

2006 Business Year

From April 1, 2006 to March 31, 2007

2nd 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 FY2006 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 items (1) through (4) 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”.

By July 31, 2006, it will carry out drafting of the framework of the Execution Plan indicating the outline of the successor companies and approach to drafting other execution plans and then publicly announce it after presenting it to the Prime Minister and Minister of Internal Affairs and Communications.

After drafting of the framework, it will proceed with preparations for the drafting of the Execution Plan with the aim of applying for permission by April 30, 2007.

- (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

Specifically, it will examine such things as the successor companies’ scope of business, organizational structure, approximate number of employees, working terms for successor employees, and business outsourcing contracts.

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 naming of Japan Post Bank Co., Ltd, and Japan Post Insurance Co., Ltd. as well as the operating structure and management policies of the successor companies, and explanations to relevant government agencies.

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) Judgment on Whether or Not There is a Danger of Significant Delay in Information System Development

In the event that it is acknowledged there is a danger of a significant delay in the development of information systems for privatization, given the fact that it must report to the Postal System Privatization Promotion Headquarters via the Prime Minister and Minister for Internal Affairs and Communications by March 1, 2007, Japan Post Holdings will make a judgment on whether or not such a danger exists.

In such case, together with utilizing external think tanks it shall engage in close collaboration with Japan Post, which will conduct development of the information systems.

(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 2006 business year is as follows.

Unit: 1 mil JPY

Item	Amount
Income Section	
Balance carried over from previous term	2,284
Interest income	3,354
Reversal of accrued interest	534
Total	6,174
Expense Section	
Labor costs	1,431
Office building lease costs	310
Consulting commission fees	552
Office equipment costs et al.	42
Other management expenses	1,247
Corporation tax et al.	66
Balance carried forward to next term	2,524
Total	6,174

■Income and Expenditure Budget

The income and expenditure budget for the 2006 business year is as follows.

Unit: 1 mil JPY

Item	Amount
Ordinary Income/Loss Section (Operating Income Section)	
1 Operating revenue	0
2 Operating expenses	3,905
Executive compensation	229
Salaries/benefits	1,201 115
Allowance for bonus/retirement benefits reserves	280
Office building lease-related costs	42
Office equipment et al. costs	552
Consulting commission fees	863
Sundry taxes expense	79
Depreciation costs	540
Other management expenses	(3,905)
Operating Income	
(Non-operating Income/Loss Section)	4,660
1. Non-operating income interest	4,660
2. Non-operating Expenses	0
Ordinary income	755
Extraordinary profit and loss section	
1. Extraordinary profit	0
2. Extraordinary loss	0
Current net income before tax	755
Corporation, resident, and business taxes	168
Adjustments for corporation tax, etc.	(10)
Current net income	596