Plan and the Fiscal 2005 Eco Action Plan (<http://www.japanpost.jp>)

## 2. Topics on Environmental Measures

### (1) ATTAINMENT OF ISO14001 CERTIFICATION

As part of environmental conservation activities based on The Japan Post Declaration on the Environment, Noda Post Office in Chiba Prefecture and Hirakata-Higashi Post Office in Osaka Prefecture attained ISO14001 certification, an international standard of environmental management system (EMS), for the first time as post office in August 2004. (We have already attained ISO14001 certification at Izukogen Postal Life Insurance Recreation House in 2002 as Japan Post.)

Based on the environmental management system created by the above post offices, we will prepare a simplified manual and expand it to other post offices, promoting corporation-wide eco-friendly activities.

### (2) EQUIPPING LOW-EMISSION VEHICLES

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

In Fiscal 2004, Japan Post equipped 2,364 light four-wheel vehicles (excellent-low emission vehicle (☆☆)) and 32 2-ton trucks (diesel vehicles with low gas emissions, conforming to environmental by laws in Tokyo city, Kanagawa Prefecture, Chiba Prefecture and Saitama Prefecture).

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

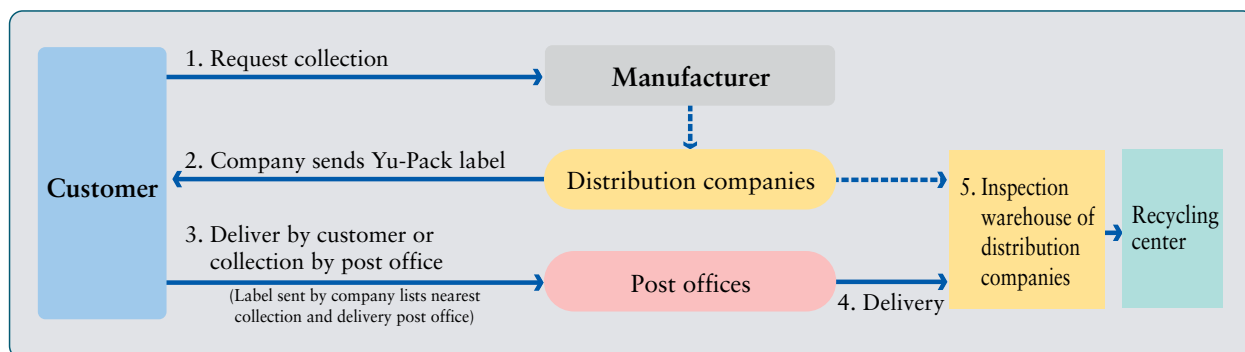
To help conserve forest resources and preserve the global environment, Japan Post has issued postcards made of recycled paper since 1993 for traditional summer greeting cards, since 1996 for New Years’ cards, and since 2003 for conventional postcards and reply-paid postcards.

### (4) USE OF YU-PACK FOR ITEMS COLLECTED IN HOUSEHOLD PC RECYCLING SYSTEM

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

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

The number of used home computers we collected for recycling was about 230,000 in Fiscal 2004. (Source: PC 3R Promotion Center)





## (5) 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 (pay service). The cities, towns and villages using this service are listed below.

As of the end of fiscal 2004

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

## (6) 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



Odawara-Higashi Post Office  
External view

## (7) POST OFFICE ACTIVITIES

Post offices across Japan strive to conserve energy and resources in order to reduce the impact on the environment. As part of a social contribution in the environmental field, 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 local people from Naojima-cho volunteer to plant trees at a forest fire site, with the aim of recovering the trees that were lost in a forest fire at Naojima-cho, Kagawa Prefecture in January 2004. (February 26, 2005)  
(180 employees of East Kagawa regional post offices participated in this event.)

## Furusato (Hometown) Parcels

Furusato Parcels 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.



## 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 locally-themed regional postage stamps, picture postcards (produced by the Postal Services Agency), Furusato Parcels and attractive letter-writing sets are also sold.



## 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, by sending an application form available at post offices or by sending the form via a special facsimile which is provided in post offices, 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 transfers, or postal money orders. 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.

## Responsibilities to Local Governments

Post office counters are now involved in issuing identification, such as copying residence certificates, and also selling bus coupon tickets. External postal employees also provide information on the illegal disposal of waste. 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 2005

Number	Services	Municipalities	Post offices
1	Clerical work for issuing certificates	110	396
2	Counter services on consignment	132	2,070
(1)	Sales on consignment (Sales of public bus coupon tickets, bus passes, train passes, and the like)	127	1,012
(2)	Issuance on consignment (Issue of bus passes, and the like)	7	1,215
(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	30	53
(1)	Checking of living conditions of elderly people	23	34
(2)	Ordering daily necessities, receiving and delivering books that are to be lent out	0	0
(3)	Provision of information on illegal dumping of waste	9	24
Total		253	2,479

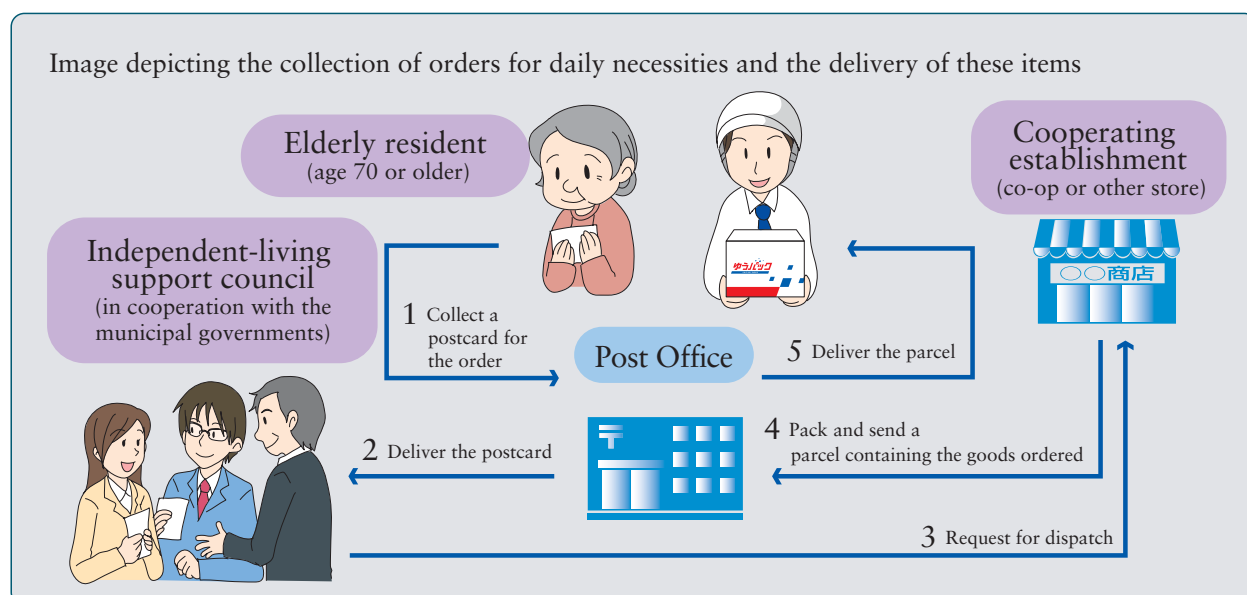
Note 1: The figures in "Checking of living conditions of elderly people (free of charge)," "Provision of information on illegal dumping of waste (free of charge)" and "Ordering daily necessities, receiving and delivering books that are to be lent out (ordering service via postcard)" exclude duplications.

Note 2: The figures in "2 Counter services on consignment," "2 (1) Sales on consignment" and "4 Services to be performed by using door-to-door postmen" exclude duplications.

## 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.

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. Another component of Himawari Services is the periodic distribution of cheerful messages from schoolchildren and other well-wishers. 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 194 municipalities as of March 31, 2005.



## Municipal Governments Implementing Himawari Service

As of March 31, 2005

Branch	Prefecture	Municipal Government
Hokkaido (12)	Hokkaido	Churui-mura, Shibecha-cho, Kuromatsunai-cho, Asahi-cho, Otaki-mura, Hamamasu-mura, Hakodate-shi, Horokanai-cho, Numata-cho, Okushiri-cho, Tomari-mura, Bifuka-cho
Tohoku (21)	Akita	Futatsui-machi, Minehama-mura, Kosaka-machi, Hachimori-machi, Omonogawa-machi, Kita Akita-shi
	Fukushima	Tamura-shi, Atsushikano-mura, Tajima-machi, Aizu Takada-machi
	Aomori	Tago-machi, Sotogahama-machi, Ikarigaseki-mura, Nakadomari-machi, Towada-shi
	Iwate	Hanaizumi-machi, Yamagata-mura, Daito-cho, Kuzumaki-machi, Fujisawa-cho
	Yamagata	Hirata-machi
Kanto (14)	Saitama	Ryokami-mura
	Ibaraki	Shirosato-machi, Hitachi Omiya-shi
	Gunma	Numata-shi, Kanna-machi, Ueno-mura, Kurabuchi-mura, Onogami-mura
	Chiba	Wada-machi, Shirahama-machi, Tomiura-machi, Maruyama-machi
	Tochigi	Ashio-machi, Bato-machi
Minami-Kanto (6)	Yamanashi	Yamanashi-shi, Hayakawa-cho, Ashigawa-mura, Kamikuishiki-mura, Yamato-mura, Tabayama-mura
Shinetsu (17)	Niigata	Joetsu-shi, Kawaguchi-machi, Uonuma-shi, Nagaoka-shi, Tochio-shi, Sado-shi
	Nagano	Wada-mura, Ikusaka-mura, Yasaka-mura, Shiojiri-shi, Nakagawa-mura, Kami-mura, Sakae-mura, Tenryu-mura, Koumi-machi, Agematsu-machi, Hase-mura
Hokuriku (7)	Toyama	Nanto-shi
	Ishikawa	Nanao-shi, Monzen-machi, Hodatsushimizu-cho, Noto-machi
	Fukui	Minami Echizen-machi, Natasho-mura
Tokai (16)	Gifu	Takayama-shi, Ibigawa-machi, Seki-shi
	Shizuoka	Nakakawane-cho, Tatsuyama-mura, Honkawane-cho, Yui-cho, Sakuma-cho
	Aichi	Shimoyama-mura, Asahi-cho, Asuke-cho
	Mie	Nansei-cho, Nanto-cho, Kiwa-cho, Matsuzaka-shi, Miyagawa-mura

Branch	Prefecture	Municipal Government
Kinki (18)	Shiga	Takashima-shi
	Kyoto	Miyama-cho
	Hyogo	Onsen-cho, Toyooka-shi, Kami-cho, Shiso-shi
	Nara	Soni-mura, Nishiyoshino-mura, Muro-mura
	Wakayama	Hidakakawa-cho, Susami-cho, Kitayama-mura, Tanabe-shi, Hanazono-mura, Shimizu-cho, Hiokigawa-cho, Kanaya-cho, Kozagawa-cho
Chugoku (14)	Tottori	Chizu-cho, Kofu-cho
	Shimane	Izumo-shi, Masuda-shi, Onan-cho, Kanagi-cho, Iinano-cho
	Okayama	Ihara-shi, Misaki-cho, Maniwa-shi, Mimasaka-shi
	Hiroshima	Kita Hiroshima-cho, Miyoshi-shi
	Yamaguchi	Shimonoseki-shi
Shikoku (18)	Kochi	Ino-cho, Taisho-cho, Okawa-mura, Towa-mura, Mihara-mura, Niyodo-mura, Monobe-son
	Tokushima	Kamikatsu-cho, Mima-shi, Yuki-cho, Sanagochi-son, Naka-cho
	Ehime	Ikata-cho, Seiyo-shi, Ainan-cho, Imabari-shi, Kumakogen-cho, Ozu-shi
Kyushu (48)	Fukuoka	Joyo-machi, Kurogi-machi, Yamada-shi, Yabemura, Hoshino-mura, Akaike-machi, Shonai-machi
	Saga	Sefuri-mura, Ariake-cho, Taku-shi, Yobuko-cho
	Nagasaki	Tsushima-shi, Iki-shi, Kita Arima-cho, Minamiarima-cho, Sakito-cho, Chijiwa-cho, Shinkamigoto-cho
	Kumamoto	Mizukami-mura, Misato-machi, Ubuyama-mura, Amakusa-machi, Itsuwa-machi, Oguni-machi, Kuma-mura, Sumoto-machi
	Oita	Musashi-machi, Nakatsu-shi, Takeda-shi, Hita-shi, Bungotakada-shi, Bungoono-shi, Usa-shi
	Miyazaki	Aya-cho, Gokase-cho, Togo-cho
	Kagoshima	Fukuyama-cho, Bonotsu-cho, Uken-son, Kasasa-cho, Oura-cho, Satsuma-cho, Tatsugo-cho, Azuma-cho, Satsumasendai-shi, Kirishima-cho, Osaki-cho, Tokunoshima-cho
	Okinawa (3)	Ogimi-son, Yonaguni-cho, Tarama-son
Total		194

## Disaster Management Agreement with Local Authorities

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 2004, agreements had been concluded with 1,976 municipalities), agreeing to request reciprocal cooperation as needed in states 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



## 1. Social Welfare Contributions

### IMPLEMENTING POSTAL SERVICES THAT HELP PROMOTE SOCIAL WELFARE

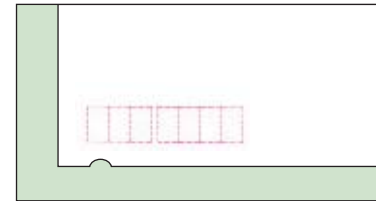
#### Postage Discounts for the Disabled

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 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 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). (from around April 20 to end of March, 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 were issued for the New Year in 2005, with a portion of sales going to charity. (A total of 4,036.14 million non-charity New Year's greeting postcards were issued separately.) In addition, 50 million 53-yen (fixed price) and 3.5 million 83-yen (fixed price) New Year's postage stamps that featured a New Year's gift and charity donation were issued for the New Year in 2005.

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

The proceeds raised through the sales of New Year's greeting postcards and postage stamps that feature a charity donation are donated to organizations involved in a variety of socially aware 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 featuring charity donations for the New Year in 2005 (around 877.32 million yen) were allocated to 427 separate organizations.

### Allocation of Contributions

(New Year's greeting postcards with lucky New Year's gifts and New Year's postage stamps with New Year's gifts and charity donations issued for the New Year in 2005)

Unit: group, 10 thousand yen

Organizational objectives	No. of groups	Amount allocated
Promotion of social welfare	388	77,725
Aid for victims of storms, foods, earthquakes and other disasters; prevention of damage from such disasters	1	109
Scientific research, treatment and/or prevention of cancer, tuberculosis, polio and other particular diseases	8	3,619
Treatment and other aid for atomic bomb victims	1	87
First aid and other life-saving for victims of traffic accidents and drownings; prevention of such incidents	2	1,400
Preservation of cultural assets	2	415
Social training to foster the healthy development of young people	14	2,430
Promotion of sports for health maintenance	2	246
Support for foreign students and trainees from developing countries	1	80
Projects aimed at conserving the natural environment (Note 1)	8	1,620
Total (Note 2)	427	87,732

Note 1: Denotes environmental preservation regarding observed environmental changes that occur extensively and on a large scale, not only throughout Japan, but also overseas.

Note 2: Figures in items are rounded and may not equal the total figure for each item.



## NEW WELFARE TIME SAVINGS

The New Welfare Time Savings is a one-year time deposit designed to reduce the financial burdens on people with disabilities or for surviving family members of a deceased person, under the current 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, 2006.

Item	Description
Depositor	Beneficiaries of the following pension plans and allowances - Disability basic pension and Survivor's basic pension - Disability employees' (mutual) pension and Survivors' employees' (mutual) pension - Child-raising allowances and Atomic bomb survivors' allowances - Disability and survivors' benefits and Relief pension based on Public Servant's Pension Law
Period	Until February 28, 2006
Deposit ceiling	¥3 million
Interest rate	0.3% higher than Time Savings with a maturity period of one year

Note: Additional interest rates dropped from 0.5% to 0.3% from March 1, 2005.

### Current Status of New Welfare Time Savings

April 2004 to March 2005

Number of accounts	1,203,000
Amount of deposits	¥2,238.1 billion

## 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 2004 to March 2005

Number of accounts	1,997
Amount of deposits	¥3.16 billion

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
Type of savings	Time Savings (excluding New Welfare Time Savings)
Ceiling for total amount	¥5 million
Interest rate	Interest rate of Time Savings + Additional interest (See Note)
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)

Note: Additional interest is 20% of interest rate of Time Savings (with a 0.2% minimum and a 1.0% maximum)

## 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, 2005)

Number of users	2,550
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## BRaille SERVICES

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

### Postal Savings Account Statements Braille Service (3,426 users in fiscal 2004)

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 (3,342 users in fiscal 2004)

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 (958 users in fiscal 2004)

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 (3,377 issued till fiscal 2004)

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, 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 card 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

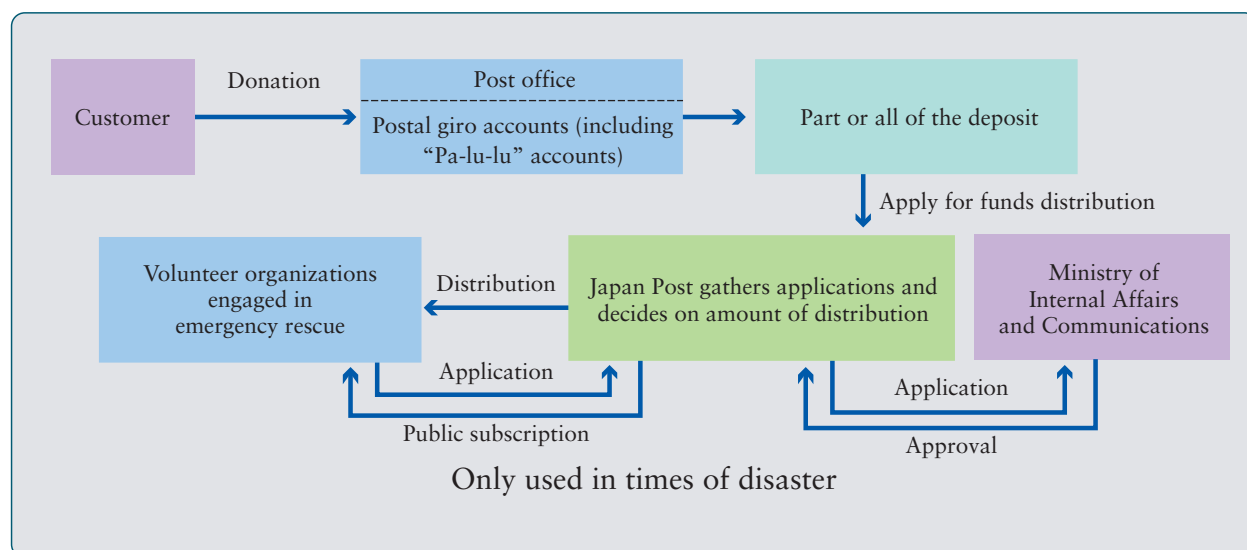
Remittance of donations to the Japanese Red Cross Society, community chest organizations, and local governments to help those affected by earthquakes or other natural disasters is handled free of charge.

### Donations Handled for the Period of Fiscal 2004 (at the End of March 2005)

Disaster	Period handled	Number of cases	Amount
Great Hanshin-Awaji Earthquake	January 17, 1995 — March 31, 2005	189	1.8 million yen
Miyakejima, Niijima, Kozushima offshore earthquake	Since July 24, 2000 (continuing)	4,149	75.32 million yen
Heavy Rain in Niigata Prefecture	July 14, 2004 — February 16, 2005	45,641	575.23 million yen
Heavy Rain in Fukui Prefecture	July 20, 2004 — December 30, 2004	31,791	400.15 million yen
Typhoon no. 10	August 5, 2004 — December 30, 2004	3,332	45.95 million yen
Typhoon no. 15	August 23, 2004 — December 30, 2004	2,381	38.71 million yen
Typhoon no. 16	September 3, 2004 — January 31, 2005	6,666	155.14 million yen
Typhoon no. 18	September 13, 2004 — December 10, 2004	604	14.4 million yen
Typhoon no. 21	October 1, 2004 — November 30, 2004	7,055	94.65 million yen
Typhoon no. 22	October 15, 2004 — November 30, 2004	1,505	17.01 million yen
Typhoon no. 23	October 22, 2004 — May 31, 2005	74,327	1,517.2 million yen
Niigata Chuetsu earthquake	Since October 25, 2004 (continuing)	876,027	14,859.97 million yen
Fukuoka westward offshore earthquake	Since March 23, 2005 (continuing)	11,534	176.16 million yen

## 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.

- Extension of premium payment grace period
- Refund of premiums by way of cancellation of advance premium payment
- Refund of premium for the period not elapsed
- Payment of insurance benefit
- Surrender of basic contracts by policyholders
- Payment of refunds
- Loans to policyholders
- 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. Community Exchanges

#### PARTICIPATING IN COMMUNITY EVENTS

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

##### “Kawagoe Hyakumanto Summer Festival,” Kawagoe-shi, Saitama

The “Kawagoe Hyakumanto Summer Festival” is popular among city residents of Kawagoe-shi (a city known as “Little Edo”), which is famous for “Tokinokane (The Bell of Time)” and “Kashiya Yokocho (Candy Alley).” During the event (July 24 – July 25 for 2004), about 160,000 excited people packed into downtown Kawagoe during the festivities. The Hyakumanto Summer Festival reaches its climax as local businesses and groups march along the main street carrying their handmade Mikoshi portable shrines, mingling spectators with Mikoshi carriers.

115 volunteer staff members from 27 post offices across Kawagoe carried a hand made Mikoshi at the 23rd (2004) Kawagoe Hyakumanto Summer Festival. They wore matching happi (festival jackets) and contributed to the jovial mood of the summer festival.

The Mikoshi portable shrines, which were handmade by staff members, carried Japanese lanterns with the names of all the post offices in the city, and a cylindrical post box was set on top of the Mikoshi.

There were comments from spectators at the festival, such as “How energetic post offices are!” and “Look at the cylindrical post box. It brings back memories,” and the staff members also greatly enjoyed the summer festival.

In addition, special branch offices were set up in meeting places, where letter sets relating to festivals and summer greeting postcards were sold and received 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.

### 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, heartwarming 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 letterwriting 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.

### Pen Friend Club Membership and Groups

Unit: number of people, number of schools

Membership (Number of people)	Full members	Elementary school students	5,306
		Junior high school students	349
		Senior high school students	271
		Subtotal	5,926
	Associate members		181
Number of groups (School)	Special members		345
	Senior members		125
	Total		6,577
	Elementary school students		205
	Junior high school students		37
	Senior high school students		44
	Total		286

As of April 2005

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 young people (aged under 24).

Senior members are adult members (aged 25 or above) other than full members and associate members.



## 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 the "Nationwide Contest for New Year's Card Prints and Drawings" 52 times 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 second contest held in 2004 received 53,436 entries.

The contest is open to applicants around December every year.

## INTERACTION WITH LOCAL COMMUNITIES

By holding "piggy bank" exhibitions and local culture exhibitions at post office facilities, such as customer lobbies, or participating in sports festivals to interact with local communities, post offices have been making efforts to become popular and deepen the public's understanding about postal savings.

In addition, we have established opportunities to ask local communities for their comments about the postal savings business, with the aim of upgrading our services.

## "MY IDEAL PIGGY BANK" CONTEST

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

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, the Minister of Internal Affairs and communications Special Prize, the Minister of Education, Culture, Sports, Science and Technology Encouragement Prize, the NHK Chairman Prize, etc.

Prize-winning are displayed at the TEI Park, Communications museum (Tokyo chiyoda-ku otemachi).



## 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. By making postal savings deposits and withdrawals on their own, children in elementary and junior high schools are able to foster incentives to save money, spark an interest in economic issues, and help them to nurture an accurate sense of the value of money. In addition, participation with other children in children's post office activities is believed to be a practical way to cultivate a sense of mutual cooperation, responsibility and perseverance in children.

## COMPOSITION CONTEST

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### Letter Writing Contest

Japan Post has held the writing contest 37 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 promoting the culture of letter writing in general, but more importantly of nurturing children's rich spirit through written communication.

From fiscal 2005 a new "Original Greeting Card Section" will be added to the "Letter Composition Section," "Postcard Composition Section," "Illustrated Letter Section" and "Computer Illustrated Letter Section."

At the 37th contest 141,896 entries were collected.

Collections are carried out from July until early September every year.

### International Voluntary Aid Composition Contest

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 knowledgeable individuals, and the President of Japan Post Prize, the Minister of Internal Affairs and Communications Special Prize, the Minister of Education, Culture, Sports, Science and Technology 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 Volunteer Post-Internet.

# SOCIETY OF POSTAL LIFE INSURANCE POLICYHOLDERS

## 1 Highlights

### 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.

## 2 Topics

### 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.

## 3 Management Policy

### 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.

## 4 Management Efforts

Proposals Presented by the Central Federation of Societies of Policyholders to the president of Japan Post (Fiscal 2004)

### Proposals Made at the 67th Meeting of the Central Federation of Societies of Policyholders (October 1, 2004)

Along with making efforts to create a more solid management, as well as upgrading services and maintaining the structure of management where the three businesses of Postal Service, Postal Savings and Postal Life Insurance are integrated, Japan Post would like to offer impartial services and promote public welfare using the current post office network.

Raise the income tax deduction limit on life insurance and individual annuity insurance premiums, in order to help citizens to spend within their means, so that we can have an affluent aging population.

Enhance product lines and services in answer to such developments as a declining birthrate and an aging society and the diversification of citizens' values.

Investigate whether or not to increase the amount of benefits paid under postal life insurance, in order to support the lifestyles of the elderly, amid a declining birthrate and an aging society.

## 5 About Japan Post

## 6 Data

## 4. Activities to Improve Health

### 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 Osaka-city, Osaka in fiscal 2004) and the Summer Radio Calisthenics and Exercise for Everybody Tour are held annually in cooperation with NHK and the National Radio Calisthenics Association.

## 5. Involvement in the International Community

### THE POSTAL NETWORK BRINGS THE WORLD TOGETHER

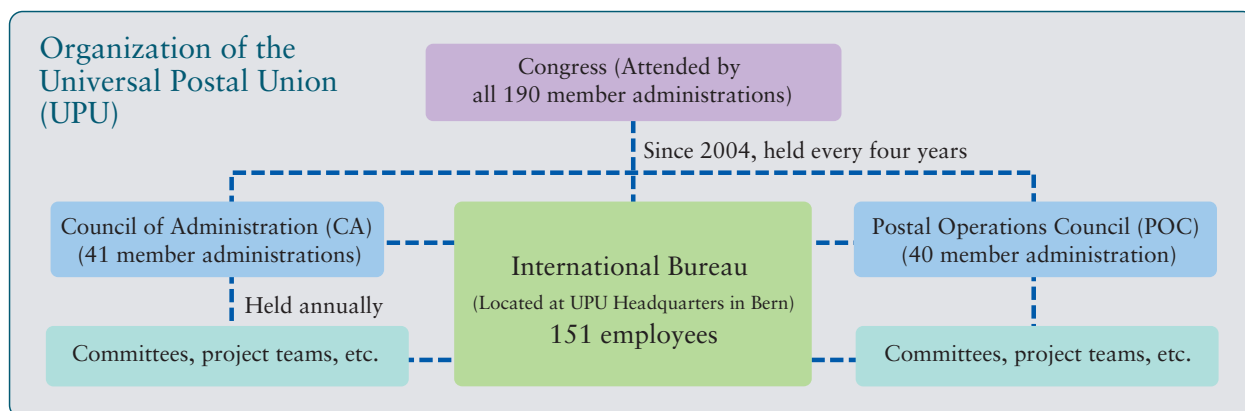
Mail services play a valuable and fundamental role as a means of communication that not only comprehensively links the entire population of a country, but also connects its citizens with people living in all other parts of the world. Japan, which exchanges mail with all countries and territories, endeavors 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 23rd UPU Congress, the supreme governing organ of the UPU, was held in Bucharest (Romania) in September and October 2004, 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 the UPU to strengthen activities aimed at improving EMS's global quality.

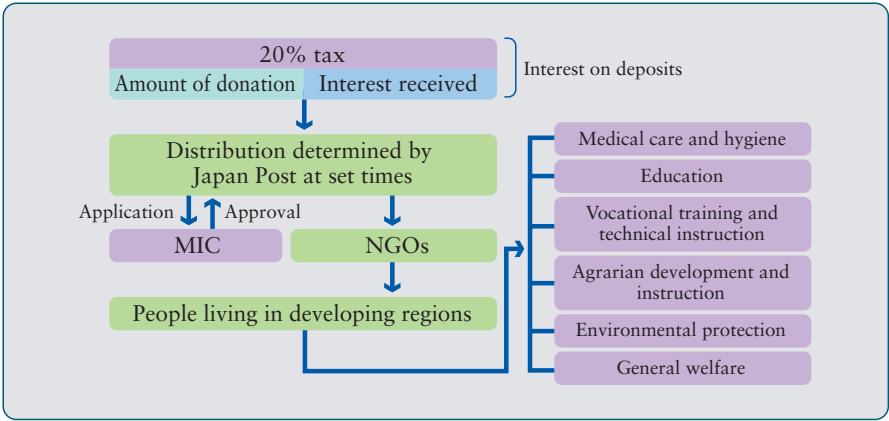
## COOPERATION WITH THE APPU

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 of postal savings for international voluntary aid can choose to donate a fixed percentage (in units of 10%, from 20% to 100%) of the after-tax interest accrued on their Ordinary Savings. The donated interest is distributed among nongovernmental organizations (NGOs) to improve the welfare of people living in developing regions, and used chiefly for basic necessities (medicine, sanitation, education, and the like). At the end of fiscal 2004, approximately 27.41 million applications for International Voluntary Aid had been submitted.



### Volume of Postal Savings for International Voluntary Aid Balance (Fiscal 2005)

Amount of distribution	Approx. 86 million yen (cumulative total of 18,257.53 million yen)
Recipient NGOs	53
Recipient projects	53

Details concerning the distribution of funds from Postal Savings for International Voluntary Aid can be obtained at your local post office. Alternatively, please contact the Postal Savings Consulting Center (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.

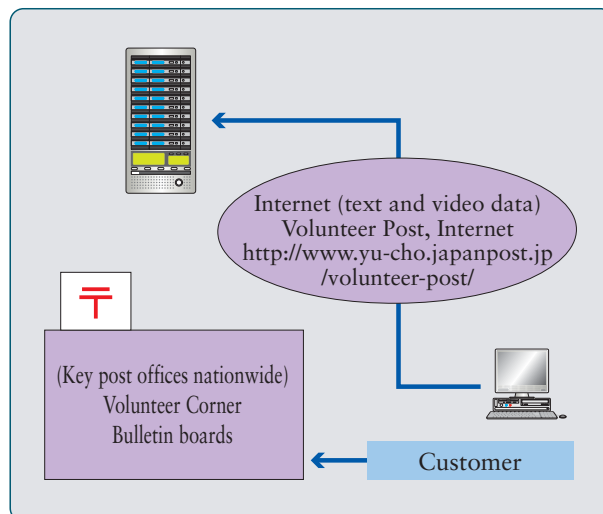
## VOLUNTEER POST (PROVISION OF VOLUNTEER ACTIVITY INFORMATION)

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 1,260 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 2004, we contributed to international efforts with the cooperation of the Universal Postal Union (UPU) and the World Savings Bank Institute (WSBI), to dispatch specialists to Thailand, Bhutan, the Philippines, Cambodia 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 September 2004, UPU Congress, the supreme governing organ of the UPU, was held in Bucharest (Romania). At the fifth UPU committee, which took charge of postal financial services, a resolution was adopted by consensus for the development of the postal financial service, as a guideline for the activities of governments and postal agencies of member states, until the next UPU Congress. This resolution stipulates that member states will cooperate on improving the quality of remittance services and promote electronic remittances, services targeting individual accounts and cooperating with non-postal organizations.

In addition, we have been striving to develop and increase the penetration of postal financial services in the Asia Pacific region, through Asia Pacific Postal Union (APPU), which is a regional union of UPU. At the APPU Congress held in Korea in May 2005, the first meeting of the working group that oversees postal financial services was held. At that meeting, there were discussions about international remittance services in the member states of APPU, and it was confirmed that APPU member states will promote the electronic processing of international remittance services as one of their most important issues.

## 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 November 2004, the “7th 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. In addition to the Japan Post, another 16 countries participated in the forum, with lively debates and presentations from postal savings banks, concerning problems such as the reform of postal savings sector and international remittance through the postal network.

Note: The WSBI has 101 member institutions from 85 countries as of June 2005.

## EXCHANGE WITH OVERSEAS POSTAL AGENCIES

From 2002 Japan Post has begun exchanging personnel with overseas postal service agencies, with the goals of personnel training, strengthening relations with overseas postal service agencies and gathering information.

Japan Post welcomed employees from Swiss Post in 2002 and from ING group and Deutsche Bank in fiscal 2004, and these people learned about the Japanese Postal Savings system.

Moreover, Japan Post despatched personnel to Swiss Post and Deutsche Post Bank in fiscal 2003, and to Netherland’s ING group and Deutsche Bank in fiscal 2004, to train them in areas such as investment trusts and remittance and settlement services.