

2010 Business Year

From April 1, 2010 to March 31, 2011

6th Term

Business Plan

Japan Post Holdings Co., Ltd.

Foreword

In addition to formulating and ensuring the execution of the basic management policies of Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. (hereafter, “business subsidiaries”) and exercising our rights as shareholders thereof, Japan Post Holdings Co., Ltd. (hereafter, “Japan Post Holdings”) will support the businesses of its business subsidiaries, etc. by subcontracting indirect operations from them and executing such operations 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.

A current issue facing Japan Post Holdings and each member company of the Japan Post Holdings group is the strengthening of internal controls. In the 2009 business year, Japan Post Holdings and each group company received business improvement orders beginning with the “Supervisory Decree Based on Article 14, Paragraph 2 of the Act on Japan Post Holdings Co., Ltd.”, (issued April 3, 2009) and in response took measures to effect a strengthening of internal controls, such as improving rules and regulations and tightening management. In particular, it established a real estate review board from the standpoint of assuring procedural fairness and transparency. In FY2010, based on the measures it took last fiscal year, it will continue to endeavor to strengthen governance among the group as a whole to ensure a level of transparency capable of addressing the items indicated by the supervisory authorities, thorough awareness of accountability, and proper operation of businesses.

For this reason, Japan Post Holdings sees the improvement of compliance standards group-wide as an important issue for management in FY2010 as well and will provide all necessary support and guidance to each group company by accurately grasping the formulation and promotion status of each company’s compliance programs for FY2010 as well as the condition and status of each company’s internal audit systems. Also, it will continue to promote improvements in its business transactions with corporate entities related to the postal business.

In addition, together with making efforts to ensure the commitment to the public good and public nature of the services offered by each group company and improve customer satisfaction (CS), Japan Post Holdings will also engage in corporate social responsibility (CSR) activities based on its societal responsibilities and those of each group company.

In particular, with regard to environmental conservation activities, Japan Post Holdings implemented programs such as an employee volunteer-based afforestation program in “JP Forest”, environmental awareness activities aimed at small children, and CO₂ reduction by way of the introduction of an energy conservation manual among each group company in FY2009. It will continue to promote environmental conservation activities in FY2010.

Also, with regard to the employment of people with disabilities, Japan Post Holdings achieved the designated employment rate of persons with disabilities required by the Act for Promotion of Employment of Persons with Disabilities in FY2009 and will continue to address the promotion of employment of people with disabilities in FY2010.

At present, discussion of a fundamental review of the postal business for the assurance of citizens’ livelihoods and revitalization of local society is progressing in the government based on the Basic Policy for Postal Reform (adopted by the Cabinet on October 20, 2009), and Japan Post Holdings will respond appropriately based on the outcome thereof. 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. Formulation of Business Subsidiary Basic Management Policy and Assurance of Execution et al.

Japan Post Holdings will formulate the basic management policies for Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd and ensure the execution thereof for the assurance of universal postal services by the former and provision of stable service through the maintenance and effective utilization of the post office network by the latter. Specifically, Japan Post Holdings will require that business subsidiaries observe policies that relate to important management matters and request they obtain approval from or report to the former on an individual basis with regard to matters that have a significant impact on the group as a whole or are required to ensure executive management transparency.

In addition, it will conduct establishment and operation of social and community contribution funds.

2. Business Support of Business Subsidiaries

By subcontracting indirect operations from business subsidiaries and executing 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, Japan Post Holdings aims to improve the group's management efficiency while supporting the business of its subsidiaries. Specifically, Japan Post Holdings will subcontract and execute the following indirect businesses from its business subsidiaries.

(1) Provision of Telecommunications and Data Processing Services

Based on stipulations of business subsidiaries that employ telecommunications equipment owned by Japan Post Holdings and those set forth in Article 4 of the Act Relating to the Consignment of Postal Window Services (Act No. 213 of 1949), it will provide telecommunications services and data processing services that employ data processing systems to individuals re-entrusted with business falling within the scope of consigned services stipulated in Article 3, Paragraph 1 of said Act by Japan Post Network Co., Ltd.

(2) Human Resource and Finance-related Business

Japan Post Holdings will carry out payment of salaries of business subsidiary executives, allowance calculation and income clerical duties (creation/mail-out of invoices, shipping requests, bank account transfer requests, credit data reconciliation) as well as expenditure clerical duties (creation/mail-out of payout certificates, bank account transfer requests, creation/mail-out of payment notices, credit data reconciliation).

(3) Welfare Benefits-related Businesses

Japan Post Holdings will conduct health management and recreation facility provision businesses based on the stipulations set forth in the Industrial Safety and Health Law (Act No. 57 of 1972) for executives and employees, etc. of business subsidiaries and the Management Organization for Postal Savings and Postal Life Insurance.

(4) Real Estate Management-related Businesses

Japan Post Holdings will conduct support of management, improvement planning, operational upkeep, design/construction supervision, and transaction/leasing businesses related to real estate such as land and buildings as well as equipment associated with said real estate that is either currently owned or leased by business subsidiaries or will be owned or leased by them in the future.

(5) Temporary Staffing and Introduction Businesses

Through subsidiaries that conduct temporary staffing dispatch and introduction business, Japan Post Holdings will conduct solicitations for and employment of staff and introduce and dispatch primarily retired group employees to each group member company. Also, it will carry out subcontracting of the human resource-related businesses of each group company.

(6) Call Center-related Businesses

Japan Post Holdings will carry out the provision and management of call center facilities and systems to business subsidiaries.

3. Hospital Operation

Together with operating Teishin Hospital as a company-founded hospital, Japan Post Holdings will proceed with administrative improvement at each hospital through revenue-increasing measures by coordinating with community healthcare and enhancing emergency medicine, and engaging in cost-cutting through reviews of outsourcing contracts. Also, it will promote the improvement of medical services, response to local healthcare needs, and patient satisfaction.

4. Lodging Facilities Operation et al.

With regard to facilities for publicizing the former postal savings system (11 locations) and former postal life insurance subscriber facilities (71 locations), Japan Post Holdings will conduct a reexamination of optimization measures that shall contain such things as revenue-increasing measures such as increasing the number of users of lodging facilities anew and a review of outsourcing contracts based on changes in the external environment such as the economic trend in recent years, future forecasts, reviews of postal privatization, et al. In so doing, it shall plan for administrative improvement with the aim of achieving single-fiscal year profitability.

Appendix Financial Plan
 Income and Expenditure Budget

■Financial Plan

The financial plan for the 2009 business year is as follows.

Unit: 100 mil JPY

Item	Amount
Income Section	
Balance carried over from previous term	405
Dividend income	920
Former savings accounting subsidy Executive management fee	554
Indirect business commissions	163
Lodging business income	926
Medical business income	395
Other income	235
Loans	173
	-
Total	3,770
Expense Section	
Labor costs	1,610
Equipment costs	1,016
Sundry taxes expense	72
Investment expenditures	213
Securities	139
Other expenditures	1
Balance of carried forward to next term	719
Total	3,770

N.B.: 1) Total figures do not match due to rounding.

2) ”-“ means that the figure does not exist.

■ Income and Expenditure Budget

The income and expenditure budget for the 2010 business year is as follows.

Unit: 100 mil JPY

Item	Amount
Ordinary Income/Loss Section	
(Operating Income/Loss Section)	3,135
1. Operating revenue	920
Dividends	554
Former savings accounting subsidy	154
Executive management fee	895
Indirect business commissions	376
Lodging business income	235
Medical business income	1,855
2. Operating expenses	624
Labor costs	960
Equipment costs	218
Depreciation costs	53
Sundry taxes expense	
Operating Income	1,279
(Non-operating Income/Loss Section)	27
Non-operating Income/Loss	2
Investment income from social/community contribution funds	
Ordinary profit	1,308
Extraordinary profit and loss section	-
1. Extraordinary profit	-
2. Extraordinary loss	1,308
Current net income before tax	(212)
Corporation, resident, and business taxes	58
Adjustments for corporation tax, etc.	1,462
Current net income	

N.B.:

- 1) Total figures do not match due to rounding.
- 2) ”-“ means that the figure does not exist.