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Topics

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Expansion into International Logistics Business

Considering that the number of letters and postcards is expected to decrease in the future, it is vital that Japan Post advance into the international logistics market, centering on the Asia growth market.

However, given the intense competition in the international logistics market it is very difficult for Japan Post, with no business experience in the field, to newly enter the market by itself. Hence, we will advance into the market through tie-ups with partner companies that have know-how and experience in this business.

Investment in ANA & JP Express Co. Ltd.

The first step in joining the international logistics business is to secure an air transportation capability, the requisite element for this business. For this, Japan Post formed an alliance with All Nippon Airways Co., Ltd., and invested in the airline's air cargo subsidiary ANA & JP Express Co. Ltd. in April 2006. ANA & JP Express is slated to begin operations in August 2006.

ANA & JP Express Co. Ltd.

Capital: 80 million yen

Capital reserve: 46 million yen

(Japan Post investment: 42 million yen)

(Shareholders: All Nippon Airways: 51.7%; Japan Post: 33.3%; Nippon Express Co., Ltd.: 10.0%; Mitsui O.S.K. Lines, Ltd.: 5.0%)

Starting with services such as the midnight-express flight to Shanghai in China, ANA & JP Express will be engaged in air cargo transportation targeting North America and the rapidly growing Asian market.



Aiming to be a comprehensive international logistics operator

With respect to the international logistics business following its privatization, Japan Post aims to be a "comprehensive international logistics operator" that runs the business by organically combining the three business fields of the international express business, the international logistics business, and the international postal business.

Improvement of Facilities for International Mail Service

In order to speed up international air mail services and improve the efficiency of processing of such mail, Japan Post relocated the Tokyo International Post Office from Otemachi, Chiyoda ward in Tokyo to a new building in Shin-suna, Koto-ku in Tokyo, near the Shin-Tokyo Post Office on October 10, 2005, while establishing the Chubu International Post Office on the island in Aichi Prefecture where the Central Japan International Airport (Centrair) is located, on June 26, 2006.

RELOCATION OF TOKYO INTERNATIONAL POST OFFICE

With the volume and size of international mail increasing, the former office building of Tokyo International Post Office had become too small, and the building had also become outdated. Hence, we moved the office to a newly constructed building, which was the first large-scale construction of a post office since the conversion of the postal system into a public corporation. We formed a construction committee within Japan Post, and set numerical goals for the new office building for improving quality of products and services and raising productivity. We worked hard to achieve these targets.

We were able to shorten the office's mail processing time. Consequently, there is an increased number of postal items bound for overseas, which are carried by international flights on the day they are collected or on the morning of the following day. Meanwhile, the proportion of mail from abroad, which arrives at New Tokyo International Airport at

Narita and undergoes customs inspection on the day it arrives, rose by at least 20%. This resulted in an increased amount of mail for next-day delivery.

Regarding the efficiency of our mail processing, we were able to reduce the number of required staff by about 25% compared with the level in November 2003, when we made the decision to build a new office, thanks to the improvement by the JPS, combined with a promotion of horizontal processing and computerization.

Furthermore, we reduced construction costs by 44% of the usual level by reviewing our office building specifications.



ESTABLISHMENT OF CHUBU INTERNATIONAL POST OFFICE

Making the best use of the Central Japan International Airport island (Centrair), a comprehensive distribution zone, Japan Post improved the linkage between the loading and unloading of cargo onto and from airplanes and the operations within the post office, resulting in shortening processing times and improving the efficiency of mail processing. Hence, the delivery time of international mail (such as international express mail (EMS) and air parcels) from and to the Chubu region has been shortened by between half a day and one day depending on the destination.

Suitable for logistics operations, this post office enables staff to carry cargo using forklifts on the first floor without any difficulty, in contrast to the conventional post office buildings.



Launch of Total Mail Service

Investing in JP Logi Service

Japan Post invested in Asocia Corp., a unit of the department store Daimaru Inc., in October 2005 and converted Asocia into its subsidiary, with which the corporation can now offer a total mail service within the group. Asocia was renamed JP Logi Service in February 2006.

Outline of services

JP Logi Service handles the integrated operations involved in shipping merchandise, ranging from shipping agency work, such as carrying in, storing, and packing merchandise, to forwarding work.

Packing service

JP Logi Service undertakes packing and labeling work, including picking, wrapping, and tying up the contents of Yu-Pack parcels, as instructed. The company also stores merchandise temporarily before it is processed by post offices.

Sorting and preparatory services

Mail (Yu-Pack) is sorted by the post office that handles it, and is put in containers.

Bringing-in service

Prepared mail (Yu-Pack) is brought into post offices.

Establishment of JP Biz Mail Co., Ltd.

In February 2006, Japan Post established the joint venture JP Biz Mail Co., Ltd., which specializes in enclosing and forwarding mail, with Mitsubishi UFJ Trust and Banking Corporation, thereby launching a total service from the printing of mail to its delivery.

Outline of services

JP Biz Mail provides customers with a total service covering everything from enclosing DM (direct mail) and business documents to forwarding them. The company thoroughly manages information using a security system with an excellent track record, and customers' important information is protected in a safe environment based on a system that complies with the Act on the Protection of Personal Information. JP Biz Mail provides high-quality services by accurately carrying out procedures such as enclosing and sending mail while focusing on carefully performing work.

Expansion of Yu-Pack Handling at Convenience Stores

Through an alliance with convenience stores, Japan Post has placed postboxes inside the stores to collect postal mail, and has begun collecting Yu-Pack items there.

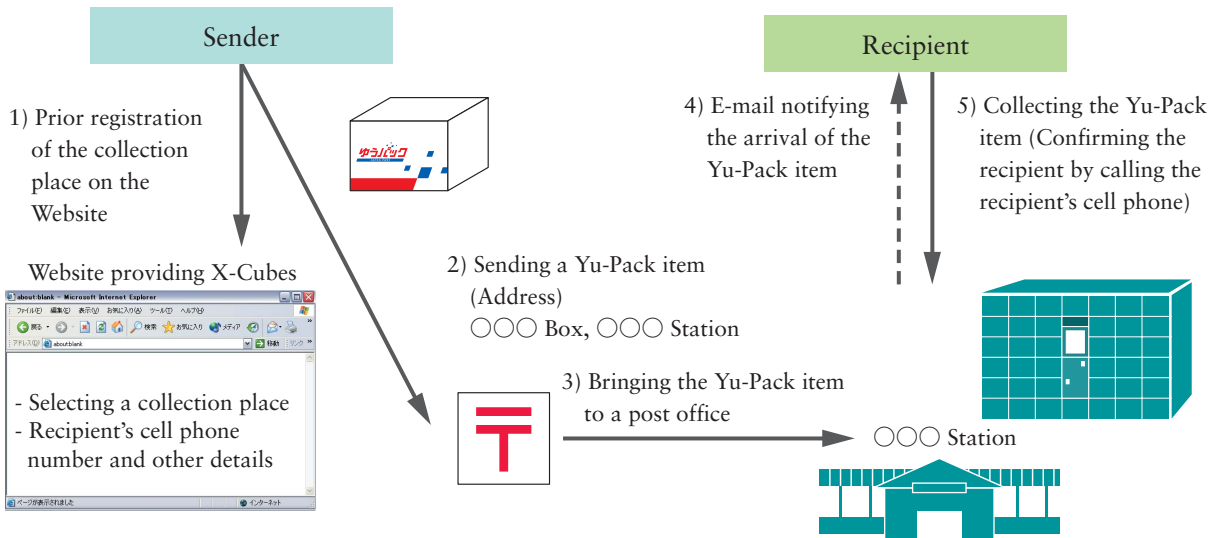
Launch date	Overview of efforts	Partners
January 1, 2003	<ul style="list-style-type: none">Postboxes established in all Lawson stores nationwide (about 7,700 outlets)	Lawson, Inc.
December 15, 2003	<ul style="list-style-type: none">Post boxes established in Circle K and Sunkus stores situated in Aichi, Gifu, Shizuoka and Mie Prefectures (about 1,400 outlets)	Circle K Sunkus Co., Ltd. (newly formed)
April 1, 2004	<ul style="list-style-type: none">Postboxes established in Circle K and Sunkus stores situated in prefectures other than Aichi, Gifu, Shizuoka and Mie Prefectures (about 3,300 outlets)	Circle K Sunkus Co., Ltd. (newly formed)
June 1, 2004	<ul style="list-style-type: none">Pilot program for Yu-Pack collection introduced in some directly operated am/pm stores (10 outlets) and Daily Yamazaki stores (16 outlets)Postboxes also established in those stores	am/pm Japan Co., Ltd. Daily Yamazaki Co., Ltd.
August 20, 2004	<ul style="list-style-type: none">A 24-hour pick-up service has been introduced for postal items, such as registered mail and parcels that were not able to be delivered because the recipient was not at home, at "full-time boxes" established at some of the am/pm stores (30 outlets) in central Tokyo	am/pm Japan Co., Ltd.
November 18, 2004	<ul style="list-style-type: none">Yu-Pack collection service introduced in Lawson stores nationwide (about 7,900 outlets)	Lawson, Inc.
June 1, 2005	<ul style="list-style-type: none">Yu-Pack collection service introduced in Ministop stores nationwide (about 1,700 outlets), am/pm stores in Tokyo (about 700 outlets) and Daily Yamazaki stores in Tokyo (about 200 outlets)Postboxes established in Ministop stores nationwide (about 1,300 outlets) and Daily Yamazaki stores nationwide (about 1,300 outlets) <p>Note: Stores with postboxes installed on their grounds do not have them installed inside the building.</p>	Ministop Co., Ltd. am/pm Japan Co., Ltd. Daily Yamazaki Co., Ltd.
July 4, 2005	<ul style="list-style-type: none">Postboxes installed in am/pm stores in the Kanto region (about 850 outlets) <p>Note: Stores with postboxes installed on their grounds do not have them installed inside the building.</p>	am/pm Japan Co., Ltd.
September 1, 2005	<ul style="list-style-type: none">Yu-Pack collection service introduced in Daily Yamazaki stores located in prefectures other than Tokyo (about 1,700 outlets) and am/pm stores located in prefectures other than Tokyo (about 700 outlets)Postboxes established in am/pm stores in the Kyushu region (about 100 outlets) <p>Note: Stores with postboxes installed on their grounds do not have them installed inside the building.</p>	Daily Yamazaki Co., Ltd. am/pm Japan Co., Ltd.
October 1, 2005	<ul style="list-style-type: none">Postboxes established in am/pm stores in the Kinki and Tokai regions (about 160 outlets) <p>Note: Stores with postboxes installed on their grounds do not have them installed inside the building.</p>	am/pm Japan Co., Ltd.
November 15, 2005	<ul style="list-style-type: none">Yu-Pack collection service introduced in Circle K and Sunkus stores nationwide (about 6,300 outlets)	Circle K Sunkus Co., Ltd.
March 1, 2006	<ul style="list-style-type: none">Yu-Pack collection service introduced in Seicomart stores nationwide (about 1,000 outlets)	Seicomart Company, Ltd.

Launch of Yu-Pack Receipt Service Using Delivery Boxes

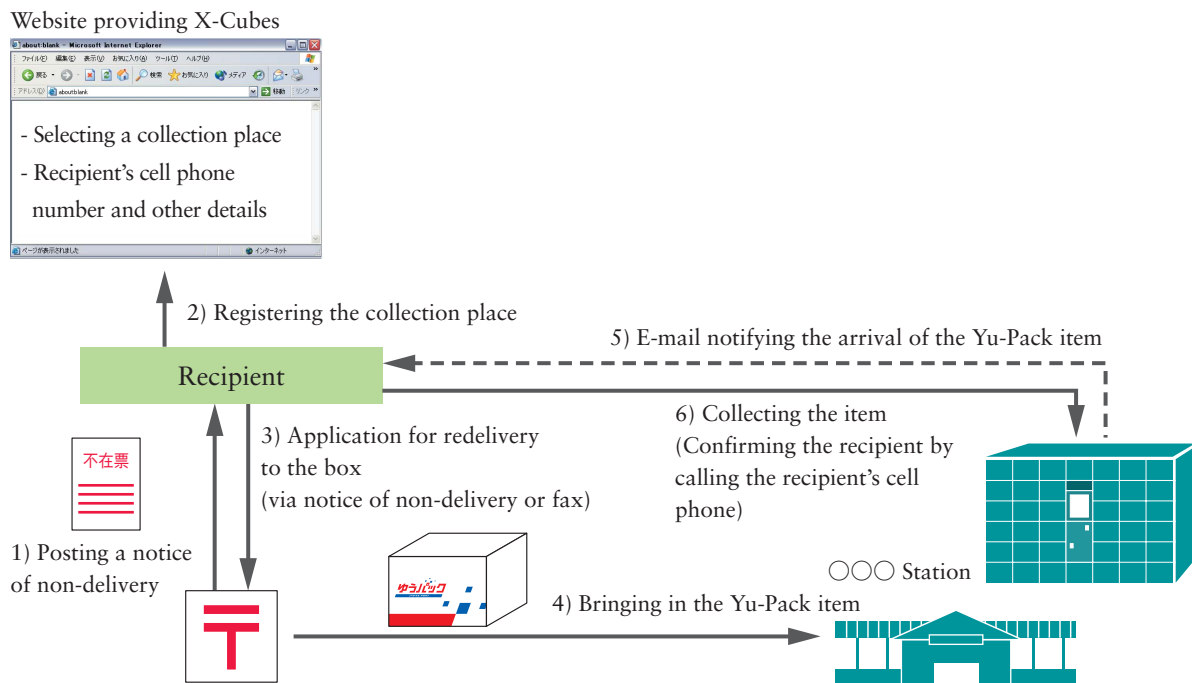
Beginning September 1, 2005, Japan Post launched the following services, in which Post Cubes placed in locations such as railway stations and shopping centers can be used to deposit Yu-Pack items:

- 1) The sender of a Yu-Pack item can designate a Post Cube as a place to collect the item.
- 2) The intended recipient of a Yu-Pack item can designate a Post Cube as a place to collect the item, for Yu-Pack items that have been returned to the post office because the intended recipient was not at home.

Designation of the collection place when sending Yu-Pack items



Designation of the collection place for redelivery



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POSPACKET (Simple parcel post)

As the use of mail order and Internet auction sites are growing, so are customer needs for a “convenient service for sending small, light-weight items.” In response to this, on April 1, 2006 Japan Post launched a new service, as outlined below.

[Outline of the service]

- 1) A standard fee applies for the whole of the country.
- 2) A tracking service is available.
- 3) To use the service, items can simply be placed in a mailbox.
- 4) The maximum dimensions are 34cm × 25cm (A4 size), and 3.5cm in thickness.
- 5) Items must not weigh more than 1kg.
- 6) Letters may not be enclosed.

[Basic fee]

Any number of items, including single items, can be sent.

Standard fee nationwide:	400 yen
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The service's logo



Forwarding address label for a simple parcel

[Special fees]

1. Special fees (1)

Annual contract fee for customers who send at least 10,000 items a year

Number of items you expect to send in a year	Fee
10,000 or more	210 yen
50,000 or more	200 yen
100,000 or more	190 yen
500,000 or more	180 yen
1,000,000 or more	170 yen

1) Customers need to notify us in advance of the number of items they expect to send annually (at least 10,000), and bring the items, which should meet conditions, such as prior classification, to a post office (they should not be placed in a mailbox).

2) A deferred payment system applies.

2. Special fees (2)

Annual contract fee for customers who receive at least 50,000 items in a year

Number of items expected to be received in a year

Number of items expected to be received in a year	Fee
50,000 or more	200 yen
100,000 or more	190 yen
500,000 or more	180 yen
1,000,000 or more	170 yen

1) Customers must notify us in advance of the number of items they expect to send annually (at least 50,000), and obtain a certificate.

2) A deferred payment system applies with the addressee paying the fees.

Town Plus (Delivery-area designated booklet parcel post service)

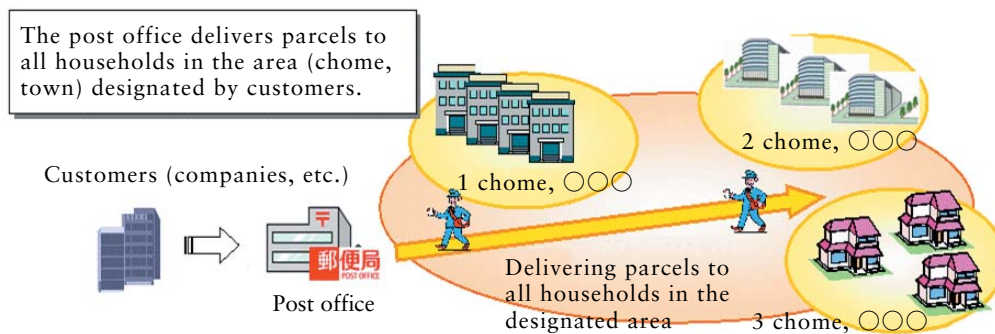
Following the full implementation of the Act on the Protection of Personal Information in April 2005, there has been growing awareness about personal information, and companies have been required to strictly manage the information they hold on their customers. Against this backdrop, attention has been focused on a delivery-area designated mail service (nicknamed “Town Mail”), in which mail that is not addressed to any specific location is delivered to all the residences within a specific area.

Responding to this, Japan Post launched “Town Plus (delivery-area designated booklet parcel post service)” on September 1, 2005, aiming to offer a service that is easier to use and that meets customer needs while maintaining the features of Town Mail.

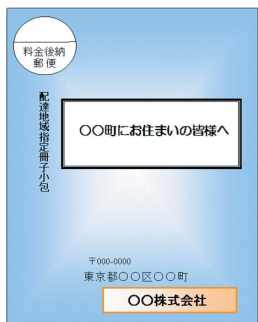
[Outline of the service]

With this service, customers can deliver booklet parcel post that is not addressed to any specific location to all households and companies within a certain area (for each chome — the area number under a town name in the address). There is a standard fee for all items weighing up to 100g. The total cost of the service depends on the number of parcels to be sent, their size, and the number of days required for delivery.

- Diagram of the service



- Outward appearance



- Tariffs

Special fees (5)			
Address	Within ward	Within prefecture	Outside prefecture
Fee	53 yen	55 yen	60 yen

Special fees (6)									
Number of parcels to be sent at one time	500 or more			5,000 or more			100,000 or more		
	Within ward	Within prefecture	Outside prefecture	Within ward	Within prefecture	Outside prefecture	Within ward	Within prefecture	Outside prefecture
Fee	39 yen	41 yen	45 yen	27 yen	29 yen	33 yen	25 yen	27 yen	30 yen
*Special size	28 yen	30 yen	33 yen	20 yen	21 yen	24 yen	18 yen	19 yen	21 yen

Discount: A special discounted fee (6) applies to parcels that do not need to be delivered within approximately seven days. The discount amounts to one yen off the relevant fee shown above.

Parcel size for special fee (5): no larger than 34 cm × 25 cm

Parcel size for special fee (6): no larger than 34 cm × 25 cm × 1 cm

*Special size for special fee (6): between 14 cm × 9 cm and 23.5 cm × 13 cm and no larger than 0.5 cm in thickness

Introduction of Investment Trust Service

On October 3, 2005, Japan Post launched a service to sell investment trusts at 575 post offices nationwide.

INCREASE IN NUMBER OF POST OFFICES HANDLING INVESTMENT TRUSTS

Japan Post began providing investment trusts at 551 ordinary post offices and 24 special post offices on October 3, 2005, while taking into account the locations where we can provide many customers with the opportunity to purchase investment trusts, the regional characteristics and the geographical balance of the selected post offices.

On June 12, 2006, we also began selling investment trusts at another 30 ordinary post offices, where the needs for such service was high, as a result, the number of post offices that handle investment trusts increased to 605 nationwide.

We will continue to introduce the investment trust service to more post offices so that our customers can have greater access to these services, planning to increase the number of such post offices to 1,155 by October 2006.

INCREASE IN INVESTMENT TRUST PRODUCTS

The selected post offices now sell low-risk investment trusts that are easy for customers to understand, taking into account the fact that: customers are mainly individuals with little experience in investments; the image of post offices has long been “security” and “reliability”; and investment trust products are the first products involving risks that post offices have sold.

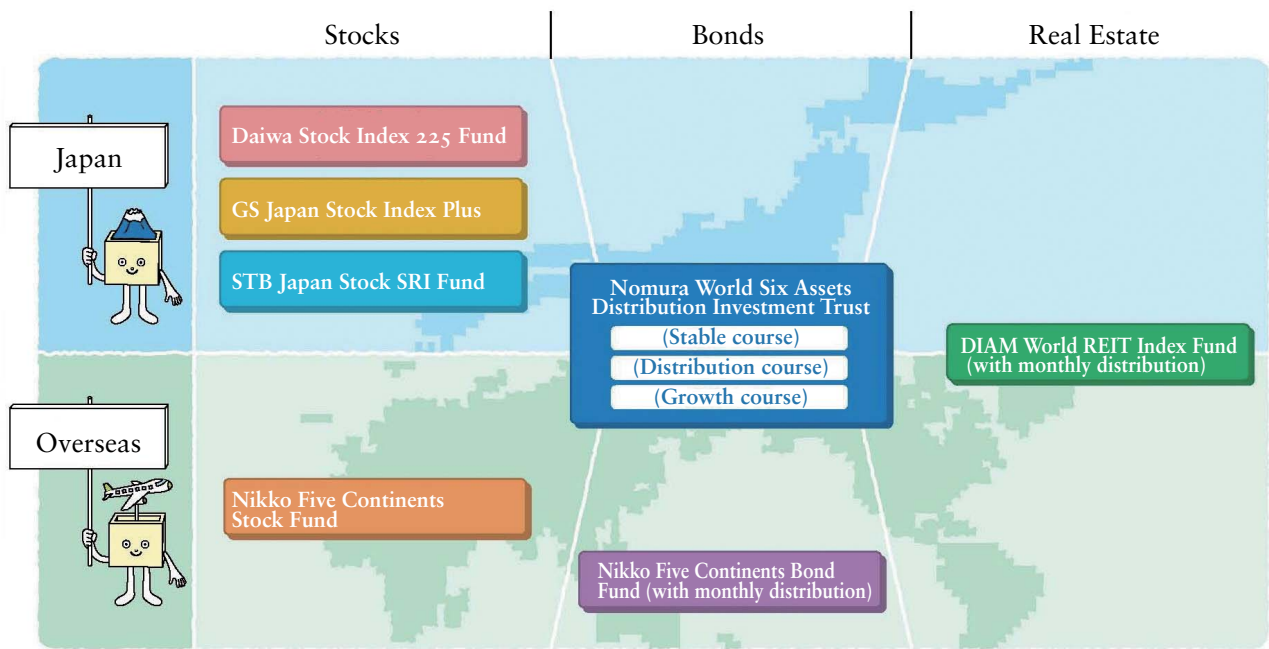
- Products launched on October 3, 2005

Type	Management company	Outline
Nomura World Six Assets Distribution Investment Trust (Stable course) (Distribution course) (Growth course)	Nomura Asset Management Co., Ltd.	A balanced investment trust product that invests in index funds of six assets from among Japanese and foreign stocks, bonds and real estate investment trusts (REITs).
Daiwa Stock Index 225 Fund	Daiwa Asset Management Co., Ltd.	An investment trust that seeks investment returns linked to the Nikkei Stock Average (Nikkei 225).
GS Japan Stock Index Plus	Goldman Sachs Asset Management Japan Limited	An investment trust that seeks a narrow range of profit (alpha), taking into account the linkage with TOPIX.

On June 12, 2006, Japan Post began selling investment trusts that focus on basic assets such as domestic and foreign bonds, stocks and REITs, and which help to greatly diversify investments, aiming to both help investors by ensuring investments are diversified and to expand the lineup of products for each type of asset. We believe that such investment trusts should help customers build appropriate portfolios, and enrich their knowledge about investments while promoting awareness of investment trusts.

- Products launched on June 12, 2006

Type	Management company	Outline
Nikko Five Continents Bond Fund (with monthly distribution)	Nikko Asset Management Co., Ltd.	An investment trust that makes diversified investments in government bonds from a total of 38 countries, including developed nations (except Japan) and emerging countries, aiming for a stable monthly distribution of dividends, in principle.
Nikko Five Continents Stock Fund	Nikko Asset Management Co., Ltd.	An investment trust that makes diversified investments in stocks from a total of 48 countries, including developed nations (except Japan) and emerging countries, seeking a high growth of trust assets.
DIAM World REIT Index Fund (with monthly distribution)	DLIBJ Asset Management Co., Ltd.	An investment trust that is composed of real estate investment trusts worldwide and seeks investment returns linked to the overall movement of the REIT market.
STB Japan Stock SRI Fund	STB Asset Management Co., Ltd.	An investment trust that invests in companies actively working on corporate social responsibility (CSR).



HOLDING OF SEMINARS ON INVESTMENT TRUSTS

In order to have customers fully recognize the importance of investing and asset management, as well as to promote awareness of the investment trust products sold by post offices, Japan Post holds the Asset Management Seminar, the Products Seminar, and the Management Reports Seminar at those post offices across the country that handle investment trusts, holding each seminar once a month in principle. In fiscal 2005, we held these seminars about 1,500 times.

Post offices that handle investment trusts distribute the booklet “A Straightforward Guide to Investment Trusts” which simply explains the system of investment trusts and the need for asset management.

ESTABLISHMENT OF INVESTMENT TRUST CALL CENTER

In order to further understanding of the system of investment trusts and products handled by post offices, Japan Post has established the Investment Trust Call Center, and its services are available to all.

Customers who have applied to use the Investment Trust Home Service and been accepted can also make inquiries about the balance of their accounts, their transaction history and the details of their transactions.

Investment Trust Call Center “Tell-Me-About-Investment-Trusts Call”

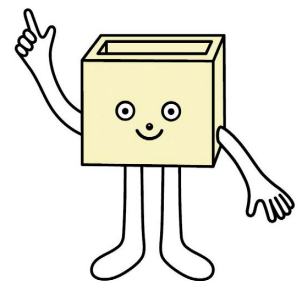


0800-800-4104

Inquiries accepted: between 9:00 a.m. and 6:00 p.m. from Monday to Friday
(except national holidays and the period between December 31 and January 3)

Investment Trust Website

<http://www.yu-cho.japanpost.jp/toushin/>



Launch of Handling Payment of Premiums through Bank Transfer and Payment of Insurance into Bank Accounts

In April 2006, we launched a new service that enables insurance premiums to be paid into post office accounts through some bank accounts, and allows payment of insurance and others into the accounts of banks that belong to the national banks domestic exchange (all-bank data system).

Please ask your nearest post office about which banks handle the above service.

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