

Challenges Facing Japan Post and the Move to Privatize

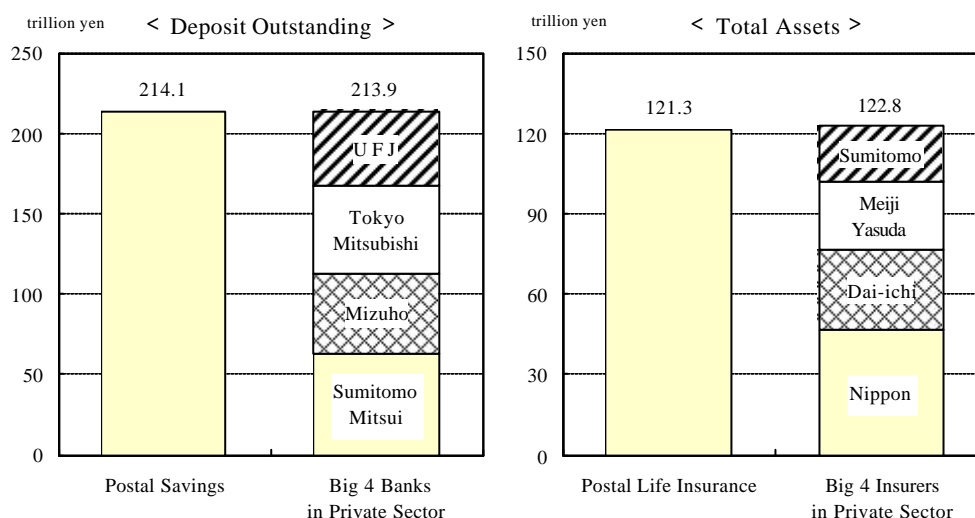
1. Outline and Current Conditions of Japan Post

1.1 Outline of Japan Post Public Corporation

Japan Post is a government run public corporation established on April 1, 2003 in accordance with the Japan Post Law. Laws pertaining to the three businesses of the postal services, that are, the Mail Law, the Postal Savings Law and the Postal Insurance Law continue to apply to Japan Post. The government office overseeing Japan Post also continues to be the Ministry of Internal Affairs and Communications.

As at the end of fiscal 2004, Japan Post was a huge financial and distribution conglomerate with 261,937 employees, 24,678 postal offices and total assets of 388 trillion yen. The number of postal outlets is equivalent to the total number of branches of all banks and credit unions combined. Moreover, the deposit outstanding of the postal savings is larger than sum total of that of Japanese Big 4 banks, and, the total assets of postal life insurance (Kampo) equals to whole amount of that of Japanese Big 4 Insurance companies (Figure 1).

Figure 1. The Asset Value of Japan Post



Source) Japan Post Corp., Annual Report 2005

Other private financial institutions, Financial Statements in March 2005

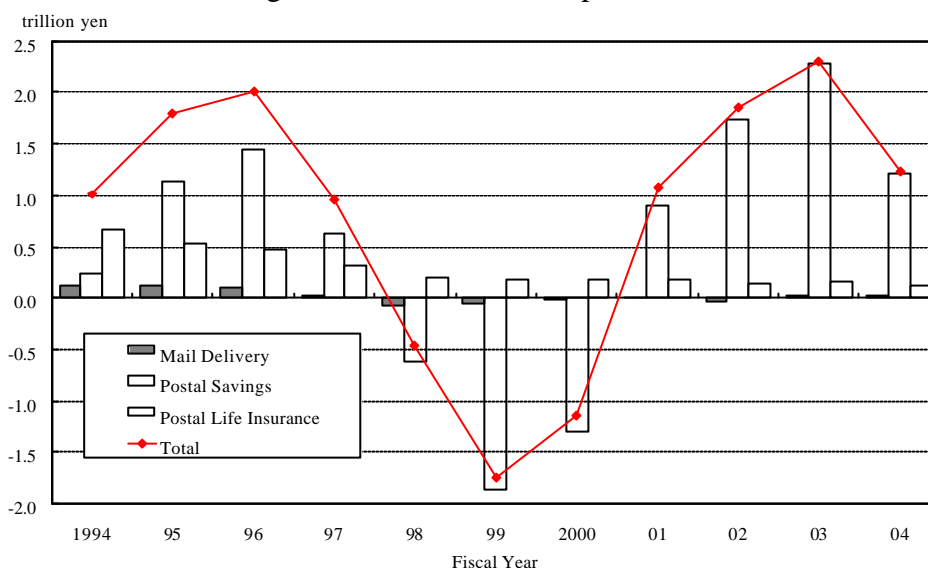
1.2 Profit Structure of Japan Post

The net income of the three lines of business of postal services over the past ten years is as shown in Figure 2. We find that the earnings of the three businesses are more volatile than might be expected. The mail delivery service has been marking small profits and losses over time. At the same time, the earnings of the Kampo business have been stagnant, due to the prolonged low interest rate environment and the expansion of the negative spread. Finally, the profits and losses of the postal savings business are the greatest in value but the most volatile. However, recently it has

been this arm of the three businesses that are pulling up profits for the entire entity.

Although interest expenses fell when the large number of *teigaku* (postal savings certificate) deposit contracts that were entered into during the period of high interest rates reached maturity. Yet, since 2001 when the business returned to profitability, profits have been greater than 1 trillion yen.

Figure 2. Net Income of Japan Post



Source) Japan Post Corp., Annual Report

1.3 The Uneven Playing Field for Japan Post and Private Financial Institutions

Due to the government-run nature of Japan Post, they entity is not required to pay various taxes. Also, Japan Post continues to be exempt from paying the various fees and costs to the Deposit Insurance Corporation of Japan or the Life Insurance Policyholders Protection Corporation of Japan. Moreover, the employees of Japan Post continue to have the status of civil servants.

Japan Post, as a public corporation continues to receive great benefits from the government. Thus, there are a great many issues from the perspective of establishing a level playing field for the players in these markets that will have to be addressed and resolved.

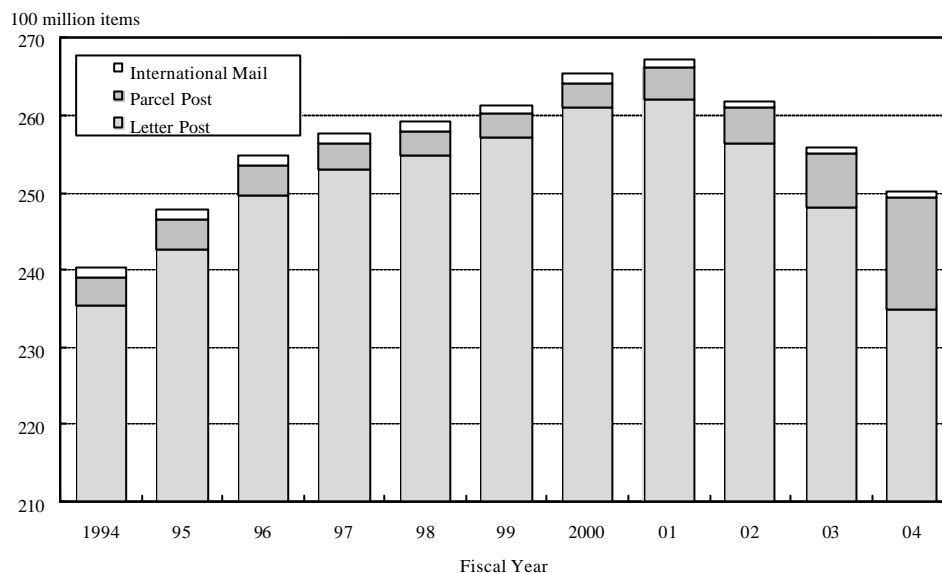
2. The Current Mail Delivery Business and its Future Challenges

2.1 The Mail Delivery Business

The total volume of mail handled by number of items peaked in fiscal 2001 at 26.7 billion items and has been on a declining trend since then. Letter post items that account for 90% of all postal items have been declining across the board due to the proliferation of electronic mail (e-mail) -- that has replaced Class 1 (sealed letters) and Class 2 (postcards) mail items – as well as the reduction in the amount expended for communications of corporations. However, the volume of parcel post items handled have increased rapidly since the entity became a public corporation in fiscal 2003 and the number of items rose to 1.43 billion, twice the number of the previous year. However, the increase in parcels falls short of being able to fully compensate for the decline in ordinary letter

items and thus the total items received continues to fall (Figure 3).

Figure 3. Volume of mail handled

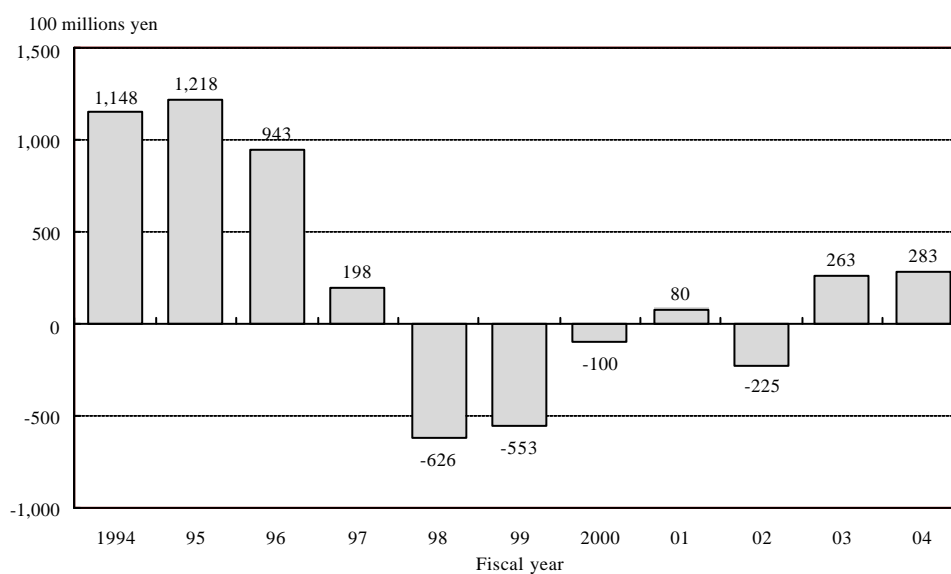


Source) Japan Post Corp., Annual Report

2.2 Net Income of Mail Delivery Business

Since being converted to a state-run corporation, Japan Post’s mail delivery business has secured positive profits for two consecutive years. This is a result of the increased productivity of the business, as well as their successful reduction in expenses such as through lower transport commission expenses and the rationalization in number of full-time personnel. (Figure 4)

Figure 4. Net Income of Mail Delivery Business



Source) Japan Post Corp., Annual Report

2.3 Comparison of Domestic Postal Rates with Other Major Countries

When we look at other countries’ domestic postal rates, we see that for the major Western Europe countries and the US, the difference in rates charged for sealed letters and postcards are relatively smaller than in Japan. Moreover, in the UK and France, the distinction between the two kinds of letter items is not made at all in rates. In the US, the postal rates are lowest of all the countries used in this comparison. However in general, the delivery of mail items can take two to three days, and so we must also take note of the fact that the efficiency of service may be considered lower than that of Japan. We could conclude that if Japan Post were to set the rates for Class 1 and Class 2 letters as the same, this would not be an unusual rate structure by international comparison. (Table 1)

Table 1. Comparison of Postal Rates with Some Major Countries

	U.S.	United Kingdom	France	Germany	Japan
Sealed Letters	0.37USD	0.30GBP	0.53EUR	0.55EUR	80Yen
Yen Equivalent	40Yen	62Yen	74Yen	77Yen	80Yen
Purchasing Power Parities	49Yen	64Yen	78Yen	77Yen	80Yen
Postcards	0.23USD	0.30GBP	0.53EUR	0.45EUR	50Yen
Yen Equivalent	25Yen	62Yen	74Yen	63Yen	50Yen
Purchasing Power Parities	30Yen	64Yen	78Yen	63Yen	50Yen
Differential	0.14USD	NONE	NONE	0.10EUR	30Yen
Yen Equivalent	15Yen	NONE	NONE	14Yen	30Yen
Purchasing Power Parities	19Yen	NONE	NONE	14Yen	30Yen

Source) Japan Post Corp., Annual Report

2.4 Mail Delivery as a Universal Service and the Law Concerning Mail Delivery by Private Firms

A “universal service” refers to a necessary service that should be made available to all people in a nation at an appropriate price. In Section 1 of the Universal Postal Convention, it obliges its member countries to ensure that “all users/customers enjoy the right to a universal postal service involving the permanent provision of quality basic postal services at all points in their territory, at affordable prices”

In some overseas countries, even after the mail delivery business has been privatized, there have been some monopoly-type grants or financial support in order for the businesses to meet this universal service obligation and to secure and maintain the service.

In Japan, in order to open the market of delivering correspondence to private businesses, the government has permitted private sector entry into the mail delivery business. In 2002, the Law Concerning Mail Delivery by Private Firms was passed and came into force on the same date as the establishment of the Japan Post Public Corporation on April 1 2003. This law is made up of two components: the General Mail Delivery operations and Special Mail Delivery operations. For the general mail delivery component, in order to prevent “cream skimming”, they would be required to meet the following obligations 1) to set one uniform rate for any location in Japan (maximum of 80 yen for a letter up to 25 grams in weight) and 2) provide daily collection and delivery of mail including single items and 3) provide a simple, speedy and secure method of collection and delivery (i.e., having mailboxes). Moreover according to the directives of the Ministry of Internal Affairs and Communications, the policy regarding mailboxes dictates that they have 10,000 boxes, and so

we can say that the barriers to entry are quite high. Currently there are no private entities entering this business, and so Japan Post still enjoys its monopoly.

2.5 New Areas of Business

For fiscal 2005, Japan Post fixed their target to increase market share in the small parcel market (the sum of the volume handled in the private delivery service and ordinary parcels) to 10%. In order to attain this goal, they have improved their customer service and revised their fee structure. They changed their rate system from one based on weight to one based on size of parcel, making it easier to compare their prices with the private delivery systems. Then, they set their standard prices at levels lower than the private companies. As a result, in fiscal 2004, their share in the small parcel market increased by 0.9 percentage points to 7.0% over the previous fiscal year.

In response to such continued efforts on Japan Post's part to improve competitiveness, Yamato Transport Co., Japan's largest private parcel delivery company, filed a lawsuit with the Tokyo District Court, and sued Japan Post for its alleged unfair practices in 2004. This suit requested a court injunction to halt the tie-up of Lawson convenience stores with Japan Post's Yu-pack parcel product and to disallow them from offering services at lower prices than the Land, Infrastructure and Transportation Ministry stipulates for private parcel delivery firms.

3. The Current Postal Savings Business and its Future Challenges

3.1 The Postal Savings Business and the Fiscal Investment and Loan Program (FILP)

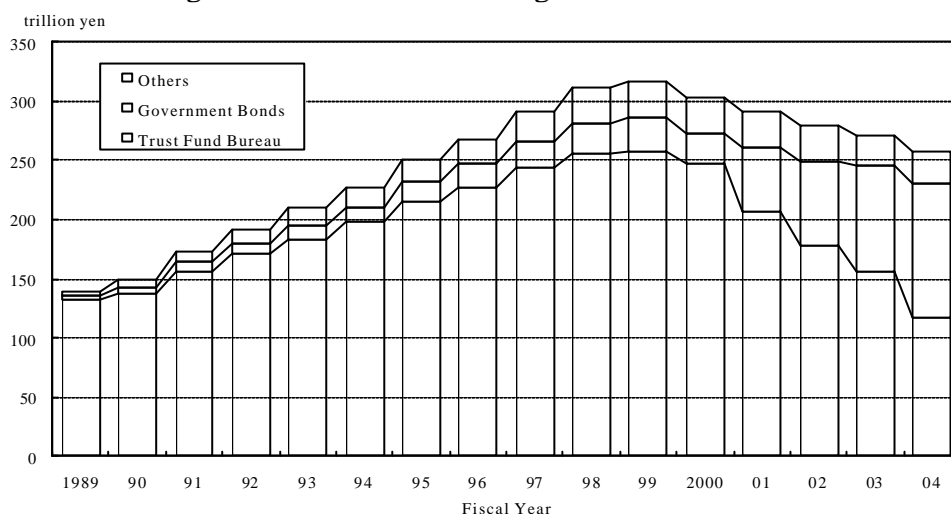
The balances of postal savings grew consistently in the 1990s and reached its peak in 1999 at a total of 260 trillion yen. Since entering the 2000s, however, they have been on a declining trend. The balance of savings at the four mega banks combined was 214 trillion yen at the end of fiscal 2004, and so we see that the postal savings continues to be a massive financial institution with access to an overwhelming amount of funds. By type of deposit, the strongest product was the *teigaku* (Savings Certificate) Deposit, which accounted for 68% of the deposit amount at fiscal year end 2004.

For the postal savings business, the interest income received from the funds entrusted to the Trust Bureau for the Fiscal Investment and Loan Program (*zaiseitouyushi* or *FILP*) is its largest source of revenue. The largest expense on the other hand, is the interest expense on deposits. Thus the postal savings systems collects the deposits that are then entrusted to the Trust Bureau, and profits are earned by the interest spreads. The *teigaku* deposits that mature in 10 years are mostly entrusted to the Trust Bureau on seven year terms. The interest rates paid by the Trust Bureau are fixed rates equivalent to the yield on a ten-year government bond plus an additional 0.2% for a seven year term. This was to make this a more attractive option than investing the funds in government bonds in the market.

With the reforms to the FILP system in 2001, it is no longer mandatory for all postal savings deposits to be invested with the Trust Bureau. Existing funds with the Trust Bureau will be fully repaid by the end of fiscal 2007. As for the funds that have been already repaid, they are invested at Japan Post's own discretion, and as at fiscal year end 2004, this amounted to about 134 trillion

yen, accounting for about 63% of the financial assets of the postal savings system (Figure 5.) Most of these self-managed funds have been invested in government bonds. As more of these funds are repaid, there will be a reduction in the preferential interest income received by Japan Post. If we assume that the additional 2% they had been receiving was the extent of their preferential interest income, we estimate that in the four years from fiscal 1998 to 2001, this amount was an average of about 500 billion yen per year. This has, however, declined to 270 billion yen in fiscal 2004. This will fall to zero after fiscal 2007.

Figure 5. How Postal Savings Assets are Invested

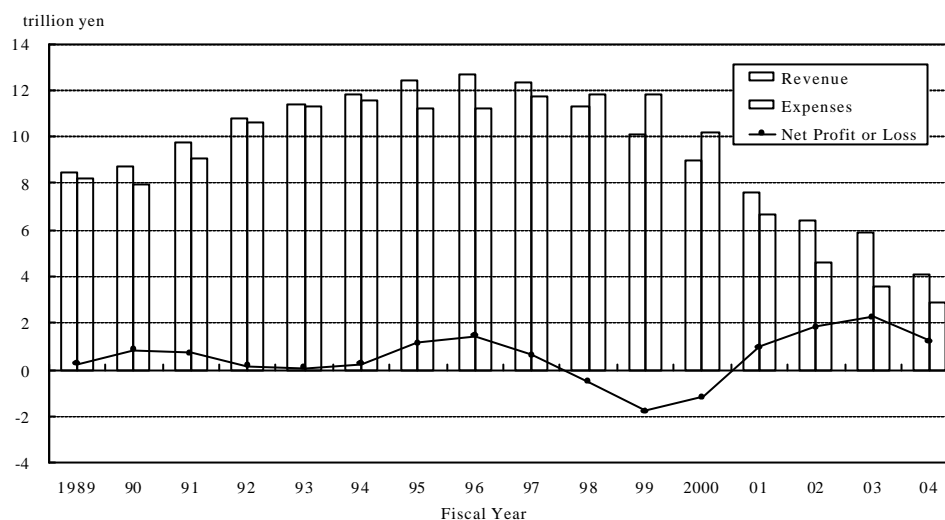


Source) Japan Post Corp., Annual Report

3.2 Issues with the Teigaku Savings (Postal Savings Certificates)

Most of the postal savings are in the form of teigaku savings, and so most of the fluctuation in the balances is a result of fluctuations in the balances in this particular product. These teigaku savings are a fixed rate deposit product with maturity of ten years. If this is cancelled within six months of the deposit, there is a fixed penalty of having the (lower) ordinary savings deposit rate apply. However, after this, the contract can be cancelled at any time with hardly any penalty. In an environment of falling interest rates, the depositor will want to fix their high rates and more funds will be invested into this product, but in an environment of rising rates, many of these contracts are cancelled and are either reinvested in postal savings of higher rates or they flow out of postal savings altogether (Figure 6.)

Figure 6. Net Income of Postal Savings Business



Source) Japan Post Corp., Annual Report

Until the reform of the FILP in 2001, all postal savings were entrusted with the Trust Bureau for seven years. In an environment of falling interest rates, because the depositor is incited to lock in high interest rates for as long a term as possible, they will hold their teigaku deposits for a longer period. The depositor may keep these deposits for 10 years, while they are only entrusted to the Trust Bureau for seven years. As a result of this, the postal savings system is forced to invest these funds for the remainder of the term at relatively short-term rates of three years. Negative spreads are likely to occur as a result. In a rising interest rate environment, funds recently deposited with the Trust Bureau will earn a margin for the time being. However, once interest rates begin to rise, deposit contracts are cancelled and are re-deposited at higher rates. At this stage the investments are already earning fixed low rates, while deposit rates are rising – leading to a negative spread. Negative spreads can occur in both rising and falling interest rate environments with the teigaku deposit product, and is a very risky product for the postal savings system to be offering.

3.3 Opportunities in Settlement Services

The postal savings system also offers remittance services in the form of postal money orders and “postal giros” (direct transfers of funds to and from or to a postal account). These were in favor from a time when the banks branch infrastructures were not sufficiently developed and the postal system was a certain way of sending funds to anywhere else in the country. This system continues to be highly competitive despite the more developed branch networks of private banks, because it takes advantage of the postal outlet network that has great reach throughout the country and has low handling costs. There are opportunities for this line of business to be developed into a greater source of revenue.

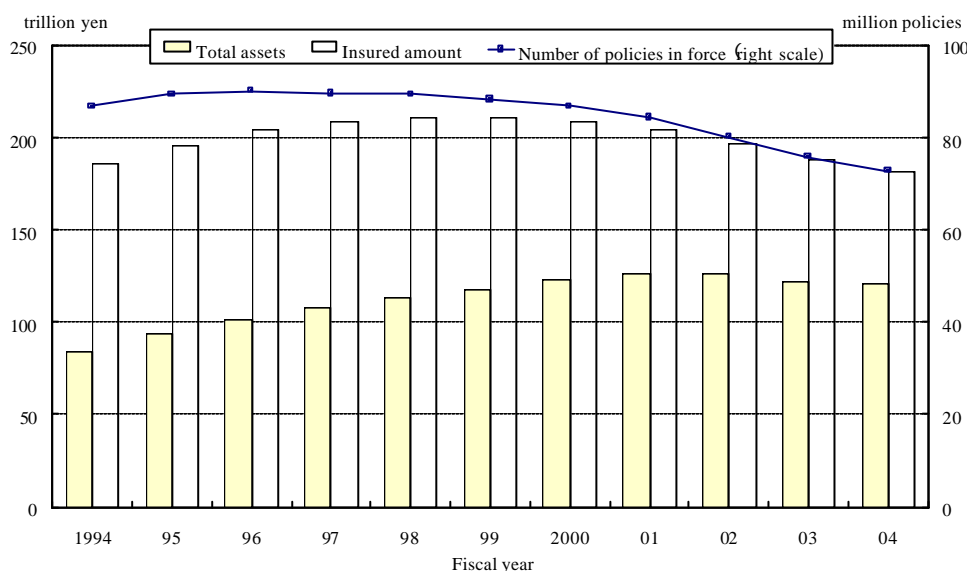
4. Current Conditions in the Kampo Business

4.1 The Postal Insurance Business (Kampo) and Policies in Force

The policies in force in the Kampo System (life insurance policies and annuities) totaled 72.64

million policies, and the insured amount was 181 trillion yen. Total assets amount to 121 trillion yen, and equal one third of the total assets of the entire life insurance industry in Japan. The private life insurers continue to suffer the effects of the negative spread that resulted from the burst of the economic bubble, the ensuing poor performance in the stock market and the prolonged low interest rates. However, Kampo as a state-run entity has always been subject to restrictions in its investments in stocks and real estate, and so the damage was well contained. Using the confidence in the government guarantee as its selling point, Kampo increased its number of policies steadily in the first half of the 1990s. Since then, however, the number of policies in force peaked in fiscal 1996, while the insured amount peaked in fiscal 1998, and has been on a decline since then. (Figure 7)

Figure 7. Postal Life Insurance Policies in Force



Source) Japan Post Corp., Annual Report

4.2 Kampo Products

As for insured amounts per policy, Kampo's figures are low at an average insured amount of 2.729 million yen compared to both private life insurers (at 10.146 million yen and Zenkyoren (or JA-Kyosai, at 13.473 million yen) at the end of fiscal 2004 are low. This is because there is a limit on the insured amount that it cannot exceed 10 million yen (or for annuities, 900,000 yen/year). By policy type, endowment insurance is a savings-type of insurance product, and accounts for 80% of policies. Compared to private life insurers, savings-type products of small amounts are the mainstay of the Kampo business.

5. Analysis of Profits by Region

5.1 Special Post Offices

The origin of special post offices dates back to the Meiji Era. The government, in order to quickly establish a nationwide network of post offices but without sufficient funds of its own,

requested some local dignitaries to contribute their private funds. Though this special post office system has contributed greatly to the establishment of the modern postal system in Japan, their particular organization and human resource systems are gaining attention as impediments to reform.

Table 2. Types of Post Offices

	Ordinary Post Offices	Special Post Offices	Postal Agency
Number of offices (share of total)	1,308 (5.3%)	18,923 (76.7%)	4,447 (18.0%)
Collection and Delivery Post Office (share of total)	1,261 (5.1%)	3,465 (14.0%)	-
Non-collection and Delivery Post Office (share of total)	47 (0.2%)	15,458 (62.6%)	4,447 (18.0%)
Average employees	about 100	3 ? 7	2 ? 4
Location	high volume areas	well-destrivuted nationwide	generally in non-urban areas
Service Lomitations	none	none	unable to offer postage deferred payment, proof of content letters, etc.
Business model	three lines of business separated	all three businesses together (can be provided by one employee)	private consignment
Status of employees	civil servants	civil servants	private employees

Source) Japan Post Corp., Annual Report

5.2 Characteristics of Special Post Offices

The following three characteristics define the nature of the special post office system and these general guidelines have been in place since the postal system was established, over one hundred years ago. There are issues with the special post office system not only from an organizational perspective, but also from the fact that from a personnel standpoint, the employees of special post offices are classified as special civil servants.

Appointment by selection

This is a system that allows people who are not employees of Japan Post to become postmasters of special post offices. The fact that the position of postmaster in these special post offices is often inherited is the target of much criticism. It is often pointed out that the most important characteristic of a candidate for special postmaster is that he has influence in the local community. Even after assuming the position of special postmaster, he is expected to have a high political awareness and these postmasters are the source of the political influence of the National Association of Special Postmasters.

Private ownership of special post office space

From the historical background of special postal offices, there are cases that the land and building used for those special post offices are owned by the special postmasters. In these cases, the special postmaster is paid not only his salary but he would also be the recipient of rental income.

No transfers of offices

In general the special postmaster does not get transferred and instead works at the same special post office until he retires. The special postmasters who own the office space are not required to retire at the normal national government employee retirement age of 60, and can instead stay on the job until 65. There are also cases where this can be extended to at most 68.

5.3 Analysis of Post Office Types

From this table we observe that for the mail delivery business, the post office relies heavily on income from the urban centers. By post office type, the ordinary post offices contribute greatly to overall income while the non-collection non-delivery special post offices contribute little. The profits in this corporation are being transferred from the urban to rural centers and from ordinary to non-collection, non-delivery special post offices. For the postal savings business, rural areas contribute more and the contribution of the non-collection, non-delivery special post offices contribute greatly. As for the Kampo business, there is no great difference between the relative contributions of the urban and rural areas to income. (Table 3)

For mail delivery services and in particular, the business of general mail delivery is one that is required to be a universal service available evenly throughout the country. Without this regulation, new entrants to the market would offer their service only to the large urban centers where the business is profitable, and would “cream skim”. As Japan Post provides this universal service, the discussion often ties in this universal service requirement with maintaining the post office network. However, as we have seen thus far, in order to continue to provide this universal service Japan Post would only need to maintain the ordinary post offices and the collection and delivery special post offices.

Table 3. The cost income ratios of the three postal businesses by type of post office

Lines of Business		Nationalwide total	Average	Standard Deviation	No.of Prefectures incurring losses	No.of Prefectures making profits
Total three lines of business	Ordinary post offices	92.95%	94.72%	2.80%	2	45
	Collection and delivery special post office	95.32%	94.96%	3.20%	3	44
	Non-collection and non-delivery special post office	83.07%	85.20%	4.50%	0	47
Mail delivery business	Ordinary post offices	83.63%	98.66%	16.97%	20	27
	Collection and delivery special post office	146.68%	144.55%	32.90%	44	3
	Non-collection and non-delivery special post office	307.84%	409.84%	117.13%	47	0
Postal Saving business	Ordinary post offices	65.89%	66.97%	4.63%	0	47
	Collection and delivery special post office	64.31%	64.28%	5.45%	0	47
	Non-collection and non-delivery special post office	59.05%	61.80%	5.02%	0	47
Postal Insurance business	Ordinary post offices	98.61%	98.89%	0.81%	4	43
	Collection and delivery special post office	99.63%	99.85%	1.46%	15	32
	Non-collection and non-delivery special post office	99.47%	99.46%	0.54%	7	40

Source) Japan Post Corp.

The post office network is necessary to maintain the business of the postal savings business, and the non-collection, non-delivery special post offices that make up an overwhelming share of the post offices play a very integral role in this. Yet, the provision of postal savings services is not required to be a universal service, and so it should be possible to review the existing post office network. In working out the privatization of Japan Post, an important point of discussion will be the post office network and how the postal savings and Kampo businesses will tie into these post offices.

6. Estimated hidden subsidies of Japan Post

In the table below, we estimated the four major benefits that the public corporation was enjoying as at year-end fiscal 2004. We find that as a public corporation, they are enjoying about 1 trillion yen in benefits in total (Table 4)

Table 4. hidden subsidies incurred by Japan Post covered by the government

hundreds of million of yen

		Fiscal 2004
Postal Saving Business	Exemption from paying Deposit Insurance Premiums	1,848
	Exemption from paying stamp duties	332
	Subsidization of income from interest paid by FILP	5,855
Postal Insurance Business	Exemption from paying fees to Life Insurance Policyholders	212
	Exemption from paying stamp duties	29
Protection Corporation	Japan Post Overall Lower fixed asset taxes and urban planning taxes	152
	Exemption from paying corporate taxes, corporate resident taxes, corporate enterprise taxes	1,572
Total		10,000

Source) trial calculations by JCER

Subsidization of income through preferential interest rates from funds entrusted to FILP

There was preferential treatment for funds entrusted to the former Ministry of Finance, Trust Fund Bureau (currently Fiscal Loan Fund Special Account). Though the funds were entrusted for only seven years to the Trust Fund Bureau, they were receiving interest equivalent to the 10 year government bond coupon rate plus an additional 0.2%. Though under the FILP reform in 2001, the obligation of Japan Post to entrust all their savings to the Trust Fund Bureau was eliminated, the postal savings system continues to have a huge balance entrusted under this system and is still receiving large interest revenue from this.

Deposit Insurance Corporation fees

Private Banks are obligated to pay 0.084 % of their deposit balance of the previous fiscal year to the Deposit Insurance Corporation of Japan as premiums for their insurance.

Fees for Life Insurance Policyholders Protection Corporation

Private life insurers are required to become members of the Life Insurance Policyholders Protection Corporation, and to contribute a portion of their profits towards the “Policy Protection Fund” and the “Administration Funds” every year. As Kampo is guaranteed by the government, they are exempt from making these contributions.

They are also exempt from paying various corporate taxes, stamp duties and fixed asset taxes.

7. Simulation of Postal Savings Profitability

The deposit balance of the postal savings has been shrinking recently. The preferential interest rates paid by the Trust Fund Bureau for deposits will be no longer paid after the end of fiscal 2007.

As the postal system will be privatized, it is likely that they will no longer receive special benefits or be exempt from paying taxes in the future as well. As profitability declines with the end of these financial support mechanisms, and if the balances continue to decline, then the postal savings business may become unsustainable. We conducted a simulation analysis and we find what kind of effect on profitability and financial health this declining trend in deposit balances will have in the future. Also we consider measures that may be required in order for the postal savings business to be able to secure profitability in the future (Table 5.)

Table 5. Simulation of Profitability at Various Deposit Balances

	Case 1		Case 2		Case 3		Case 4	
	do no new business		increase fee income		increase risk appetite		Case2 & 3 simultaneously	
Net income(billion yen)	975	0	975	0	975	0	975	0
Deposit balance(trillion yen)	414	184	394	164	263	114	256	108

Source) trial calculations by JCER

The results of this simulation show that once the postal savings system does not receive this support from the government, they may not be able to stay in business if they continue to operate the same way as they do now. However, we also find that if they are able to increase their fee income and enhance the sophistication of their investments, they will be able to survive even with a more realistic deposit balance. With this current bill to privatize the postal system, the new Postal Savings Bank will, for the first ten years of transition, face restrictions from entering into new businesses, and so they will have to review their existing business model to try to improve profitability.

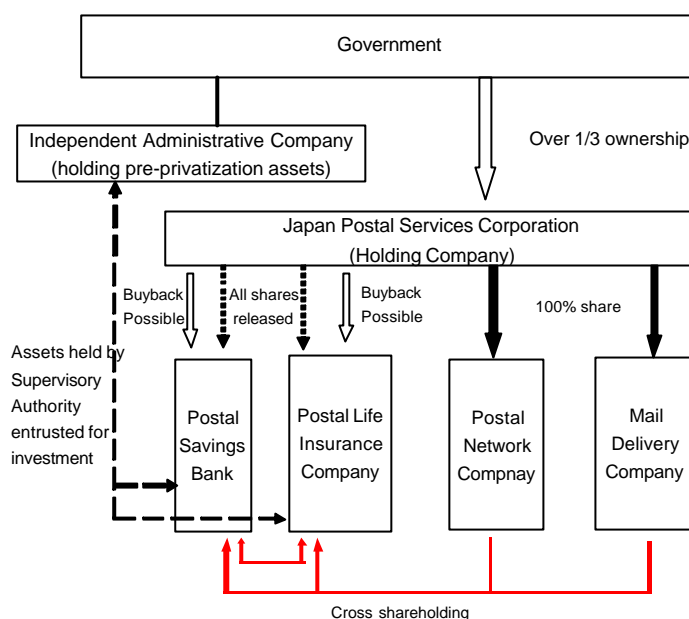
8. Challenges to Postal Privatization

8.1 Outline of Privatization Bill

The government submitted to the Diet on April 27 2005, six bills related to the privatization of the postal system. If these bills are approved, then the final picture of postal privatization will take the form of Japan Post being composed of the following six entities: “Japan Postal Services Corporation” (or JPSC, the holding company), a mail delivery company, a postal network, a postal savings bank, a postal insurance company and an independent administrative entity to hold pre-privatization bank and insurance assets. In the final stage, Japan Post Corporation will sell all the shares of the Postal Savings Bank, and the Postal Life Insurance Company and these two companies will become true private companies. All employees of current Japan Post will become employees of the new companies, but they will lose their status as civil servants (Figure 8.)

During the transition period when the shares are being sold, the businesses of the Postal Savings Bank and the Postal Insurance Company will be restricted in some areas, and the approval of the government will be required for them to enter into any new lines of business.

Figure 8. Summary of Government Privatization Plan



8.2 Some Issues in the Privatization Procedure

(1) The transitional period should be dramatically shortened

The biggest issue inherent in the bill to privatize the postal system is that the shares of the Postal Savings Bank and the Postal Insurance Companies are not released until 2017 – very far in the future. It is very difficult to manage the competitive landscape for Japan Post Public Corporation and the private financial institutions for a transition period of ten years. The system is designed so that the new businesses that the postal savings bank and the Postal Insurance Co. (that are under the umbrella of the holding company that receives special benefits for its mail delivery business) can go into any new businesses it wants with the approval of the government. There will be much resistance from the private sector in that it is unfair for the Postal Savings Bank and the Postal Insurance Company – that are not independent from the arms of the government – to be able to introduce new products or go into new lines of business. On the other hand, to prohibit them from introducing new products or enter into new businesses will put these new entities at a competitive disadvantage and will result in poor business performance. The transition period needs to be shortened and the shares of these entities released earlier.

(2) The profits and losses from the old accounts should be separated from the new companies

The term deposits and the Kampo policies that existed prior to privatization should be held by the administrative entity and should continue to be separated after privatization. This is to facilitate the changeover from existing contracts (that continue to have government guarantees) to the new contracts. This is because these new contracts will not be directly guaranteed by the government, but will be subject to the same guarantees of private financial institutions, i.e., from the Deposit Insurance Corporation and the Life Insurance Policyholders Protection Corporation. Though for the existing contracts the administrative entity will entrust the investment of those assets to the

Postal Savings Bank and the Postal Life Insurance Company, the investment accounts will not be separated, and the investment profits will be those of the bank and the insurance company. As a result of this, until the existing contracts expire, the premiums paid to the deposit insurance corporation or contributions to the Policyholders Protection Corporation will be less burdensome, and the new companies will continue to be at a competitive advantage. Thus, one could say that until the existing contracts expire, the postal savings and insurance systems will continue to benefit from its past government affiliation.

(3) Government involvement after full privatization should be prohibited

In an amendment to the bill during deliberation in the Lower House of the Diet, it became possible for the shares of the Japan Post Corporation – in whom the government will continue to have partial ownership and thus some influence – as well the Postal Savings Bank and the Postal Insurance company to be bought back even after full privatization. As a result, there exists the danger that the Postal Savings Bank and Postal Insurance Company will continue to be influenced by the government, and there will be little improvement from the current situation where all three businesses are run as one.