

# Dedicated to Providing the Public with the Best Possible Services

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# 1. Operations of Japan Post



Toru Takahashi

President & CEO  
Japan Post Co., Ltd.

## Message from the Company



I would like to express my appreciation to our customers for your ongoing use of our post offices.

On October 1, 2012, Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd. merged operations to create the new Japan Post Co., Ltd., which operates post offices and a postal delivery network covering every area of Japan. For over 140 years since the founding of our postal operations in 1871, post offices have provided postal, banking, and insurance services based on the concept of offering customers security while earning their trust.

Following the recent merger, we remain committed to providing our three core businesses of postal, banking and insurance services as universal services widely across the entire country. Additionally, we aim to be a comprehensive lifestyle support company that helps customers realize safe, secure, comfortable and enriched lives and lifestyles by providing each of them with a variety of products and services tailored to their diverse lifestyles and life stages.

### Review of Fiscal 2013

The business environment surrounding Japan Post remained severe in fiscal 2013 due to such factors as ongoing declines in the number of items of mail handled and the number of insurance policies in force.

Amid this environment, we proceeded with merger preparations within the extremely short time period between the passage of the "Act for Partial Revision of the Postal Service Privatization Act and Others" in April 2012 and the actual start of the new company in October. During this time, we focused on preventing disruptions of services to our customers while taking measures to quickly improve customer convenience, and these efforts enabled us to get off to a smooth start.

We also emphasized thoroughgoing compliance based on our compliance program to maintain the trust of our customers. Moreover, we worked to attain a profitable balance in our revenues and expenses with measures that included making sweeping reductions in operational

costs. We also made efforts to raise productivity by promoting centralized processing and automation of mail sorting and other tasks and upgrading information system infrastructures.

Besides these measures, we pushed ahead with initiatives for increasing earnings that included the opening of KITTE, our first commercial facility, inside JP Tower in March 2013.

As a result of these measures, Japan Post recorded operating income of ¥2,054.1 billion, net ordinary income of ¥100.2 billion and net income of ¥83.0 billion. Looking at results for the entire fiscal year by business segment, the postal service business segment achieved profits on a single-year basis, with net income of ¥31.1 billion, which includes settlements for closures prior to the merger. The post office business segment also secured profits, recording net income of ¥28.9 billion.

### Issues for the Future

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To ensure that we can smoothly and reliably provide customers with services in the future, an urgent management issue for Japan Post will be to firmly establish a management structure capable of consistently generating profits even within the current harsh business environment.

In working toward this objective, in fiscal 2014 we will focus on quickly deploying the merits of the merger and thus strive to create positive benefits such as further upgrading structures and streamlining our organizations while promoting thorough profit and loss management.

To encourage more frequent use of our post offices in the future, we will promote efforts to respond more accurately to customer needs by nurturing our human resources and strengthening collaboration with our outsourcing partners Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. At the same time, we will raise productivity through the continued appropriate allocation of personnel based on the volume of business.

On a different front, we will continue to implement thorough compliance based on our compliance program as we work to secure the trust of customers. We will also maintain our efforts to support reconstruction following the Great East Japan Earthquake and help support the daily lives of people affected by the disaster by reopening post offices in disaster-stricken areas.

Looking to the future, all employees of Japan Post are united in their efforts to provide even higher quality services. We appreciate your continuous patronage and use of our post offices.

# 1. Overview of Operations

## 1. Overview of Operations

Japan Post Co., Ltd. is the company in the Japan Post Group that deals with postal service business as well as post office business. It was inaugurated in October 2012 upon the merger of Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd.

In addition to steadily providing universal postal services, Japan Post offers customers nationwide bank counter operations and insurance counter operations under consignment from Japan Post Bank and Japan Post Insurance as universal services through post offices.

Going forward, efforts will be made to maintain the level of the post office network, which is a shared asset of the Japanese people, and maximize public benefits and locality, while at the same time further enhancing the convenience of post office services through the merger. Accordingly, we will promote initiatives to comprehensively support the daily lives of local customers.

## 1. Postal and Domestic Distribution Business

Under the Postal Services Privatization Act, Japan Post impartially provides universal postal services at the lowest possible rates as well as Yu-Pack, Yu-Mail and other logistics services. In addition to domestic postal services, Japan Post also provides international postal services (letter, parcel and EMS\*) in accordance with the Universal Postal Convention and other international postal agreements. Japan Post is also commissioned by the Japanese government to sell documentary stamps.

In response to the one-stop outsourcing needs of business customers, subsidiaries such as JP Biz Mail Co., Ltd. provide contracted one-stop total services that range from mail planning and preparation (printing) to mail insertions, sealing and sending.

\*EMS: Express Mail Service

## 2. Banking Counter Operations and Others

Under consignment from Japan Post Bank, we handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts.

## 3. Insurance Counter Operations and Others

Under consignment from Japan Post Insurance, we solicit life insurance and handle premium payments. In addition, we sell individual variable annuities, life insurance for companies (for management-level personnel), third-sector insurance products and automobile insurance under consignment from life insurance companies and non-life insurance companies other than Japan Post Insurance.

## 4. International Logistics Business

In response to expanding needs for international logistics, we are promoting international logistics business with a strong focus on the air cargo sector. In cooperation with Japan Post Sankyu Global Logistics Co., Ltd., a subsidiary jointly established with Sankyu Inc. in July 2008, we are providing a wide variety of international logistics services ranging from small-lot to large-lot cargo to domestic and overseas corporate customers primarily in Japan, China and other countries in Asia.



## JAPAN POST SANKYU GLOBAL LOGISTICS

## 5. Logistics Business

We are deploying our logistics business in response to recent logistics outsourcing needs. Upon being consigned by client companies, together with our subsidiary JP Logi Service Co., Ltd., we provide our third party logistics (3PL) services in an integrated manner, from optimized logistics plans to the building and operation of logistics systems, as well as the provision of consulting services relating to logistics improvements.

## 6. Real Estate Business

We are making effective use of the real estate held by the Company and are working on new profit-making businesses such as the leasing building business, which includes JP Tower constructed in front of Tokyo Station, the condominium apartment building business and the parking space business.

## 2. Initiatives in Fiscal 2013

The operating environment was extremely severe in fiscal 2013, characterized by declines in the number of items of mail handled and the number of insurance policies in force. Nonetheless, we worked to secure revenues and minimize expenses.

Specifically, in the postal service business, we endeavored to comprehensively reduce operational costs, which included the appropriate allocation of personnel based on the volume of business, and also to strengthen small- and medium-size businesses.

In the post office business, we strove to efficiently and effectively utilize required personnel in areas and strengthen management based on operating profit and loss. We also worked to enhance sales capabilities by simplifying operations.

Going forward, we will continue aiming to improve the balance of payments throughout the company in order to maintain sound management.

### ■ Real Estate Development Business

Japan Post is making the most effective use of real estate held by the company as a new profit-making business.

JP Tower, completed on May 31, 2012 and opened officially on March 21, 2013, incorporates seismic capabilities, BCP (for the continuation of the minimum of business following a disaster) response and state-of-the-art technology, including for environmental friendliness and energy conservation, in the high-rise tower. The low-rise tower retains a portion of the former Tokyo Central Post Office building as part of efforts to keep the historical atmosphere of the building intact.

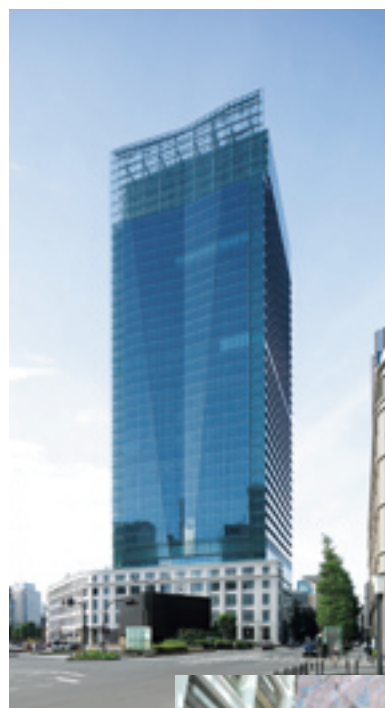
KITTE, the first commercial facility built by the company, accommodates 98 shops and restaurants under the concept "Feel JAPAN" that include retailers highlighting Japan's special appreciation for manufacturing and a unique sense of aesthetics, restaurants offering traditional tastes cherished locally and those that are trendy in various localities, as well as food retailers offering specialty products from all over Japan. It also includes a variety of other facilities such as Tokyo City i, a tourist and business information center used as a venue to disseminate culture and information; Intermediatheque, an integrated arts and culture museum; and JP Tower Hall and Conference, an international conference center.

Many people continue to come to KITTE daily, which has been well received, as evidenced by such factors as a total of five million persons having visited since the opening as of the end of May 2013.

JP Tower will create a new bustling center in the Marunouchi area, which is already attracting a lot of attention with the restoration of the Tokyo Station Marunouchi Building.

In addition to JP Tower, there are various other buildings that are under construction, including the Sapporo Mitsui JP Building (tentative name), scheduled for completion in August 2014; Omiya Sakuragicho 1-chome Project (tentative name), scheduled for completion in September 2014; and Meieki 1-chome Project (tentative name), scheduled for completion in November 2015. Going forward, we plan to gradually expand the real estate development business.

We will also promote the condominium apartment building business in addition to the rental building business. Following a



JP Tower



Commercial facility KITTE

condominium building in Meguro Ward that was completely sold out in March 2012, we are currently making preparations for a development in Fukuoka City and are investigating other sites for commercialization as well, mainly in the Tokyo metropolitan area.

### ■ Strengthen Sales Capabilities

Post offices serve as points of contact between customers and Japan Post Group companies. We worked to improve our sales capabilities in the three core businesses of postal, banking and insurance services by strengthening collaboration with Japan Post Group companies.

- **Postal:** In an effort to get people to rediscover the appeal, value and effect of direct mail, we held sales promotion seminars for corporations at 205 venues nationwide. Close to 5,000 companies took part and we received many inquiries regarding sales promotion using direct mail. By continuing such activities, we will work to distribute information on the appeal of paper media that will help raise customer sales and also to boost sales capabilities together with customers.

In order to strengthen sales of popular special stamps at postal counters, we held display sales workshops at around 70 post offices nationwide and set up new displays and featured packaged products that were both appealing and easy to purchase by customers.

- **Banking:** We worked to secure deposits by conducting campaigns

in each region during summer and winter bonus season. We also held pension advisory seminars and sought to maintain and expand the number of customers who automatically receive pension payments.

- Insurance: As part of our "Comprehensive and Heartfelt Services," we explained the content of insurance policies and got customers to reconfirm their understanding of the details. We also provided various services to give customers even greater satisfaction. We are working to maintain policies in force by changing the date of maturity and to recommend new policies by gaining the trust of customers through these activities.

■ Activities for 2013 New Year's Postcards

Under the advertising slogan "We deliver people's warm heart at the New Year," we once again sold a variety of New Year's postcards, including Disney character postcards. As for our Web-enabled services, we worked to enhance the contents of our special New Year's postcards website (yubin-nenga.jp) and provided a service that enables users to design their own New Year's postcards using images that they have posted on the social networking service Facebook in the past. We also provided mixi *Nengajo*, Webpo and Yahoo! JAPAN *Nengajo* services, which enable users to send "real" New Year's postcards to their online, address-unknown friends and acquaintances. In addition, we developed a new service for the smartphone application "Post Card Design Kit," in which users can send "real" New Year's postcards to the mobile phone number of friends and acquaintances. In collaboration with the Universal Postal Union (UPU), we held a new contest in which New Year's postcards sent from Japan to the UPU headquarters in Switzerland were judged by a delegation of postal operators.



Judging of the New Year's postcard contest

### 3. Providing New Products and Services

■ Sales of *Posukuma* Products

We started sales of three kinds of "Post Bear" products in September 2012 (Post Bear charms, stickers and 3D postcards) at around 6,000 post offices throughout Japan. In February 2013, we launched three more products in the second series, namely Post Bear mini-charms, sticky notes and masking tape.

Post Bear products are original post office goods using the "Post Bear" character (teddy bear that delivers mail) that originated from a greeting stamp.



*Posukuma* charm



*Posukuma* 3D postcard

■ Expanded the Number of Post Offices Handling New Financial Services

We have gradually expanded the number of post offices that handle various new financial products to make them accessible to more customers. The number of post offices selling variable annuities has grown from 247 to 508 since July 2012, while the number handling life insurance for companies (for management-level personnel) has risen from 126 to 134 in the same period. The number of post offices handling automobile insurance has expanded from 701 to 1,241 since August 2012.

We will continue to strive to better meet the needs of more customers at post offices that are close to home.

■ Sales of *Kit Mail*

Japan Post sold *Kit Mail* as a jointly developed product with Nestle Japan Ltd. in January 2008. With *Kit Mail*, people can mail a package of KitKat chocolate wafers with a stamp to students about to take exams. KitKat, the pronunciation of which roughly resembles "Kitto Katsu" in Japanese (meaning a "surefire win") is regarded as a lucky charm. Senders can write an encouraging message on the package prior to sending it.

A new feature was added in fiscal 2013 in which an image of cherry blossoms in full bloom pops up as the package is opened together with the sound of the KitKat tune.



*Kit Mail* 2012 version

#### ■ Expanded Scope of Yu-Pack Same-Day Delivery Service

Our Yu-Pack same-day delivery service\* is now available nationwide at post offices having collection and delivery functionality. Within Tokyo, where this service was previously available only at certain post offices, all post offices with collection and delivery functionality now accept Yu-Pack parcels for delivery on the same day between areas within Tokyo's 23 wards and between areas in other parts of Tokyo (excluding islands).

\*A service to deliver Yu-Pack parcels, submitted to post offices by around noon, on the same day.

#### ■ Trial Implementation of "Cool EMS"

Japan Airlines Co., Ltd. (JAL) and Japan Post are cooperating to offer a delivery service called "Cool EMS" for small, temperature-sensitive parcels by way of Express Mail Service (EMS). Trial implementation of Cool EMS started in April 2013 at the Chitose Post Office\* (Hokkaido) and Kawasaki Port Post Office\* (Kawagawa Prefecture) for addresses in Taiwan and Singapore.

Going forward, JAL and Japan Post will cooperate further to expand this service of transporting temperature-sensitive goods, including frozen products, to a wider part of Asia such as Hong Kong, Shanghai and South Korea, and in doing so, also support small and medium-sized regional companies in Japan in developing business opportunities overseas.

\*Packages cannot be accepted at postal counters. The service is only available through our pickup service.

#### ■ Providing a Service to Support International E-commerce Business

Singapore Post Co., Ltd. and Japan Post agreed in November 2012 to collaborate to expand the international e-commerce market. A new service called Ezy-Fulfillment For E-Commerce Trader (EFFECT) specifically for merchants engaged in cross-border selling is now being provided by Singapore Post's Japan subsidiary, Quantum Solutions (Japan) Inc. The service combines the warehousing control and shipping system of Quantum Solutions with the online shipping service offered by Japan Post to provide a fulfillment service covering the entire shipping process for merchants selling internationally, including inventory control, inspection, picking, packing, export documentation, shipping and final delivery.

#### ■ Start of Postal Services at Lawson Store 100

Ninety-nine Plus Inc., a consolidated subsidiary of Lawson, Inc., and Japan Post have teamed up to install post boxes on Lawson Store 100 premises nationwide, with Yu-Pack and postal services commencing in stores from June 2013. This endeavor has enabled postal services at around 11,200 Lawson and Natural Lawson stores throughout Japan.

## 4. Social Contribution

Post offices throughout the nation have been implementing a diverse range of initiatives to vitalize local communities through collaboration with local governments, companies and organizations.

Japan Post considers corporate social responsibility (CSR) to be a management issue of the highest priority and works to fulfill that responsibility as a company.

(For details, please refer to "Japan Post Group CSR" on pages 88-94.)

## 2. Products and Services

### 1. Postal Service Business

#### 1. Stamps and Postcards

(As of April 1, 2013)

Products	Description/Features
Ordinary stamps	Standard lineup of postage stamps.
Special stamps	Stamps issued for a special purpose, such as to commemorate an important national event in Japan or a significant campaign in Japan or another countries. We also provide greeting postage stamps with designs suitable for use with greeting cards for celebrations and various other occasions.
Furusato stamps	Stamps issued to stimulate interest in specific regions of Japan using regional themes.
Donation-added New Year's postage stamps	These lottery stamps allow individuals who use their own New Year's postcards and letters to participate in the New Year's postcard lottery. There are two types: one for postcards and one for letters.
Frame stamps	An original postage stamp that is designed to look like a photo frame, with its inner blank space available for printing photographs, etc. Frame stamps can be ordered via the Internet or at a post office.
Standard postcards	In addition to the postage mark featuring a house sparrow, other postcards are available featuring a moth orchid, suitable for use for winter greetings or announcing a period of mourning.
New Year's postcards (New Year's lottery postcards)	These postcards are available in a standard format and with a donation added. A service called <i>Nenga Town-Mail</i> is also available to deliver no name specified New Year's postcards to all households and offices within a particular town neighborhood, where there is a delivery of New Year's postcards on January 1.
Summer greeting postcards (Kamo-Mail)	Kamo-Mail is lottery postcards for summer greetings. A service called <i>Kamome Town</i> is also available to deliver no name specified Kamo-Mail postcards, which are accepted during a specified period, to all households and offices within a particular town neighborhood.
e-sense cards	Sold for ¥50, these stylish postcards incorporate an illustration or picture provided by a company using the back of the card as advertising space.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5 to ¥45.
Inkjet printing standard postcards	Postcards with a special coating permitting the postcards to be used for printing photographs, pictures and other colorful images.
Reply-paid postcards	Two attached postcards folded in half, one to be used by the sender and the other by the recipient to send a reply back to the sender. We also offer unfolded reply-paid postcards. The absence of a fold allows these postcards to be easily used with a printer or copier. These postcards are useful for printing large numbers of invitations to parties, sales events, exhibitions and other events.
Four-surface printing postcards	With four postcards in a single sheet, these postcards are useful for situations where a large number of postcards need to be printed.
Postcards with indentations	These postcards have a semicircular indentation on the lower left corner of the front so that visually impaired individuals can tell the front and back and top and bottom of a postcard.
Picture postcards	Picture postcards featuring famous scenery and other sights from all over Japan.
International postcards	These postcards are used for international air mail and have the same rate (¥70) for every foreign country.
Mini-letters (Postal envelopes)	These sheets, in which writing space is three times the size of a postcard, are a combined letter and an envelope. Postage is printed on the front just as with a postcard. Items can be enclosed up to the limit of 25 g.
Letter Pack Plus*1 (Specified postage-paid envelope, with recorded delivery service)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items can be sent nationwide for a flat rate (¥500). As the package is hand delivered to the recipient in exchange of his or her signature or seal, it offers a secure way to send items by post. A tracking service is available to check delivery status.
Letter Pack Light*2 (Specified postage-paid envelope)	This is a special purpose A4 file size, pre-paid envelope, with which correspondence and items that do not exceed 3 cm in depth can be sent nationwide for a flat rate (¥350). This item is placed in the recipient's mail box and is therefore useful for persons who are not often at home to receive mail items. A tracking service is available to check delivery status.
Aerogrammes	The international mail version of the "mini-letter." Items can be enclosed up to a limit of 25 g. Space is three times the size of a postcard and postage is printed on the front. Air-mail postage is cheaper (¥90 for anywhere in the world).
Stamp booklets	Stamp booklets have a cover and contain several stamps or several dozen stamps, with an accompanying explanation of each stamp.

\*1: Formerly called Letter Pack 500 \*2: Formerly called Letter Pack 350



Furusato stamps



Special stamps



Stamp booklets



Frame stamps



## 2. Standard Mail Services

Category	Description/Features
<b>First-class mail</b> ( <i>Daiisshu yubin</i> )	This category includes letters and is divided into standard-size items of a certain size and weight and nonstandard-size items. This category also includes "mini-letters."
<b>Second-class mail</b> ( <i>Dainishu yubin</i> )	This is the category for postcards. There are two categories: standard postcards and reply-paid postcards.
<b>Third-class mail</b> ( <i>Daisanshu yubin</i> )	Newspapers, magazines and other periodicals issued at least four times each year and that have been approved by Japan Post. This includes third-class mail, which has discounted rates, and covers a portion of newspapers published three or more times monthly or publications containing one-day's content that are mailed by a publisher, seller or organization. Third-class mail at a discounted rate is also available for organizations for persons with disabilities that have the aim of promoting the welfare of persons with disabilities.
<b>Fourth-class mail</b> ( <i>Daiyonshu yubin</i> )	A reduced-rate or free postage category for materials associated with public service or welfare. Examples include correspondence education materials, Braille materials, sound recordings intended solely for the use of the visually impaired, plants and seeds, and academic publications.

## 3. Yu-Pack, Yu-Mail and Other Services

Products	Description/Features
<b>Yu-Pack</b>	Yu-Pack is a domestic delivery service for sending parcels having the sum total of length, width and thickness of less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of benefits and conveniences. These include discounts for parcels brought to post offices, discounts for the same destination, discounts for multiple parcels to the same destination simultaneously, volume discounts for 10 or more parcels, service that allows the user to specify the nearest post office to home or work for receipt of the package, forwarding to a second address when no one is at the primary address, notice of completed delivery service, same-day redelivery, specified time delivery service and same-day delivery (certain post offices and regions).
<b>Airport Yu-Pack</b>	An easy and inexpensive way for travelers to ship their luggage to and from an airport. Luggage can be picked up at a designated counter at the airport. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Golf and Ski Yu-Pack</b>	Golf and ski equipment is delivered to a hotel or other location by the day prior to the customer's arrival or back to the customer's home. There is a reduction available for using the service on both outbound and inbound journeys.
<b>Pos Packet</b>	A convenient service for sending small and light items anywhere in Japan at a flat rate of ¥350. Delivery confirmation is available online. Simply drop Pos Packet in a post box.
<b>Yu-Mail (booklet parcels)</b>	A service for sending books and other publications. No prior procedure is needed. Simply drop Yu-Mail in a post box. We offer special volume discounts for users sending a large quantity of parcels using this service.
<b>Town Plus</b>	A service to deliver Yu-Mail to all deliverable addresses within a particular town neighborhood without the name of receivers.
<b>Yu-Mail for persons with disabilities</b>	Yu-Mail for materials sent between libraries and persons with severe physical or mental disabilities.
<b>Braille Yu-Pack</b>	Used to send Braille materials.
<b>Yu-Pack for the hearing impaired</b>	Used to send videotapes for hearing-impaired individuals. Available for tapes sent between facilities approved by Japan Post and eligible recipients.



Nenga Town-Mail



Kamome Town



Letter Pack Plus



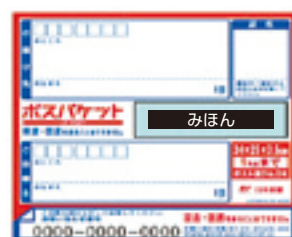
Letter Pack Light



Yu-Pack package (large box)






Yu-Pack package (small box)

Yu-Pack package  
(large pouch)Yu-Pack package  
(small pouch)

Pos Packet

## 4. Major Supplementary Services




Services	Description/Features
<b>Express mail (<i>Sokutatsu</i>)</b>	The fastest form of delivery, in which mail receives priority over other letters and parcels in the same class.
<b>Overnight mail "Morning 10"</b>	Delivers mail received before the acceptance deadline by 10:00 the following morning.
<b>New special express mail (<i>Shin tokkyu yubin</i>)</b>	Delivers mail received around morning time by approximately 17:00 the same day.
<b>Registered mail (<i>Kakitome</i>)</b>	Letters and parcels are tracked from acceptance to delivery. If the item is damaged or lost, the sender will be reimbursed for the actual loss based on the amount submitted when the item was sent. There are three types: cash registered mail, ordinary registered mail and simplified registered mail (discounted postage).
<b>Security service</b>	This service provides compensation for loss up to ¥500,000 in the event that a Yu-Pack is damaged or lost.
<b>Acceptance-recorded mail (<i>Tokutei kiroku</i>)</b>	A service for registering the acceptance and delivery of letters and parcels.
<b>Recorded delivery mail (<i>Kofu kiroku yubin</i>)</b>	This is a service provided for a flat rate of ¥500, using a specified postage-paid envelope, which records the delivery of the items in the specified envelope.
<b>ID confirmation delivery service (<i>Honnin gentei uketori</i>)</b>	This service provides delivery of letters and parcels only to a person whose name is listed on the letter or parcel. There are three types of service: basic, special-case and conveying specific details.
<b>Cash on Delivery (<i>Daikin hikikae</i>)</b>	The recipient pays the designated amount upon receipt of the letter or parcel. The amount due is paid to the sender using a Japan Post Bank remittance or ordinary remittance. For cash on delivery Yu-Pack parcels, we also offer Cash on Delivery and Remittance Service ( <i>Daikin hikikae matome sokin</i> ), a service to collect payments and make a lump-sum transfer of money in five-day increments to the sender, and Yu-Pack Collection Service.
<b>Refrigerated delivery service</b>	A safe and reliable refrigerated delivery service for fresh produce and other goods to keep their freshness while in transport.
<b>Delivery date-specified mail (<i>Haitatsu-bi shitei</i>)</b>	The letter or parcel is delivered on the day specified by the sender.
<b>Letax</b> 	A service to deliver messages to recipients, such as congratulatory messages for weddings and condolence messages for funerals, using mat boards and designs specified by senders. It is possible to apply online via the Internet (Web Letax, Web <i>Sokutatsu</i> ), or by telephone (Telephone Letax).
<b>Computer mail</b> 	The sender submits the recipient's name, address, electronic message and other data. Japan Post performs everything from printing to placing the messages in envelopes so they can be delivered using standard mail. It is possible to apply online via the Internet (Web Letter).
<b>e-content certificate</b> 	A service for using the Internet to conveniently send mail that requires certification of the contents; available on a 24-hour basis.
<b>Certification service</b>	Receipt time certification is for certifying the time a letter or parcel sent as registered mail was received. Delivery certification certifies the delivery of a letter or parcel sent as registered mail. Certification forms (which are verified by postal certification officers) state the date, sender and recipient, and contents of the letter or parcel, with certification by Japan Post.

\* These services may not be available depending on the type of letter or parcel.

## 5. Other Services

Services	Description/Features
<b>Forwarding service</b>	When an individual relocates, mail is forwarded to the new address for one year at no charge. In addition to submitting an application using relocation forms, which are available at post offices, a service is available for submitting applications via the Internet. For online service, access <a href="http://welcometown.post.japanpost.jp">http://welcometown.post.japanpost.jp</a> and fill in required items according to the instructions. Additionally, the status of applications can be checked online after submittal.
<b>Requests for alteration of address and withdrawal of mail</b>	When a sender realizes there was a mistaken entry for the sender or address after sending a letter or parcel, a request for change of recipient or return of the item can be submitted (a fee may be required).
<b>Stamp and postcard exchanges</b>	Postage stamps, non-usable postcards due to mistaken entries and other unneeded stamps and postcards can be exchanged for new ordinary stamps and postcards by paying the prescribed fee. Exchanges are not possible for soiled or damaged stamps and postcards and for postal envelopes, etc., where the printed postage stamp rate is soiled or damaged.
<b>Free exchange of lottery number postcards, etc.</b>	New Year's postcards and stamps with lottery numbers that cannot be used due to the death of a close relative can be exchanged for ordinary postcards at no cost. Lottery postcards purchased by mistake and that can be resold can be exchanged at no cost for another type of lottery postcard for the same year. (This service may not be available for certain postcards or stamps.)

## 6. International Mail

Services	Description/Features
<b>EMS (Express Mail Service)</b>	Letters and parcels are given the highest priority from the time of receipt through delivery. Status of delivery can be confirmed. (Note)
<b>EMS delivery time guaranteed service (time certain service)</b>	Provides a guarantee for delivery time for EMS mail sent from Tokyo or Osaka to five countries/regions (China, Hong Kong, Singapore, South Korea, Taiwan)
<b>Cool EMS</b>	A speed post service for small, temperature-sensitive parcels by way of Express Mail Service (EMS) being provided as a trial for addresses in Taiwan and Singapore from April 1, 2013.
<b>International parcels</b>	Available in three types: air parcels where speed is the priority, surface (sea) parcels where low cost is the priority and economy air mail (SAL) small parcels that combine speed and low cost. (Note)
<b>International letter-post mail</b>	
<b>International registered mail</b> 	A service to record acceptance and delivery of a mail item and to compensate for actual damage incurred when it gets damaged or lost, to the extent insured by the sender.
<b>International e-Packet</b> 	A service to apply a special rate, which is lower than normal fees, to a small packet when customers use special labels issued online to send these parcels by air as registered mail.
<b>International insured mail</b> 	A service to record acceptance and delivery. If the item is damaged or does not reach its destination, the sender or the addressee will be reimbursed for the actual loss based on the amount submitted when the item was sent.
<b>Letters</b>	A frequently-used service to deliver letters to overseas addresses. Letters are divided into two categories: standard-size mail having specific weights and sizes and other nonstandard-size mail. This service is available to send letters or documents weighing up to 2 kg by air mail or surface mail. "Letters" include aerogrammes and greeting cards.
<b>Postcards</b>	A service to deliver postcards worldwide at a flat rate of ¥60 for surface mail and ¥70 for air mail.
<b>Printed matter</b>	A low-cost international mail service for periodicals, catalogs, direct marketing materials, business documents and other printed materials. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>Small packet</b>	A service for sending parcels up to 2 kg to overseas destinations. Less expensive than EMS or international small parcels. Can be sent as air mail, surface mail or economy air mail (SAL).
<b>D-mail, P-mail</b>	A special rate is available when a single sender mails a large quantity of pre-sorted items at once at the specified post office (300 or more for printed matters and 50 or more for small packets).

Note: Tracking availability, maximum size and weights depend on each country.



EMS envelopes



Shipping labels for EMS (Merchandise)



International registered mail label



International e-Packet label

## 7. Logistics Services

Our logistics services offer a total logistics solution comprised of a consulting service for corporate logistics\*1, information processing\*2, transportation, storage, freight handling\*3, distribution processing\*4 and packaging.

\*1 We analyze the logistics of companies engaged in shipping from the perspective of their current cost and quality situations and identify key issues and problems, and then make improvement proposals that include specific methods for building logistic systems.

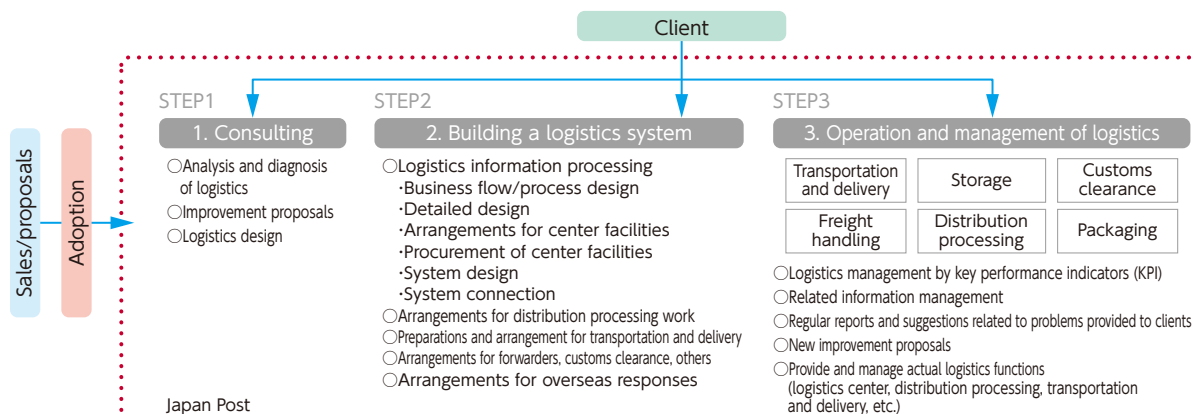
\*2 We provide information systems for areas of logistics as such warehouse management and transport management.

\*3 We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

\*4 We handle such simple processing and assembly tasks as bagging, packaging, attaching labels, performing inspections and attaching price tags during the product distribution process.

### Logistics business services (operations)

The specific operations of Japan Post's logistics business (3PL) are  
 1) providing consulting related to logistics improvements, 2) offering detailed design and building logistics systems based on one-stop consigned logistics, and 3) carrying out actual operational management under consignment after building a new logistics system.



## 2. Post Office Business

(As of April 1, 2013)

Post offices engage in the provision of postal, deposit and insurance products and services. In addition, post offices provide various types of new products and services that contribute to "helping customers lead a better and more comfortable life at present and in the future."

### 1. Products and Services of the Three Core Businesses

#### (1) Postal Counter Operations

We handle postal and Yu-Pack items and sell postage stamps and postcards as well as documentary stamps.

#### (2) Savings Counter Operations

We handle ordinary deposits, *TEIGAKU* deposits and time deposits, provide remittance and settlement services in addition to handling public pension payments and carrying out counter sales of Japanese government bonds and investment trusts. For details, please refer to pages 52-56.

#### (3) Insurance Counter Operations

We solicit life insurance and handle premium payments. For details, please refer to pages 66-68.

#### (2) Post Office Referrals Comprehensive Lifestyle Referral Services

We are implementing Post Office Referrals, which include moving, mobile phone, house cleaning, optic fiber connection and home security services, at all nationwide post offices as well as through a dedicated phone line.

\*Some referral services may not be available at certain post offices.



### 2. Providing Services that Support People's Lives

#### (1) Working with Local Governments

As part of their services for the public, post offices conduct a number of services for local governments. For example, some post offices issue official certification documents and sell tickets for various government services.

(As of March 31, 2013)

Services	Prefectures	Municipalities	Post offices
1. Office certification documents (Issuance of copies of certificates of residency, etc.)	0	160	627
2. Other services	1	110	3,504
(1) Sales	0	100	1,423
a. Multiple-ride bus tickets	0	22	223
b. Trash collection certificates	0	37	857
c. Sewage treatment certificates	0	6	25
d. Tickets to events (Tickets for events sponsored by local governments, etc.)	0	18	184
e. Merchandise certificates	0	0	0
f. Trash collection bags	0	54	326
(2) Distribution services (Issuance of bus tickets, etc.)	0	10	1,411
(3) Receipt of application forms (Receipt of application forms for using public facilities, etc.)	1	3	1,234
<b>Total</b>	<b>1</b>	<b>249</b>	<b>4,057</b>

Note: Figures for "2. Other services," "2 (1) Sales" and "Total" exclude multiple use by the same person.

#### (3) Sales of Catalog Products (*Furusato* Parcel Service)

We offer a number of catalog services, including the *furusato* parcel service, which allows customers to order desired products from catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area, and to have these products delivered by Yu-Pack service. There is also a regular order service that lets customers enjoy the flavors and tastes of the regions of Japan once a month. We continually review catalog product lineups as we strive to introduce customers to even better products.



### 3. Responding to Customers' Various Needs

#### (1) Third-Sector Insurance Products

In order to respond to needs for healthcare coverage, which have been rising in years, we sell third-sector insurance at 1,000 post offices.

##### (Products Handled)

- **Days - Cancer insurance for daily living** [underwriter: Aflac (American Family Life Assurance Company of Columbus)]

A cancer insurance product that provides a lump-sum payment when a policyholder is diagnosed with cancer and benefits for hospitalization and treatment (surgery, radiation therapy and anticancer drugs). It also offers benefits for outpatient cancer treatment, which has been growing recently, and coverage for advanced medical treatments, which are not usually covered under the public health insurance plan.

- **Tayoreru YOU** [underwriter: Sumitomo Life Insurance Company] This whole life medical insurance (medical insurance with eased underwriting conditions) allows for the enrollment of persons with pre-existing conditions (diabetes, hypertension, etc.) who are not accepted under traditional health insurance\*.

\* Insurance products providing benefits for hospitalization or injury or when undergoing prescribed surgery

#### (2) Variable Annuity Sales

In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 508 post offices.

##### (Products Handled)

- **Yu Yu Tsumitate Nenkin** [underwriter: MetLife Alico Life Insurance K.K.]
- **Shiawase Teikibin** [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.]

#### (3) Life Insurance for Companies (for Management-level Personnel)

In order to respond to a variety of needs of executives, such as needs for retirement benefit-related measures, business insurance, business succession and inheritance countermeasures, we sell life insurance for companies (for management-level personnel) at 134 post offices.

##### (Products Handled)

- **Level term life insurance** ● **Increasing term life insurance** [underwriters: ING Life Insurance Company, Ltd., Sumitomo Life Insurance Company, Tokio Marine & Nichido Life Insurance Co., Ltd., Nippon Life Insurance Company, Mitsui Sumitomo Aioi Life Insurance Co., Ltd., Meiji Yasuda Life Insurance Company, MetLife Alico Life Insurance K.K.]

\* Sumitomo Life Insurance Company only underwrites level term insurance.



#### (4) Automobile Insurance

As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 1,241 post offices.

##### (Products Handled)

###### ● Post Office Automobile Insurance

[six underwriters: Aioi Nissay Dowa Insurance Co., Ltd., Sampo Japan Insurance Inc., Tokio Marine & Nichido Fire Insurance Co., Ltd., NIPPONKOA Insurance Co., Ltd., The Fuji Fire and Marine Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.]

This insurance provides three types of basic coverage, namely, compensation and liability coverage, personal coverage of the insured and vehicle coverage in addition to combining seven types of support services ranging from accident-prevention support to support after an accident. Premium rates are set depending on the purpose of the vehicle usage and the category (color) of the driver's license held.



#### (5) Post Office Internet Shop

The Post Office Internet Shop is an online shopping site opened on Japan Post's website.

The shop offers a variety of products ranging from frame stamps to local specialty products provided under our *furusato* parcel service.



#### (6) Total Printing Service

We offer a Total Printing Service via our Post Office Internet Shop. In addition to conventional printing service for New Year's postcards, we now offer printing services for other greeting cards and business cards.



#### (7) Frame Stamps

In response to requests from customers to sell stamps that use photographs, we provide a service for creating and selling original frame stamps for our customers. We also engage in sales of post office original frame stamps for limited periods. In the future, we intend to sell various types of new and original frame stamps.



## 4. Promoting the Effective Use of Post Offices

### (1) Product Sales Utilizing Space at Post Offices

In order to improve convenience for customers who use post offices, from June 2009 we have been selling mail-related items such as letter paper, envelopes and pens and pencils at all nationwide post offices as well as at designated contracted post offices.

In addition, from September 2009 we started sales of *Gotochi* Form Cards, which enable non-standard sized mail items to be sent.



Gotochi Form Card (Tokyo)



Gotochi Form Card (Okinawa Prefecture)

### (2) Advertising Business

We implement an advertising business by deploying extra space at post offices and using our nationwide network of post offices to place advertisements by companies and local governments at around 20,000 sites. Using post offices as a medium, we have a menu of options available for corporate publicity and promotions, including such activities as placing advertisers' posters and pamphlets in post office lobbies, distributing advertisers' sample products at service counters, holding events inside post offices and enabling advertising outside our post offices.

Applications to use the space for advertising are channeled through advertising agencies. As of March 31, 2013, the Company had designated 89 such agencies for this purpose.



Event held in Tokyo

## TOPICS

### Supporting Publication of *Yubinkyoku no Himitsu* Learning Material for Elementary School Students

Japan Post supported the publication of *Yubinkyoku no Himitsu* (Secrets of the Post Office), which is part of the *Manga de Yoku Wakaru* (Learning from Manga) series of learning material for elementary school students by Gakken Publishing Co., Ltd. The book explains in detail the work done by post office employees as well as the products and services handled at post offices, and conveys the important role that post offices play in an easy-to-understand manner. The publication was donated to around 22,000 elementary schools and 3,000 public libraries nationwide through post offices between January and March 2013.



## 3. Japan Post Business Performance

### 1. Postal Service Business Performance

#### 1 Consigned Volume of Mail in Fiscal 2013

(Unit: 1,000 items, %)

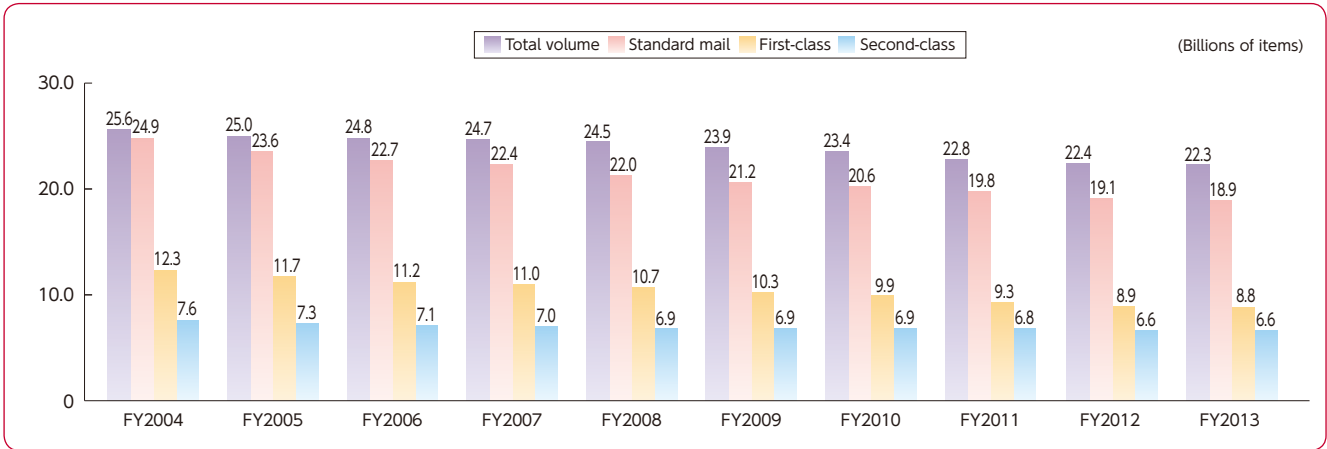
Category	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	22,780,497	(2.6)	22,363,354	(1.8)	<b>22,345,745</b>	<b>(0.1)</b>
Mail	19,812,099	(3.7)	19,107,908	(3.6)	<b>18,862,295</b>	<b>(1.3)</b>
Domestic	19,757,937	(3.7)	19,058,414	(3.5)	<b>18,814,393</b>	<b>(1.3)</b>
Standard mail	19,299,629	(3.8)	18,598,039	(3.6)	<b>18,351,697</b>	<b>(1.3)</b>
First-class	9,319,093	(6.0)	8,912,926	(4.4)	<b>8,797,746</b>	<b>(1.3)</b>
Second-class	6,796,473	(0.8)	6,647,687	(2.2)	<b>6,608,692</b>	<b>(0.6)</b>
Third-class	297,611	(14.1)	274,843	(7.7)	<b>252,744</b>	<b>(8.0)</b>
Fourth-class	24,016	(3.7)	23,559	(1.9)	<b>21,685</b>	<b>(8.0)</b>
New Year's postcards	2,812,114	(1.5)	2,677,489	(4.8)	<b>2,612,749</b>	<b>(2.4)</b>
Election mail	50,321	(15.4)	61,534	22.3	<b>58,081</b>	<b>(5.6)</b>
Special mail	458,309	(1.9)	460,376	0.5	<b>462,696</b>	<b>0.5</b>
International (dispatched)	54,162	(11.7)	49,493	(8.6)	<b>47,901</b>	<b>(3.2)</b>
Standard mail	43,885	(13.2)	39,627	(9.7)	<b>37,840</b>	<b>(4.5)</b>
Parcels	1,402	(8.4)	1,297	(7.5)	<b>1,293</b>	<b>(0.3)</b>
EMS	8,874	(3.9)	8,569	(3.4)	<b>8,768</b>	<b>2.3</b>
Parcels	2,968,398	5.8	3,255,446	9.7	<b>3,483,450</b>	<b>7.0</b>
Yu-Pack	346,822	31.4	383,298	10.5	<b>382,206</b>	<b>(0.3)</b>
Yu-Mail	2,621,576	3.2	2,872,148	9.6	<b>3,101,244</b>	<b>8.0</b>

Notes: 1. Sums of individual items may not match totals due to rounding.

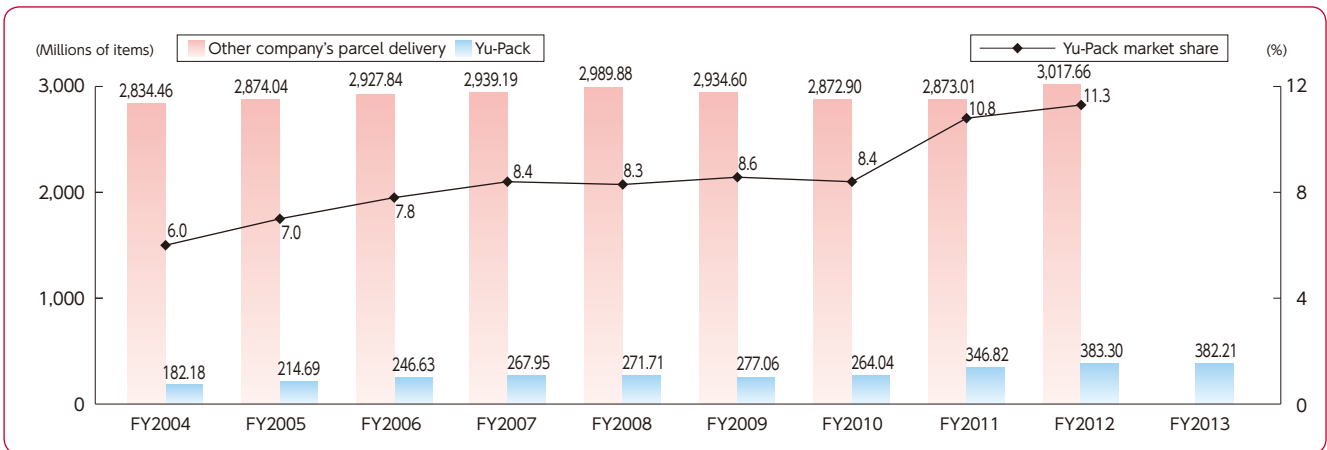
2. The number of Yu-Pack parcels includes EXPACK parcels. EXPACK service was discontinued at the end of March 2010.



## 2 Total Consigned Volume of Mail

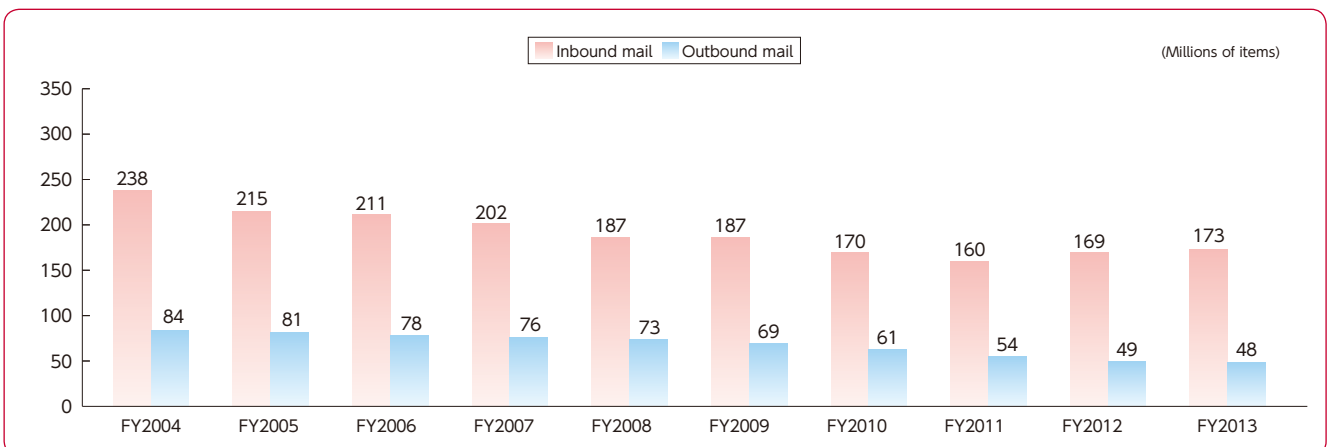


## 3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2013 other companies' parcel delivery volume has not yet been announced (as of June 30, 2013).  
 2. The number of Yu-Pack parcels includes EXPACK parcels.

## 4 Volume of International Mail



## 5 Daily Mail Delivery Volume and Points

	Fiscal 2009	Fiscal 2011
Daily mail delivery volume	About 68 million items	<b>About 64 million items</b>
Daily delivery points	About 32 million points	<b>About 31 million points</b>

Note: No surveys for fiscal 2010, 2012 and 2013 have been implemented.

## 6 Postal Service Quality Survey (Days to Arrival)

Beginning in fiscal 1999, an annual survey has been conducted to determine the percentage of mail delivered within the targeted number of days, with the results made public. The purposes of the survey are to supply accurate information concerning the quality of postal services and further improve the quality of services.

All post offices display a Postal Delivery Time Table (Service Level

Table) that provides information to the public regarding the times needed for mail to reach its destination. Survey results are shown as the percentage of total items sent that were delivered within the number of days prescribed in the Postal Delivery Time Table.

### ■ Nationwide Achievement Rate of Average Days to Delivery

	Fiscal 2011	Year-on-year change	Fiscal 2012	Year-on-year change	Fiscal 2013	Year-on-year change
Nationwide average	98.5%	0.0%	98.6%	0.1%	<b>98.5%</b>	<b>(0.1%)</b>
For mail within the same prefecture	98.9%	0.2%	99.0%	0.1%	<b>98.9%</b>	<b>(0.1%)</b>
For mail to a neighboring prefecture	98.0%	(0.2%)	97.8%	(0.2%)	<b>98.0%</b>	<b>0.2%</b>
For mail to other prefectures	98.0%	(0.3%)	98.1%	0.1%	<b>97.8%</b>	<b>(0.3%)</b>

Note: The percentage of New Year's postcards accepted by December 25, 2012 and delivered on January 1, 2013 reached 99.7% as compared to the target figure of 99.5%.

In addition to postal operations, Japan Post has documentary stamp sales business activities.

#### ■ Documentary Stamp Sales

Sales of documentary stamps for the Japanese national government were as follows.

(Millions of yen)

Category	Fiscal 2011	Fiscal 2012	Fiscal 2013
Revenue stamps	745,239	778,400	<b>800,178</b>
Automobile weight tax documentary stamps	789,683	781,412	<b>693,228</b>
Unemployment insurance documentary stamps	449	470	<b>478</b>
Health insurance documentary stamps	3,271	3,355	<b>3,496</b>
Patent documentary stamps	102,906	95,057	<b>91,359</b>
Registration documentary stamps	46,628	—	—
Total	1,688,176	1,658,694	<b>1,588,739</b>

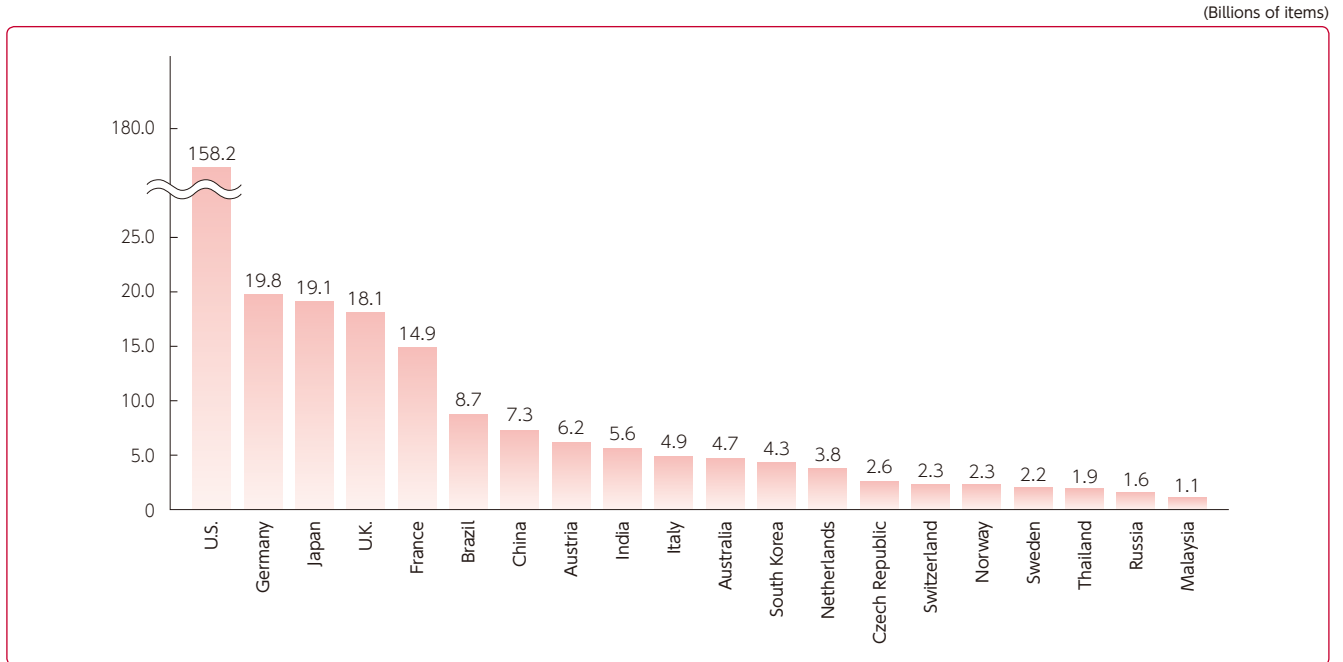
Note 1: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes). The handling fee is 5.25% for unemployment insurance and health insurance documentary stamps and 3.15% for all other documentary stamps (including consumption tax).

Sale of registration documentary stamps for the Japanese national government was discontinued at the end of fiscal 2011.

Note 2: Documentary stamp sales were consigned to the former Japan Post Service until September 2012.

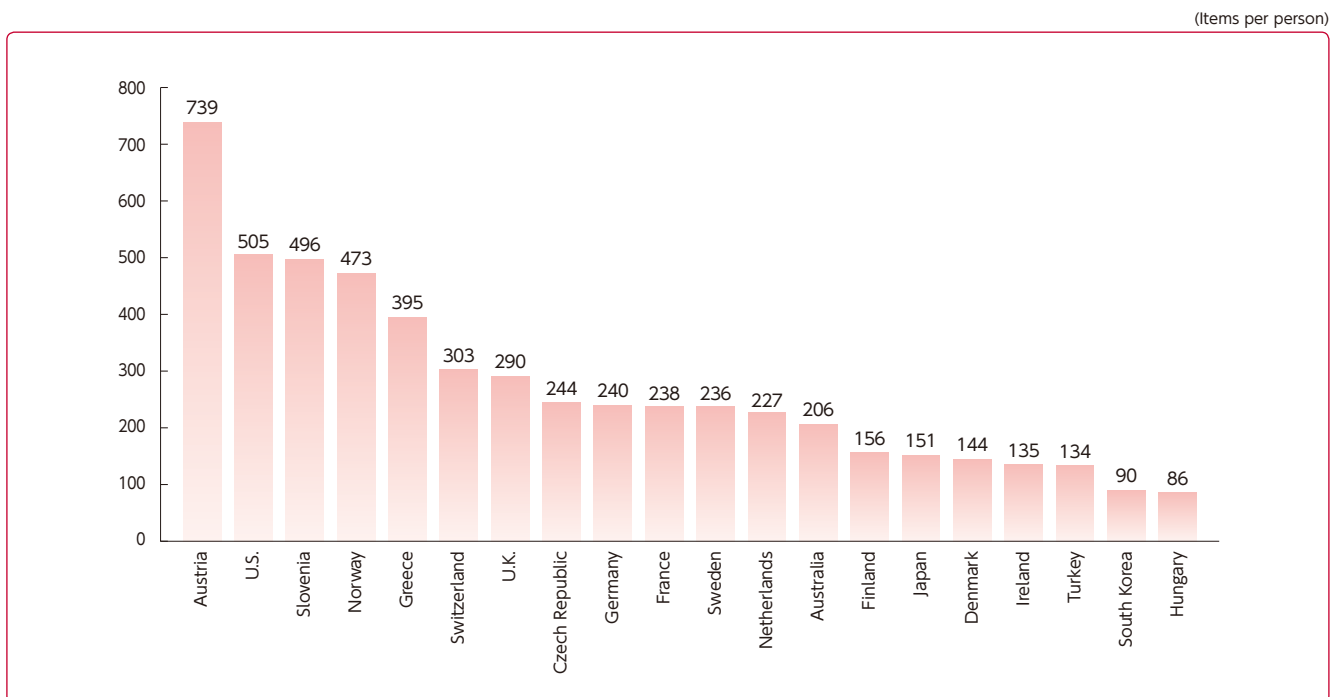
## Reference: Postal Services in Other Countries

### 1. Volume of Mail Received (Top 20 Countries in 2011)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2011).  
2. "Mail volume" is the total for all domestic mail items.

### 2. Annual Mail Volume Per Capita (Top 20 Countries in 2011)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2011).  
2. "Mail volume" is the total for all domestic mail items.

## Reference: International Comparison of Postage Rates

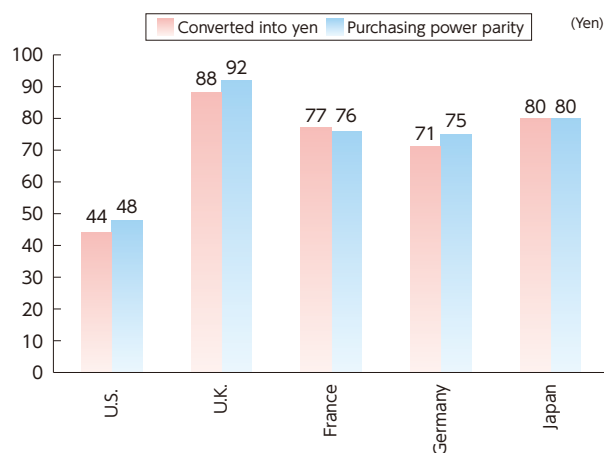
### ■ Comparison of Domestic Postage Rates

Domestic postage rates in Japan are generally at around the same level as major European countries (U.K., France, Germany) for letters. Postcard rates are lower in Japan.

In the United States, postage rates for both domestic letters and postcards are lower than in Japan. The reason is that the volumes of mail handled in the United States are approximately seven times greater than in Japan (the amount of mail sent per capita is roughly threefold higher), thereby resulting in higher delivery efficiency.

### ■ Comparison of Domestic Letter and Postcard Postage Rates in Selected Countries

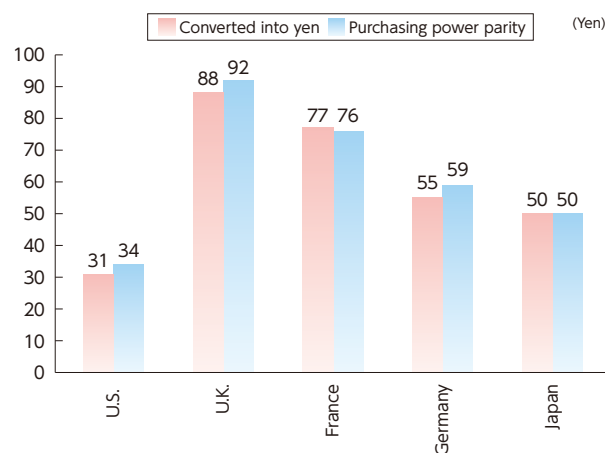
#### ● Letter rate



	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.46	£0.60	€0.63	€0.58	¥80
Yen equivalent	¥44	¥88	¥77	¥71	¥80
Purchasing power parity	¥48	¥92	¥76	¥75	¥80

Notes: 1. Only Japanese postage rates include consumption tax.  
2. Yen conversions use the exchange rate as of March 31, 2013 (Bank of Tokyo-Mitsubishi UFJ TTS rate).  
3. Purchasing power parities use exchange rates that make price levels equal in Japan and the other countries. Calculations are based on Purchasing Power Parities (2012 average OECD Main Economic Indicators).

#### ● Postcard rate



	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.33	£0.60	€0.63	€0.45	¥50
Yen equivalent	¥31	¥88	¥77	¥55	¥50
Purchasing power parity	¥34	¥92	¥76	¥59	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥95.05	¥104.00
£1 (U.K.)	¥147.16	¥152.72
€1 (France)	¥122.23	¥120.51
€1 (Germany)	¥122.23	¥130.16

### ■ Comparison of International (Air) Postage Rates

The following table shows postage rates for air mail sent in both directions between Japan and four major countries. Postage rates

for mail sent from Japan are cheaper in all cases except for air mail (25 g) from the United States to Japan.

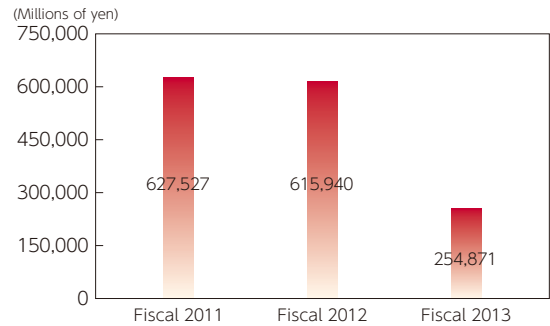
	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$1.10	¥105	\$1.10	¥105
U.K. to Japan	£1.90	¥280	£0.87	¥128
France to Japan	€1.75	¥214	€0.95	¥116
Germany to Japan	€1.50	¥183	€0.75	¥92

Note: Yen conversions use the exchange rate as of March 31, 2013 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

## 2. Post Office Business Performance

### 1 Postal Operating Revenues

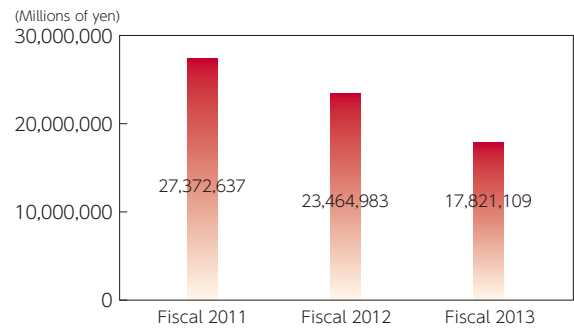
Of the services such as mail and Yu-Pack transferred from former Japan Post Service, total sales handled through former Japan Post Network are as follows.



Note: Total sales handled for fiscal 2013 covers the period from April to September 2012.

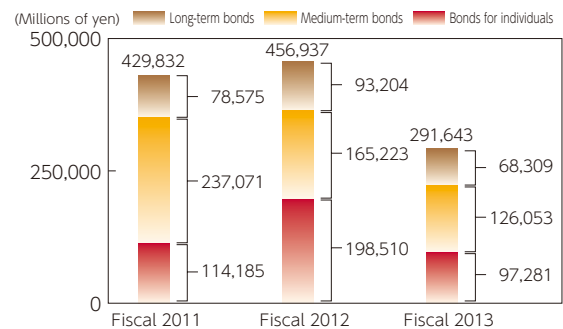
### 2 TEIGAKU and Time Deposits Handled

Of the *TEIGAKU* and time deposits provided by Japan Post Bank, the funds newly deposited by customers through Japan Post are as follows.



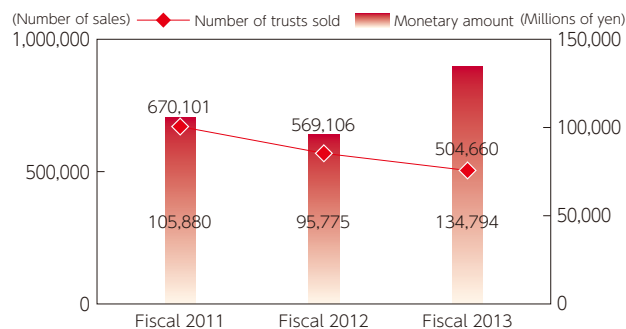
### 3 Sales of Japanese Government Bonds

Of the Japanese government bonds sold by Japan Post Bank, total sales handled through Japan Post are as follows.



## 4 Investment Trust Sales

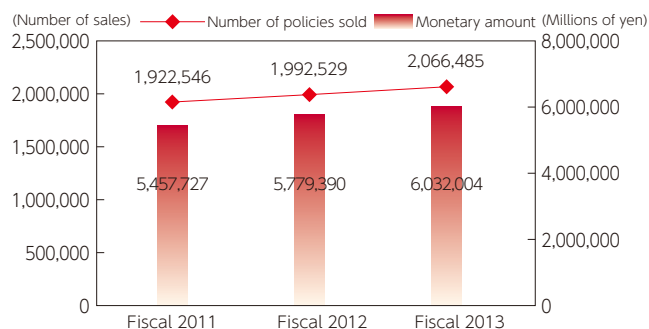
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post are as follows.



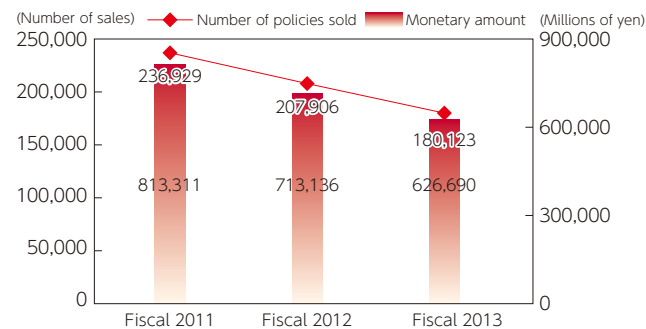
## 5 Life Insurance and Annuity Sales

Of the life insurance and annuity products sold by Japan Post Insurance, total sales of newly contracted policies handled through Japan Post are as follows.

### Individual Insurance

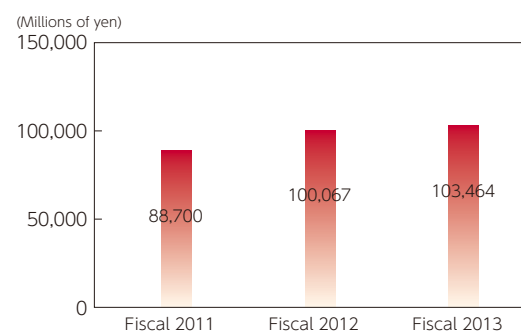


### Individual Annuities



## 6 Merchandise Business

The sales of products and services sold through merchandise businesses such as catalog sales of Japan Post are as follows.



## 2. Operations of Japan Post Bank



Yoshiyuki Izawa

Representative Executive Officer (President & CEO)  
Japan Post Bank Co., Ltd.

### Message from the Company



It is my pleasure to address all stakeholders in this message.

October 2012 saw the birth of the new Japan Post Group following a group reorganization.

As a member of “an integrated lifestyle-support corporate group” that helps the lives of each and every customer, Japan Post Bank will work hard to provide reliable financial services as the most accessible bank in Japan for customers in every region through the post-office network.

#### Review of Fiscal 2013

##### Economic Environment and Business Performance in the Fiscal Year Ended March 2013

The global economy’s expansion continued to slow in the year ended March 31, 2013. While the U.S. economy continued to experience moderate growth, mainly in the household sector, the European economy saw negative growth result from the drawn-out sovereign debt problem. Moreover, the Chinese economy could only post single-digit growth for the second straight year as its economic growth rate dropped.

Meanwhile, Japan’s economy temporarily saw negative

growth due to the global economic slowdown, waning benefits of government policy, lower exports to China and other factors. However, the economy ended up recording positive growth on the back of such factors as demand related to recovery from the Great East Japan Earthquake and an upturn in consumer spending.

The financial and capital markets saw Japan’s domestic long-term interest rates remain low, against the backdrop of risk-off moves and anticipation the Bank of Japan would step up quantitative easing, among other factors. Foreign exchange and stock markets saw the yen’s appreciation and falling stock prices, respectively, continue amid the slowing global economy and other factors. However, market conditions reversed on November 14 when it was announced that the Japanese parliament’s lower house would be dissolved, with resulting anticipation for an economic recovery under a new government bringing about the yen’s sharp depreciation and a stock price upsurge.

Under these economic circumstances, I am pleased to report that the Bank worked positively to secure stable earnings by broadening our investment categories and reducing costs. As a result, we successfully earned net income of ¥373.9 billion for the year ended March 31, 2013.



### Initiatives in the Fiscal Year Ended March 2013

During the past fiscal year, we made steady progress strengthening our business base by pushing on with the following measures under the rigorous policy of "Compliance First."

On the marketing front, through cooperation with the approximately 24,000 post offices of Japan Post Co., Ltd. and a nationwide network, we catered to the various financial needs of customers according to their life stage, and at the same time worked to enhance our profit base.

In particular, we focused on expanding the use of our services by young customers and other new customers, and on reinforcing relationships with existing customers. We implemented measures to respond to customer needs. These included installing new and additional ATMs, extending ATM operating hours, and offering more designs for account passbooks.

In terms of investment, we continued to diversify our investment categories, business risk and revenue sources. This was based on appropriate control of risk by improving the sophistication of asset-liability management (ALM). At the same time, we worked to strengthen risk management and credit assessment systems.

We positioned the development of human resources as one of our most important management themes. Consistent with this, we enhanced frontline training by region, as well as ran training programs for new recruits, managers and other positions in the organization and in specialist fields. Additionally, we further developed on-the-job training (OJT).

Moreover, to ensure our customers' trust and confidence in doing business with us, we strengthened compliance and the management and protection of customer assets and information. We also sought to enhance our internal controls, including refining our crisis management system so we are prepared for a major natural disaster. And we upgraded systems and advanced 'Business Process Re-engineering' (BPR), in an effort to enhance productivity and reduce costs.

## Issues for the Future

### Initiatives and Issues in the Fiscal Year Ending March 2014

Looking at political and economic circumstances and financial market trends in Japan and overseas, the business environment for financial institutions is not entirely positive. In order to overcome these difficult conditions and ensure we meet customer needs, we will work on the following themes to strengthen our business base in the year ending March 31, 2014, in accordance with three basic policies: emphasize the public service and region-focused nature of our operations; respond to various financial needs of customers; and secure stable income.

### Sales Strategies

We will strive to increase deposits, expand fee-based businesses, and strengthen remittance and settlement services for corporations, with the aim of responding

to various financial needs according to the life stage of customers and enhancing customer satisfaction. Moreover, with an eye on the future, we intend to enhance pension beneficiary services, Internet sales channels and asset management products and other areas, as we work to develop our business base.

### ALM Strategy

We will adroitly manage risk across our entire portfolio according to the market environment, while keeping a watchful eye on the European sovereign debt problem and other developments. We will also work positively to secure more stable earnings through the broadening of investment categories and improving the sophistication of asset-liability management (ALM). In accordance with this, we will focus on putting in place improved credit assessment and risk management systems by strengthening foreign currency procurement and portfolio management systems, and improving the sophistication of credit evaluation and monitoring.

### Management Approaches

A key theme for us in the year ending March 31, 2014 is to develop human resources and strategically assign them. We will also strive to foster a sense of Group unity through personnel exchanges across the Japan Post Group. Concurrently, we will implement BPR across the Bank in order to effectively utilize systems, improve work efficiency, raise productivity and increase profits.

### Internal Control Procedures

Under the rigorous policy "Compliance First," we will steadily forge ahead with our business improvement plan submitted to the Financial Services Agency, and at the same time endeavor to further raise compliance awareness and enhance control procedures, including safeguarding customers, in cooperation with Japan Post Co., Ltd. And we will garner the trust and confidence of customers even more by also enhancing administrative quality.

### A Member of the New Japan Post Group

In October 2012, Japan Post Service Co., Ltd. and Japan Post Network Co., Ltd. were merged to form Japan Post Co., Ltd. due to enforcement of "Act for Partial Revision of the Postal Service Privatization Act and Others." As a result of this, the Japan Post Group has made a fresh start by restructuring from a 5-company to a 4-company structure.

The new Japan Post Group has embarked on a journey to become "an integrated lifestyle-support corporate group." As a member of the Japan Post Group, the Bank will seek to capture synergies by fostering closer cooperation with Japan Post Co., Ltd., and harnessing the Japan Post Group's collective strengths.

While demonstrating strong leadership, we, the top management, will vigorously continue working together with our staff to be "No. 1 in customer satisfaction" and to build up "the most accessible and trustworthy Bank in Japan," and to realize sustainable growth for the years ahead.

# 1. Overview of Operations

Japan Post Bank undertakes the banking business within the Japan Post Group.

The company provides a range of services including deposits, fund transfers and settlement services through an extensive network comprising a total of approximately 24,000 post offices nationwide and Japan Post Bank branches. Japan Post Bank is dedicated to serving as “the most accessible and trustworthy Bank in Japan,” with operations that are guided by the needs and desires of its customers.

## 1. Products and Services

### ■ Basic Services

Post offices nationwide and Japan Post Bank branches offer basic financial products and services that include such liquid deposits in the form of ordinary deposits and ordinary savings deposits; fixed-term deposits such as *TEIGAKU* deposits and time deposits; and transfer and settlement services that include fund transfers and remittances.

For ordinary, *TEIGAKU* and other deposits at Japan Post Bank, principal of up to ¥10 million and interest are protected per depositor (or the full amount of deposit for transfer deposits) under a deposit insurance system.

At the end of March 2013, Japan Post Bank’s total deposits from customers across Japan amounted to ¥176,096.1 billion, or ¥177,038.2 billion including accrued interest at the end of the fiscal period.

As additional services, Japan Post Bank also pays benefits from public pensions, sells Japanese Government Bonds and investment trusts, offers intermediary services, including mortgage loan, and operates a credit card business.

\* The Management Organization for Postal Savings and Postal Life Insurance manages fixed-term deposits established prior to privatization. However, Japan Post Bank is commissioned by that organization to handle withdrawals and other transactions.

### ■ Enhancing Products and Services

#### ● Offering New Products via Members-only *Yucho Toshin WEB* Premier Service, Based on the Concept of “Providing Long-term Security” and “Leveraging Growth Potential”

In November 2012, we started offering five new products via our members-only Internet investment trust service, *Yucho Toshin WEB* Premier.

Our concept for the new products is based on offering funds that can be held for the long term regardless of market conditions and those investing in industries and resources of potentially high-growth countries.

We offer a broader range of choice for customers with our extensive lineup now comprising 49 investment trust products for this service.

\* For details, please visit our *Yucho Toshin WEB* Premier website at: <http://premier.jp-bank.japanpost.jp/>.

#### ● Credit Card for Young Customers Added to Our Lineup Debut of JP BANK VISA Card ALente

In February 2013, JP BANK VISA Card ALente, a credit card targeting customers aged 18 to 29 (excluding high school students), was added to our lineup.

This combined ATM/credit card offers a range of privileges, with the annual membership fee waived in the first year and in subsequent years if the card is used for shopping purposes in the previous year. It also rewards three times higher points than standard credit cards when it is used to pay mobile phone charges to three major mobile phone companies (NTT docomo, au, Softbank) and for shopping at partner shops, including retail electronics stores and family-style casual restaurant chains.

#### Japan Post Bank credit cards for young generation customers



NEW

JP BANK VISA Card ALente



Also available and popular:  
JP BANK JCB Card EXTAGE

#### ● Enriched Lives after Retirement for Customers Automatically Receiving Pension Payments through Japan Post Bank Renewal of *Yucho Tokimeki Club* Service

In April 2013, we revamped our members-only *Yucho Tokimeki Club* service for customers automatically receiving or planning to receive benefit payments from public pensions through post offices and Japan Post Bank.

The renewed *Yucho Tokimeki Club* offers an enhanced menu of preferential services that now include a sign-up bonus gift for new members and a greatly expanded discount privilege at selected travel-related facilities and restaurants.

We help customers enrich their lives after retirement through our *Yucho Tokimeki Club* service, which brings greater joy and benefit.

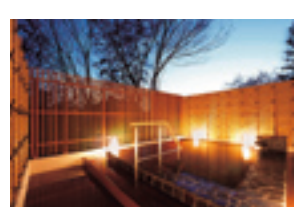
#### *Yucho Tokimeki Club*

Take your pick!  
- Sign-up bonus gift



\*Rendering

Enjoy!  
- Accommodation discounts



Kanpo no Yado inn Isobe  
\*Rendering

## TOPICS

### New Cover Designs for General Account Passbooks

Our new cover designs for general account passbooks, which were introduced in February 2013, have been well received by customers. Some like the designs themselves, some are delighted for having multiple designs to choose from and others value the availability of different cover designs for each family member for ease of passbook management.

With the addition of two new designs, one featuring colorful illustrations and the other with black-themed stylish patterns, customers now have three choices in our cover designs when opening new accounts or renewing or reissuing passbooks.



## 2. Investment

Interest income, primarily from investment in Japanese Government Bonds, carries a large amount of weight in our current earnings structure. With a view to securing stable periodical income, we continued to promote dispersion of risk and diversification of revenue sources through the adoption of more diverse investment methods, while performing appropriate control of interest rate risk.

More specifically, we conducted adequate management of the duration of managed assets based on liabilities and other conditions and under a range of plausible interest rate scenarios, and strived to secure a stable interest spread between assets and liabilities, which is our principal source of revenue, by hedging certain interest rate risk with interest rate swaps.

We also worked to disperse risk and diversify sources of revenue through measures such as investing in Japanese local government bonds, Japanese corporate bonds and foreign bonds; participating in syndicated loans (joint financing); and managing investment trusts.

## 3. Community Service

Japan Post Bank considers CSR to be a management issue of the highest priority and is undertaking socially responsible actions to fulfill that responsibility.

(For details, please refer to "Japan Post Group CSR" on pages 88-94.)

## TOPICS

### Providing Knowledge on Money in an Easy-to-understand Manner

#### Yucho Okane no Chishiki Web Page

As an activity to promote financial enlightenment, we opened a financial literacy page, *Yucho Okane no Chishiki*, on the Japan Post Bank website in December 2012.

This web page is divided into two sections, "We are Kids Money Detectives!" and "Basic Money Knowledge for Life after Retirement." The former provides basic knowledge on money, including the importance of money, its roles and how to stay away from money-related troubles, to children in three age groups (first to third graders and fourth to sixth graders in elementary schools, and junior high school students). The latter provides information on funds and pension and basic knowledge on asset management to help enrich life after retirement. Both sections provide easily comprehensive money knowledge useful for children and elderly people in their daily lives.



#### Yucho Design Postcards

In February 2013, we produced post cards featuring illustrations by artists having excellent talent who are physically challenged as one way of empowering and helping them become self-reliant. These postcards are used by personnel of Japan Post Bank across the country as a tool to communicate with customers.



Yucho design postcards

## 2. Products and Services

(As of July 1, 2013)

### 1. Deposits

#### Liquid deposits

##### Ordinary deposits

These deposits are useful for ATM card withdrawals, automatic deductions for utility and other bills, the receipt of salaries and annuities, and many other purposes.

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

##### Ordinary savings deposits

These deposits provide more beneficial interest rates than ordinary deposits for balances of ¥100,000 or higher. (Interest rates may be the same as the one for ordinary deposits depending on the interest rate trends.)

- Unlimited deposits and withdrawals
- Deposit amount: ¥1 or more, ¥1 unit

#### Fixed-term deposits

##### TEIGAKU deposits

These deposits can be withdrawn at any time after six months and held for up to ten years, with interest compounded semiannually. The initial interest rate is applicable until withdrawal.

- Deferment period: Six months (unlimited withdrawals after this period)
- Deposit amount: ¥1,000 or more, ¥1,000 unit (Eight types: Deposits of ¥1,000, ¥5,000, ¥10,000, ¥50,000, ¥100,000, ¥500,000, ¥1 million, and ¥3 million)

##### Time deposits

These deposits have maturities that can be selected based on short-term and medium-term requirements for funds and personal needs. The extension procedure is simplified if automatic extensions are selected, making this deposit convenient for people with busy schedules.

- Deposit periods: One month, three months, six months, one year, two years, three years, four years, and five years (excluding one month deposits kept in deposit combined accounts)
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Automatic-accumulation TEIGAKU deposits/time deposits (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a TEIGAKU deposit or time deposit. These automatic-accumulation deposits also allow funds to be deposited only in specifically designated months up to six times per year. Funds deposited in specifically designated months can also be combined with funds deposited regularly every month.

- Accumulation period: Six years or less
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Time deposits with lump-sum payment at maturity (Accumulation-type deposits)

For these accumulation-type deposits, each month a fixed amount or an amount depending on the balance of an ordinary deposit account is transferred to a time deposit. At a pre-designated date (date for receiving a lump-sum payment at maturity), the accumulated deposits are transferred to an ordinary deposit. This type of deposit allows systematic accumulations in accordance with a person's future goals.

- Accumulation period: From one year up to three years
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for three years or longer to help working people build assets.

- Duration: Three years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation pension TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to help working people live comfortable lives in retirement. Interest is tax exempt and can be received from age 60 based on a pension-type payout method.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### Asset accumulation home TEIGAKU deposits (Asset accumulation)

This type of TEIGAKU deposit enables the accumulation of funds withheld from a salary and salary bonus continuously for five years or longer to accumulate funds for building, purchasing, or renovating a home. Interest is tax exempt.

- Duration: Five years or more
- Deposit amount: ¥1,000 or more, ¥1,000 unit

##### New welfare time deposits (Others)

This one-year time deposit with preferential interest rates is designed for persons receiving disability, survivor, and other similar public pensions and other eligible persons. Up to ¥3 million can be deposited.

- Deposit period: One year
- Deposit amount: From ¥1,000 up to ¥3 million, ¥1,000 unit

## Also Convenient

### ● All-in-one general accounts useful in daily lives

General accounts allow customers to manage ordinary, *TEIGAKU*, time and other deposits in one account and serve as customers' personal wallets that are conveniently available at post offices as well as Japan Post Bank branches and ATMs nationwide.

### ● Also convenient as accounts to receive salaries

A nationwide network of Japan Post Bank branches and post offices ensures convenience and security for customers at every opportunity, including when they are on a business trip.

Japan Post Bank ATMs are available on weekends and national holidays with no withdrawal fees.

### ● Automatic deduction feature for quick and easy payment of utility and other bills

A worry-free automatic and continuous deduction feature is available to pay utility bills, mobile phone charges, rent and other expenses from ordinary deposits.

### ● ATMs of Japan Post Bank conveniently located throughout Japan

We operate approximately 26,600 ATMs throughout Japan. These ATMs charge no fees for deposits and withdrawals to and from Japan Post Bank accounts even on weekends and national holidays. We also charge no fees for sending money from ATMs (electronic transfers) between Japan Post Bank accounts (until September 30, 2014).

## 2. Domestic Remittances

### Remittances

Remittances provide a simple and low-cost method for sending money anywhere in Japan.

There are two types: ordinary remittances and postal orders (*TEIGAKU KOGAWASE*).

#### Ordinary remittances

Ordinary remittances allow cash to be exchanged for a money order that is sent to the recipient payee. The payee can then bring the certificate to a nearby Japan Post Bank branch or post office postal deposit counter and exchange the money order for cash.

#### Postal orders

The mechanisms for these remittances are the same as for ordinary remittances. However, postal orders offer lower fees and convenience when remitting small amounts. There are 12 types of money orders for postal orders in denominations of ¥50, ¥100, ¥150, ¥200, ¥250, ¥300, ¥350, ¥400, ¥450, ¥500, ¥750, and ¥1,000.

### Fund transfers

Fund transfers provide an easy and reliable means of sending money by using a transfer account.

In-payment and out-payment can be handled normally or by electronic transfer for urgent transfers.

#### In-payment

In-payment remittances by persons not holding a transfer account can be sent to persons holding transfer accounts (account holders).

#### Electronic transfers

Persons holding a transfer account (account holders) can send deposits in the transfer account to a transfer account held by another person.

#### Transfers

Persons holding a transfer account (account holders) can transfer funds to persons holding a savings account at another financial institution.

#### Out-payment

Persons holding a transfer account (account holders) can send funds to persons not holding a transfer account.

### 3. International Remittances

#### Account transfer

The remittance amount and fee will be withdrawn from the remitter's integrated account or giro account and deposited to an overseas-payee's bank or postal giro account.

#### Payment to account

The remittance amount and fee is paid in cash, and deposited to an overseas-payee's bank or postal giro account.

#### Payment to address

The remittance amount and fee is paid in cash, and the money order is delivered to the payee's address. The payee can then cash the money order at their local post office. In the case of remittances to the United States only, a money order is issued to the remitter, and the remitter will personally send the money order to the payee by international mail, etc.

### 4. Individual Loans

#### Loan intermediary service

Japan Post Bank serves as an agent for mortgage loans, specific-purpose loans and card loans offered by Suruga Bank Ltd. based on an alliance with this bank. Customers can apply for these loans at select Japan Post Bank branches, by telephone or via the Internet.

#### *Yume Butai* home loan

This line features 15 types of home loans matched to the lifestyle of each individual, including persons operating sole proprietorships, working women and seniors thinking ahead to the retirement stage of their lives. These home loans can be used for building a new home, expanding and renovating an existing home, moving to a new home and refinancing.

#### *Yume Koro* free loan

This line of loans is available in two types: a "purpose" type and a "parental-devotion" type. The "purpose" type is available in amounts of up to ¥5 million, and is offered in seven plans that are matched to the particular life stage of each person, including education, automobile and renovation plans. The "parental-devotion" type is available in amounts of up to ¥10 million, which can be used such expenses as family members' nursing care.

#### *Shitaku* Card Loan

Borrowing and repayment can be made directly from ATMs with this card loan. No collateral is needed, and loans of up to ¥5 million are available (¥3 million for the first application).

### 5. Investment Products

#### Japanese Government Bonds (JGBs)

Sales of JGBs to be sold (two-, five- and ten-year maturities) and nonmarketable JGBs for individual investors (three- and five-year fixed rate and ten-year variable rate) to purchase and loans secured by these bonds

#### Investment trusts

Sale and repurchase of investment trusts and payments of income distributions and amounts due for fund maturities and redemptions

#### Variable annuities

Intermediary services for sales of insurance products such as variable annuities

## 6. Credit and Debit Cards

### Credit cards (JP BANK CARD)

Japan Post Bank issues the JP BANK CARD, which is both an ATM card and a credit card (available in three types: Visa, MasterCard and JCB).

In addition, we also offer another combo card lineup, JP BANK VISA Card ALente and JP BANK JCB Card EXTAGE, for young generation customers aged 18 to 29 (excluding high school students).

We also offer family cards, ETC cards, WAON cards\*1, PiTaPa cards\*1, iD (cell phone) cards\*1 and QUICPay\*2 (card and mobile).

\*1 Visa and MasterCard only.

\*2 JCB only.



JP BANK VISA Card



JP BANK MasterCard



JP BANK JCB Card



JP BANK VISA Card ALente



JP BANK JCB Card EXTAGE

### Debit cards

After customers scan their debit card using a dedicated terminal and enter a personal identification number at such locations as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general account (subject to an upper limit).

## 7. Internet Banking Services

### Yucho Direct

This service allows customers to use a PC, smartphone, mobile phone, telephone or facsimile machine to make deposits to *TEIGAKU* deposits and time deposits used as collateral, initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution, perform investment trust transactions and verify account deposit and withdrawal transactions.

### Yucho Toshin WEB Premier

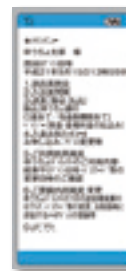
A members-only Internet investment trust service, offering new, member exclusive investment products in addition to the existing investment trust products handled by Japan Post Bank. Various exclusive services for members are also available.



Yucho Direct (PCs)



Yucho Direct (Smartphones)



Yucho Direct (Mobile phones)

## 8. Other Services

### “Japan Post Bank Deposits for International Aid”

“Japan Post Bank Deposits for International Aid” sets aside 20% of interest received on ordinary deposits and ordinary savings (after-tax) for use as contributions toward reducing poverty, improving daily living, and protecting the environment in developing countries and regions. These contributions are made via the Japan International Cooperation Agency (JICA) Donation Fund for the People of the World.

### ATM/CD alliance

ATM cards and other eligible cards issued by affiliated financial institutions can be used at Japan Post Bank ATMs, and vice versa.

### Yucho Pay-easy Service

This service enables taxes and various types of fees to be paid through ATMs and *Yucho Direct* (PCs and mobile phones). The service also immediately reports data concerning completed payments to the recipient financial institution.

### Foreign currency exchange

Exchange services are provided for eight currencies: U.S. dollar, Euro, South Korean won, British pound sterling, Australian dollar, Canadian dollar, Chinese yuan and Swiss franc. (The Chinese yuan can be exchanged at certain outlets only.)

### Traveler's checks

Traveler's checks are available in six currencies: U.S. dollar, Euro, British pound sterling, Australian dollar, Canadian dollar and Japanese yen.

### Payment of benefits from pensions and other types of assistance

Japan Post Bank handles the payment of benefits from various pensions and assistance schemes that include the payment of benefits from pensions, senior welfare pensions, national pensions, employees' pensions, mariners' insurance pensions, workers' compensation pension insurance, cover pensions, child-rearing allowances, special child-rearing allowances and mutual aid pensions. Japan Post Bank also provides payments from registered bonds and annual payouts (national tax refunds).

### Collection of fees for public utility and other service payments

Japan Post Bank collects various types of payments. These include payments for national taxes (personal income and corporate taxes); local taxes (local inhabitant taxes and fixed-property taxes); various types of health insurance; pensions (national health insurance, employee's pensions); public housing fees; public utility and service fees such as electricity, gas, water, and NHK public televisions fees; traffic violation fines; and radio utilization fees.

Notes: 1. Payments received from various types of pensions are paid by automatic deposit into the customer's ordinary deposit account.  
2. Some payments and public utility fees are paid automatically through withdrawals from the customer's ordinary deposit account.



## 3. Japan Post Bank Business Performance

### 1 Key Financial Indicators

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Ordinary revenues	2,205,344	2,234,596	2,125,888
Operating profit (before provision for general reserve for possible loan losses)	508,753	495,470	512,808
Net operating profit	508,362	495,470	512,808
Net ordinary income	526,550	576,215	593,535
Net income	316,329	334,850	373,948
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000	150,000
Net assets	9,093,634	9,818,162	10,997,558
Total assets	193,443,350	195,819,898	199,840,681
Deposits	174,653,220	175,635,370	176,096,136
Loans	4,238,772	4,134,547	3,967,999
Securities	175,026,411	175,953,292	171,596,578
Capital adequacy ratio (non-consolidated, domestic standard) (%)	74.82	68.39	66.04
Dividend payout ratio (%)	25.00	25.00	25.00
Employees (persons)	12,351	12,796	12,922

Notes:

- The balance of deposits including accrued interest at the end of fiscal 2013 is ¥177,038,298 million. (¥176,430,388 million at the end of fiscal 2012 and ¥175,304,051 million at the end of fiscal 2011).
- The capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006). Japan Post Bank adheres to capital adequacy standards applicable in Japan.
- The number of employees excludes Japan Post Bank employees assigned to other companies by the Bank but includes employees assigned to the Bank by other companies. The figures do not include short-term contract and part-time employees.

### 2 Balances by Type of Deposit

#### 1. Balances at the End of Fiscal Period

(Millions of yen, %)

		March 31, 2011		March 31, 2012		March 31, 2013	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	59,846,906	34.26	60,194,830	34.27	59,971,472	34.05
	Transfer deposits	8,714,719	4.98	9,474,107	5.39	10,209,954	5.79
	Ordinary deposits, etc.	50,709,948	29.03	50,309,540	28.64	49,358,959	28.02
	Savings deposits	422,238	0.24	411,182	0.23	402,558	0.22
	Fixed-term deposits	114,504,523	65.56	115,180,951	65.57	115,878,602	65.80
	Time deposits, etc.	22,005,855	12.59	18,426,695	10.49	18,817,949	10.68
	TEIGAKU deposits, etc.	92,494,319	52.95	96,750,382	55.08	97,057,788	55.11
	Other deposits	301,789	0.17	259,588	0.14	246,060	0.13
	Subtotal	174,653,220	100.00	175,635,370	100.00	176,096,136	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total	174,653,220	100.00	175,635,370	100.00	176,096,136	100.00	
International operations	Total	—	—	—	—	—	—
Total	174,653,220	100.00	175,635,370	100.00	176,096,136	100.00	
Deposits including accrued interest	175,304,051		176,430,388		177,038,298		

Notes:

- Liquid deposits = Transfer deposits + Ordinary deposits, etc. + Savings deposits  
Ordinary deposits, etc. = Ordinary deposits + Special deposits (equivalent to ordinary savings)
- Fixed-term deposits = Time deposits, etc. + TEIGAKU deposits, etc. + Special deposits (Savings for housing installments equivalent + Education installment savings equivalent)  
Time deposits etc. = Time deposits + Special deposits (Time savings equivalent)  
TEIGAKU deposits, etc. = TEIGAKU deposits + Special deposits (TEIGAKU savings equivalent)
- "Transfer deposits" correspond to "Current deposits" and "TEIGAKU deposits" to "Other deposits" in liabilities in accordance with the Ordinance for Enforcement of the Banking Act.
- Special deposits represent deposits received from Management Organization for Postal Savings and Postal Life Insurance, an independent administrative agency, and correspond to postal savings that were passed on to the organization by the former Japan Post.
- Special deposits (equivalent to ordinary savings) are the portion of deposits received from Management Organization for Postal Savings and Postal Life Insurance corresponding to savings for time savings, TEIGAKU savings, installment savings, savings for housing installments, and education installment savings that had reached full term and were passed on to the organization by the former Japan Post.

#### 2. Average Balances

(Millions of yen, %)

		Fiscal 2011		Fiscal 2012		Fiscal 2013	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	59,037,126	33.59	61,076,039	34.78	60,631,246	34.38
	Transfer deposits	8,252,069	4.69	9,131,582	5.20	9,825,702	5.57
	Ordinary deposits, etc.	50,360,275	28.66	51,525,050	29.34	50,398,750	28.58
	Savings deposits	424,781	0.24	419,406	0.23	406,793	0.23
	Fixed-term deposits	116,377,366	66.23	114,227,838	65.05	115,424,575	65.46
	Time deposits, etc.	24,842,977	14.13	20,309,899	11.56	18,437,969	10.45
	TEIGAKU deposits, etc.	91,527,146	52.08	93,913,747	53.48	96,983,112	55.00
	Other deposits	298,601	0.16	271,556	0.15	272,366	0.15
	Subtotal	175,713,095	100.00	175,575,435	100.00	176,328,187	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total	175,713,095	100.00	175,575,435	100.00	176,328,187	100.00	
International operations	Total	—	—	—	—	—	—
Total	175,713,095	100.00	175,575,435	100.00	176,328,187	100.00	
Deposits including accrued interest	176,364,573		176,285,970		177,187,194		

### 3 Loans by Category

#### 1. Balances at the End of Fiscal Period

	(Millions of yen)		
	As of March 31, 2011	As of March 31, 2012	As of March 31, 2013
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,973,296	3,875,315	3,695,308
Overdrafts	222,961	221,724	235,189
Notes discounted	—	—	—
Subtotal	4,196,258	4,097,039	3,930,497
International operations			
Loans on notes	—	—	—
Loans on deeds	42,514	37,507	37,501
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	42,514	37,507	37,501
Total	4,238,772	4,134,547	3,967,999

#### 2. Average Balances

	(Millions of yen)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	4,011,813	3,946,754	3,734,255
Overdrafts	224,029	216,790	224,637
Notes discounted	—	—	—
Subtotal	4,235,842	4,163,545	3,958,893
International operations			
Loans on notes	—	—	—
Loans on deeds	35,833	39,001	37,506
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	35,833	39,001	37,506
Total	4,271,676	4,202,546	3,996,399

### 4 Balances by Type of Securities

#### 1. Balances at the End of Fiscal Period

	(Millions of yen)		
	As of March 31, 2011	As of March 31, 2012	As of March 31, 2013
Domestic operations			
Japanese Government Bonds	146,460,963	144,939,816	138,198,732
Japanese local government bonds	5,658,837	5,735,585	5,806,099
Commercial paper	102,999	180,989	548,975
Japanese corporate bonds	12,804,753	12,665,384	11,304,010
Japanese stocks	900	900	935
Other securities	29,916	30,072	30,072
Subtotal	165,058,368	163,552,748	155,888,824
International operations			
Other securities	9,968,043	12,400,544	15,707,754
Foreign bonds	7,374,930	9,439,955	11,646,446
Foreign stocks	—	—	—
Subtotal	9,968,043	12,400,544	15,707,754
Total	175,026,411	175,953,292	171,596,578

#### 2. Average Balances

	(Millions of yen)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Domestic operations			
Japanese Government Bonds	148,115,419	142,753,072	138,803,297
Japanese local government bonds	5,505,745	5,651,021	5,764,674
Commercial paper	314,284	187,641	408,392
Japanese corporate bonds	12,542,962	12,655,076	11,985,480
Japanese stocks	900	900	902
Other securities	15,040	29,999	30,000
Subtotal	166,494,352	161,277,711	156,992,748
International operations			
Other securities	7,631,071	10,851,851	12,611,611
Foreign bonds	5,745,404	8,124,318	9,821,147
Foreign stocks	—	—	—
Subtotal	7,631,071	10,851,851	12,611,611
Total	174,125,423	172,129,563	169,604,359

## 5 Over-the-Counter Sales of Japanese Government Bonds

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Long-term bonds	84,372	100,887	73,731
Medium-term bonds	253,713	174,859	134,567
Bonds for individuals	123,573	215,341	106,910
Total	461,658	491,089	315,209

## 6 Domestic Exchanges

(Millions of yen)

	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	13,937	12,917,217	17,200	14,534,436	19,311	15,874,930
Received	23,412	9,715,296	34,617	11,113,645	45,108	12,079,552

Note: All remittances are transferred through the Zengin Data Telecommunication System (Zengin System).

## 7 Transfer Deposits

(Millions of yen)

	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,197,860	55,567,603	1,180,919	53,627,980	1,181,903	55,216,110
Transfers	97,914	52,221,009	103,055	87,563,532	104,578	85,537,247
Out-payment	125,914	50,583,116	124,372	47,825,119	120,588	48,102,643

## 8 Ordinary Remittances and Postal Orders (TEIGAKU KOGAWASE)

(Millions of yen)

	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	2,384	44,200	2,027	40,064	1,704	39,241
Postal orders (TEIGAKU KOGAWASE)	17,367	9,369	16,155	8,811	16,378	9,101

## 9 Foreign Exchanges

(Millions of U.S. dollars)

Remittances (thousands)	Fiscal 2011		Fiscal 2012		Fiscal 2013	
	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount	
405	1,303	397	1,401	390	1,307	

Note: Foreign exchanges represent the total of international remittances and purchases and sales of traveler's checks.

## 10 Investment Trust Sales (Contract Basis)

	(Millions of yen)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of contracts (thousands)	1,345	1,314	1,090
Sales amount	172,714	177,421	279,187

	(Millions of yen)		
	March 31, 2011	March 31, 2012	March 31, 2013
Number of investment trust accounts (thousands)	604	615	622
Net assets	960,336	902,646	1,016,814

Note: Figures have been rounded off.

## 11 Other Businesses

### Credit Cards

	(Thousands)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of cards issued	647	487	94

	(Thousands)		
	March 31, 2011	March 31, 2012	March 31, 2013
Outstanding	1,686	2,072	2,081

### Mortgage Loans (as intermediary)

	(Millions of yen)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Amount of new credit extended	61,865	31,504	24,047

	(Millions of yen)		
	March 31, 2011	March 31, 2012	March 31, 2013
Amount of new credit extended (cumulative)	192,158	223,662	247,710

Japan Post Bank acts as the intermediary for Suruga Bank Ltd.'s mortgage loan business.

### Variable Annuity Policies

	(Millions of yen)		
	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of policies	8,022	13,072	10,259
Sales amount	40,866	66,545	52,865

	(Millions of yen)		
	March 31, 2011	March 31, 2012	March 31, 2013
Number of policies (cumulative)	18,024	31,096	41,355
Sales amount (cumulative)	89,840	156,386	209,251



# 3. Operations of Japan Post Insurance



**Masami Ishii**

President, CEO  
Representative Executive Officer  
Japan Post Insurance Co., Ltd.

## Message from the Company



### Serving as "Japan's Most Familiar and Trusted Insurance Company"

I would like to express my deep appreciation for your kind support for Japan Post Insurance Co., Ltd.

Let me begin with my sincere apologies for our customers and concerned parties for any anxieties and inconvenience caused by the problems related to our claims payments management system since 2012.

We have regarded the appropriate claims payments management system as the most important issue in our corporate management. Therefore, we have implemented various measures to ensure accurate and prompt payments of insurance benefits, such as introducing post-payment verification systems to undertake follow-up checking activities.

Despite these measures, we have discovered some disparities in the levels of notifications we provided to customers during the course of enhancing our notification processes for providing better instructions to customers requesting insurance benefits. Thereafter, we have been verifying all claims received since the start of Japan Post Insurance (October 1, 2007), and providing additional necessary notifications and paying all claims to which policyholders are entitled with more careful guidance.

In order to ensure that complete notifications about insurance claims are provided, we have been checking all items recorded on medical certificates for policies claimed in 2012. At the same time, we have been duly considering and conducting our verification from every perspective in order to comprehensively identify policies that need further notifications of claims. This includes searching for key words that

would indicate a need to provide further notifications of benefits, double-checking the verification with reference to the terms of contract and other measures. We are currently implementing measures for ascertaining and improving issues related to our claims payments management system.

We appreciate your kind understanding and cooperation for our efforts.

### Review of Fiscal 2013

Looking back at fiscal 2013, the Japanese economy was on a recovery course until summer on the back of reconstruction demand following the Great East Japan Earthquake and the effects of economic policies. Subsequently, however, the economy weakened owing to decreases in exports and production accompanying a slowing of the global economy, which caused some concerns of a sharp downturn. Nevertheless, the economy is now expected to return to a modest recovery trend due to an anticipated mild pick-up in the global economy in addition to the effects of the government's emergency economic policy package.

In the life insurance industry, competition is intensifying due to the need to strengthen sales channels and develop new products in response to the diversification and specifications of customers' demands amid changing lifestyles, aging population, declining birthrate and increasing number of single-person households.

Amid this environment, Japan Post Insurance attained its sales targets for new individual insurance policies, which are the main source of income, for the partner (post offices) sales section and corporate sales section. This marks the first time Japan

Post Insurance has reached its targets in both sales sections. On an overall basis, Japan Post Insurance sold 2,210 thousand insurance policies (4.0% increase from the previous fiscal year) for the insured amount of ¥6,515.9 billion (4.8% increase), with both figures reaching the highest levels since privatization. This solid performance was the result of initiatives to enhance our sales promotion system by effectively utilizing increased points of contact with customers. As specific measures, in collaboration with Japan Post Co., Ltd. we carried out various campaigns to raise recognition levels of our products. At the same time, we also promoted the Enhancement of After-Sales Services for Customers that involved making home visits to policyholders who will soon be receiving maturity benefits, recommending procedures to ensure the payment of maturity proceeds in advance, providing guidance on money transfers and account deposits for the payment of insurance premiums and receipt of insurance benefits, and informing customers about an option that allows a designated third party to request insurance benefits.

Looking at financial results, core profit for fiscal 2013 amounted to ¥570.0 billion, approximately the same level as in the previous fiscal year. Core profit is a basic periodical earnings indicator for life insurance companies. Japan Post Insurance recorded net ordinary income of ¥529.3 billion, around the same level as in the previous year, and net income of ¥91.0 billion, an increase from the previous fiscal year. Both figures exceeded our targets.

Meanwhile, the solvency margin ratio, an indicator of the financial soundness of life insurance companies, stood at 1,467.9% (increase of 131.8 percentage points from the previous fiscal year-end) and real net assets were ¥10,107.4 billion (increase of ¥2,023.8 billion), which represent our strong financial base.

I would like to express our appreciation again to our customers, who supported the realization of these solid results.

## Priority Issues for Fiscal 2014

Regarding circumstances surrounding the Japan Post Group, the "Act for Partial Revision of the Postal Service Privatization Act and others" was passed at the 180th session of the Diet on April 27, 2012 and officially announced on May 8, 2012. Accordingly, on October 1, 2012 Japan Post Network Co., Ltd. and Japan Post Service Co., Ltd. were merged to create Japan Post Co., Ltd., as the Japan Post Group reorganized from a five-company structure to a four-company structure. Along with this, the new Japan Post Group formulated and announced the Japan Post Group Vision 2021, which articulates the Group's aspired shape by 2021 when it marks the 150th anniversary of its postal service. Under this vision, the Japan Post Group aims for a "stock listing at an early date" and "maximization of equity value."

In keeping with the Japan Post Group Vision 2021, Japan Post Insurance will strive to shift toward a growth track by increasing in new policies as well as providing stable universal services through the post office network. During the process, we will also establish simple, quick and accurate functioning operation and IT systems. Aiming to become an insurance company chosen by customers, we will implement the following measures.

### 1. Meet Diverse Coverage Needs in Response to Changing Lifestyles

With the aim of responding to changing lifestyles and providing customers with easy-to-use and simple products and services, we have started various initiatives beginning with a revision of existing products such as educational endowment insurance. We are also striving to more deeply cultivate ties with existing customers by strengthening home visit activities targeting existing policyholders and suggesting to these policyholders that they undertake procedures in advance to ensure they receive maturity benefits. Additionally, we will provide post office external sales personnel with the latest mobile information devices while working in an integrated manner with Japan Post Co., Ltd. to develop sales staff, strengthen management, raise sales productivity and expand new policies.

In gearing up to meet the needs of an aging society, we will also raise the quality

of our product solicitation to ensure customers can enter into insurance contracts with a sense of reassurance.

### 2. Establish Systems for Simply, Quickly and Accurately Performing Functions Ranging from Underwriting to Claims Payments

To offer customers high-quality services, we are building operation and IT systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments. In particular, we have designated the improvement of our claim payments management system as our most urgent management issue and are placing top priority on allocating management resources such as human and material resources to upgrade and raise the sophistication of this system.

In order to realize complete payment for entitled claims, we will continue to conduct verifications, provide notifications and make payments faithfully with more careful guidance. In tandem, we will introduce system support in our claims assessment operations and provide enhanced education and training to claims assessment staff to improve the quality of our claims payments. Moreover, we will make extensive efforts to pay maturity benefits on the maturity date of the insurance to prevent the problems caused by delayed payment. In addition, we will strengthen our structure of IT development and management, which leads to raising the quality and productivity of our IT systems. Concurrently, we will establish an IT system infrastructure that will function as the backbone of our competitiveness by supporting simple, quick and accurate operational processing.

### 3. Maintain a Sound Management Base

To maintain a sound management base, we will strategically develop our human resources, which represent the source of our competitiveness and support the core of our company's operations. At the same time, we will work to build an appropriate business management structure with measures that include implementing thoroughgoing compliance and enhancing our internal audit structure. In particular, we aim to eradicate fraudulent acts at post offices by widely implementing crime-prevention rules while providing customers with extensive guidance on money transfers and account deposits for the payment of insurance premiums and receipt of benefits.

Additionally, we will build a highly advanced risk management system, maintain necessary retained earnings, strengthen our asset management capabilities as an institutional investor and secure stable earnings.

By implementing the above measures, Japan Post Insurance will strive to continuously raise corporate value as we aim to become a company that meets the expectations of our stakeholders.

## In Conclusion

As a life insurance company that engages mainly in the life insurance business and the management of postal life insurance on consignment for the Management Organization for Postal Savings and Postal Life Insurance, Japan Post Insurance has continued to carry out its inherited social mission of "providing basic coverage for the people of Japan with insurance using simple procedures," which was the original goal of Postal Life Insurance when it was created in 1916. In doing so, we have strengthened our management foundation through measures that include further enhancing our customer service under the management philosophy of "moving forward with our customers while serving as Japan's most familiar and trusted insurance company."

As a member of the Japan Post Group and "a corporate group supporting general lifestyle needs" that provides all-around support for customers, we aim to be the "No. 1 Japanese insurance company selected by customers" to further raise our corporate value. All employees are joining forces with a united spirit to challenge each difficulty and further strengthen our management base.

In all our endeavors, we request and appreciate your continued support.

# 1. Overview of Operations

Japan Post Insurance undertakes the insurance business within the Japan Post Group.

The company provides definitive security through agents (the post offices of former Japan Post Network, now integrated into a new company, Japan Post Co., Ltd.) as well as directly managed sales offices (branches). The management philosophy of Japan Post Insurance is "moving forward with our customers while serving as 'Japan's most familiar and trusted insurance company.'"

## 1. Provision of Insurance Products and Services

Japan Post Insurance carries on the social mission of postal life insurance\* the same as prior to the postal privatization to "provide basic coverage for the people of Japan with insurance using simple procedures" through the provision of easy-to-understand and easy-to-use products and services developed from a customer standpoint.

Life insurance contracts with Japan Post Insurance following privatization differ from those prior to privatization in that there is no payment guarantee from the government. As with other life insurance companies in Japan, however, a policyholder protection scheme provides a certain degree of protection.

### (1) Agents

Japan Post Insurance utilizes a nationwide supply network of the post offices operated by the newly reorganized Japan Post to provide simple and easy-to-understand products in small amounts and through simple procedures, along with associated services. These products and services provided via post offices primarily target individuals and households.

Japan Post Insurance has also established an Agency Relations Division for 79 directly managed sales offices in major cities throughout the country to support sales promotion, training and development, and administrative affairs to help promote sales.

In addition, leveraging our unique characteristics, we work with Japan Post to develop products that meet customers' needs, develop new markets and service channels and upgrade sales processes.

### (2) Directly Managed Sales Offices

Japan Post Insurance has wholesale divisions in directly managed sales offices, and these divisions are responsible for providing products and services primarily to companies and in the workplace at small and mid-size companies and other entities.

In order to respond to the needs of our customers, which are becoming more diverse, we monitor market trends, accumulate extensive sales know-how and build an effective sales framework through this sales and service channel.

\*The Management Organization for Postal Savings and Postal Life Insurance manages life insurance taken out prior to the postal privatization. Japan Post Insurance has been entrusted with administrative affairs by this organization but has outsourced some of those operations to Japan Post, allowing premiums to be paid and benefits collected through post office external sales personnel and counter services.

## 2. Enhancing Products and Services

### ■ Notification of Insurance Claims and Related Customer Services

The most crucial mission of an insurance company is to ensure benefit and other payments are made to customers as promised and in a manner that is appropriate from a customer perspective. In fulfilling this mission, we regard the implementation and enhancement of our payment management structure as one of the top management issues, and have been undertaking a range of initiatives to make benefit and other payments promptly and accurately.

Specifically, we have been promoting the development of specialists who have expert knowledge and skills required to perform benefit settlement assessments through various education and training programs, while implementing business systems to support the assessment process and tasks related to insurance claim notification. Another focus area has been the operational reform of our Service Centers, which carry out business processing for making benefit and other payments and providing insurance claim notification to policyholders.

We are also striving to enhance our insurance claim notification service to extend its scope to identifying the availability of additional benefits other than those filed by policyholders. We examine the details presented in the claim and accompanying documents, such as a death certificate or a hospitalization certificate, when these are submitted by a policyholder. If there is an additional hospitalization, surgery or other benefit payable, we notify the policyholder accordingly.

Our enhancement efforts, however, have generated a gap between the levels of notification service provided to policyholders who had filed claims in the past and to those filing claims now. To fill this gap, we have been going through the records of past claim applications and working to identify any missed claims. We started providing notification to corresponding policyholders in December 2012 and have since been making swift payments of missed claims to the affected policyholders.

We will make company-wide efforts to improve the quality of benefits settlement through further enhancement of our claim notification and other customer response services.



## TOPICS

### "Dream Kanpo Campaign 2013"

From January 15 through to March 15, 2013, post offices\* and branches of Japan Post Insurance throughout the country hosted the "Dream Kanpo Campaign 2013."

During the campaign, customers who asked for a case design [policy summary] for our insurance products (excluding annuities) were encouraged to participate in a drawing. A variety of prizes, including coupons for accommodation for two persons at *Kanpo no Yado* inns, pairs of tickets for an exclusive performance by the Takarazuka Revue Company and popular gourmet foods, were given to a total of 17,200 winners.

\*The campaign was limited to post offices offering insurance services, including contracted post offices.



### ■ "Comprehensive and Heartfelt Services"

#### (Enhancement of After-Sales Services for Customers)

In October 2010, we rolled out "Comprehensive and Heartfelt Services" at post offices across the country.

We provide "Comprehensive and Heartfelt Services" at the postal counter and through home visits, verifying with policyholders the details of coverage provided by their respective insurance contracts and making sure that they have made every insurance claim to which they are entitled. We also explain the procedures for receiving benefits, merits of cashless transactions and availability of an option that allows a designated third party to request insurance benefits.

We will continue to enhance collaboration with the newly reorganized Japan Post and deliver "Comprehensive and Heartfelt Services" to bring even greater satisfaction to our customers.

### ■ Introduction of Portable Tablet Devices

Starting from October 2013, we will carry out phased deployment of new portable tablet devices with a consulting functionality to post offices nationwide and to sales personnel of Japan Post Insurance branches. These tablet devices will be used to provide meticulous consulting services to customers.

By entering such customer information as family structure and annual income into a tablet device, sales personnel can instantly propose required insurance coverage, make estimates of funds for education expenses and for retirement, as well as present details of products matched to life stages and the needs of respective customers in an easy-to-understand manner.

Taking full advantage of these convenient devices, we will offer even easier-to-understand services from a customer perspective.

## 3. Asset Management

Japan Post Insurance seeks to match asset and liability cash flows by building a portfolio of long-term yen-denominated interest-bearing assets based on the characteristics of our liabilities in order to maintain sound management and ensure the payment of benefits. Going forward, we will work to take advantage of other yen-denominated assets such as Japanese local government bonds and Japanese corporate bonds that can be expected to generate higher interest than Japanese government bonds from the standpoint of improving profits while striving to strengthen our risk management system.

## 4. Contributing to Local Communities

Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance works to uphold its customers' trust and provide them with peace of mind by actively seeking ways to make a contribution to society by popularizing and promoting the Radio Exercise program and providing support for the sound development of children and child care. Our efforts are centered on the three pillars of "encouraging social and community contribution," "creating a people-friendly business environment" and "promoting environmental conservation activities."

(For details, please refer to "Japan Post Group CSR" on pages 88-94.)

## TOPICS

### Held the 51st Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 51st Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") at 5:50 a.m. on July 22, 2012 at Moerenuma Park in Sapporo City, Hokkaido, jointly with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

Despite the early morning time, about 9,100 people participated, including radio exercise fans from around Japan as well as local elementary school students and their parents. By promoting radio exercises, Japan Post Insurance will continue to support people's health, which is essential for leading a rich and fulfilling life.



## 2. Products and Services

### 1. Types of insurance

(As of April 1, 2013)

Aim of contract	Type of insurance	Subscription age																		
		0	10	20	30	40	50	60	70	80										
For those considering lifetime security	Fixed whole life insurance																			
For those considering the balance of lifetime security	Whole life insurance with twofold insurance coverage																			
	Whole life insurance with fivefold insurance coverage																			
For those who want to add <i>Tanoshimi</i> (enjoyment) to lifetime security	Special whole life insurance																			
For those who wish to increase security with a minimum burden	Ordinary term insurance																			
For those considering both security and maturity	Ordinary endowment insurance																			
For those considering both enhanced security and maturity	Special endowment insurance with twofold insurance coverage																			
	Special endowment insurance with fivefold insurance coverage																			
	Special endowment insurance with tenfold insurance coverage																			
For those struggling with illness	Designated endowment insurance																			
For those considering making preparations for education funds	Educational endowment insurance																			
For those who want to add further security in preparations for education funds	Educational endowment insurance with scholarship annuity																			
For those considering a comfortable retirement	Term annuity																			
For those who wish to accumulate assets as wage earners	Asset-formation savings insurance																			
	Asset-formation housing funding insurance																			
	Asset-formation whole life annuity																			

\*Subscription age for educational endowment insurance and educational endowment insurance with scholarship annuity is shown in pink for insured person and in light blue for policyholders.

## 2. Principal Riders and Provisions

(As of April 1, 2013)

Name of rider/provision	Outline of rider/provision
Accident rider	Rider concerning provision for death or physical disability caused by an unforeseen accident
Nonparticipating accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by an unforeseen accident
Nonparticipating illness hospitalization and accident hospitalization rider	Rider concerning provision for predefined hospitalization, surgery or long-term hospitalization caused by illness or an unforeseen accident
Option that allows a designated third party to request insurance benefits	A designated third party (family etc.) can submit requests for insurance benefits on behalf of the beneficiary (insured person) when he or she is unable to do so due to special circumstances.

\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

### ● Nonparticipating accident hospitalization rider and nonparticipating illness hospitalization and accident hospitalization rider



The Japan Post Insurance *Sono hi kara* Hospitalization Rider provides basic insurance coverage that is simple and easy to understand. This rider pays benefits beginning with the first day in the hospital

and covers an extended scope of surgery to match the government health insurance system.

#### ■ Coverage of Japan Post Insurance *Sono hi kara* Hospitalization Rider

Benefits (for nonparticipating illness hospitalization and accident hospitalization rider) ¥15,000 daily payment in hospital stay (Rider standard insurance amount: ¥10 million)

Hospitalization for illness or injury (hospitalization benefit) Benefits starting with the first day of hospitalization (even for a single-day stay in the hospital [Note 1])	¥15,000 × days of hospitalization (Daily payment of hospitalization benefits) (120 days limit)
Surgery for illness or injury (surgery benefits) Payments for surgery requiring hospitalization (Note 2)	Depending on the type of surgery: ¥15,000 × 5, 10, 20, or 40 times (Daily payment of hospitalization benefits)
Long-term hospitalization for illness or injury (long-term hospitalization, one-time payment) Payment made when hospital stay reaches 120 consecutive days	¥300,000 (3% of rider standard insurance amount)

Notes: 1. A single-day stay in the hospital is defined as when the hospital admittance and discharge days are the same. Decisions regarding hospitalization will be based on whether or not the hospitalization basic fee was paid and on other factors.  
2. Surgery covered by the rider has been expanded to cover surgery eligible under the specified government health insurance system, such as tonsil removal that requires hospitalization.

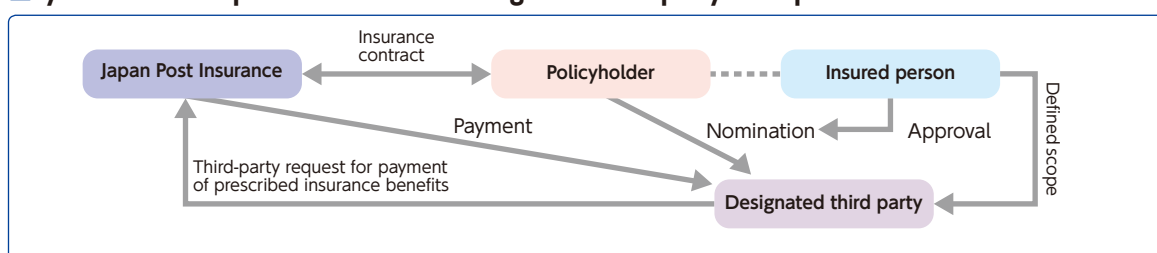
\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

### ● System with an option that allows a designated third party to request insurance benefits

With this system, policyholders designate in advance a third party who can act as an agent for requesting the payment of insurance benefits. This may be useful when an insured person who is also the

beneficiary is unable to submit the request due to a serious illness or injury.

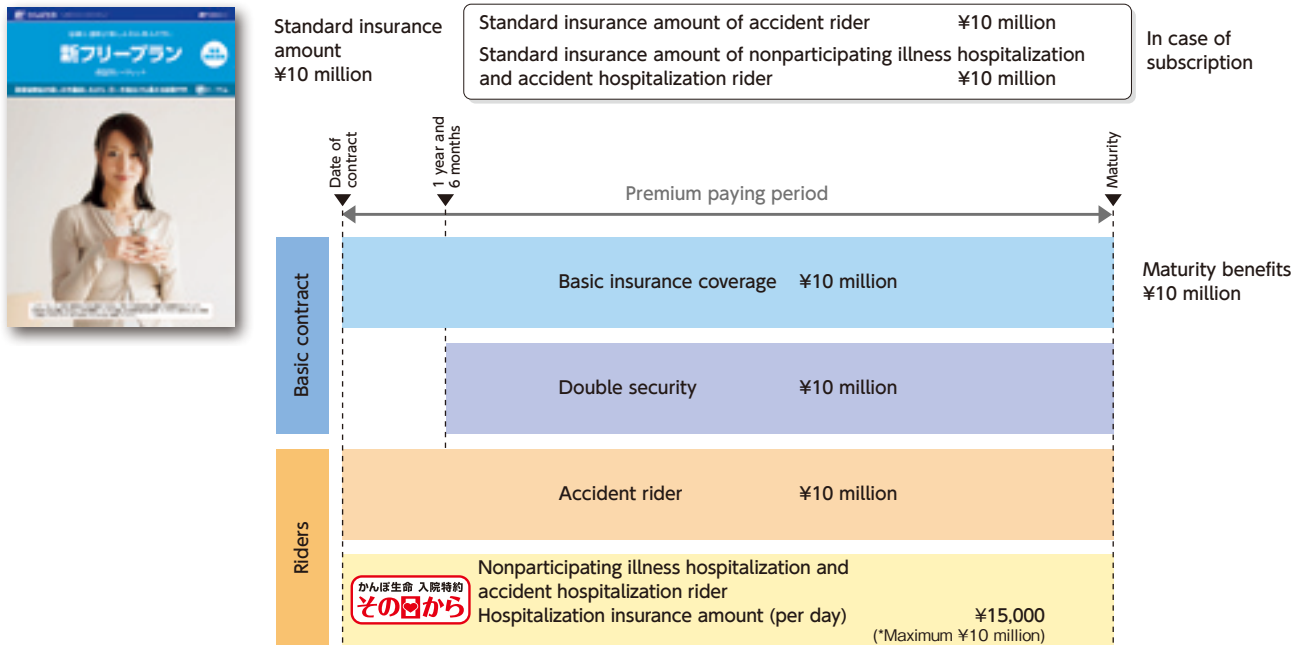
#### ■ System with an option that allows a designated third party to request insurance benefits



## Insurance schemes

### ●Outline of endowment insurance schemes

#### Ordinary endowment insurance

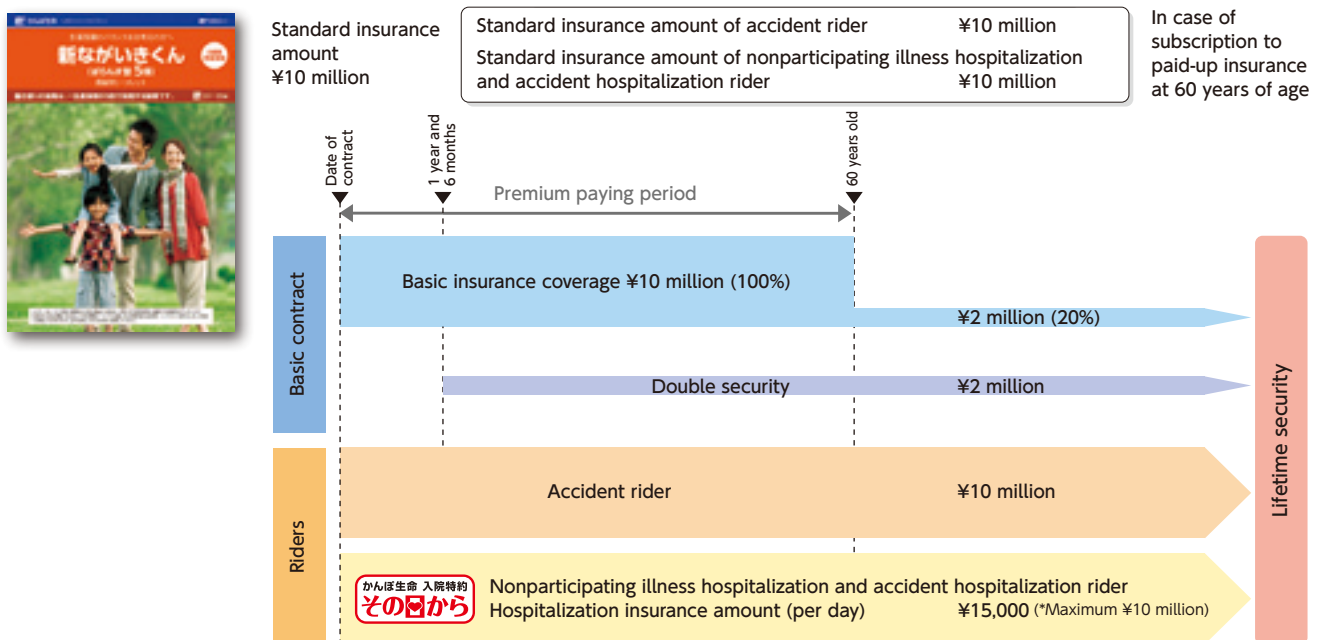


#### Features

- We pay maturity benefits when the term of the insurance has matured while the insured person is still alive and death benefits to a beneficiary when the insured person has passed away during the term of the insurance. (The amount is the same for both maturity and death benefits.)
- Maturity can be set in one-year increments, and insurance premiums will not change until maturity.

### ●Outline of whole life insurance schemes

#### Whole life insurance with fivefold insurance coverage



#### Features

- Payment of death benefits made in case of death of insured person.
- Unnecessary to make insurance payments following maturity of premium paying period.
- Provides lifetime security.
- Death insurance amount following maturity of premium paying period will be equivalent to 20% of the standard maturity amount.

## 3. Japan Post Insurance Business Performance

### 1 Sound Management Indicators

#### 1. Core Profit

Core profit is a basic periodical earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premium income, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

Core profit is not listed on the Statements of Income, and is obtained by deducting capital gains and losses, such as gains and losses on sales of securities and other one-time gains and losses from net ordinary income.

Core profit includes the negative spread, and securing sufficient core profit ensures that income will exceed the negative spread in the main insurance business.

Core profit includes the negative spread, and securing sufficient core profit ensures that income will exceed the negative spread in the main insurance business.

Japan Post Insurance's core profit for fiscal 2013 was ¥570.0 billion. The Company covered a negative spread amounting to ¥4.7 billion with the mortality and morbidity rate margin, which represents gains from a decline in the mortality rate and hospitalization rate, etc., and administrative expense margin, which are gains resulting from business efficiency improvements. In other words, core profit, which reflects the Company's three main profit sources, was positive.

The average assumed interest rate was 1.88%, while the interest rate yield was 1.87%, resulting in a difference of 0.01%. In recent years, this difference has been narrowing due to the maturation of contracts with high average assumed interest rates.

Core profit ¥570.0 billion

Core Profit Breakdown (Three Major Profit Sources) (Billions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Core profit	¥ 484.4	¥ 571.6	¥ 570.0
Negative spread	(139.3)	(61.5)	(4.7)
Mortality and morbidity rate margin	357.2	381.9	385.2
Administrative expense margin	266.5	251.2	189.5

(Billions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Core profit A	¥ 484.4	¥ 571.6	¥ 570.0
Capital gains	82.6	90.3	60.3
Gains on money held in trust	15.7	—	—
Gains from trading securities	—	—	—
Gains on sales of securities	66.9	90.3	60.3
Gains on derivatives	—	—	—
Foreign exchange gains	—	—	—
Other capital gains	—	—	—
Capital losses	48.8	66.1	29.6
Losses on money held in trust	—	26.2	4.1
Losses from trading securities	—	—	—
Losses on sales of securities	24.9	30.2	19.6
Losses on valuation of securities	16.9	—	—
Losses on derivatives	0.1	0.3	0.3
Foreign exchange losses	2.0	3.1	0.6
Other capital losses	4.6	6.2	4.8
Net capital gains B	33.8	24.1	30.7
Core profit including capital losses A+B	518.3	595.7	600.7
Other one-time gains	64.6	102.2	100.1
Reinsurance income	—	—	—
Reversal of contingency reserve	64.6	102.2	100.1
Reversal of individual allowance for doubtful accounts	—	—	—
Others	—	—	—
Other one-time losses	160.7	166.6	171.4
Reinsurance premiums	—	—	—
Provision for contingency reserve	—	—	—
Provision for individual allowance for doubtful accounts	—	—	—
Provision for reserve for specific overseas loans	—	—	—
Depreciation of loans	—	—	—
Others	160.7	166.6	171.4
Other one-time profits C	(96.1)	(64.3)	(71.3)
Net ordinary income A+B+C	¥ 422.2	¥ 531.3	¥ 529.3

Notes: 1. Amounts (¥4.6 billion in fiscal 2011, ¥6.2 billion in fiscal 2012 and ¥4.8 billion in 2013) corresponding to income gains among gains from money held in trust have been recorded in "Other capital losses" and are included in core profit as "other core income."

2. The accumulated amount (¥160.7 billion in fiscal 2011, ¥166.6 billion in fiscal 2012 and ¥171.4 billion in fiscal 2013) of additional policy reserves as stipulated under Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act is listed in "Others" of "Other one-time losses."

## 2. Solvency Margin Ratio

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and other benefits. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which regulatory agencies determine whether or not a company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or stock market collapse.

If the ratio is less than 200%, regulatory agencies will take early corrective measures. On the other hand, if the ratio is greater than 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Japan Post Insurance's solvency margin ratio as of March 31, 2013 was 1,467.9%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

**Solvency margin ratio**  
**1,467.9%**

## 3. Status of Accumulation of Contingency Reserve and Reserve for Price Fluctuations

Life insurance companies accumulate a contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating climate for the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2013, Japan Post Insurance had a contingency reserve of ¥2,683.6 billion and a reserve for price fluctuations of ¥522.8 billion, a total of ¥3,206.4 billion.

**Contingency reserve and reserve for price fluctuations ¥3,206.4 billion**

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013
Total amount of solvency margin (A)	¥ 4,791.8	¥ 5,000.0
Capital stock, etc.	1,217.9	1,286.2
Reserve for price fluctuations	458.2	522.8
Contingency reserve	2,783.7	2,683.6
General reserves for possible loan losses	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	74.4	202.4
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.1)	(3.3)
Excess of continued Zillmerised reserve	260.4	308.1
Capital raised through debt financing	—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin	—	—
Deductions	—	—
Other	—	—
Total amount of risk (B)	717.2	681.2
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Underwriting risk R1	177.0	172.9
Underwriting risk of third-sector insurance R8	127.5	113.1
Anticipated yield risk R2	237.5	218.5
Investment risk R3	391.2	380.1
Minimum guarantee risk R7	—	—
Business management risk R4	18.6	17.6
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,336.1%	1,467.9%

Note: The figures are calculated based on Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the provisions of Ordinance No. 50 issued by the Ministry of Finance in 1996.

(Billions of yen)

	End of fiscal 2011	End of fiscal 2012	End of fiscal 2013
Contingency reserve	¥ 2,885.9	¥ 2,783.7	¥ 2,683.6
Limit amount	3,010.8	3,047.9	2,899.4
Reserve for price fluctuations	¥ 409.6	¥ 458.2	¥ 522.8
Limit amount	409.6	787.1	775.0
Total	¥ 3,295.6	¥ 3,241.9	¥ 3,206.4

Note: The method of calculating limit amount is changed from March 31, 2012.

## 4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other high capital debt items, from total assets at market value. Regulatory agencies use real net assets as an indication of an insurer's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However, such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy reserve-matching bonds is positive and liquid assets have been set aside).

As of March 31, 2013, Japan Post Insurance had a sufficient level of ¥10,107.4 billion in real net assets.

(Billions of yen)

	End of fiscal 2011	End of fiscal 2012	End of fiscal 2013
Real net assets	¥ 6,905.6	¥ 8,083.6	<b>¥ 10,107.4</b>

## 5. Net Unrealized Gains (Losses) on Securities

Net unrealized gains and losses on assets reflect the differential between fair market value and book value.

At the end of fiscal 2013, Japan Post Insurance recorded a net unrealized gain on securities of ¥5,287.2 billion.

We recorded a ¥43.3 billion net unrealized gain on money held in trust and a ¥224.9 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

	End of fiscal 2011	End of fiscal 2012	End of fiscal 2013
	Net unrealized gains (losses)		
Total	¥ 2,241.0	¥ 3,349.4	<b>¥ 5,287.2</b>
Held-to-maturity securities	1,205.5	2,088.8	<b>3,643.1</b>
Policy reserve-matching bonds	1,002.2	1,177.7	<b>1,419.1</b>
Available-for-sale securities (before tax effects)	(Note 1) 33.2	(Note 2) 82.7	<b>(Note 3) 224.9</b>
Securities, etc.	37.2	82.8	<b>181.6</b>
Money held in trust	(4.0)	(0.1)	<b>43.3</b>

Notes: 1. After applying tax-effect accounting, a gain of ¥21.1 billion  
 2. After applying tax-effect accounting, a gain of ¥57.1 billion  
 3. After applying tax-effect accounting, a gain of ¥155.7 billion

## 6. Risk-monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance's loans fall into this category.

## 2 Policyholders' Dividends

**¥307.4 billion**

Insurance premiums are calculated based on assumed rates concerning future insurance benefit and other payments, investment yield and expenses for policy administration. If these assumed figures exceed actual results, the surplus will be returned to policyholders in the form of dividends ("policyholders' dividends") in accordance with the terms of their respective policies.

For fiscal 2013, we posted provision for reserve for policyholders' dividends of ¥307.4 billion.

- For Japan Post Insurance policies, we accounted for provision for reserve for policyholders' dividends of ¥25.7 billion.
- For postal life insurance policies, we posted provision for reserve for policyholders' dividends of ¥281.6 billion under the reinsurance agreement concluded with the Management Organization for Postal Savings and Postal Life Insurance, based on the performance of the segment related to reinsurance. Policyholders' dividends on postal life insurance policies are determined by the Management Organization.

### 3

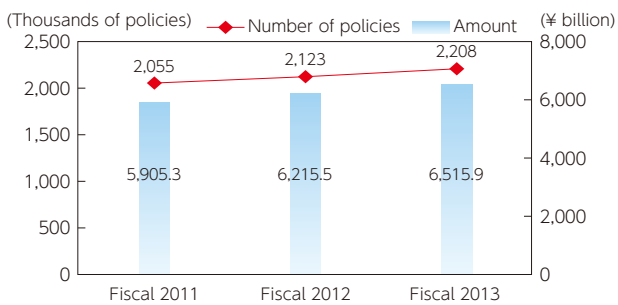
## Insurance Policies

### New Policies and Policies in Force

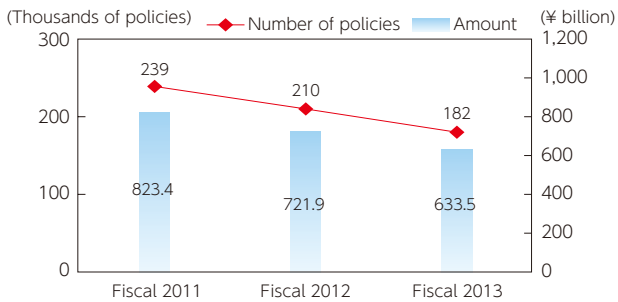
In fiscal 2013, Japan Post Insurance sold 2,208 thousand individual insurance policies with an insured amount of ¥6,515.9 billion, and 182 thousand individual annuity policies with an annuity amount of ¥633.5 billion.

As of March 31, 2013, there were 9,872 thousand individual insurance policies, and policies in force totaled ¥28,480.7 billion. There were 1,058 thousand individual annuity policies with an annuity amount of ¥3,194.6 billion.

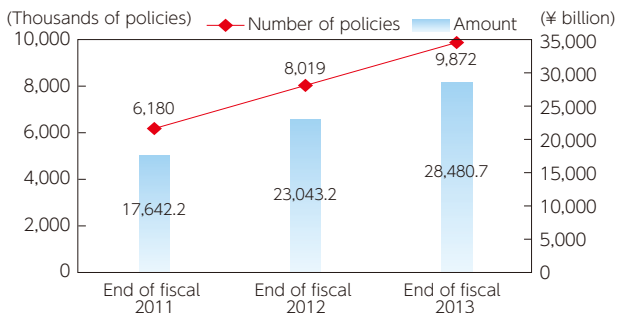
#### New Policies (Individual Insurance)



#### New Policies (Individual Annuities)

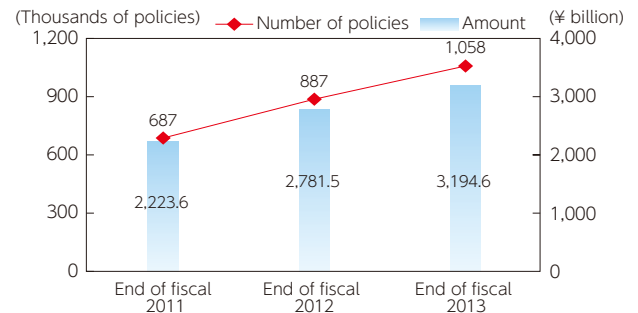


#### Policies in Force (Individual Insurance)

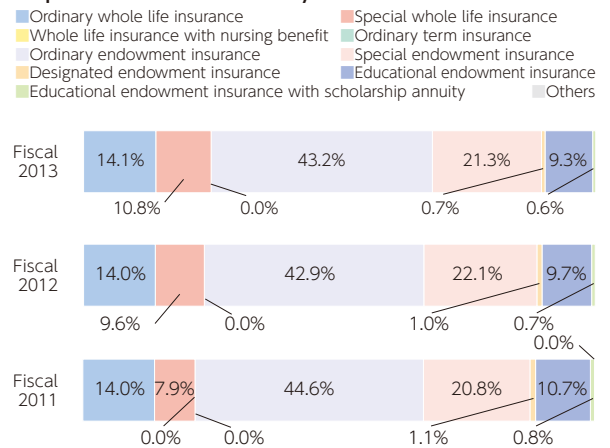


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 26,934 thousand life insurance policies with an insured amount of ¥73,991.4 billion and 3,878 thousand annuity policies with an annuity amount of ¥1,434.6 billion.

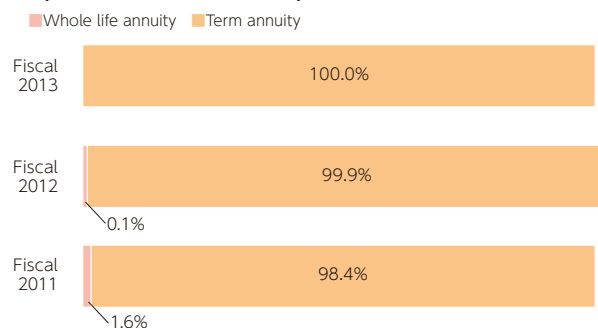
#### Policies in Force (Individual Annuities)



#### Composition of New Policies by Product: Individual Insurance



#### Composition of New Policies by Product: Individual Annuities



Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

	End of fiscal 2011		End of fiscal 2012		End of fiscal 2013	
	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount
Life insurance	35,496	98,910.0	31,016	85,854.2	26,934	73,991.4
Annuity	4,886	1,809.4	4,393	1,628.5	3,878	1,434.6

Note: These figures are based on standards published by the Management Organization for Postal Savings and Postal Life Insurance.



## 4 Performance Overview

### 1. Assets

At March 31, 2013, total assets of Japan Post Insurance amounted to ¥90.4 trillion, a decrease of ¥3.2 trillion from fiscal 2012 (¥93.6 trillion).

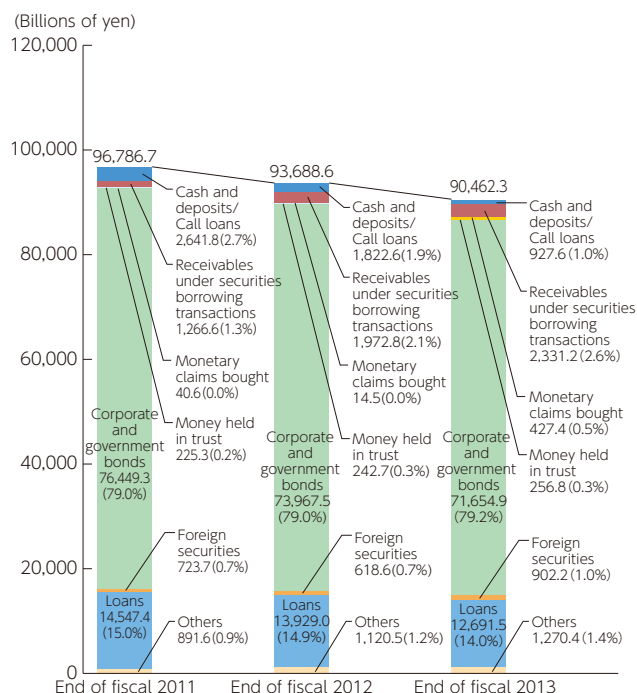
Our investment policy in fiscal 2013 was to continue investing primarily in yen-denominated interest-bearing assets that provide stable interest income.

During the fiscal year under review, we made investments in corporate and government bond holdings, primarily of long-term and super-long-term bonds, in view of their value as assets that secure stable income.

Our management of investments of money held in trust centers on domestic equities and foreign equities.

Loans receivables include syndicated loans, loans to local governments and policy loans. The loans receivables balance decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance.

#### ■ Composition of Assets



### 2. Asset Management Yield

Despite the continued trends toward lower interest rates, careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.67%.

#### ■ Asset Management Yield

Item	Fiscal 2011	Fiscal 2012	Fiscal 2013
Yield	1.64%	1.66%	<b>1.67%</b>

Note: Asset management yield includes capital gains and losses, etc.

### 3. Holdings of Securitized Financial Instruments and Investments Related to Subprime Loans

#### ■ Holdings of Securitized Financial Instruments

(Billions of yen)

Item	End of fiscal 2011		End of fiscal 2012		End of fiscal 2013	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	370.0	7.6	434.1	14.5	<b>450.1</b>	<b>22.9</b>

Note: Residential Mortgage-backed Securities (RMBS) are a type of security backed by mortgages. The RMBS held by Japan Post Insurance are backed by housing loans in Japan.

#### ■ Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

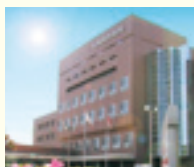
# 4. Other Businesses

## 1. Hospital Business

Japan Post Holdings has established 14 Teishin Hospitals around Japan as corporate hospitals of the Japan Post Group. Teishin Hospitals are open for the use of any member of the public, as well as Group employees and their families, and they provide medical services and medical check-up services, which contribute to the health of everyone in the community. Please refer to page 100 for details including locations.

Notably, Tokyo Teishin Hospital has 477 sickbeds, advanced medical care and medical equipment, and cutting-edge medical research. Approximately 12,000 people utilized medical check-up services during fiscal 2013. A palliative care ward was also set up at this hospital to relieve the suffering of cancer patients.

### List of 14 Teishin Hospitals nationwide



**Sapporo Teishin Hospital**  
Departments  
Internal medicine, surgery, ophthalmology, otolaryngology, orthopedics



**Kyoto Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology, anesthesiology



**Sendai Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, gynecology, ophthalmology, dermatology, otolaryngology, orthopedics, proctology



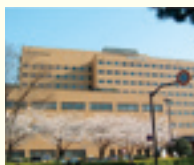
**Osaka Kita Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, surgery, pediatrics, ophthalmology, otolaryngology, radiology, anesthesiology, proctology



**Yokohama Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, orthopedics, anesthesiology



**Kobe Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, pediatrics, ophthalmology, otolaryngology, orthopedics, radiology



**Tokyo Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, cardiology, respiratory, psychiatry, surgery, neurosurgery, gynecology, pediatrics, ophthalmology, dermatology, urology, otolaryngology, orthopedics, radiology, dental/oral surgery, rehabilitation, anesthesiology, emergency and general medicine, endoscopy center, medical check-up center, pathology, clinical laboratory



**Hiroshima Teishin Hospital**  
Departments  
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



**Niigata Teishin Hospital**  
Departments  
Internal medicine, cardiology, surgery, obstetrics and gynecology, pediatrics, ophthalmology, orthopedics



**Tokushima Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, ophthalmology, orthopedics



**Toyama Teishin Hospital**  
Departments  
Internal medicine, surgery, gynecology, ophthalmology, orthopedics



**Fukuoka Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, cardiology, surgery, gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics, radiology, anesthesiology



**Nagoya Teishin Hospital**  
Departments  
Internal medicine, surgery, obstetrics and gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics



**Kagoshima Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, liver internal medicine, surgery, gynecology, ophthalmology, orthopedics, proctology

## 2. Hotel Business

### 1. Kanpo no Yado Inns and Kanpo no Sato Inns

There are 66 *Kanpo no Yado* inns nationwide (including four that are temporarily closed). These facilities are near tourist spots. *Kanpo no Yado* inns are available for the use of all persons, in the same way as regular *ryokan* and hotels, regardless of whether guests possess insurance policies of Japan Post Insurance.

There are three *Kanpo no Sato* inns in Japan, where people can enjoy sports and other leisure activities in a natural setting.

In April 2012, we opened Kazeru Otaru, a fee-paying residential-style nursing home, on the site of *Kanpo no Yado* inn Otaru, to ensure enriched lives for elderly people.

For details, please refer to pages 101-102.

### 2. Rafre Saitama and other facilities

Rafre Saitama is a lodging facility located near Saitama Shintoshin station that has conference rooms, banquet halls and a fitness center. In May 2011, we started providing a service to support prevention of nursing care, including physical exercise guidance by preventive exercise instructors.

U-Port Recreation Center in Setagaya Ward, Tokyo, includes tennis courts, a heated indoor swimming pool, a gym, a fitness center and other sports facilities.

MIELPARQUE and U-Port hotels provide accommodations, conference rooms, banquet and wedding halls, restaurants and other facilities.

- Notes: 1. The nursing care preventive facility in Rafre Saitama has been run by Central Sports Co., Ltd. since May 2011 under a fixed-term lease agreement with Japan Post Holdings.  
 2. MIELPARQUE hotels have been run by a subsidiary of Watabe Wedding Corp. since October 2008 under a fixed-term lease agreement with Japan Post Holdings. MIELPARQUE Kyoto does not have accommodation and wedding facilities.  
 3. U-Port has been run by Seiyo Food-Compass Group, Inc. and Central Sports Co., Ltd. since December 2008 under a fixed-term lease agreement with Japan Post Holdings.

### List of Accommodation Facilities Nationwide

- |                              |                          |                              |  |
|------------------------------|--------------------------|------------------------------|--|
| 1 Otaru (Kazeru Otaru Annex) | 24 Atami (Main Building) | 46 Aiko                      | 67 Hakusan-Oguchi  |
| 2 Tokachigawa                | Atami (Annex)            | 47 Awajishima                | 68 Shobara   |
| 3 Ichinoseki                 | 25 Shuzenji              | 48 Kaike                     | 69 Usa   |
| 4 Yokote                     | 26 Izukogen              | 49 Mimasaka Yunogo           | 70 Rafre Saitama   |
| 5 Matsushima*                | 27 Toyama                | 50 Takehara                  | 71 U-Port Recreation Center in Setagaya<br>(No accommodation facilities) |
| 6 Sakata                     | 28 Yamashiro             | 51 Hikari                    |  |
| 7 Koriyama                   | 29 Fukui                 | 52 Yuda                      |  |
| 8 Iwaki                      | 30 Yaizu                 | 53 Kanonji                   |  |
| 9 Oarai                      | 31 Hamanako-Mikkabi      | 54 Sakaide                   |  |
| 10 Itako                     | 32 Sangane               | 55 Tokushima                 |  |
| 11 Shiobara                  | 33 Chita-Mihama          | 56 Dogo                      |  |
| 12 Tochigi Kitsuregawa Onsen | 34 Ena                   | 57 Ino                       |  |
| 13 Kusatsu                   | 35 Gifu-Hashima          | 58 Kitakyushu                |  |
| 14 Isobe                     | 36 Toba                  | 59 Yanagawa                  |  |
| 15 Yorii                     | 37 Kumano                | 60 Shimabara*                |  |
| 16 Kamogawa                  | 38 Hikone                | 61 Beppu                     |  |
| 17 Asahi                     | 39 Maizuru*              | 62 Hita                      |  |
| 18 Katsuura                  | 40 Tondabayashi          | 63 Yamaga                    |  |
| 19 Ome                       | 41 Yamatoheguri          | 64 Aso                       |  |
| 20 Hakone                    | 42 Nara                  | 65 Nichinan                  |  |
| 21 Isawa                     | 43 Shirahama             | 66 Recreation Center in Naha |  |
| 22 Kashiwazaki*              | 44 Kii-Tanabe            |                              |  |
| 23 Suwa                      | 45 Arima                 |                              |  |

\* Temporarily closed (as of July 1, 2013)



#### On our recommendation list:

**3 Kanpo no Yado inn Ichinoseki**



Have seasonally different views of Kurikoma-yama from an open-air bath and enjoy cuisine that lavishly uses local flavorful and nutritious food. The location is suitable for sightseeing as it's near Hiraizumi, a World Heritage site.

**21 Kanpo no Yado inn Isawa**



Take a rest in *Kanpo no Yado* inn Isawa's well-kept Japanese garden near the pond where a mother duck and her ducklings come to play during the spring season. Pamper yourself and relax at this inn blessed with a healing hot spring.

**30 Kanpo no Yado inn Yaizu**



Enjoy the beautiful night view of Yaizu City like sparkling jewels from all ocean view guestrooms and baths with a scenic view. The inn also is proud to offer unique cuisine that mainly uses seafood fresh from the town's fishing harbor.

**38 Kanpo no Yado inn Hikone**



With its renewal and opening in March 2013, *Kanpo no Yado* inn Hikone's lobby, guestrooms and large public baths are even more comfortable. Western-type guestrooms with a view of Biwa Lake are also popular among guests.

**51 Kanpo no Yado inn Hikari**



*Kanpo no Yado* inn Hikari is appealing in terms of the cuisine it offers using food from the sea and mountains cultivated in the Seto Inland Sea's warm climate and the bounty of nature and also features all ocean view guestrooms. A portion of guestrooms were renewed into western-type twin rooms in March 2013.