

# Dedicated to Providing the Public with the Best Possible Services

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# 1. Operations of Japan Post



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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.

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.

In February 2014, the Japan Post Group, including Japan Post Co., Ltd., announced the “Japan Post Group Medium-Term Management Plan—New Japan Post Group Network Creation Plan 2016.” Additionally, we aim to be “an integrated lifestyle-support corporate group” 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 2014

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With fiscal 2014 being the first substantive fiscal year following the corporate merger between Japan Post

Network Co., Ltd. and Japan Post Service Co., Ltd., we aimed to optimally deploy the effects of the merger by striving to streamline our organizations, namely integrating divisions common to head office and regional offices and consolidating managers at post offices.

In addition, we pushed ahead with the rebuilding of an efficient and functional post office network, which included opening new post offices and relocating existing post offices in consideration of customer convenience. At the same time, we took steps to establish delivery time-specified mail and expand the number of post offices that handle affiliated financial services such as cancer insurance aimed at building stronger management foundations by securing higher profits.

Besides emphasizing thoroughgoing compliance based on our compliance program with the objective of maintaining and building upon trust from customers, we made sweeping reductions in operational costs to attain a profitable balance in our revenues and expenses, and made efficient and effective utilization of personnel. We also

made efforts to raise productivity through the reorganization of postal and logistics networks by way of centralized processing and automation of internal operations at collection and delivery centers and by upgrading system infrastructures such as the new postal information system.

As a result of these measures, Japan Post recorded operating income of ¥2,773.9 billion, net ordinary income of ¥52.5 billion and net income of ¥32.9 billion.

In November 2013, it was discovered that the method of handling and the equipment used for temperature-sensitive Yu-Pack at certain post offices offering the service were inadequate, prompting improvements and the establishment of a system enabling proper handling. We take with the utmost seriousness situations that cause trouble for customers and will make every effort to prevent recurrence primarily through training, independent inspections and on-site inspections before peak periods.

## Issues for the Future

The environment surrounding the company is changing every moment, characterized in particular by an increase in online selling, the proliferation of smartphones and tablet devices, and the diversification of customer needs related to service quality. To ensure that we can smoothly and reliably provide customers with services in the future, we recognize the importance of properly responding to such a business environment while providing products and services that anticipate customer needs at all times.

In fiscal 2015, we will begin establishing foundations for the future as part of efforts in the first fiscal year of the Japan Post Group's medium-term management plan. At the

same time, it is necessary to proceed with preparations required to enable the early listing of shares for Japan Post Holdings Co., Ltd. and the disposal of shares by the government.

In light of these factors, we will strive hard to expand profits based on a turnaround to a period of economic recovery and reform our business style aimed at sustainable growth in fiscal 2015.

Efforts will also be made to strengthen profitability through such efforts as developing SNS related services using smartphones and other devices and revising the content of Yu-Pack and Yu-Mail services to further increase use of post offices, expanding real estate development business, and enhancing customer service through ties with Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. In addition, we will work to enhance corporate value by establishing a service environment by continuing to reorganize postal and logistics networks and upgrading structures and equipment including aging post office buildings.

On a different front, we will continue to implement thorough compliance based on our compliance program as we work to secure even greater trust from 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 working to reopen 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

Japan Post Co., Ltd. is the company in the Japan Post Group that deals with postal service business as well as post office business.

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, in order to ensure major public benefits and contribute to local communities while enhancing value in the post office network by making post office services even more convenient. Accordingly, we will promote initiatives to comprehensively support the daily lives of local customers.

## 1. Overview of Operations and Services

### ■ Postal and Domestic Distribution Business

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

### ■ 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.

### ■ 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), cancer insurance, medical insurance with eased underwriting conditions and automobile insurance under consignment from life insurance companies and non-life insurance companies other than Japan Post Insurance.

### ■ 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 and international logistics sector for corporate customers mainly in China and other parts of Asia.

In cooperation with Japan Post Sankyu Global Logistics Co., Ltd., a subsidiary jointly established with Sankyu Inc. in July 2008, we provide international cargo services, primarily including a wide

range of air cargo services ranging from small-lot to large-lot cargo.

Moreover, we provide international logistics that deliver optimal logistics solutions to customers mainly through Japan Post International Logistics Co., Ltd., which was established with full ownership of capital as an overseas subsidiary in Shanghai, China, in September 2013.

### ■ Logistics Business

We are deploying our logistics business in response to diversifying and more sophisticated logistics needs. Together with our subsidiaries JP Logi Service Co., Ltd. and JP Media Direct Co., Ltd., we provide our third party logistics (3PL) services, from an optimal logistics strategy for customers and the design, proposal and creation of logistics systems to their operation as well as logistics operations, mainly through a logistics solutions center.

### ■ Logistics Finance Business

We will conduct finance services linked to logistics such as settlement services for mail-order businesses.

### ■ Real Estate Business

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



JP Tower

## 2. Initiatives in Fiscal 2014

The operating environment is extremely severe, 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, we secured revenues mainly by strengthening sales to small-lot and medium-lot customers and making the most effective use of real estate. We also streamlined our organizations to optimally maximize the merits of the merger, reduced operational costs, efficiently and effectively utilized required personnel in areas and thoroughly implemented management based on operating profit and loss.

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

### ■ Promoting Real Estate Development

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

The commercial facility KITTE located in JP Tower, which opened officially on March 21, 2013, projected a total number of annual visitors of 13 million upon opening, but actual figures far surpassed expectations with around 23 million visitors recorded throughout the year.

We at Japan Post will continue valuing connections with each customer and providing better services so that KITTE becomes widely popular as a commercial facility connecting people with people, towns with towns and eras with eras while bringing abundant happiness.

This photo shows an occasion during the Christmas event, WHITE KITTE, held from November 2 to December 25. The Christmas tree set up in the center of the atrium was a big hit, with approximately 100,000 people visiting it on December 24 alone. Thanks to media reports and word-of-mouth, people would come from all over and gather around the tree with cameras in hand waiting for the light show to begin. It was moments such as these that connected people with people and people with KITTE.

Aside from JP Tower, the Sapporo Mitsui JP Building (scheduled for completion in August 2014), the Omiya JP Building (scheduled for completion in August 2014) and JP Tower Nagoya (scheduled for completion in November 2015) are currently under construction. In addition to beginning new construction of all commercial facilities on the premises of the former Hakata Post Office with a scheduled opening in spring 2016, we are planning to develop an office building together with the owner of the adjacent premises.

In the housing business, we are marketing a condominium building in Fukuoka City following our condominium building in Meguro Ward (completely sold out in March 2012) and are looking into commercialization of rental housing mainly in the Tokyo metropolitan area.



The Christmas event, WHITE KITTE

### ■ 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 215 venues nationwide. Close to 6,000 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.
- Banking: We worked to secure deposits by conducting campaigns in each region during summer and winter bonus season and encouraging an increasing number of customers to use *TEIGAKU* and time deposits of Japan Post Bank. We sought to maintain and expand the number of customers who automatically receive pension payments by holding pension consultation events and providing a members-only service for JAPAN POST BANK *Tokimeki Club* service.
- 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 to their families and nearby customers by gaining the trust of customers through these activities.

### ■ Activities for 2014 New Year's Postcards

We pushed ahead with Web-enabled services so that New Year's postcards could be sent and received in a more fun and convenient manner. On our special New Year's postcards website (yubin-nenga.jp), we introduced content that adds fun to complement features concerned with "knowing," "buying," "making" and "sending" so more people use it as a portal site for New Year's postcards.

We also provided Coca Cola New Year's postcards in conjunction with Coca Cola Japan and Yahoo! JAPAN *Nengajo* service. This is the first service of its kind in the world in which users receive a Coca Cola beverage by swiping the postcard over a reader on a vending machine. In addition, we promoted gift-related New Year's postcards in collaboration with various companies based on the concept of exchanging gifts through postcards, namely New Year's postcards that let recipients view a Disney movie on-demand, TSUTAYA coupon and Amazon MP3 download.

Moreover, our "Post Card Design Kit" has been used by many people, earning high praise for making it easy to produce and order New Year's postcards when out during the busy year-end season based on the idea of sending New Year's postcards by smartphone.

## 3. Extensive Products and Services

### ■ Trial Implementation of "Cool EMS"

Japan Airlines Co., Ltd. (JAL) and Japan Post started trials of a delivery service called "Cool EMS" for small, temperature-sensitive parcels by way of Express Mail Service (EMS) in April 2013. A delivery service for frozen items was added in April 2014 and the service area was expanded to include Malaysia in addition to the previously handled Hong Kong, Taiwan and Singapore.

In addition, we introduced a cold storage box smaller than those previously provided and reduced the price while also expanding the number of post offices that send the boxes to 11.

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

Lawson Store 100 (currently Lawson Mart, approximately 1,200 stores) around Japan started handling Yu-Pack services on June 1, 2013 (began with around 20 stores in part of Kyushu on May 20), and we have installed post boxes inside the stores for this purpose.

### ■ Established Overseas Subsidiary in Shanghai, China

Japan Post established Japan Post International Logistics Co., Ltd. after obtaining approval (issuance of an operating permit) from the Shanghai Administration for Industry & Commerce, a government-related agency, in September 2013.

The company is further expanding international logistics business centered on China and is providing comprehensive logistics solutions as a logistics consultant that makes maximum use of diverse modes of shipping, namely land, sea and air.

In addition, the company provides Japan Post's one-stop service as a support package for entering China, which includes offering logistics services between Japan and China as well as customer support and marketing on a local basis for customers looking to enter China or sell Japanese products and other goods to China.

### ■ Started Delivery Time-Specified Mail

We started handling delivery time-specified mail in October 2013 in which senders can specify delivery time.

This service enables mail to be delivered within the three specified timeframes of morning (8:00 to 12:00), afternoon (12:00 to 17:00) and evening (17:00 to 21:00) starting from the earliest possible delivery slot.

Being able to specify delivery time is especially convenient when sending something to a person who is home only for a limited time or when sending documents such as invoices that have a deadline.

In principle, the items will be delivered to the recipient directly, but will be placed in the mail box in case the recipient is out. In case of registered mail (*Kakitome*), the item will be delivered to the recipient directly and requires a seal or signature.

Moreover, it is possible to verify delivery status via the Track & Trace Service to provide reassurance and certainty.

### ■ Trial Implementation of "Post Office Watch Service"

We started trials of a new service on October 1, 2013 with the aim of valuing connections between the local community and post offices as "an integrated lifestyle-support corporate group", growing together with people in society. Specifically, post office staff members visit customers' homes to check on the living situation and report the results to the person specified by each customer. As part of this service, we also provide other types of support for customer's lifestyles through 24-hour telephone consultation on general lifestyle related matters, discount accommodation fees for Kanpo no Yado Inns and issuance of a newsletter.

### ■ Started Handling Items for People in Mourning

In October 2013, we started selling items that help people convey their heartfelt feelings of condolence after receiving news that someone they know is in mourning.

We have prepared three different items that include "Osenko tayori suirei" in which the post office's original incense can be sent.

### ■ Expanded the Number of Post Offices Handling Affiliated Financial Service Products

We have gradually expanded the number of post offices that handle various affiliated financial service products to make them accessible to more customers. The number of post offices selling variable annuities has grown from 508 to 1,079 since October 2013, while the number handling life insurance for companies (for management-level personnel) has risen from 134 to 165 in the same period. The number of post offices handling automobile insurance has expanded from 1,241 to 1,495, while the number handling cancer insurance expanded from 1,000 to 1,500, with this figure expanding to 2,980 since March 2014.

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

## 2. Products and Services

### I Postal Services

#### 1. Stamps and Postcards

(As of April 1, 2014)

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 other 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.
Echo-postcards	Part of the postcard is used for advertising and the advertising income is used to reduce the price by ¥5 to ¥47.
Inkjet printing standard postcards	Postcards with a special coating permitting the postcards to be used for printing photographs, pictures and other colorful images. The postage mark is in the design of mountain cherry blossoms.
Reply-paid postcards	This is two attached postcards, one to be used by the sender and the other by the recipient to send a reply back to the sender. The absence of a fold in the middle 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* <sup>1</sup> (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 (¥510). 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* <sup>2</sup> (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 (¥360). 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

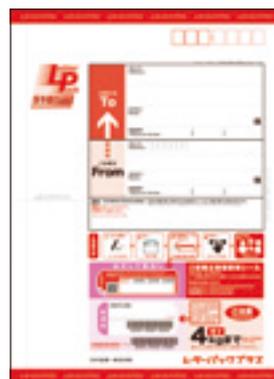
Products	Description/Features
<b>Yu-Pack</b>	Yu-Pack is a domestic delivery service for sending parcels having the sum total of length, width and thickness of less than 170 cm and weighing less than 30 kg, with the receiver's address listed on an attached invoice. The Yu-Pack service offers a host of 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 ¥360. Delivery confirmation is available online. No prior procedure is needed. 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.
<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

(As of April 1, 2014)

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>New special express mail (<i>Shin tokkyu yubin</i>)</b>	Delivers mail received around morning time by approximately 17:00 the same day.
<b>Delivery time-specified mail (<i>Haitatsu-jikantai shitei yubin</i>)</b>	This service enables mail to be delivered within the three specified timeframes of morning (8:00 to 12:00), afternoon (12:00 to 17:00) and evening (17:00 to 21:00) starting from the earliest possible delivery slot.
<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 ¥510, 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 postcards and postal envelopes, etc. where the printed postage stamp rate is soiled or damaged, and for soiled or damaged stamps.
<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.)
<b>Sales of documentary stamps</b>	Revenue stamps, automobile weight tax documentary stamps, unemployment insurance documentary stamps, health insurance documentary stamps and patent documentary stamps are sold at sales outlets designated by the Ministry of Internal Affairs and Communications on behalf of the Japanese national government.

## 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 cover a wide range of logistics-related proposals, actual service consignment and operational management, including consulting service for customer's logistics\*1, information processing\*2, transportation, storage, freight handling\*3, distribution processing\*4 and packaging to meet diversifying and increasingly sophisticated customer needs.

\*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 such areas as order system, warehouse management and transport management.

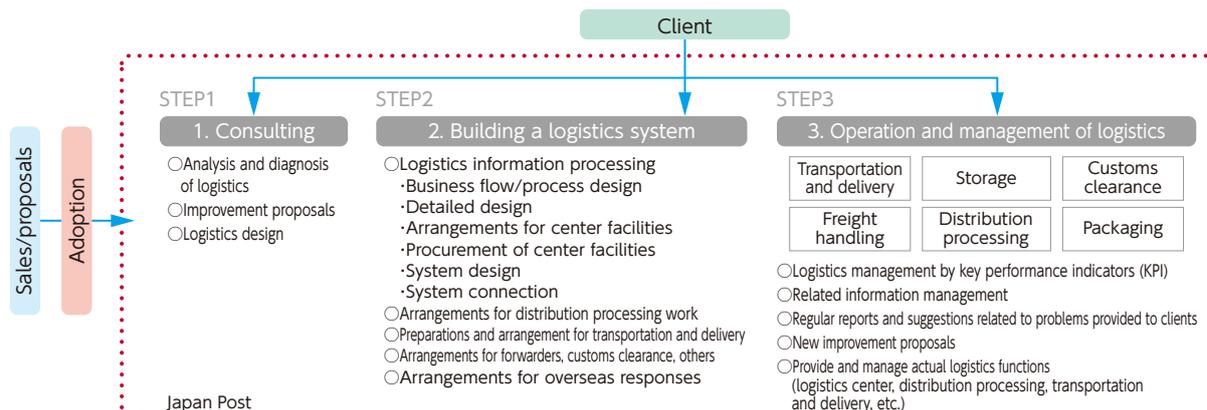
\*3 We load and unload, transport, stow, discharge, sort and organize freight during the logistics process.

\*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.



## II Banking

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 48-52.)

## III Insurance

We solicit life insurance and handle premium payments of Japan Post Insurance. (For details, please refer to pages 62-64.)

### Other Insurance Products

(As of April 1, 2014)

Products	Description/Features
Cancer insurance	<p>Cancer insurance is provided at 2,980 post offices in order to meet the need to prepare fully for cancer as an illness that surrounds us. [Products handled]</p> <ul style="list-style-type: none"> <li>• Days - Cancer insurance for daily living [underwriter: Aflac (American Family Life Assurance Company of Columbus)]</li> </ul> <p>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.</p>
Medical insurance with eased underwriting conditions	<p>In order to respond to needs for healthcare coverage, which have been rising in years, we sell medical insurance with eased underwriting conditions at 1,000 post offices. [Products handled]</p> <ul style="list-style-type: none"> <li>• <i>Tayoreru YOU</i> [underwriter: Sumitomo Life Insurance Company]</li> </ul> <p>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*.</p> <p>* Insurance products providing benefits for hospitalization or injury or when undergoing prescribed surgery</p>
Variable annuity	<p>In order to further enhance our life planning and asset accumulation consulting-related products, we sell variable annuities at 1,079 post offices. [Products handled]</p> <ul style="list-style-type: none"> <li>• <i>Yu Yu Tsumitate Nenkin</i> [underwriter: MetLife Alico Life Insurance K.K.]</li> <li>• <i>Shiawase Teikibin</i> [underwriter: Mitsui Sumitomo Primary Life Insurance Co., Ltd.]</li> </ul>
Life insurance for companies (for management-level personnel)	<p>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 165 post offices. [Products handled]</p> <ul style="list-style-type: none"> <li>• Level term life insurance</li> <li>• Increasing term life insurance</li> </ul> <p>[underwriters: ING Life Insurance Company, Ltd., Sumitomo Life Insurance Company, Tokio Marine &amp; 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.]</p> <p>* Sumitomo Life Insurance Company only underwrites level term life insurance.</p>
Automobile insurance	<p>As a non-life insurance agency, we have been handling post office automobile insurance in cooperation with six non-life insurance companies at 1,495 post offices. [Products handled]</p> <ul style="list-style-type: none"> <li>• Post Office Automobile Insurance</li> </ul> <p>[six underwriters: Aioi Nissay Dowa Insurance Co., Ltd., Sompo Japan Insurance Inc., Tokio Marine &amp; Nichido Fire Insurance Co., Ltd., NIPPONKOA Insurance Co., Ltd., The Fuji Fire and Marine Insurance Co., Ltd. and Mitsui Sumitomo Insurance Co., Ltd.]</p> <p>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.</p>



## IV Merchandise

Products	Description/Features
Sales of catalog products	<p>We offer a number of catalog services, including the <i>furusato</i> 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.</p> 
Sales at post offices	<p>We have been selling mail-related items such as letter paper, envelopes and pens and pencils at post offices nationwide (excluding certain outlets). In addition, we are also selling <i>Gotochi</i> Form Cards, which enable non-standard sized mail items to be sent, and limited-time original frame stamps.</p> 
Post Office Internet Shop	<p>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 <i>furusato</i> parcel 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.</p> 

## V 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, 2014, the Company had designated 71 such agencies for this purpose.



Event held in Tokyo

## 3. Japan Post Business Performance

### I Postal Service Business Performance

#### 1 Consigned Volume of Mail in Fiscal 2014

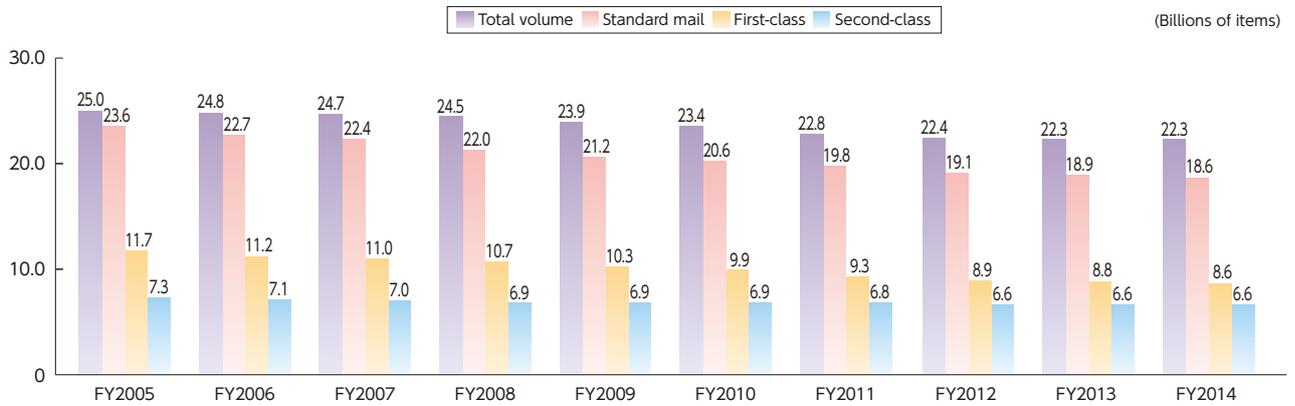
(Unit: 1,000 items, %)

Category	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Volume	Year-on-year change	Volume	Year-on-year change	Volume	Year-on-year change
Total	22,363,354	(1.8)	22,345,745	(0.1)	<b>22,324,419</b>	<b>(0.1)</b>
Mail	19,107,908	(3.6)	18,862,295	(1.3)	<b>18,571,775</b>	<b>(1.5)</b>
Domestic	19,058,414	(3.5)	18,814,393	(1.3)	<b>18,524,615</b>	<b>(1.5)</b>
Standard mail	18,598,039	(3.6)	18,351,697	(1.3)	<b>18,054,960</b>	<b>(1.6)</b>
First-class	8,912,926	(4.4)	8,797,746	(1.3)	<b>8,569,925</b>	<b>(2.6)</b>
Second-class	6,647,687	(2.2)	6,608,692	(0.6)	<b>6,640,507</b>	<b>0.5</b>
Third-class	274,843	(7.7)	252,744	(8.0)	<b>241,483</b>	<b>(4.5)</b>
Fourth-class	23,559	(1.9)	21,685	(8.0)	<b>21,484</b>	<b>(0.9)</b>
New Year's postcards	2,677,489	(4.8)	2,612,749	(2.4)	<b>2,532,433</b>	<b>(3.1)</b>
Election mail	61,534	22.3	58,081	(5.6)	<b>49,128</b>	<b>(15.4)</b>
Special mail	460,376	0.5	462,696	0.5	<b>469,655</b>	<b>1.5</b>
International (dispatched)	49,493	(8.6)	47,901	(3.2)	<b>47,160</b>	<b>(1.5)</b>
Standard mail	39,627	(9.7)	37,840	(4.5)	<b>34,548</b>	<b>(8.7)</b>
Parcels	1,297	(7.5)	1,293	(0.3)	<b>1,797</b>	<b>39.0</b>
EMS	8,569	(3.4)	8,768	2.3	<b>10,815</b>	<b>23.3</b>
Parcels	3,255,446	9.7	3,483,450	7.0	<b>3,752,644</b>	<b>7.7</b>
Yu-Pack	383,298	10.5	382,206	(0.3)	<b>428,437</b>	<b>12.1</b>
Yu-Mail	2,872,148	9.6	3,101,244	8.0	<b>3,324,206</b>	<b>7.2</b>

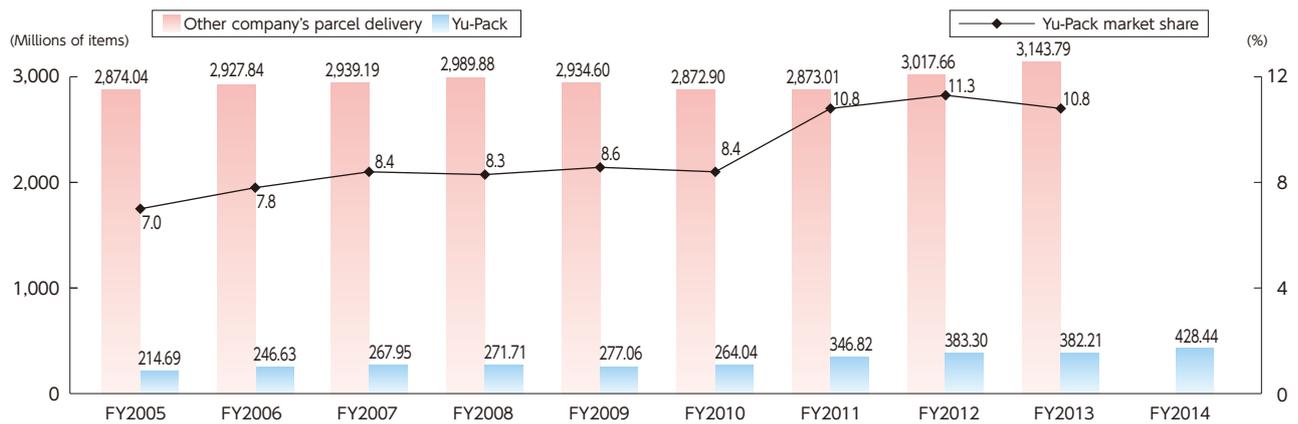
Notes: 1. Sums of individual items may not match totals due to rounding.

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

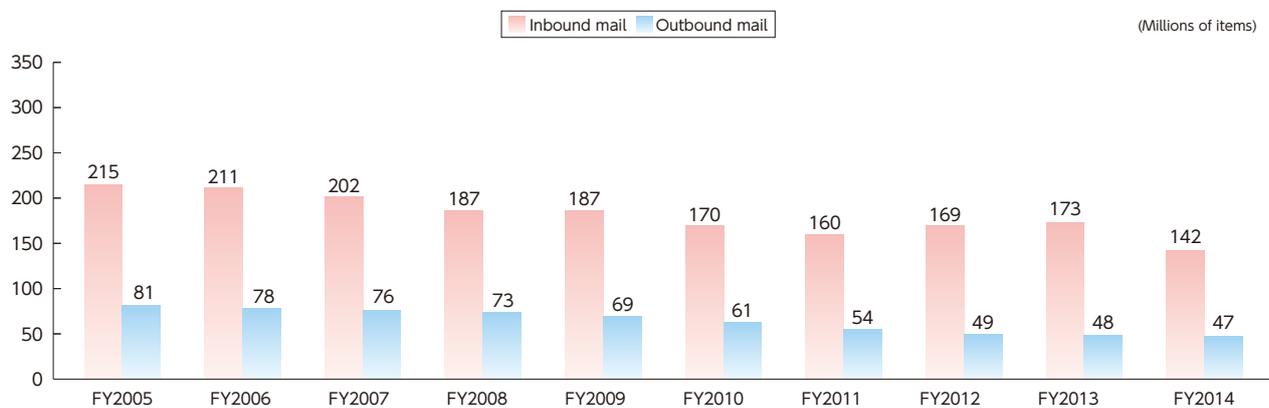


## 3 Yu-Pack and Other Companies' Parcel Delivery Volume and Market Share



Notes: 1. Fiscal 2014 other companies' parcel delivery volume has not yet been announced (as of June 30, 2014).  
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	Fiscal 2014
Daily mail delivery volume	About 68 million items	About 64 million items	About 62 million items
Daily delivery points	About 32 million points	About 31 million points	About 31 million points

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 2012	Year-on-year change	Fiscal 2013	Year-on-year change	Fiscal 2014	Year-on-year change
Nationwide average	98.6%	0.1%	98.5%	(0.1%)	<b>98.6%</b>	<b>0.1%</b>
For mail within the same prefecture	99.0%	0.1%	98.9%	(0.1%)	<b>99.0%</b>	<b>0.1%</b>
For mail to a neighboring prefecture	97.8%	(0.2%)	98.0%	0.2%	<b>98.0%</b>	<b>0.0%</b>
For mail to other prefectures	98.1%	0.1%	97.8%	(0.3%)	<b>98.0%</b>	<b>0.2%</b>

Note: The percentage of New Year's postcards accepted by December 25, 2013 and delivered on January 1, 2014 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 2012	Fiscal 2013	Fiscal 2014
Revenue stamps	778,400	800,178	<b>829,309</b>
Automobile weight tax documentary stamps	781,412	693,228	<b>666,614</b>
Unemployment insurance documentary stamps	470	478	<b>480</b>
Health insurance documentary stamps	3,355	3,496	<b>3,255</b>
Patent documentary stamps	95,057	91,359	<b>91,711</b>
Registration documentary stamps	—	—	—
<b>Total</b>	<b>1,658,694</b>	<b>1,588,739</b>	<b>1,591,369</b>

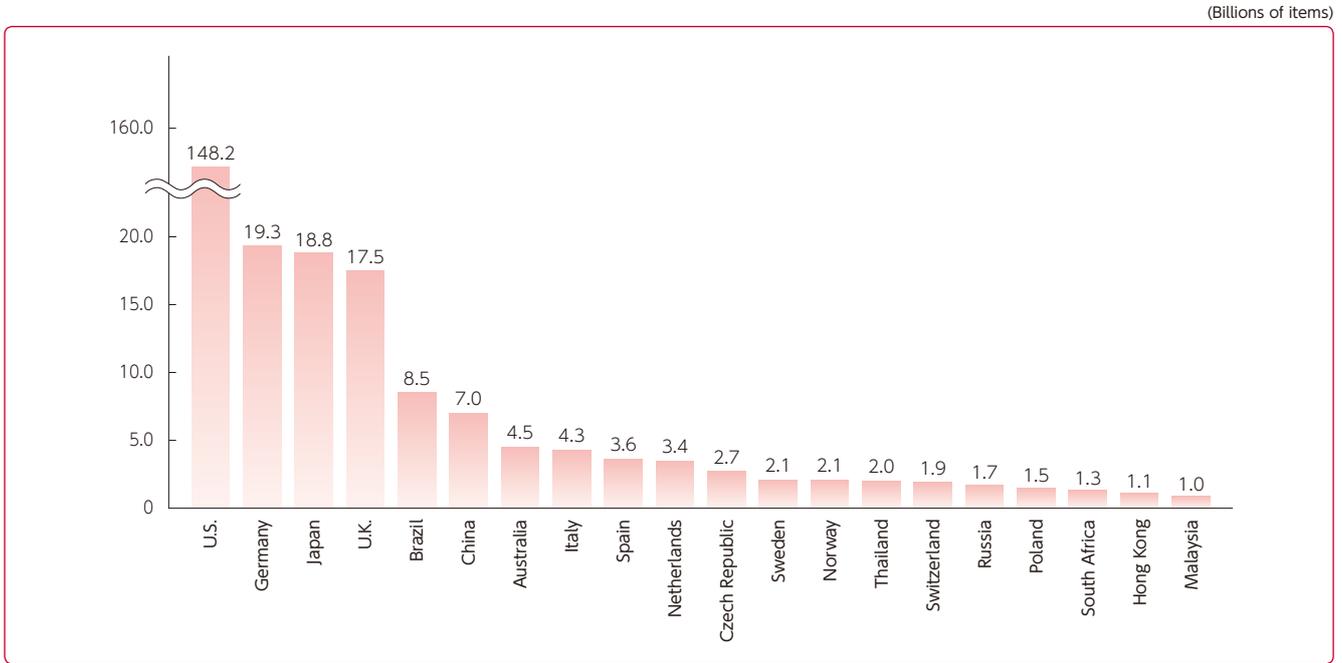
Note 1: Figures shown are gross sales for each category of documentary stamp. These proceeds are submitted to the Japanese national government after deduction of handling fees (including consumption and other taxes). The handling fee is 5.25% for unemployment insurance and health insurance documentary 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 2012)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2012)  
 2. "Mail volume" is the total for all domestic mail items.

### 2. Annual Mail Volume Per Capita (Top 20 Countries in 2012)



Notes: 1. Source: Universal Postal Union Postal Operations Statistics (2012)  
 2. "Mail volume" is the total for all domestic mail items.

## Reference: International Comparison of Postage Rates

### ■ Comparison of Domestic Postage Rates

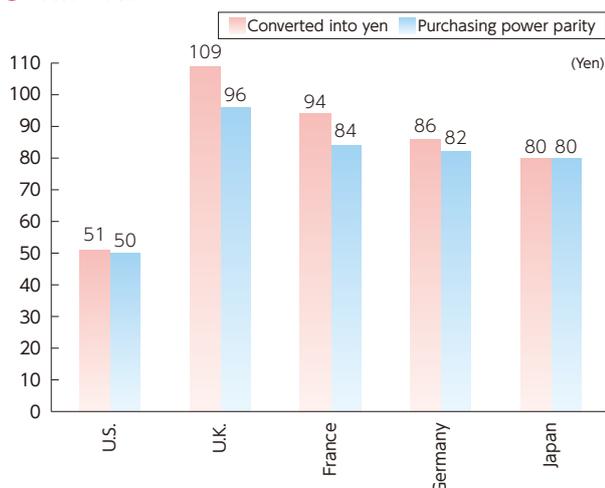
Domestic postage rates (letters and postcards) in Japan are generally lower than major European countries (U.K., France, Germany).

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 eight 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

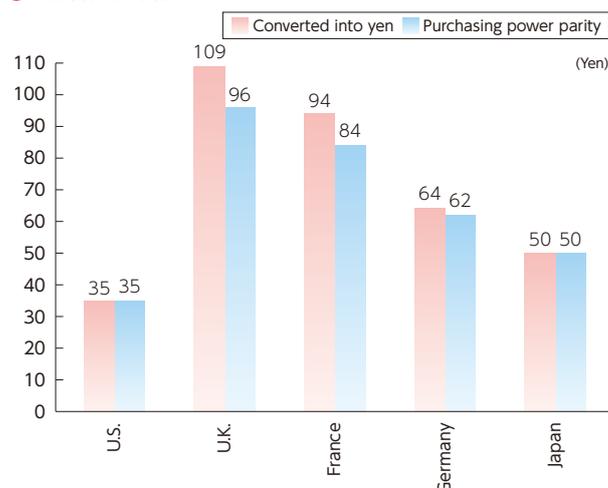


Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.49	£0.62	€0.66	€0.60	¥80
Yen equivalent	¥51	¥109	¥94	¥86	¥80
Purchasing power parity	¥50	¥96	¥84	¥82	¥80

- Notes: 1. Only Japanese postage rates include consumption tax.  
 2. Yen conversions use the exchange rate as of March 31, 2014 (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 (2013 average OECD Main Economic Indicators).

#### ● Postcard rate



Prepared by Japan Post Co., Ltd. from various publicly disclosed materials

	U.S.	U.K.	France	Germany	Japan
Local currency	\$0.34	£0.62	€0.66	€0.45	¥50
Yen equivalent	¥35	¥109	¥94	¥64	¥50
Purchasing power parity	¥35	¥96	¥84	¥62	¥50

	Exchange rate	Purchasing power parity
\$1 (U.S.)	¥103.92	¥103.00
£1 (U.K.)	¥175.31	¥154.18
€1 (France)	¥143.15	¥127.23
€1 (Germany)	¥143.15	¥137.00

### ■ 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.

	Letter (25 g)		Postcard	
	Local currency	Yen equivalent	Local currency	Yen equivalent
Japan to the four other countries	—	¥110	—	¥70
U.S. to Japan	\$1.15	¥120	\$1.15	¥120
U.K. to Japan	£2.15	¥377	£0.97	¥170
France to Japan	€1.78	¥255	€0.98	¥140
Germany to Japan	€1.50	¥215	€0.75	¥107

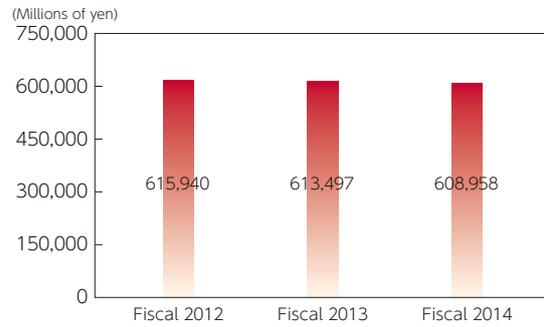
Note: Yen conversions use the exchange rate as of March 31, 2014 (Bank of Tokyo-Mitsubishi UFJ TTS rate).

## II Post Office Business Performance

### 1 Postal Operating Revenues

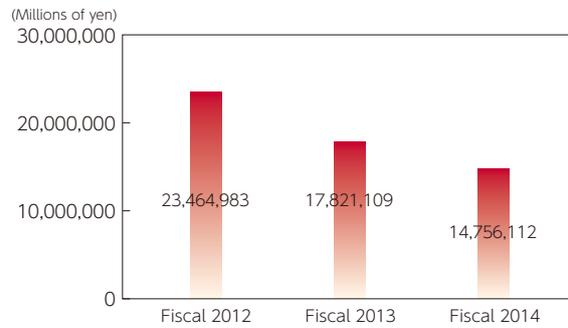
Of the services such as mail and Yu-Pack provided by Japan Post, total sales handled at the counters of post offices are as follows.

Note: Total sales handled through former Japan Post Network.



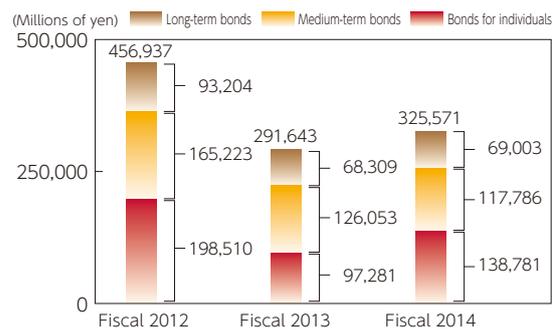
### 2 TEIGAKU and Time Deposits Handled

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



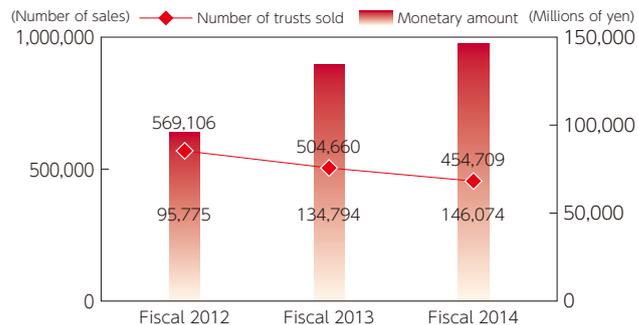
### 3 Sales of Japanese Government Bonds

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



## 4 Investment Trust Sales

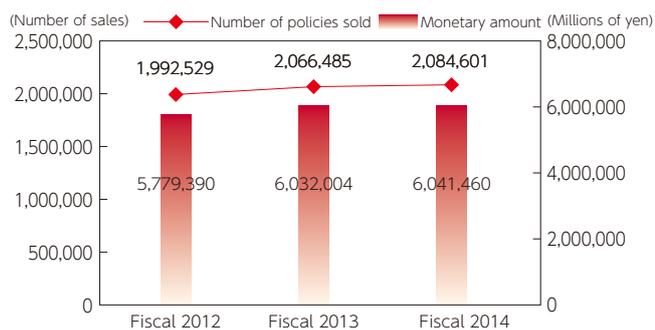
Of the investment trust products sold by Japan Post Bank, total sales handled through Japan Post are as follows.



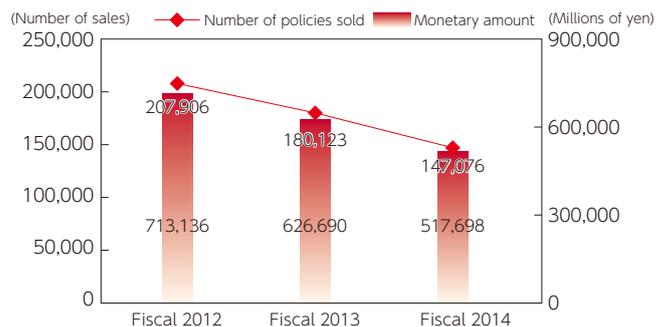
## 5 Life Insurance and Annuity Sales

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

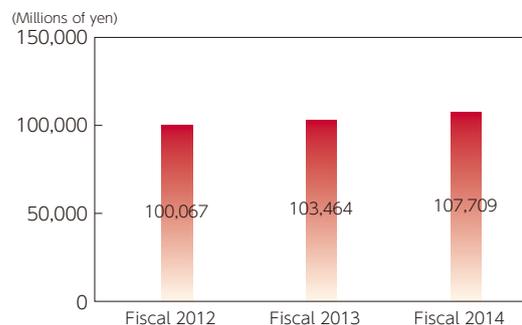


### Individual Annuities



## 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.

The Japan Post Group aims to be “an integrated lifestyle-support corporate group” that supports every aspect of customers’ daily lives. As a member of the Japan Post Group, Japan Post Bank will continue working 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 2014

##### Economic Environment and Business Performance in the Fiscal Year Ended March 2014

In the year ended March 31, 2014, the global economy continued to show signs of recovery, primarily in developed countries. The U.S. economy continued to experience moderate growth, and an upturn in the European economy became evident. Meanwhile, the Chinese economy expanded at a gradual pace.

The Japanese economy also grew at a moderate pace. As corporate earnings improved, capital investment rebounded and public works spending increased. Consumer spending and housing investment trends held

firm against a backdrop of improving employment and income levels. In addition, demand surged towards the end of the fiscal year ahead of the increase in Japan’s consumption tax rate.

The financial market saw a temporary increase in the volatility of domestic long-term interest rates (10-year Japanese Government Bond (JGB) yield), after the Bank of Japan introduced quantitative and qualitative monetary easing in April 2013. Thereafter, interest rates stabilized gradually and have remained at around 0.6% since the turn of the year. The foreign exchange and stock markets saw a continued trend toward depreciation of the yen and appreciation of stock prices until the end of the year. The markets have remained mostly flat since then with some ups and downs along the way, reflecting in part stronger risk aversion toward emerging markets among investors and other factors.

Under these economic circumstances, I am pleased to report that the Bank worked positively to diversify earnings sources and reduce costs, although interest income declined due to a continuation of low interest rates. As a result, we successfully earned net income of ¥354.6 billion for the year ended March 31, 2014, which exceeded our earning forecasts.

## Initiatives in the Fiscal Year Ended March 2014

During the past fiscal year, we made steady progress strengthening our business base by pushing on with the following measures under our goal, "No. 1 in customer satisfaction," which was defined as an ambitious theme for all of the Bank's employees to embrace.

On the sales and marketing front, through cooperation with the post offices of Japan Post Co., Ltd., we strove to increase accessibility of our products and services among younger customers such as university students and young adults entering the workforce, and to reinforce relationships with existing customers. In parallel, we endeavored to enhance products and services to respond to various customer needs. Specifically, we launched new initiatives such as starting seminars during evening hours and on weekends and holidays, in addition to expanding and upgrading our lineup of investment trusts following the inception of the Nippon Individual Savings Account (NISA) system. For corporate customers, we worked to bolster marketing capabilities mainly by bringing the entire Japan Post Group together to comprehensively propose various types of services.

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

Furthermore, we continued to enhance our internal control under our rigorous policy of "Compliance First." While continuing to put procedures in place for refusing relationships with anti-social forces, we reinforced online security for "JAPAN POST BANK Direct," our Internet service, to ensure that customers can use this service securely and with confidence. We also strove to refine our crisis management system so we are prepared for a major natural disaster.

Having positioned the development of human resources as one of our most important management themes, we worked to further strengthen training programs, on-the-job training (OJT) and other measures. At the same time, we advanced bank-wide 'Business Process Re-engineering' (BPR), primarily by utilizing IT and raising operational efficiency. These efforts were directed at enhancing productivity and reducing costs.

## Issues for the Future

### Initiatives and Issues in the Fiscal Year Ending March 2015

We have set the following three basic policies for the year ending March 2015: emphasize the public service and region-focused nature of our operations; respond to various financial needs of customers; and secure stable income. Guided by these policies, we will work on the following themes to make steady progress toward strengthening our earnings capacity and business base using the post-office network.

### Sales Strategies

We will endeavor to increase total deposits, strengthen

fee-based businesses, and enhance corporate relationship by upgrading various types of products and services, so that we can meet a wide array of customer needs. At the same time, we will cooperate more closely with post offices to make the Bank accessible to numerous customers via the post-office network across Japan. We will continue to focus on human resources development initiatives for employees by upgrading various training programs, with the aim of providing higher quality services.

We will also do our utmost to ensure steady earnings by exploring the development of new services that take full advantage of the Japan Post Group's integrated strengths.

### ALM Strategy

While keeping an eye on global economic trends, financial policies and other factors, we will strive to secure more stable earnings through the broadening of investment categories based on appropriate risk management according to market conditions. We will also work to strengthen foreign currency procurement and portfolio management systems and upgrade risk management and credit assessment systems by sophisticating our risk-monitoring and credit evaluation.

### Internal Control Procedures

Under the rigorous policy "Compliance First," we will continue striving to foster stronger compliance awareness. In addition, we will continue to forge steadily ahead with our business improvement plan formulated in response to the Order to Improve Business Operations imposed by the Financial Services Agency in December 2009.

Additionally, we will endeavor to enhance our internal control procedures through such means as continuing to promote measures to refuse relationships with anti-social forces.

Furthermore, we will reinforce online security for our Internet services to ensure that customers can utilize these services with confidence.

### Management Approaches

We will strive to enhance the development of human resources. To this end, we will work to utilize human resources effectively by introducing a new personnel system and making strategic personnel assignments. Efforts will also be made to develop systems and streamline work processes further as part of bank-wide BPR initiatives.

### A Member of the Japan Post Group

The Japan Post Group aims to be "an integrated lifestyle-support corporate group" that supports every aspect of customers' lives through the post-office network.

As a member of the Group, the Bank will seek to capture synergies by fostering closer cooperation with Japan Post Co., Ltd. and harnessing the Japan Post Group's integrated strengths.

While demonstrating strong leadership, we, the top management, will work ambitiously with our staff to be "No. 1 in customer satisfaction," 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 2014, Japan Post Bank’s total deposits from customers across Japan amounted to ¥176,612.7 billion, or ¥177,734.2 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 loans, 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

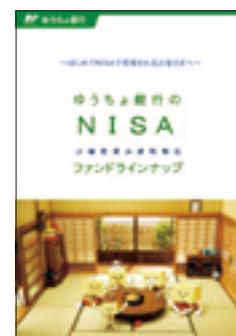
#### ● To Satisfy Diversifying Customer Needs for Asset Management NISA-Related Initiatives

In Japan, a new tax exemption scheme for small-amount investments called NISA (short for Nippon Individual Savings Account) was launched in January 2014. The new scheme is expected to encourage asset formation by individuals and invigorate the country’s economy by inducing a flow of money from savings into investments. In view of these critical roles that NISA plays, we have been raising customer awareness about the need for asset building and communicating the benefits of NISA via our original leaflet that provides an easy description of how NISA works and through investment trust seminars.

In August 2013 and January 2014, we added to our lineup of products that are suited for the NISA scheme, including risk-controlled funds and funds with annual distributions. We offer a broader range of choice for customers with our extensive lineup now comprising 63 investment trust products.



Catalogue



Pamphlet

#### ● Financial and Life Planning Advice Services Now Available after Business Hours and on Weekends Launched Evening Life Planning Seminars and Weekend Individual Consulting Sessions (Free of Charge)

For customers who do not have access to our services during business hours on weekdays, 17 Japan Post Bank branches nationwide started providing financial and life planning advice services in February 2014 through evening seminars and weekend individual consulting sessions. We plan to gradually increase the number of branches holding these seminars and sessions in the future.

##### \* Evening life planning seminar

After business hours on weekdays, we hold a mini seminar to help customers design their respective life plans. We also provide an individual consulting service at the request of a customer.

##### \* Weekend individual consulting session

On weekends, sales counter booths in the investment trust section of Japan Post Bank branches are used by their staff to provide individual consulting sessions for customers. They provide answers to customers’ questions and concerns related to means of asset management and funds for life after retirement.

\* We provide the latest information on branches providing these seminars and consulting sessions on the Japan Post Bank website.

Schedule of Seminars and Consulting Sessions:

[http://www.jp-bank.japanpost.jp/kojin/sonaeru/kj\\_sn\\_seminar.html](http://www.jp-bank.japanpost.jp/kojin/sonaeru/kj_sn_seminar.html)



Evening life planning seminar

## TOPICS

### One-Time Password Tokens Enhance Customer Security

In June 2014, we started providing one-time password tokens free of charge to customers who use JAPAN POST BANK Direct (our online banking services).

The token is a small electronic device that displays a new one-time password every minute. The device provides an extra layer of security against cybercrimes that use malware to divert users to a fake website and steal personal identification numbers and passwords to gain illegal access to their bank accounts.



- This token ensures security by generating a new one-time password every minute.
- The device is easy to use, only requiring users to enter the specific one-time password shown on the token for money transfers via for JAPAN POST BANK Direct (our online banking services).
- Requires no application or usage fees.

\* The charge for replacing a lost token is ¥1,080.

\* For more details on this security token, please visit our official website.

About One-time Password Tokens:

[http://www.jp-bank.japanpost.jp/direct/pc/security/dr\\_pc\\_sc\\_token.html](http://www.jp-bank.japanpost.jp/direct/pc/security/dr_pc_sc_token.html)

## 2. Asset Management

With our focus maintained on investment in Japanese Government Bonds, we worked to secure stable periodical income while performing appropriate control of interest rate risk. Besides investing in Japanese local government bonds and providing loans to local governments, both of which serve to invigorate the regional economy, we continued to promote diversification of revenue sources through such measures as investing in Japanese corporate bonds and foreign securities and participating in syndicated loans.

## 2. Products and Services

(As of July 1, 2014)

### 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 automatic receipt of pension payments, 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 or more, ¥1,000 unit, up to ¥3 million per depositor

## 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 365 days a year 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.

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

We operate approximately 26,700 ATMs throughout Japan. These ATMs charge no fees for deposits and withdrawals to and from Japan Post Bank accounts 365 days a year. Sending money from ATMs (electronic transfers) between Japan Post Bank accounts is also free of charge (until September 30, 2016).

## 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 is 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. Only in the case of remittances to the United States is a money order issued to the remitter, after which the remitter sends 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 selected 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 Card Services

### 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 to 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 provide the JP BANK Gold VISA Card, JP BANK Gold MasterCard and JP BANK Gold JCB Card with an extensive range of privileges.

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



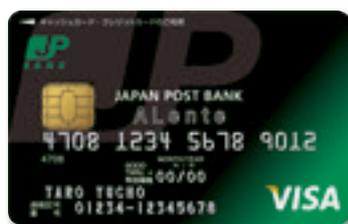
JP BANK VISA Card



JP BANK MasterCard



JP BANK JCB Card



JP BANK VISA Card ALente



JP BANK JCB Card EXTAGE



JP BANK Gold VISA Card



JP BANK Gold MasterCard



JP BANK Gold JCB Card

### Debit Card Services

After customers scan their ATM cards using dedicated terminals and enter their personal identification numbers at locations such as retail electronics stores and supermarkets, purchase amounts are immediately debited from their general accounts (subject to an upper limit).

## 7. Internet Banking Services

### JAPAN POST BANK 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, to initiate electronic transfers (between Japan Post Bank accounts), transfer funds to another financial institution, to perform investment trust transactions and to verify account deposit and withdrawal transactions.



JAPAN POST BANK Direct (PCs)



JAPAN POST BANK Direct (Smartphones)



JAPAN POST BANK Direct (Mobile phones)

### JAPAN POST BANK Investment Trust WEB Premier

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

## 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.

### JAPAN POST BANK Pay-easy Service

This service enables taxes and various types of fees to be paid through ATMs and JAPAN POST BANK 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, Australian dollar, Canadian dollar, Chinese yuan and Swiss franc. (The Chinese yuan can only be exchanged at selected outlets.)

### Traveler's Checks

Traveler's Checks issued only by American Express are exchangeable for Japanese yen. (Sales of traveler's checks have been discontinued.)

### 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 2012	Fiscal 2013	Fiscal 2014
Ordinary revenues	2,234,596	2,125,888	2,076,397
Operating profit (before provision for general reserve for possible loan losses)	495,470	512,808	472,687
Net operating profit	495,470	512,808	472,687
Net ordinary income	576,215	593,535	565,095
Net income	334,850	373,948	354,664
Common stock	3,500,000	3,500,000	3,500,000
Shares outstanding (thousands of shares)	150,000	150,000	150,000
Net assets	9,818,162	10,997,558	11,464,524
Total assets	195,819,898	199,840,681	202,512,882
Deposits	175,635,370	176,096,136	176,612,780
Loans	4,134,547	3,967,999	3,076,325
Securities	175,953,292	171,596,578	166,057,886
Capital adequacy ratio (non-consolidated, domestic standard) (%)	68.39	66.04	56.81
Dividend payout ratio (%)	25.00	25.00	26.50
Employees (persons)	12,796	12,922	12,963

Notes:

- The balance of deposits including accrued interest at the end of fiscal 2014 is ¥177,734,274 million (¥177,038,298 million at the end of fiscal 2013 and ¥176,430,388 million at the end of fiscal 2012).
- 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 has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.
- 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, 2012		March 31, 2013		March 31, 2014	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	60,194,830	34.27	59,971,472	34.05	60,200,571	34.08
	Transfer deposits	9,474,107	5.39	10,209,954	5.79	10,925,669	6.18
	Ordinary deposits, etc.	50,309,540	28.64	49,358,959	28.02	48,878,529	27.67
	Savings deposits	411,182	0.23	402,558	0.22	396,371	0.22
	Fixed-term deposits	115,180,951	65.57	115,878,602	65.80	116,157,689	65.76
	Time deposits, etc.	18,426,695	10.49	18,817,949	10.68	14,781,463	8.36
	TEIGAKU deposits, etc.	96,750,382	55.08	97,057,788	55.11	101,374,092	57.39
	Other deposits	259,588	0.14	246,060	0.13	254,519	0.14
	Subtotal	175,635,370	100.00	176,096,136	100.00	176,612,780	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total	175,635,370	100.00	176,096,136	100.00	176,612,780	100.00	
International operations	Total	—	—	—	—	—	—
Total	175,635,370	100.00	176,096,136	100.00	176,612,780	100.00	
Deposits including accrued interest	176,430,388		177,038,298		177,734,274		

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 the 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 the 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 2012		Fiscal 2013		Fiscal 2014	
		Amount	%	Amount	%	Amount	%
Domestic operations	Liquid deposits	61,076,039	34.78	60,631,246	34.38	60,550,882	34.21
	Transfer deposits	9,131,582	5.20	9,825,702	5.57	10,591,337	5.98
	Ordinary deposits, etc.	51,525,050	29.34	50,398,750	28.58	49,559,468	28.00
	Savings deposits	419,406	0.23	406,793	0.23	400,075	0.22
	Fixed-term deposits	114,227,838	65.05	115,424,575	65.46	116,144,774	65.63
	Time deposits, etc.	20,309,899	11.56	18,437,969	10.45	16,818,118	9.50
	TEIGAKU deposits, etc.	93,913,747	53.48	96,983,112	55.00	99,324,145	56.12
	Other deposits	271,556	0.15	272,366	0.15	268,336	0.15
	Subtotal	175,575,435	100.00	176,328,187	100.00	176,963,992	100.00
	Negotiable certificates of deposit	—	—	—	—	—	—
Total	175,575,435	100.00	176,328,187	100.00	176,963,992	100.00	
International operations	Total	—	—	—	—	—	—
Total	175,575,435	100.00	176,328,187	100.00	176,963,992	100.00	
Deposits including accrued interest	176,285,970		177,187,194		177,981,354		

### 3 Loans by Category

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

	(Millions of yen)		
	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,875,315	3,695,308	2,830,118
Overdrafts	221,724	235,189	246,206
Notes discounted	—	—	—
Subtotal	4,097,039	3,930,497	3,076,325
International operations			
Loans on notes	—	—	—
Loans on deeds	37,507	37,501	—
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	37,507	37,501	—
Total	4,134,547	3,967,999	3,076,325

#### 2. Average Balances

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Domestic operations			
Loans on notes	—	—	—
Loans on deeds	3,946,754	3,734,255	3,185,218
Overdrafts	216,790	224,637	232,891
Notes discounted	—	—	—
Subtotal	4,163,545	3,958,893	3,418,109
International operations			
Loans on notes	—	—	—
Loans on deeds	39,001	37,506	13,340
Overdrafts	—	—	—
Notes discounted	—	—	—
Subtotal	39,001	37,506	13,340
Total	4,202,546	3,996,399	3,431,450

### 4 Balances by Type of Securities

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

	(Millions of yen)		
	As of March 31, 2012	As of March 31, 2013	As of March 31, 2014
Domestic operations			
Japanese Government Bonds	144,939,816	138,198,732	126,391,090
Japanese local government bonds	5,735,585	5,806,099	5,550,379
Commercial paper	180,989	548,975	333,979
Japanese corporate bonds	12,665,384	11,304,010	11,050,163
Japanese stocks	900	935	935
Other securities	30,072	30,072	—
Subtotal	163,552,748	155,888,824	143,326,547
International operations			
Other securities	12,400,544	15,707,754	22,731,338
Foreign bonds	9,439,955	11,646,446	14,532,618
Foreign stocks	—	—	—
Subtotal	12,400,544	15,707,754	22,731,338
Total	175,953,292	171,596,578	166,057,886

#### 2. Average Balances

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Domestic operations			
Japanese Government Bonds	142,753,072	138,803,297	135,713,497
Japanese local government bonds	5,651,021	5,764,674	5,652,880
Commercial paper	187,641	408,392	552,167
Japanese corporate bonds	12,655,076	11,985,480	11,237,582
Japanese stocks	900	902	935
Other securities	29,999	30,000	29,917
Subtotal	161,277,711	156,992,748	153,186,980
International operations			
Other securities	10,851,851	12,611,611	19,197,622
Foreign bonds	8,124,318	9,821,147	12,929,369
Foreign stocks	—	—	—
Subtotal	10,851,851	12,611,611	19,197,622
Total	172,129,563	169,604,359	172,384,603

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

(Millions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Long-term bonds	100,887	73,731	73,867
Medium-term bonds	174,859	134,567	123,770
Bonds for individuals	215,341	106,910	152,288
Total	491,089	315,209	349,927

## 6 Domestic Exchanges

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Sent	17,200	14,534,436	19,311	15,874,930	21,642	17,697,182
Received	34,617	11,113,645	45,108	12,079,552	53,810	13,621,048

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

## 7 Transfer Deposits

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
In-payment	1,180,919	53,627,980	1,181,903	55,216,110	1,182,252	59,028,061
Transfers	103,055	87,563,532	104,578	85,537,247	107,492	87,321,165
Out-payment	124,372	47,825,119	120,588	48,102,643	123,361	50,848,174

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

(Millions of yen)

	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Remittances (thousands)	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount
Ordinary remittances	2,027	40,064	1,704	39,241	2,023	40,309
Postal orders (TEIGAKU KOGAWASE)	16,155	8,811	16,378	9,101	16,671	9,254

## 9 Foreign Exchanges

(Millions of U.S. dollars)

Remittances (thousands)	Fiscal 2012		Fiscal 2013		Fiscal 2014	
	Amount	Remittances (thousands)	Amount	Remittances (thousands)	Amount	
397	1,401	390	1,307	372	1,263	

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 2012	Fiscal 2013	Fiscal 2014
Number of contracts (thousands)	1,314	1,090	952
Sales amount	177,421	279,187	339,685

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Number of investment trust accounts (thousands)	615	622	644
Net assets	902,646	1,016,814	977,638

## 11 Other Businesses

### Credit Cards

	(Thousands)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of cards issued	487	94	70

	(Thousands)		
	March 31, 2012	March 31, 2013	March 31, 2014
Outstanding	2,072	2,081	1,976

### Mortgage Loans (as intermediary)

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Amount of new credit extended	31,504	24,047	24,438

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Amount of new credit extended (cumulative)	223,662	247,710	272,148

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

### Variable Annuity Policies

	(Millions of yen)		
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Number of policies	13,072	10,259	12,214
Sales amount	66,545	52,865	69,286

	(Millions of yen)		
	March 31, 2012	March 31, 2013	March 31, 2014
Number of policies (cumulative)	31,096	41,355	53,569
Sales amount (cumulative)	156,386	209,251	278,537



# 3. Operations of Japan Post Insurance



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

## Message from the Company



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

### Review of Fiscal 2014

Looking back at the year ended March 31, 2014, we obtained approval under the Postal Service Privatization Act and authorization under the Insurance Business Act for our revised educational endowment insurance products in January 2014. Under the name *Hajime no Kanpo*, we commenced sales of these products in April 2014 and held a sales promotion campaign. These products are more savings based compared with our conventional products, available for purchase before birth and have greater appeal as an efficient means of accumulating educational funds.

In order to enhance our customer service, we have

undertaken efforts since the previous fiscal year to verify all claims received after the start of Japan Post Insurance (October 1, 2007) and identify policies that need further notifications of claims. For cases requiring more detailed guidance for customers, we have been providing additional necessary notifications and paying all claims to which policyholders are entitled. Making insurance benefit and other payments that are promised to customers is one of the most important missions of an insurance company. We will continue to seek a higher level of services in the areas of claims payment processing and associated procedures by steadily iterating through the PDCA (plan-do-check-act) cycle.

In July 2013, Japan Post Holdings Co., Ltd., our parent company, and American Family Life Assurance Company of Columbus (Aflac) reached a basic agreement concerning the formation of a business alliance in the field of cancer

insurance.

Under this agreement, we obtained authorization under the Postal Service Privatization Act and the Insurance Business Act in June 2014 regarding sales of Aflac's cancer insurance products at all of our directly managed sales offices and the provision of training and instruction to post offices handling these products.

Fully leveraging this new business alliance, we will enhance the lineup of products offered by post offices and our directly managed sales offices to achieve better customer service and will simultaneously strive to reinforce our already strong ties with post offices.

Amid these circumstances, Japan Post Insurance enhanced its collaboration with Japan Post Co., Ltd. and successfully sold 2,234 thousand individual insurance policies (1.2% increase from the previous fiscal year) for the insured amount of ¥6,559.8 billion (0.7% increase), with both figures reaching the highest levels since privatization.

Looking at financial results, core profit for the year ended March 31, 2014 declined from the previous fiscal year due to the lowering of the standard interest rate (from 1.5% to 1.0%); nonetheless, Japan Post Insurance secured the amount of ¥482.0 billion. Core profit is a basic periodical earnings indicator for life insurance companies. Japan Post Insurance recorded ordinary profit of ¥463.5 billion and net income of ¥63.4 billion.

Meanwhile, the solvency margin ratio, an indicator of the financial soundness of life insurance companies, stood at 1,623.4% (further increasing from 1,467.9% at the previous fiscal year-end). Among liabilities, our internal reserves that combine a contingency reserve and a reserve for price fluctuations amounted to ¥3,203.0 billion (compared with ¥3,206.4 billion at the previous fiscal year-end), thereby continuing to secure a strong financial base.

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

## Future Issues

The Japan Post Group announced on February 26, 2014, the "Japan Post Group Medium-Term Management Plan—New Japan Post Group Network Creation Plan 2016," which covers the period from the fiscal year ending March 2015 to the fiscal year ending March 2017. This medium-term management plan focuses on implementing the following priority measures: 1) making investments for future growth, 2) strengthening our profit-making capabilities, 3) utilizing the network of post offices and providing new services, and 4) renewing our operational structure and building an environment to ensure business continuity.

During the fiscal year ending March 2017, which is the final year of the medium-term management plan, we will celebrate the 100th anniversary of our postal life insurance services. Toward this commemorative year, we will steadily implement these key measures while seeking to move onto a growth path.

Japan Post Insurance has continued to carry out its inherited social mission of "providing basic measures of life with simple procedures for the people of Japan," which was the original goal of Postal Life Insurance when it was created in 1916. In doing so, we will strive to strengthen our management foundation through measures that include further enhancing our customer service under the policy of becoming the "No. 1 Japanese insurance company selected by customers," as well as ensuring the quality of our product solicitation and faithfully making claims payments.

As "an integrated lifestyle-support corporate group," and for attaining even greater 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) 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

### ■ Initiatives for Making Benefit and Other Payments in a Simple, Quick and Accurate Manner

The most crucial mission of an insurance company is to ensure benefit and other payments are made to customers as promised. In order to fulfill this mission faithfully from a customer perspective, we seek to ensure a payment management structure of the highest quality and are undertaking a range of initiatives to make benefit and other payments in a simple, quick and accurate manner.

Specifically, we are working to provide meticulous procedural guidance for policyholders who are filing claims and enhance our insurance notification service by identifying the availability of any additional benefits. We are also 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 a Claim Payment Processing System to increase IT-based support to various business processes. Other efforts include augmenting the functionality of our Service Centers, which play a key role in our claims assessment operations.

### ■ Deployment of a Claim Payment Processing System (SATI)

Implementation of a Claim Payment Processing System (SATI) is regarded as one of the most important measures in reinforcing Japan Post Insurance's payment management structure. With a view to improving customer service through simple, quick and accurate payments of insurance benefits, this system leverages advanced image work flow (IWF) technology to shift the form of our work from one dependent on paper documents to one based on electronic data, as well as to increase overall IT-based business processing support.

We plan to implement the system in a phased manner to all our Service Centers, beginning with the Kyoto Service Center in April 2014. Following system implementation, we also will continue to reinforce our payment management structure by enhancing the PDCA cycle through more and effective use of data in order to ensure even higher operational quality and business processing efficiency.

### ■ New Service to Allow Customers to Specify Account to Receive Benefits

In October 2013, we rolled out a new service to allow customers to specify a financial institution account for receiving benefit and other payments upon the purchase of an insurance product.

Under the new service, policyholders specify their financial institution accounts in advance and receive maturity or living benefits automatically without filing claims. Payments are made to their specified accounts on the day on which these benefits become available for payment.

We will continue to improve our service to ensure simple, quick and accurate payments of insurance and other benefits for all customers.

### ■ Launched Sales of *Hajime no Kanpo* Educational Endowment Insurance

Our educational endowment insurance products, originally launched in September 1971 by the then Ministry of Posts and Telecommunications, have been used by a large number of customers. To respond to their diverse, ever-changing needs, we updated these products and commenced sales of *Hajime no Kanpo* (official names: Educational Endowment Insurance (H24) and Educational Endowment Insurance (H24) (without Premium Protection Agreement)) in April 2014.

These new products are highly savings based compared with our conventional products, and enable customers to efficiently accumulate education funds. With the addition of a new insurance program that covers four years of university, our lineup of educational endowment insurance now responds to a broader range of customer needs.



#### TOPICS

##### “Life is Full of Dreams.”

In February 2014, we rolled out a corporate advertising campaign featuring young Japanese actress Rena Nonen. Under the catch phrase “Life is full of dreams.”, the campaign conveys our wish to help people have a positive attitude.

Our message has been disseminated primarily through TV commercials, as well as via a special page on our website and by putting up posters at post offices nationwide.



### ■ “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.

## 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.

#### TOPICS

##### Held the 52nd Festival of 10 Million People's Radio Exercise and *Minna no Taiso*

We held the 52nd Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (“Exercise for Everyone”) at 5:50 a.m. on July 28, 2013 at the Athletics stadium in Yabase Sports Park in Akita City, Akita Prefecture, jointly with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation.

Despite the early morning time, about 4,500 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, 2014)

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 (H24)	(Hajime no Kanpo) 0 to 12									
		18 to 65 (male)									
	16 to 65 (female)										
Educational Endowment Insurance (H24) (without Premium Protection Agreement)	(Hajime no Kanpo) 0 to 12										
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 (H24) is shown in pink for insured person and in yellow for policyholders. There is no limit on subscription age for Educational Endowment Insurance (H24) (without Premium Protection Agreement).

## 2. Principal Riders and Provisions

(As of April 2, 2014)

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.

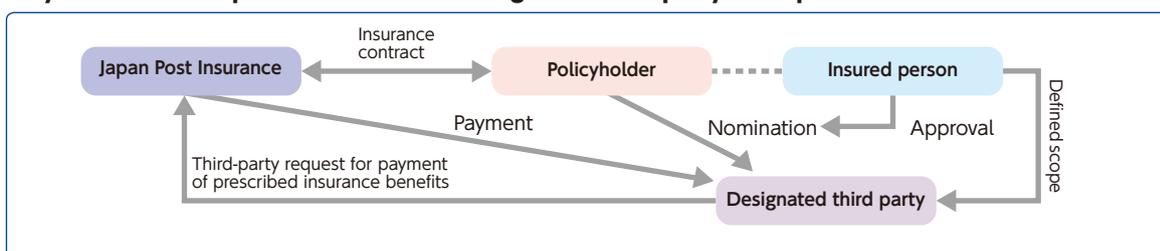
\*Additional information concerning conditions for the payment of rider benefits and restrictions on these payments is listed in the policy information and policy agreement pamphlets.

### ● 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.

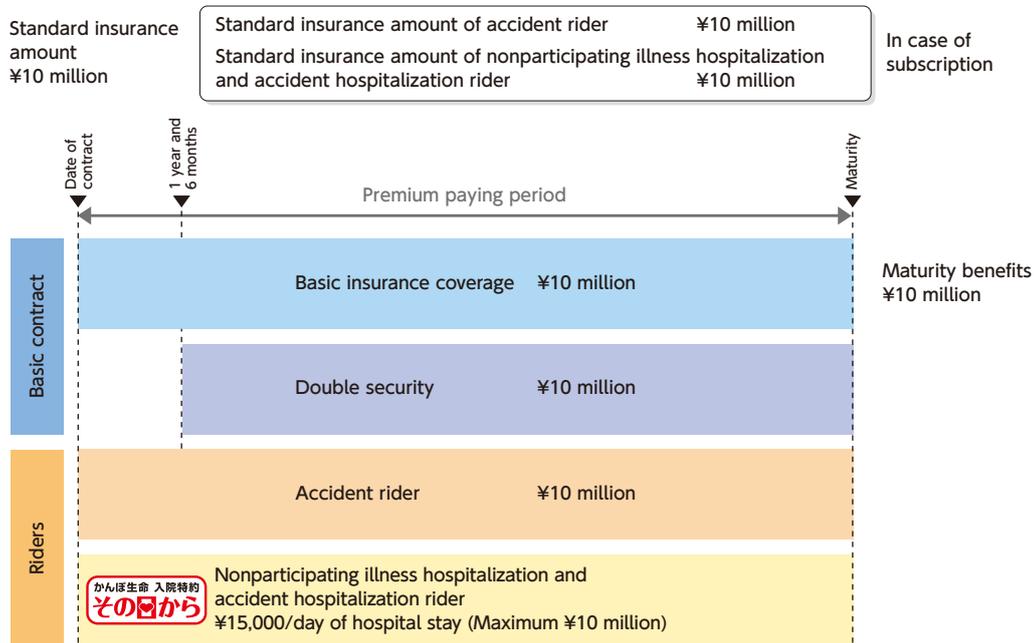
#### ■ System with an option that allows a designated third party to request insurance benefits



## Insurance schemes

### ●Outline of endowment insurance schemes

#### Ordinary endowment insurance

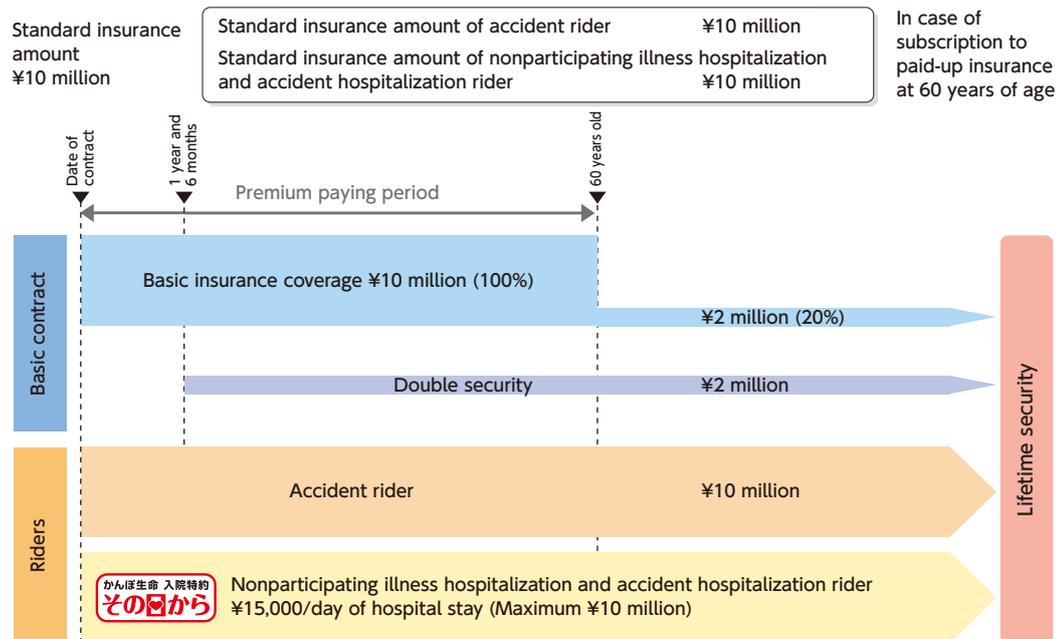


#### Features

- 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 insurance 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 premiums and other, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

Japan Post Insurance's core profit for fiscal 2014 was ¥482.0 billion.

**Core Profit ¥482.0 billion**

#### 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 the regulatory agency determines whether or not an insurance 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%, the regulatory agency will take prompt corrective action. 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 at the end of fiscal 2014 was 1,623.4%, 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  
1,623.4%**

(Billions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Core income (1)	¥ 12,518.8	¥ 11,850.7	¥ <b>11,240.1</b>
Insurance premiums and other	6,856.4	6,481.7	<b>5,911.6</b>
Investment income (Note 1)	1,541.4	1,500.4	<b>1,458.3</b>
Reversal of policy reserves (Note 2)	4,085.3	3,813.2	<b>3,736.8</b>
Core expenses (2)	11,947.2	11,280.7	<b>10,758.0</b>
Insurance claims and others	11,338.4	10,673.0	<b>10,160.8</b>
Provision for policy reserves and others	13.3	9.0	<b>4.6</b>
Investment expenses (Note 1)	3.0	4.7	<b>5.7</b>
Operating expenses	516.0	512.9	<b>513.0</b>
Core profit ((1)-(2)) A	571.6	570.0	<b>482.0</b>
Net capital gains B	24.1	30.7	<b>61.7</b>
Other one-time profits C	(64.3)	(71.3)	<b>(80.3)</b>
Ordinary profit A+B+C	¥ 531.3	¥ 529.3	¥ <b>463.5</b>

Notes: 1. Excluding the amount regarding net capital gains

2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Core profit	¥ 571.6	¥ 570.0	¥ <b>482.0</b>
Spread	(61.5)	(4.7)	<b>54.2</b>
Mortality and morbidity rate margin	381.9	385.2	<b>290.4</b>
Administrative expense margin	251.2	189.5	<b>137.3</b>

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Total amount of solvency margin (A)	¥ 4,791.8	¥ 5,000.0	¥ <b>5,130.0</b>
Capital stock, etc.	1,217.9	1,286.2	<b>1,332.8</b>
Reserve for price fluctuations	458.2	5,22.8	<b>614.2</b>
Contingency reserve	2,783.7	2,683.6	<b>2,588.7</b>
General allowance for doubtful accounts	0.0	0.0	<b>0.0</b>
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	74.4	202.4	<b>238.9</b>
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.1)	(3.3)	<b>(3.4)</b>
Excess of continued Zillmerised reserve	260.4	308.1	<b>358.5</b>
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	¥ <b>632.0</b>
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Underwriting risk R <sub>1</sub>	177.0	172.9	<b>168.4</b>
Underwriting risk of third-sector insurance R <sub>8</sub>	127.5	113.1	<b>99.9</b>
Anticipated yield risk R <sub>2</sub>	237.5	218.5	<b>198.1</b>
Minimum guarantee risk R <sub>7</sub>	—	—	—
Investment risk R <sub>3</sub>	391.2	380.1	<b>355.8</b>
Business management risk R <sub>4</sub>	18.6	17.6	<b>16.4</b>
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,336.1%	1,467.9%	<b>1,623.4%</b>

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.

### 3. Status of Accumulation of Internal Reserves

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 environment for the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

At the end of fiscal 2014, Japan Post Insurance had a contingency reserve of ¥2,588.7 billion and a reserve for price fluctuations of ¥614.2 billion, a total of ¥3,203.0 billion.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Contingency reserve	¥ 2,783.7	¥ 2,683.6	¥ 2,588.7
Limit amount	3,047.9	2,899.4	2,753.1
Reserve for price fluctuations	¥ 458.2	¥ 522.8	¥ 614.2
Limit amount	787.1	775.0	779.6
Total	¥ 3,241.9	¥ 3,206.4	¥ 3,203.0

Total of Contingency Reserve and Reserve for Price Fluctuations ¥3,203.0 billion

### 4. Real Net Assets

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses real net assets as an indication of an insurance company'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).

At the end of fiscal 2014, Japan Post Insurance had a sufficient level of ¥9,442.2 billion in real net assets.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
Real net assets	¥ 8,083.6	¥ 10,107.4	¥ 9,442.2

Real Net Assets ¥9,442.2 billion

### 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 2014, Japan Post Insurance recorded a net unrealized gain on securities of ¥4,534.4 billion.

We recorded a ¥82.5 billion net unrealized gain on money held in trust and a ¥265.5 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 2012	End of fiscal 2013	End of fiscal 2014
	<b>Net unrealized gains (losses)</b>		
Total	¥ 3,349.4	¥ 5,287.2	¥ 4,534.4
Held-to-maturity securities	2,088.8	3,643.1	3,169.7
Policy-reserve-matching bonds	1,177.7	1,419.1	1,099.1
Available-for-sale securities (before tax effects)	(Note 1) 82.7	(Note 2) 224.9	(Note 3) 265.5
Securities, etc.	82.8	181.6	182.9
Money held in trust	(0.1)	43.3	82.5

Notes: 1. After applying tax-effect accounting, a gain of ¥57.1 billion  
 2. After applying tax-effect accounting, a gain of ¥155.7 billion  
 3. After applying tax-effect accounting, a gain of ¥184.7 billion

Net Unrealized Gains (Losses) ¥4,534.4 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

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 2014, we posted provision for reserve for policyholders' dividends of ¥242.1 billion.

- For Japan Post Insurance policies, we accounted for provision for reserve for policyholders' dividends of ¥19.3 billion.
- For postal life insurance policies, we posted provision for reserve for policyholders' dividends of ¥222.8 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.

Provision for Reserve for Policyholders' Dividends    ¥242.1 billion

### 3 Embedded Value (EV)

Embedded value (EV) is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth, which reflects gains and losses from business activities in the past, and the value of in-force covered business, which is the present value of the expected future profits from the in-force covered business.

Since fiscal 2013, Japan Post Insurance has been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") as additional information supplementary to the

financial data provided under the current statutory accounting practices.

The EV of Japan Post Insurance at the end of fiscal 2014 was ¥3,386.8 billion, an increase of ¥520.5 billion from the end of fiscal 2013.

\*We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third party opinion, please refer to our website ([http://www.jp-life.japanpost.jp/aboutus/press/2014/abt\\_prs\\_id000740.html](http://www.jp-life.japanpost.jp/aboutus/press/2014/abt_prs_id000740.html) (written in Japanese)). The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that the users exercise caution.

(Billions of yen)

	End of fiscal 2012	End of fiscal 2013	End of fiscal 2014
EV	¥ 2,812.3	¥ 2,866.2	¥ 3,386.8
Adjusted net worth	1,653.9	2,242.2	2,295.9
Value of in-force covered business	1,158.3	624.0	1,090.9
	Fiscal 2012	Fiscal 2013	Fiscal 2014
Value of new business	¥ 169.2	¥ 181.6	¥ 185.1

Embedded Value (EV)    ¥3,386.8 billion

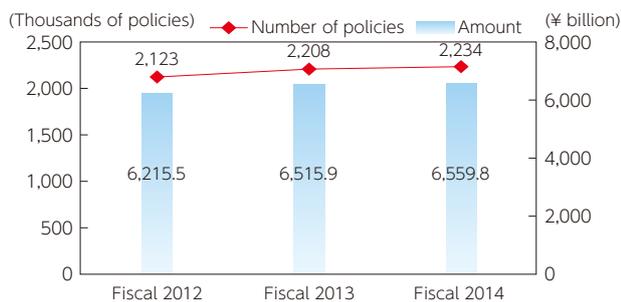
## 4 Insurance Policies

### New Policies and Policies in Force

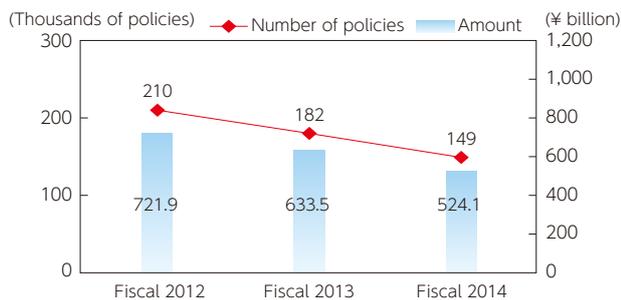
In fiscal 2014, Japan Post Insurance sold 2,234 thousand individual insurance policies with an insured amount of ¥6,559.8 billion, and 149 thousand individual annuity policies with an annuity amount of ¥524.1 billion.

At the end of fiscal 2014, there were 11,668 thousand individual insurance policies, and policies in force totaled ¥33,735.7 billion. There were 1,194 thousand individual annuity policies with an annuity amount of ¥3,443.9 billion.

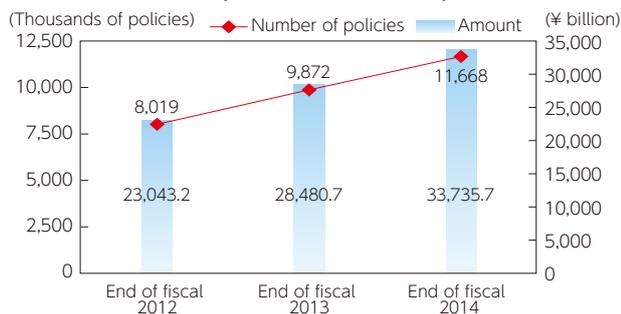
#### New Policies (Individual Insurance)



#### New Policies (Individual Annuities)

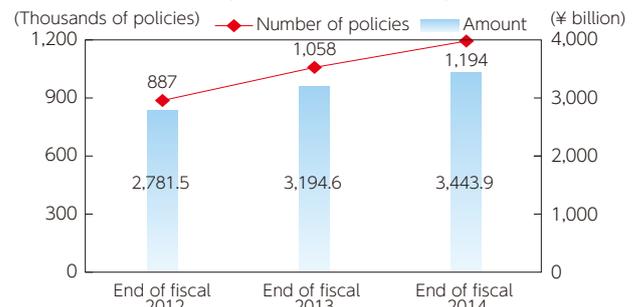


#### Policies in Force (Individual Insurance)

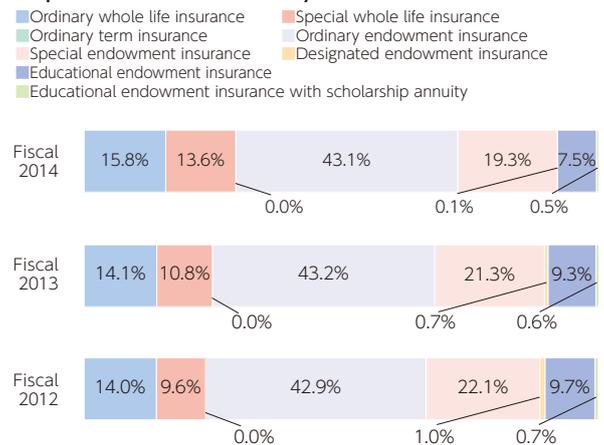


Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 23,196 thousand life insurance policies with an insured amount of ¥63,358.9 billion and 3,396 thousand annuity policies with an annuity amount of ¥1,250.6 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 2012		End of fiscal 2013		End of fiscal 2014	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Life insurance	31,016	85,854.2	26,934	73,991.4	23,196	63,358.9
Annuity	4,393	1,628.5	3,878	1,434.6	3,396	1,250.6

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

## 5 Performance Overview

### 1. Assets

At the end of fiscal 2014, total assets of Japan Post Insurance amounted to ¥87.0 trillion, a decrease of ¥3.3 trillion from fiscal 2013 (¥90.4 trillion).

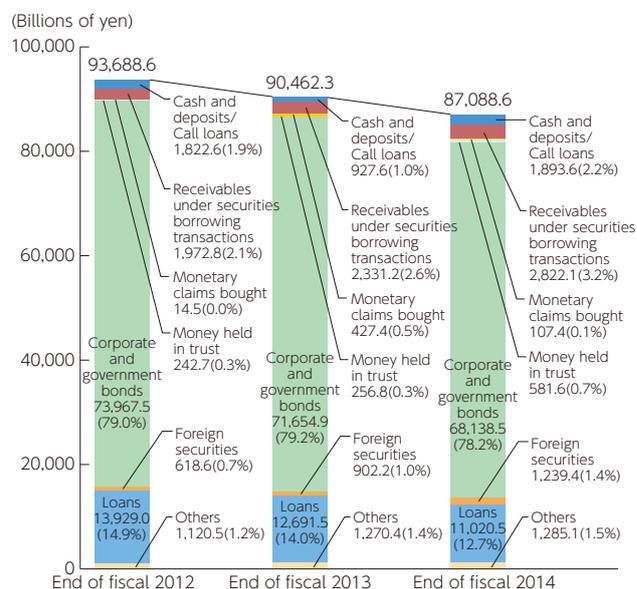
In terms of investment, we continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income.

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 others.

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

Careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.71%.

#### ■ Asset Management Yield

Item	Fiscal 2012	Fiscal 2013	Fiscal 2014
Yield	1.66%	1.67%	<b>1.71%</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 2012		End of fiscal 2013		End of fiscal 2014	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	434.1	14.5	450.1	22.9	<b>446.9</b>	<b>20.1</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 98 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 2014.

### 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, medical check-up center



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

## 2. Hotel Business

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

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.

These facilities are near tourist spots, with many of them incorporating universal designs throughout bathrooms and guest rooms, thereby ensuring that guests can stay with peace of mind.

Kanpo no Sato inns are lodging facilities where people can enjoy sports and other leisure activities in a natural setting.

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 99-100.

### 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.

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. MIELPARQUE hotels have been run by a subsidiary of Watabe Wedding Corp. under a fixed-term lease agreement with Japan Post Holdings. MIELPARQUE Kyoto does not have accommodation and wedding facilities.  
2. U-Port has been run by Seiyo Food-Compass Group, Inc. and Central Sports Co., Ltd. under a fixed-term lease agreement with Japan Post Holdings.

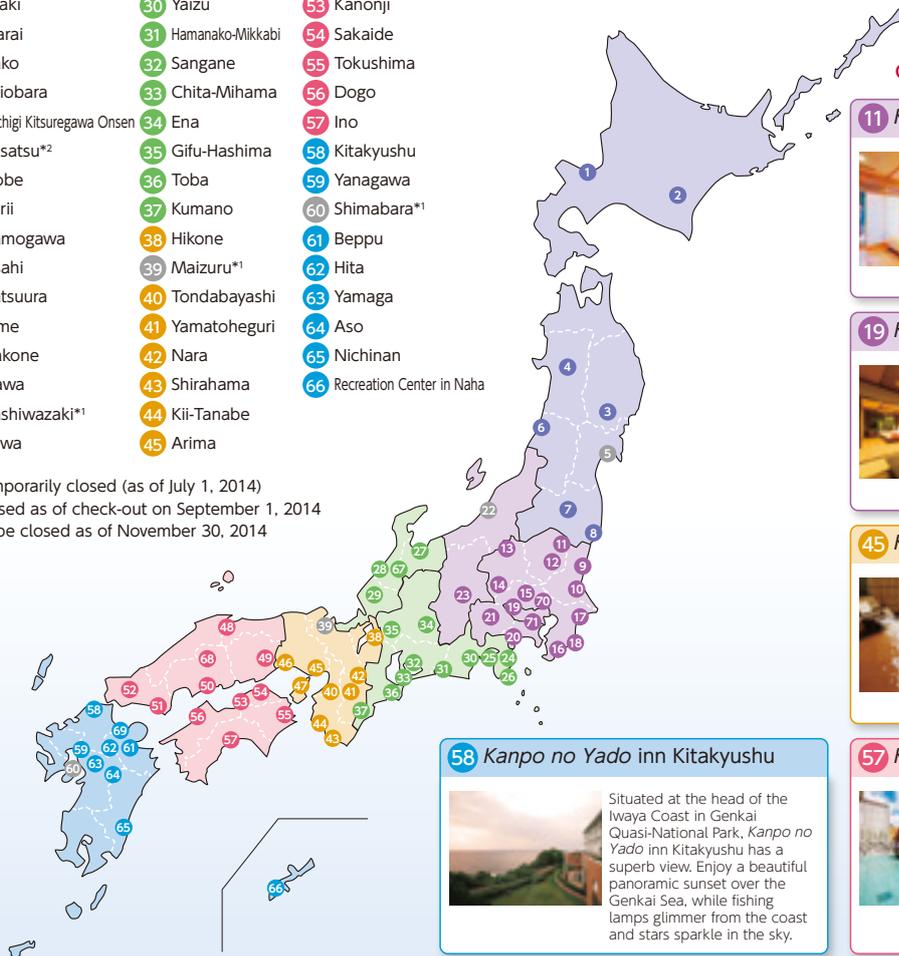
### List of Accommodation Facilities Nationwide

- |                              |                          |                              |   |
|------------------------------|--------------------------|------------------------------|---|
| 1 Otaru (Kazeru Otaru Annex) | 24 Atami (Main Building) | 46 Ako                       | 67 Hakusan-Oguchi*3   |
| 2 Tokachigawa*2              | Atami (Annex)            | 47 Awajishima                | 68 Shobara  |
| 3 Ichinoseki                 | 25 Shuzenji*2            | 48 Kaike                     | 69 Usa  |
| 4 Yokote*2                   | 26 Izukogen              | 49 Mimasaka Yunogo           | 70 Rafre Saitama  |
| 5 Matsushima*1               | 27 Toyama                | 50 Takehara                  | 71 U-Port Recreation Center in Setagaya (No accommodation facilities) |
| 6 Sakata                     | 28 Yamashiro*2           | 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*2                 | 35 Gifu-Hashima          | 58 Kitakyushu                |   |
| 14 Isobe                     | 36 Toba                  | 59 Yanagawa                  |   |
| 15 Yorii                     | 37 Kumano                | 60 Shimabara*1               |   |
| 16 Kamogawa                  | 38 Hikone                | 61 Beppu                     |   |
| 17 Asahi                     | 39 Maizuru*1             | 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*1             | 44 Kii-Tanabe            |                              |   |
| 23 Suwa                      | 45 Arima                 |                              |   |

\*1 Temporarily closed (as of July 1, 2014)

\*2 Closed as of check-out on September 1, 2014

\*3 To be closed as of November 30, 2014



#### On our recommendation list:

**11 Kanpo no Yado inn Shiobara**



Located in Nikko National Park and surrounded by mountains, guests can experience amazing nature during all four seasons at Kanpo no Yado inn Shiobara. Try out various hot springs in the famous Shiobara Hot Springs Village, which has a history dating back about 1,200 years.

**19 Kanpo no Yado inn Ome**



Enjoy the beautiful views of the Mitake Ravine from this riverfront inn overlooking the Tama River. Some of the guestrooms were renewed in fiscal 2014 to ensure even greater comfort.

**45 Kanpo no Yado inn Arima**



Luxuriate in the red-brown, iron-rich hot water, which directly flows from the well-known Kinsen ("gold spring") hot spring on the premises of the inn. Go for a stroll through Arima Onsen, a historical hot springs resort.

**58 Kanpo no Yado inn Kitakyushu**



Situated at the head of the Iwaya Coast in Genkai Quasi-National Park, Kanpo no Yado inn Kitakyushu has a superb view. Enjoy a beautiful panoramic sunset over the Genkai Sea, while fishing lamps glimmer from the coast and stars sparkle in the sky.

**57 Kanpo no Yado inn Ino**



Enjoy a relaxing view of the clear waters of the Niyodo River from all guestrooms. Soak in a comfortable hot spring high in salinity, and enjoy the exciting local cuisine of Tosa that lavishly uses nature's blessings.

### 3. Women's Athletics Team

The Japan Post Group established the Japan Post Group Women's Athletics Team in April 2014, making it the first company sports team since its founding.

We aim to develop middle-distance runners with a focus on competing in road relay races (*ekiden*), as well as to contribute to local communities and society through sports activities.

Being mindful of the affinity between postal service that delivers mail and the *ekiden* that passes a sash, we will work on team activities that will gain support from people.

