

2007 Business Year

From April 1, 2007 to March 31, 2006

3rd Term

Business Plan

Japan Post Holdings Co., Ltd.

Based on the fact that Japan Post Holdings Co., Ltd. (hereafter, “Japan Post Holdings”) will conduct business operations as a preparation planning company during the preparation period (from April 1 to September 30, 2007) with the aim of actualizing privatization on October 1 of the same year and then conduct business operations as a holding company thereafter (from October 1, 2007 to March 31, 2008), it sets forth its business plan separated into the preparation period and post-privatization period, respectively, as follows.

(Furthermore, changes are planned to be made to this business plan once the content of business management et al. is finalized after privatization.)

I. Preparation Period (from April 1 to September 30, 2007)

Japan Post Holdings will carry out the drafting and application for approval 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. and Japan Post Network Co., Ltd. as two 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 that employees of Japan Post form or participate in 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 and instructions from the Prime Minister and Minister of Internal Affairs and Communications as well as the findings indicated by the Committee on Postal Privatization.

In the preparation period, 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 and Application for Approval of Execution Plan

When drafting the Execution Plan, Japan Post Holdings will apply to the Prime Minister and Minister of Internal Affairs and Communications for approval of the plan by April 30, 2007 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”), the “Decree Concerning the Execution Plan Involving the Succession of the Businesses et al. of Japan Post”, and the “Framework of the Execution Plan Concerning 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 laws and ordinances 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 and management policies of the successor companies, application of approval to relevant government agencies, and changes to the Articles of Incorporation.

1. Negotiation of and Conclusion of Labor Agreements

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 with aim of concluding labor agreements pertaining to such items.

2. Other

(1) Examination of Share Divestiture

Japan Post Holdings will conduct an examination of specific measures to execute the public listing of shares of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. at an early stage and carry out preparations to make an early-term public listing of its own shares and divestiture by the government possible.

(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.

II. Post-Privatization (from October 1, 2007 to March 31, 2008)

After privatization on October 1, 2007, in addition to carrying out executive management, management support, and assurance of internal controls as a group as well as preparations for public listing among its subsidiaries as the corporate center of the group consisting of Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. (hereafter, "subsidiaries") and ourselves, Japan Post Holdings Co., Ltd. (hereafter, "Japan Post Holdings") will subcontract businesses (shared businesses) from said subsidiaries and execute them where said execution is anticipated to be more efficient by consolidating it in one location rather than doing so among individual companies in the group. In addition, by conducting management of hospitals and lodging facilities, it will aim to increase the satisfaction of customers by responding to their needs and grow together with them while demonstrating creativity and efficiency as a private enterprise to the greatest extent possible as the basis of trust and reassurance that has been cultivated as public institution thus far. Also, it will basically conduct management of the company by making efforts to ensure that it demands management transparency from itself, follow the letter of the law, and is able to contribute to the development of society and the community.

Based on the aforementioned way of thinking, after privatization 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. Corporate Center and Audit Functions

(1) Executive management and support of subsidiaries

Japan Post Holdings will carry out formulation of group management strategy, coordination between businesses, monitoring of subsidiary management, results evaluation, risk management, et al. Also, it will carry out planning with regard to the effective utilization of real estate transferred by subsidiaries such as Japan Post Network Co., Ltd., establishment of management of the group brand, et al.

(2) Assurance of internal controls as a group

As a group, it will undertake the establishment of audit and compliance systems and also make efforts to ensure the reliability of financial reporting.

(3) Preparations for public listing and capital allotment

It will fulfill its functions of supporting preparations for a public listing for the divestiture of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. shares, promoting preparations for a public listing of Japan Post Holdings, allotting capital to subsidiaries such as Japan Post Network Co., Ltd. based on group management policy, et al.

(4) CSR and public relations activities

It will conduct corporate social responsibility (CSR) and public relations activities as a group and promote communication among corporate stakeholders such as customers and local communities.

(5) Contribution to Society and Communities

It will prepare for the issuance of social/community contribution funds (social contribution funds to cover expenses needed in the execution of social contribution services for Japan Post Service Co., Ltd. and social contribution funds to cover expenses needed in the execution of community contribution services for Japan Post Network Co., Ltd.) in such a way that it contributes to social welfare and promotion of stability in the livelihoods of residents of the community and carry out examinations and establishment of operation methods for such funds to be set up based on the law (Act on Japan Post Holding Co. Ltd. Article 13 et al.).

2. Subcontracting of Shared Business with the Group

Japan Post Holdings will subcontract and execute businesses (shared businesses) where said execution is anticipated to be more efficient by consolidating it in one location rather than doing so among individual companies in the group. Specifically, it will execute businesses such as payroll and income/expense procedures, disaster indemnification-related, health management, management of facilities et al., IT development, and so forth as shared businesses.

With regard to shared businesses, it will strive for management optimization through improvement in the capacity utilization rate via reviews of business and subcontracting from outside the group.

3. Business Operation

(1) Hospital Operation

Japan Post Holdings will assume operations of Teishin Hospital and strive for a further improvement in medical services and an enhancement in hospital administration.

(2) Transfer or Abolishment of Lodging Facilities (Operation in the Interim)

According to the stipulations set forth Article 2, Paragraph 1 of the Supplementary Provisions of the Act on Japan Post Holdings Co., Ltd., all facilities for publicizing the former postal savings system (Mielparque et al.) and former postal life insurance subscriber welfare facilities ("Kanpo no Yado" et al.) shall be transferred or abolished by September 30, 2012 (within five years of privatization), and Japan Post Holdings will endeavor to proceed smoothly with the transfer/abolishment of these facilities while carrying out operations in the interim.

4. Other

(1) Operation of Postal Museum Japan

Japan Post Holdings will assume operations of the Postal Museum Japan (Teishin General Museum).

(2) Handling of Remaining Duties of the former Japan Post

Japan Post Holdings will deal with the remaining duties involving Japan Post, such as the execution of closing settlement, payment of contributions to the National Treasury, et al.

Appendix Financial Plan and Expenditure Budget
Income

■ Financial Plan (Preparation Period)

The financial plan for the 2007 business year (preparation period) is as follows.

Unit: 1 mil JPY

Item	Amount
Income Section	
Balance carried over from previous term	1,800
Interest income	2,160
Total	3,960
Expense Section	
Labor costs	
Office building lease costs	1,034
Consulting commission fees	189
Office equipment costs et al.	1,654
Other management expenses	25
Corporation tax et al.	783
Balance carried forward to next term	—
Total	271
Total	3,960

■Income and Expenditure Budget (Preparation Period)

The income and expenditure budget for the 2007 business year (preparation period) is as follows.

Unit: 1 mil JPY

Item	Amount
Ordinary Income/Loss (Operating Income Section)	
1 Operating revenue	0
2 Operating expenses	3,966
Executive compensation	114
Salaries/benefits	920
Allowance for bonus/retirement benefits reserves	260
Office building lease-related costs	189
Office equipment et al. costs	25
Office equipment et al. costs	1,654
Consulting commission fees	219
Sundry taxes expense	17
Depreciation costs	564
Other management expenses	
Operating Income	(3,966)
(Non-operating Income/Loss Section)	
1. Non-operating income interest	2,339
2. Non-operating Expenses	2,339
Ordinary income	—
	(1,627)
Extraordinary profit and loss section	
1. Extraordinary profit	0
2. Extraordinary loss	0
Current net income before tax	
Corporation, resident, and business taxes	(1,627)
Adjustments for corporation tax, etc.	0
Adjustments for corporation tax, etc.	0
Current net income	(1,627)

■Financial Plan (Post-privatization)

The financial plan for the 2007 business year (post-privatization) is as follows.

Unit: 1 mil JPY

Item	Amount
Income Section	
Balance carried over from previous term	271
Interest income	148,513
Total	148,784
Expense Section	
Expenses	148,757
Balance carried forward to next term	26
Total	148,784

N.B.: This financial plan was drafted based on the “Framework of the Execution Plan Concerning the Succession of the Businesses et al. of Japan Post” presented to the government on July 31, 2006 and changes are planned to be made as necessary once the content et al. of business management after privatization is finalized.

■Income and Expenditure Budget (Post-privatization)

The income and expenditure budget for the 2007 business year (post-privatization) is as follows.

Unit: 1 mil JPY

Item	Amount
Ordinary Income and Loss Section (Operating Income/Loss Section)	
1. Operating revenue	148,513
2. Operating expenses	161,729
Ordinary income	(13,216)
Current net income before deduction of tax	(13,216)
Current net income	(13,216)

N.B.: This financial plan was drafted based on the “Framework of the Execution Plan Concerning the Succession of the Businesses et al. of Japan Post” presented to the government on July 31, 2006 and changes are planned to be made as necessary once the content et al. of business management after privatization is finalized.