EUROPEAN BUSINESS COMMUNITY
THE COUNCIL

H.E. Mr. Junichiro Koizumi
Prime Minister of Japan
Prime Minister's Official Residence
2-3-1 Nagatacho, Chiyoda-ku, Tokyo

March 31, 2004

Re: Privatization of Japan Post

Dear Prime Minister,

As the trade policy arm of the seventeen national European chambers of commerce and business organizations in Japan, the European Business Community in Japan (EBC) is following with great interest the debate surrounding the privatization of Japan Post and its related services.

In principle, the EBC supports the privatization of Japan Post and its three core businesses: postal services, savings, and insurance. The EBC feels that privatization is an important element of the Government's ongoing structural reform efforts and will contribute to the reinvigoration of the Japanese economy.

The benefits of privatization will only be realized, however, if the Government of Japan establishes a framework for privatization that ensures a level playing field in the market. In the case of Japan Post, this will not be easy considering the sheer size of its current operations.

The EBC feels that strict limits should be placed on the ability of Japan Post to expand its business in insurance, banking and other areas until appropriate competitive safeguards are in place to prevent Japan Post from using its dominant position in existing markets to cross-subsidize loss-making business as well as entry into new business areas. As such, the EBC supports the complete separation of Japan Post's insurance, savings and postal services business into at least three separate privatized entities.

With regards to Japan Post's insurance business, the EBC expects that at a very minimum a privatized Japan Post would be subject to the same capital, solvency margin, tax and policy-holder protection funding requirements as other private insurers in order to create a level playing field in the life-insurance market. Since *Kampo* provides the same services as their private-sector competitors, the EBC feels that all should be subject to the same legal and

RICHARD COLLASSE, CHAIRMAN OF THE EUROPEAN BUSINESS COMMUNITY
President & Representative Director, Chanel KK.
Yebisu Garden Place Tower 33F, 20-3 Ebisu 4-chome Shibuya-ku, Tokyo 150-6033 Tel:(03)5421-7500 Fax:(03)5421-7531 E-mail:richard_collasse@chanel.co.jp

EBC

regulatory requirements. The EBC supports the Japan Life Insurance Association's call for an immediate freeze on expansion of Japan Post's insurance business.

With regards to Japan Post's savings business, the EBC expects that at the very minimum a privatized Japan Post would be subject to the same regulations and supervision as private financial institutions and that all privileges accorded to the current entity as a governmental institution would be completely abolished. The EBC supports the Japan Bankers Association's call to limit Japan Post's business in this area to payment and settlement services.

The way in which Japan Post is privatized will have an enormous impact on the market in Japan for insurance, banking and postal services. The EBC urges the Prime Minister to carefully consider the implications of unfettered privatization on competition and take appropriate measures to create a level playing field in these markets.

Yours sincerely,

Richard Collasse,
Chairman,
European Business Community in Japan.

cc. Delegation of the European Commission in Japan (Ambassador Bernhard Zepter)
Japan Life Insurance Association (Mr. Tomijiro Morita, Chairman)
Japan Bankers Association (Mr. Shigemitsu Miki, Chairman)
International Bankers Association (Mr. John MacFarlane, Chairman)
Foreign Non-Life Insurers Association (Mr. Iain Ferguson, Chairman)
Japan Post (Mr. Masaharu Ikuta, President)

Sanbancho POULA Bldg. 2F 6-7 Sanbancho, Chiyoda-ku Tokyo 102-0075; Tel:03-3263-6222 Fax:03-3263-6223; E-mail:ebc@gol.com; Web:http://www.ebc-jp.com