

2005 Business Year

From January 23, 2006 to March 31, 2006

1st Term

Business Plan

Japan Post Holdings Co., Ltd.

In the preparation period, Japan Post Holdings Co., Ltd. (hereafter, “Japan Post Holdings”) will carry out the drafting of the execution plan (hereafter, “Execution Plan”) related to the succession of the businesses et al. of Japan Post as well as the establishment of Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. as four successor companies in order to ensure the actualization of privatization on October 1, 2007. Concomitantly, it will proceed with negotiations on and execution of labor agreements between labor unions of the current Japan Post as well as preparation work such as the creation of information systems and will make efforts so that the businesses of each successor company can be conducted in an appropriate fashion and so that they can provide suitable and attractive service to customers nationwide hereafter.

On this occasion, it will strive to achieve sufficient mutual understanding with Japan Post while taking into account the debate thus far in the Diet.

In the FY2005 business plan, based on the aforementioned way of thinking, Japan Post Holdings shall carry out business operations in a flexible manner by giving priority to the following items with the aim of carrying them out while adapting to changes in the management environment.

1 Drafting of Execution Plan

When drafting the Execution Plan, Japan Post Holdings will proceed with examinations with regard to the items below based on the “Basic Plan Concerning the Succession of the Businesses et al. of Japan Post” (hereafter, “Basic Plan”) and the “Decree Concerning the Execution Plan Involving the Succession of the Businesses et al. of Japan Post”.

- (1) Items concerning the businesses as well as types and scope of other functions that will be continued by the successor companies
- (2) Items concerning assets as well as debts and other rights and obligations inherited by successor companies
- (3) Items concerning employees who will be transferred to the successor companies
- (4) Items concerning the proper and smooth transmission of other businesses et al. to the successor companies

2 Successor Company Startup Preparations

Based on the law relating to postal service privatization and the framework indicated in the Basic Plan, Japan Post Holdings will conduct preparations for a smooth startup, such as examination of the operating structure the successor companies.

3 Negotiation with Labor Unions

The Postal Service Privatization Act stipulates that Japan Post Holdings 1) is permitted to negotiate with labor unions that employees of Japan Post form or participate in for the purpose of concluding labor agreements pertaining to the working terms of successor employees et al.; 2)

can conclude successor labor agreements, and 3) shall pay due consideration to the compensation of Japan Post employees, working time, and other terms of employment when it sets the working terms for successor employees. Based on this fact, it will conduct smooth negotiations pertaining to such items.

4 Other

(1) Establishment of Organizational Structure

Japan Post Holdings will establish an Executive Management Committee within the company based on the Postal Service Privatization Act and begin examinations in order to finalize items relating to the drafting of the Execution Plan and to the founding of the successor companies et al.

Also, it has appointed five outside directors, and along with three auditors it shall make every possible effort in the operations of its businesses.

(2) Reliable and Advantageous Management of Investment Capital

With regard Japan Post Holding’s investment capital, together with managing the assets of Japan Post via reliable and advantageous methods based on the fact that it will inherit them from the latter at the time of privatization, it will make efforts toward the optimization of execution of expenses and enforce fair and proper financial processing.

Appendix Financial Plan
 Income and Expenditure Budget

■Financial Plan

The financial plan for the 2005 business year is as follows.

Unit: 1 mil JPY

Item	Amount
Income Section capital expenditure	300,000
Interest income	0
Total	300,000
Expense Section	
Securities (government bonds)	297,000
Accrued interest	556
Founding-related expenses	173
Labor costs	205
Office building lease costs	33
Office equipment costs et al.	40
Other management expenses	77
Balance carried forward to next term	1,912
Total	300,000

■Income and Expenditure Budget

The income and expenditure budget for the 2005 business year is as follows.

Unit: 1 mil JPY

Item	Amount
Ordinary Income and Loss Section	
(Operating Income/Loss Section)	
1. Operating revenue	0
2. Operating expenses	542
Executive compensation	46
Allowances et al.	158
Allowance for bonus/retirement benefits reserves	91
Office building lease-related costs	33
Office equipment et al. costs	40
Sundry taxes expense	72
Depreciation costs	17
Other management expenses	82
Operating Profit	(542)
(Non-operating Income/Loss Section)	
1. Non-operating income	549
Income interest	549
2. Non-operating Expenses	0
Ordinary profit	6
Extraordinary profit and loss section	0
1. Extraordinary profit	0
2. Extraordinary loss	0
Current net income before tax	6
Corporation, resident, and business taxes	471
Adjustments for corporation tax, etc.	(466)
Current net revenue	1