

# Aiming to Be a Group to Totally Support Customers' Lifestyles

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# Overview of the Japan Post Group Medium-term Management Plan

As expressed by the Group Medium-term Management Plan announced on April 1, 2015, the Japan Post Group is implementing various strategies and measures aimed at attaining development into the future as a "Total Lifestyle Support Group" that can be useful to customers, communities and society by fully leveraging the Group's management resources and further vitalizing the post office network.

Under the Medium-term Management Plan, the Japan Post Group is taking into consideration the results of various initiatives implemented in the fiscal year ended March 31, 2015 and changes in the business environment to overcome the new "Three challenges" it faces, which are "Pursuit of greater profitability," "Improvement of productivity" and "Corporate governance and redistribution of profits to our customers as appropriate for listed companies," and has formulated strategies to achieve further growth and development of the Group. These efforts are based on the three

## Five strategies for business growth and development (vertical growth)

- 1 **Revival of the postal and logistics business**
  - Expansion of Yu-Mail services  
Approximately 680 million parcels in the fiscal year ended March 31, 2018
  - Expansion of Yu-Mail services  
Approximately 4.1 billion booklet parcels in the fiscal year ended March 31, 2018
  - Counting on Toll as a platform for the expansion of the international logistics business
- 2 **Vitalization of the post office network**
  - Community contributions  
Secured provision of universal services  
Full-scale implementation of the Post Office Watch Service  
Contribution to the Hometown Tax (Furusato Nozei) system
  - Expansion/Improvement of products and services  
Affiliated financial services: ¥20.0 billion in the fiscal year ended March 31, 2018  
Merchandise sales: ¥20.0 billion in the fiscal year ended March 31, 2018  
(consolidated net sales of ¥150.0 billion)  
Real estate businesses: Stable operating income of ¥25.0 billion
- 3 **Further increase in Japan Post Bank's revenues**
  - Increase assets under management  
Aim to grow balance of deposits by ¥3 tn and net balance of investment products by ¥1 tn within three years
  - Increase in fees and commissions  
Expand growth fields such as investment products and ATM alliances
- 4 **Recovering from bottoming out of Japan Post Insurance's policies in force**
  - Increase new policies  
Further increase new policies to the ¥50.0 billion level in the fiscal year ended March 31, 2017
  - Strengthened sale channels and improved products and services  
Develop post office sales force and strengthen sales of endowment and whole life insurance policies  
Develop endowment insurance with short-term premium payments and enhance services for elderly people
- 5 **Sophisticated asset management for revenue growth**
  - Realization of a sophisticated risk management system  
Japan Post Bank: Increase the satellite portfolio balance  
Japan Post Insurance: Accelerate diversification of investment assets

## Consolidated business targets (the fiscal year ended March 31, 2018)

### Consolidated net income\*

\*Including minority interests  
(profits or losses belonging to non-controlling shareholders)

➡ **Around ¥450 billion**

2014 2015 2017

## New "Three challenges"

- Pursuit of greater profitability
- Improvement of productivity
- Corporate governance and redistribution of profits to our customers as appropriate for listed companies

### Promote group strategies to accomplish growth and development

New Japan Post Group Network Creation Plan 2016⇒2017

Establishment period ➡

Overcome the new **"Three challenges"** and establish Group strategies to accomplish growth and development

- Business growth and development (vertical growth)
- Implement Group strategies that support network expansion and evolving functions (horizontal evolution)

## 1 Sales and service strategy

- Expanded sales activities to accept middle-to-small-size orders in the postal and logistics business
- Enhancement and expansion of our customer base in the post office business
- Promoting the use of our anchor products that are suitable for each stage of our customer's life cycle in the banking business
- Enhancement of sales capabilities through the channels (post offices and directly managed sales offices) in the insurance business

## Five Group strategies

pillars serving as Group's management policies, namely "Bolstering the earning power of our three core businesses and strengthening the Group's business foundation," "Fulfilling our obligation to provide universal services" and "Enhancing our corporate value in anticipation of the Group's stock listing." Specifically, we formulated "strategies for business growth and development (vertical growth)" and "Group strategies that support network expansion and the evolution of functions (horizontal evolution)." By implementing these strategies simultaneously, we aim to create a new postal network.

In other words, we will fully leverage the Group's integrated operations centering on the post office network, which is the Group's greatest strength. Meanwhile, each Group company will fully utilize its own respective strengths by carrying out business in accordance with changes in

## Ideas on the redistribution of profits to shareholders (on a consolidated basis)

We will seek for the continuous and stable redistribution of profits to our shareholders in accordance with our performance.

➔ **Targeted payout ratio target: 50% or more** (by the fiscal year ended March 31, 2018\*)

\* Only a year-end dividend was paid for the fiscal year ended March 31, 2016. Considering there was less than six months between the public listing and the record date for the relevant year-end dividend, we aim to pay out 25% or more of net income as the amount for year-end dividends for the concerned fiscal year.

**Continue evolution and development to create the new Japan Post Group network**

## "Total Lifestyle Support Group"

- Sustainable development in business
- Securing a stable income
- Maximizing the utility and community-focused natures of our services

**Growth and development period**

2

### IT strategy

- Development and operation of the Group IT bases
- Support for the promotion of business strategies in each segment
- Expansion of services and the improvement of their quality
- Improved efficiency and operational quality
- Compliance and risk management
- Cost reduction
- Improvement of system reliability

3

### Investment strategy

- Implementation of an infrastructure investment (facilities, equipment and systems) to strengthen our business foundation (¥1,090.0 billion)
- Promote real estate development (¥70.0 billion)
- Strategic investment that contributes to the growth of the Group making use of income from the stock sales (¥800.0 billion)

4

### Efficiency and cost control strategy

- Investment policies for business efficiency
- Productivity improvements by reviewing operational procedures
- Cost controls under appropriate manpower management
- Efficient use of expenses

5

### Human resource development strategies

- Promotion of diversity management (support for women to work actively, etc.)
- Development of human resources with strong sales capabilities (enhance training, etc.)
- Development of human resources with expertise
- Development of personnel who can play their expected roles

**that support network expansion and the evolution of functions (horizontal evolution)**

## 2. Operations of Japan Post Co.



Kunio Yokoyama

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.

I am Kunio Yokoyama and I was appointed President & CEO of Japan Post Co., Ltd. on June 28, 2016. I will make my utmost efforts to meet the expectations of even more customers in my new position.

First of all, I would like to express my heartfelt sympathy to everyone suffering from the Kumamoto earthquakes in 2016 and I pray for the swift recovery of the region.

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.

Japan Post Co. aims 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.

### Overview of the Year Ended March 31, 2016

In fiscal year ended March 31, 2016, we aimed to realize increases in sales and profits by further expanding earnings and thoroughly enhancing cost management in this period of economic recovery.

In response to expansion in the e-commerce market, we worked to enhance the convenience of receiving parcels mainly through initiatives such as expanding receipt at convenience stores and providing receiving lockers (HAKO POST). At the same time, we sought to expand services such as Yu-Pack and Yu-Mail by creating a sales structure that can satisfy a wide range of customer needs. We also made Toll Holdings Limited a subsidiary as a means to expand international logistics business.

In terms of financial services, we enhanced the customer response capabilities of employees through training, and we launched endowment insurance with a shortened

premium period and started handling the investment trust products of JP Asset Management Co., Ltd. We also increased the number of post offices handling cancer insurance to approximately 20,000 nationwide. In the real estate business, we promoted the leasing building business, including JP Tower, in an effort to strengthen earnings capacity.

Additionally, we thoroughly enhanced compliance based on our compliance program and worked to establish the internal controls required of a listed corporate group with the aim of maintaining and advancing the trust we have earned from customers.

Japan Post Co. increased the productivity of its collection and delivery operations by restructuring the mail and logistics network, which included opening the Tokyo Hokubu Post Office. We also made efforts to improve the service environment by upgrading aging post office and related equipment.

As a result of the aforementioned initiatives, Japan Post Co. recorded consolidated operating income of ¥3,627.0 billion, net ordinary income of ¥42.3 billion and net income of ¥47.2 billion in fiscal year ended March 31, 2016.

## 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. On top of this, personnel expenses per employee are continuing to rise due mainly to tight conditions in the labor market. To ensure that we can smoothly and reliably provide customers with services in the future, we recognize the importance of responding properly to such a business environment and establishing stable management as an urgent management issue.

In light of these circumstances, in fiscal year ended

March 31, 2017 we aim to create stable management foundations in order to drive sustainable growth by further expanding earnings and thoroughly enhancing cost management. At the same time, we will continue establishing foundations for the future based on the Japan Post Group Medium-term Management Plan.

In postal and domestic distribution business, we will promote service with exceptional convenience for receiving items, strengthen sales activities for small- and medium-sized customers, and build a sales structure that can respond collectively to a wide range of customer needs. We will also work to expand international logistics business by taking full advantage of the knowledge and experience of Toll.

Further, we will strive to reinforce our earnings capabilities primarily by strengthening the customer responsiveness of our employees in conjunction with Japan Post Bank Co. and Japan Post Insurance Co., and by developing our affiliated financial services such as cancer insurance and our real estate business, beginning with KITTE Hakata. In addition, we seek to enhance corporate value through such means as improving productivity mainly by restructuring the mail and logistics network and improving the service environment by upgrading aging post offices and related equipment.

Japan Post Co. will also continue working to establish internal controls, which includes thoroughly enhancing compliance, with the aim of securing even greater trust from customers. With regard to our support of disaster recovery, we will cooperate closely with the companies of the Japan Post Group to support the daily lives of those affected by disasters such as through the reopening of post offices.

Going forward, all of us in Japan Post Co. are united in our efforts to provide even higher quality services. We appreciate your continued use of our post offices and patronage.



# Operations of Japan Post Co.

Japan Post Co. is the company in the Japan Post Group that deals with postal, domestic distribution business and international logistics business as well as post office business.

In addition to impartially providing universal postal services at the lowest possible rates, we offer customers nationwide banking counter operations under consignment from Japan Post Bank Co. and insurance counter operations under consignment from Japan Post Insurance Co. through post offices.

Going forward, efforts will be made to maintain the level of the post office network, which is a shared asset of the Japanese people, and fully ensure major public benefits and contribute to local communities while making post office services even more convenient and promoting initiatives to comprehensively support the daily lives of local customers.

## ① Overview of Operations and Services

### Postal and Domestic Distribution Business

In addition to providing domestic postal services at the fairest possible rates across Japan, we offer international postal services (letter, parcel and EMS\*) in accordance with the Universal Postal Convention and other international postal agreements.

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.

Japan Post Co. is also commissioned by the Japanese government to sell documentary stamps and issues donation-added New Year's postcards.

Japan Post Co. provides Yu-Pack, Yu-Mail and other logistics services as well as services that accurately meet diverse customer needs in line with growth in the e-commerce market. In terms of increasingly diversified and sophisticated logistics needs, we are deploying third party logistics (3PL) services from the design, proposal and formation to operation of an optimal logistics strategy and logistics system together with such subsidiaries as JP Logi Service Co., Ltd. and JP Media Direct Co., Ltd. and led by the logistics solutions center.

\*EMS: Express Mail Service

### International Logistics Business

Japan Post Co. provides express freight shipping in Oceania and Asia, domestic freight shipping services in Australia and New Zealand, a full range of international freight forwarding services, mainly for exports from Asia, and transport, warehousing and other 3PL logistics services in the Asia Pacific region through Toll Holdings Limited following the acquisition of all of the shares in this Australia-based logistics company in May 2015.

Japan Post Co. also provides comprehensive logistics solutions mainly through Japan Post Sankyu Global Logistics Co., Ltd. and Japan Post International Logistics Co., Ltd., our subsidiary in China, to meet logistics needs centered on Japan, China and other parts of Asia.

In addition, we provide U-Global Express (UGX), an international small-lot delivery service centered on e-commerce, which is provided through an investment and business alliance with Hong Kong-based Lenton Group Limited and France-based GeoPost S.A. for Asia, Oceania and the Europe area, and a business alliance with FedEx Corp. for the United States.



New Year's postcards  
(Nenga Town-Mail)



Kamo-Mail (Kamome Town)



Yu-Pack package (large box)



Yu-Pack package  
(large pouch)



Yu-Pack package  
(small pouch)



Yu-Pack package  
(small box)

## Post Office Business

We provide merchandise business, real estate business and affiliated financial services at post offices nationwide, which serve as sales hubs for providing services to customers. These services include postal counter operations related to logistics business and banking counter operations and insurance counter operations.

### ● Postal counter operations related to logistics business

We accept and deliver postal items, sell postage stamps, receive Yu-Pack among other logistics services and sell documentary stamps.

### ● Banking Counter Operations and Others

Under consignment from Japan Post Bank Co., 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 Co., we solicit life insurance and handle premium payments.

### ● Merchandise Business

We place catalogs listing specialty products from all regions of Japan or leaflets that feature products specific to a certain area in post offices and act as sales intermediary for the products listed as part of a catalog sales business. We also develop and sell original postal-related merchandise in addition to frame stamps as part of our post office sales business.

### ● Real Estate Business

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

### ● Affiliated Financial Services

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 Co..



JP TOWER

## ② Initiatives in fiscal year ended March 31, 2016

Amid continuous changes in the environment surrounding our operations, including the expansion of Internet shopping and proliferation of smartphones and tablets, we have been working to respond accurately to the environment changes and secure profits along with enhancing productivity in order to establish stable management.

We actively rolled out sales activities for Yu-Pack and Yu-Mail, mainly in the booming mail-order and e-commerce markets, and worked to enhance the convenience of receiving postal items by expanding receipt at convenience stores and providing receiving lockers ("HAKO POST").

In addition, we opened the Tokyo Hokubu Post Office, a new regionalized post office (site handling sorting procedures) responsible for the Tokyo area, as part of efforts to restructure the mail and logistics network, which seeks to significantly enhance productivity throughout the entire network by way of centralizing and automating sites handling sorting procedures such as post offices that conduct collection and delivery.

In May, we made Australia-based Toll Holdings Limited a subsidiary as a means to expand international logistics business by leveraging Toll as the platform. We will look to increase earnings as well particularly by responding to the needs of Japanese multinational companies in Asia by making effective use of the knowledge and experience of Toll.

In June, we signed a consulting agreement related to improving post office operations with Vietnam Post Corporation.

In July, we expanded the number of post offices handling cancer insurance to 20,000 nationwide and enhanced the coverage and service content of Watch Over Service.

In November, we worked to promote our real estate business through such means as completing JP Tower Nagoya.

In addition, we pushed ahead with development of our human resources through a variety of training programs in conjunction with Japan Post Bank Co. and Japan Post Insurance Co.

Going forward, we will continue working to enhance profits while maintaining sound management by meeting the needs of a greater number of customers.

### Acquired Toll Holdings Limited

Japan Post Co. acquired all of the issued shares of Australia-based logistics company Toll Holdings Limited and made it a subsidiary in May 2015. Going forward, we will strive to expand our international logistics business by leveraging Toll as the platform. We will utilize the knowledge and experience of Toll in areas such as 3PL and global forwarding and respond to the needs of Japanese multinational companies in Asia in an effort to increase earnings.



Australia-based logistics company Toll Holdings Limited

### Capital and Business Alliances

#### ● Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. (July 2015)

JP Asset Management Co., Ltd. was established through investment by Japan Post Bank, Sumitomo Mitsui Trust Bank, Limited, Nomura Holdings, Inc. and Japan Post. JP Asset Management will leverage the know-how of Sumitomo Mitsui Trust Bank and Nomura Holdings to provide simple, easy-to-comprehend, customer-oriented products that it will operate through the post office network.

#### ● Initiative for New Customer Service through Collaboration with Aflac (October 2015)

We started providing an address change guide service to American Family Life Assurance Company of Columbus (Aflac) in April 2016 based on the philosophy of a comprehensive business alliance and are currently jointly developing a service related to confirmation of the condition of senior citizens, with a trial run scheduled to get underway in the second half of 2016.



### ● Business Alliance with IBM and Apple for the Implementation of New Services for Senior Citizens (April 2015)

We aim to expand business in earnest going forward based on the results of field tests in order to support the lifestyles of the elderly and provide community-based services as an integrated lifestyle support corporate group.

### Real Estate Development

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

The commercial facility KITTE, located in JP TOWER, continues to see a large number of customers visit the site, with over 71 million visitors since opening as of the end of March 2016.

The site has been bustling with activity. In August 2015, We will present "Hakkiyoi KITTE", an event where visitors enable to learn and experience the culture of sumo, Japan's national sport, and in March 2016, a "THANKS KITTE" event was held to celebrate the site's third anniversary.

In addition, Sapporo Mitsui JP Building and OMIYA JP BUILDING were completed in 2014 and are operating smoothly.

JP TOWER NAGOYA was completed in November 2015. This building is one of the largest building complexes in the Chubu region and comprises two buildings, an office building and a car park building. The office building includes office floors and the commercial facility KITTE NAGOYA (opened June 2016) as well as a hotel and conference hall, among other amenities. A three-story atrium occupies from the first to the third floor and the space is filled with greenery to make it appealing to pedestrians. The design aims to create a space for new encounters and foster communication in order to contribute to the quick realization of Nagoya City's concept of urban development.

In April 2016, JRJP Hakata Building was completed and the commercial facility KITTE HAKATA opened its doors based on the

theme "Anyone, Anytime, Every Day" in front of Hakata Station, where a wide range of people come and go.

In the housing business, we completed and started operating the first series of rental housing in Shinagawa, Tokyo, and have started rental housing business operations mainly in the Tokyo metropolitan area.

Our real estate business supports local communities Turning shared visions into realities.

### Activities for 2016 New Year's Postcards

We started the "Webchara Nenga" New Year's postcard service, which lets users pick a character that they know and love, including Star Wars and Sanrio characters.

"Webchara Nenga" New Year's postcards, designed with one of 11 characters on the stamp part and the front, can be purchased on the Japan Post website. Each character has been exclusively designed for the postcards, which have been used by a large number of people.

In addition, we continued to connect with LINE. We have realized a variety of collaborative efforts with our official account, "Yubinkyoku Posukuma." When someone sends a photo to Posukuma, it can be infused onto a postcard designed with an Ultraman hero or Detective Conan to create an attractive New Year's postcard in no time. The service is highly popular since it is simple and fun for users to make the New Year's postcards. Approximately seven million people have been added as friends on this official account that is enjoyed by people of all ages.



Yubinkyoku Posukuma  
©JAPANPOST Co., Ltd.



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Webchara nenga New Year's postcards



THANKS KITTE event



KITTE HAKATA

### ③ Extensive Products and Services

#### Enhanced the Convenience of Yu-Pack Receipt

(1) In April 2015, we started a service in which items purchased on Internet mail-order sites can be picked up from receiving lockers ("HAKO POST"). In addition, in March 2016, we started a service Yu-Pack parcels that could not be received at home because of absence can be picked up as well in certain areas.

(2) As an initiative to increase customer convenience in the growing e-commerce market, we enabled customers pick up items for mail-order business operators who use Japan Post's service at FamilyMart convenience stores (excluding certain stores) in November 2015.

(3) We started accepting Yu-Pack at post office counters nationwide (excluding contracted post offices) in April 2016. Adding in convenience stores (Lawson, MINISTOP, FamilyMart), customers can now pick up their packages at around 45,300 places throughout Japan (as of the end of April 2016).



HAKO POST

#### Enhanced Product Lineup in Response to the Growing e-commerce Market

Japan Post Co. enhanced its product lineup in response to growth in the e-commerce market on the back of Internet proliferation, including Yu-Packet for corporate customers engaged in Internet mail-order business (from June 2014), and Click Post for individual customers who use online auction services (from June 2014) as services mainly for the delivery of small items.

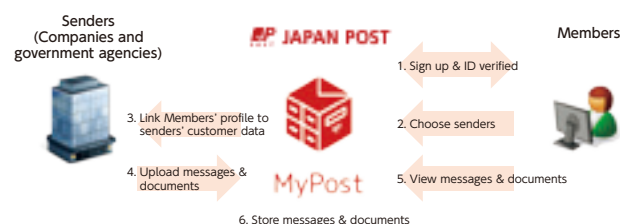
In fiscal year ended March 31, 2016, we started handling the Smart Letter service, in which contents up to 1kg can be sent via post for a uniform price of ¥180 nationwide following purchase of a pre-paid envelope, as a simple version of Letter Pack (sales commenced nationwide in August 2015).



Smart Letter

#### Digital Message Service

"MyPost" is an online mail service provided by Japan Post enabling important messages to be exchanged on the Internet. The senders can exchange messages online with the addressees with their authenticity, name and address confirmed offline by postmen. The addressees can easily view and permanently store the messages from the senders they choose in the cloud. Postal operators in foreign countries also have been providing the service.



#### Response to Increasing Postal and Logistics Services for Overseas

Along with providing such postal services as Express Mail Service (EMS), international parcels and International e-Packet in order to meet rising demand for overseas delivery due to cross-border e-commerce transactions, an area that is growing annually, we are offering the U-Global Express (UGX) service to 51 countries and regions at present as an international express service that enables flexible response to various needs. In addition, we provide the Cool EMS service for small temperature-sensitive parcels by way of EMS to Singapore, Hong Kong, Taiwan, Malaysia, Vietnam and France in response to demand.

Some 93 post offices in 42 prefectures send the boxes as of April 1, 2016.

#### 20,000 Post Offices Now Offer Cancer Insurance

By offering cancer insurance at 20,000 post offices nationwide, we can leverage our vast postal network throughout Japan for proposing cancer insurance to many customers. A wide range of people are currently covered by this insurance.

#### Sales of Catalog Products

In terms of sales of catalog products, we have been rolling out the JP Select, Men's Style and other catalogs featuring non-food items such as clothing and fashion accessories in addition to delivering products such as local foods directly from the production area via Yu-Pack. We also handle such items as medicines and daily necessities in our Post Office Internet Shop in combination with the aforementioned products.

In terms of sales at post offices, we are selling products related to popular characters. Our much-talked about frame stamps commemorating the opening of the Hokkaido Shinkansen and the first anniversary of the Hokuriku Shinkansen (between Kanazawa/Toyama and Tokyo) have been well received as has "Osenko tayori suirei," an item that helps people convey their heartfelt feelings of condolence.



Suirei

### Expanded and Started Trial Implementation of Watch Over Service

We expanded the number of post offices implementing the Post Office Watch Over Service to 738 as of October 2015. This service has been trialed since October 2013 with the aim of placing importance on the connection between local communities and post offices and developing in tandem.

In addition, we started trial implementation in Yamanashi and Nagasaki prefectures in October 2015 that makes use of tablets for the elderly in conjunction with IBM and Apple.

Going forward, we will roll out lifestyle services for the elderly and community-based services by using our nationwide post office network.

### Support for Hometown Tax

Until March 2016, we provided a service in which we helped plan and procure thank-you gifts to people who donated to the local governments through the "Hometown Tax" (*furusato nozei*) system.

In April 2016, we started an exclusive site for the hometown tax that enables us to provide one-stop service from receipt of donation to delivery of the thank-you gift as part of our multifaceted support of the program.

### Issuance of Original Frame Stamps

We sold original frame stamps with the theme of the much-talked-about Hokkaido Shinkansen, which started operation between Shin-Aomori and Shin-Hakodate-Hokuto. Others had themes that included vehicles, cartoons, famous places, and institutions and customs, such as the Hokkaido Shinkansen frame stamp complete with a small model version that replicates the inside of the *shinkansen*; frame stamps of Sites of Japan's Meiji Industrial Revolution commemorating its registration as a World Cultural Heritage; and a 30-year anniversary frame stamp featuring *Chibi Maruko-chan*, a popular cartoon character in Japan.



Hokuriku Shinkansen frame stamp



Inside of the box for the Hokuriku Shinkansen frame stamps



Trial scheme for Post Office Watch Over Service

## Message Festa

We held an event called "Message Festa" for a total of seven days in September 2015 and March 2016 in KITTE, in which participants had the opportunity to experience the joy of letters. Over 100,000 customers had fun taking part in letter writing workshops, celebrity talk shows and commemorative photo sessions with Japan Post's *Posukuma* character and friends. We also held a girl's letter party on the basement level of Tokyo City i in February 2016. The event was really enjoyable for the 10,000 or more people, mainly female participants.



## Letter Writing Workshop Program

Japan Post Co. distributed materials to elementary schools, junior high and high schools nationwide (including special support schools, etc.) that expressed interest in using the tools as part of experiential lessons in letter writing with the aim of encouraging communication between children by way of letter correspondence.

In fiscal year ended March 31, 2016, approximately 2,640,000 elementary school students from around 12,000 schools, approximately 880,000 junior high schools students from around 3,700 schools and approximately 360,000 high school students from around 1,500 schools nationwide participated in the project.



## Event Held on Letter Writing Day

Japan Post Co. held a Letter Writing Day event at 27 AEON MALL locations nationwide in fiscal year ended March 31, 2016 with the aims of having Letter Writing Day (*Fumi no Hi*) on the 23rd of each month recognized by more people and building familiarity with writing letters.

Japan Post's character *Posukuma* and friends were present at one of the events held at AEON MALL Makuuari Shintoshin on November 7 and 8, and mingled with the many visitors. A letter writing workshop was also conducted at the event and some of the parents who participated spoke of how good it was to see the children trying hard to express themselves through words and pictures.



## Rolled Out Product Advertisements

We rolled out a series of Yu-Pack advertisements (*Bakamajime na otoko*) featuring comedian Hitoshi Matsumoto and actress Tae Kimura. The advertisements have proven to be a hit, with each one featuring a different celebrity. In addition to Yu-Pack, we have also introduced advertisements for New Year's postcards and Japan Post's New Year's card printing service, for instance. Each commercial has ranked highly in likeability surveys. Our aim is to deploy advertising that makes an increasing number of people feel closer to our products and services.



## First Otoshidama

We worked to increase the affinity of caregivers with the convenience, security and benefits of Japan Post Bank accounts by giving *otoshidama* (New Year's gift money) to children under the age of one for whom their caregivers have opened a savings account.

In addition, we sought to increase the understanding among caregivers of the importance of conveying feelings to people through letters as well as to foster future fans of the post office by sending New Year's cards from post offices to children who entered a certain campaign.



First Otoshidama

## Magazine for Women

Japan Post Co. started post office sales of the magazine *Kiite!* for women in May 2015 with the aim of providing products that can be shared and enjoyed together with family and friends by women, who make up the majority of post office users.

A section in the magazine introduces Japan Post's products and services such as stamps and matching cards through a special collaboration type agreement.

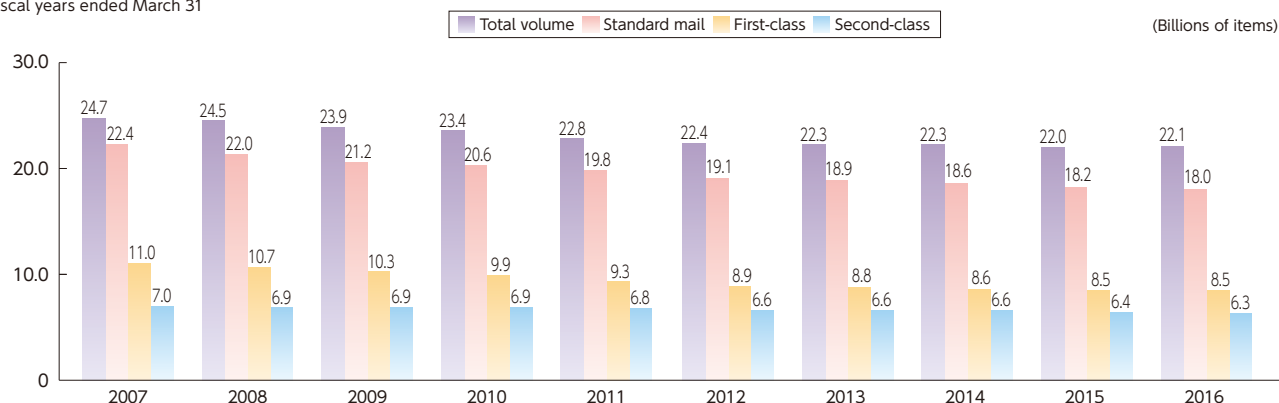


Kiite!

## ④ Japan Post Co. Business Performance

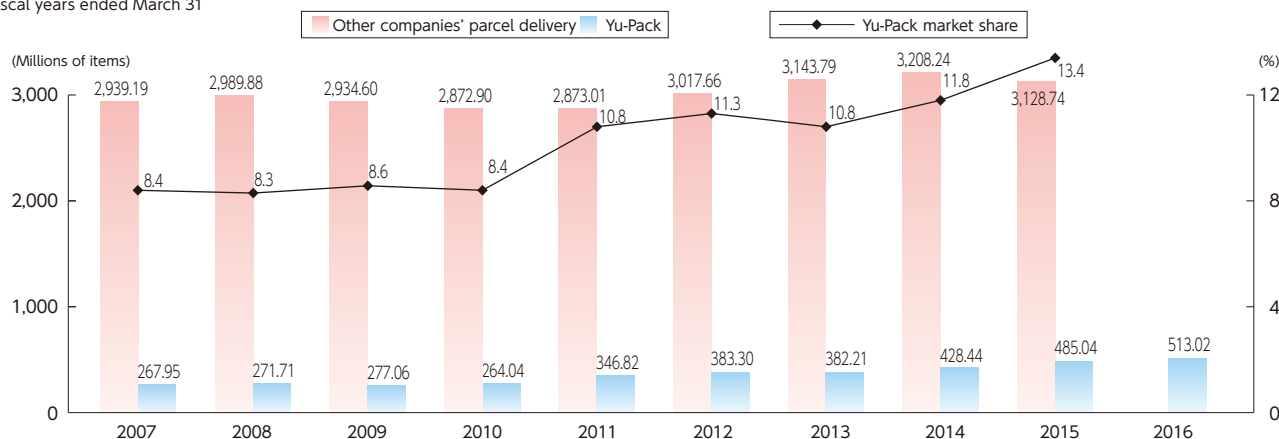
### 1 Total Consigned Volume of Mail

Fiscal years ended March 31



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

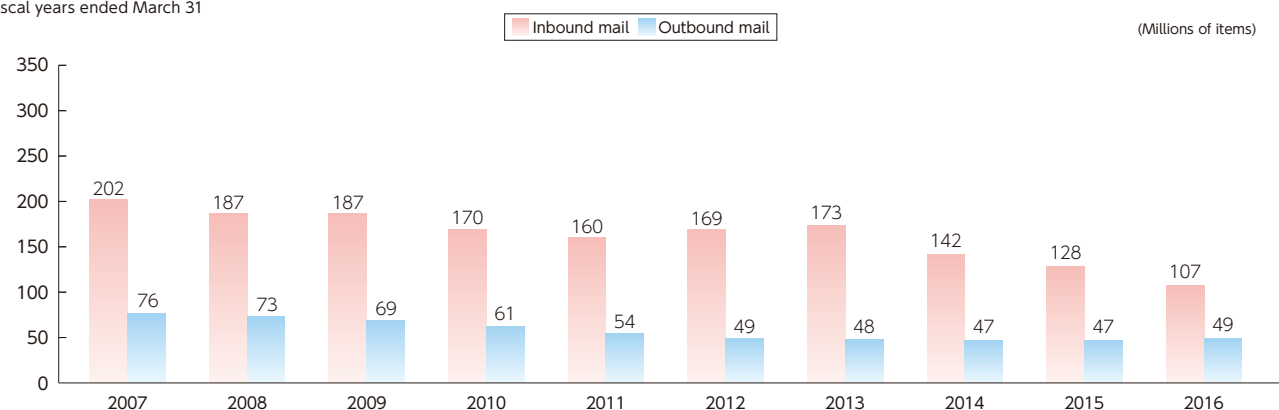
Fiscal years ended March 31



Notes: 1. Fiscal year ended March 31, 2016 other companies' parcel delivery volume has not yet been announced (as of June 30, 2016).  
2. The number of Yu-Pack parcels includes EXPACK parcels.

### 3 Volume of International Mail

Fiscal years ended March 31





## ⑤ Japan Post Co. (Consolidated) Financial Highlights

In the postal and domestic logistics business, we handled a total of 22,082.28 million items including 18,029.85 million items of mail, 513.02 million Yu-Pack parcels and 3,539.40 million Yu-Mail booklet parcels. Due to expansion of the e-commerce market and strengthened sales activities for small and medium-sized businesses, Yu-pack and EMS services continued to increase. Operating income was ¥1,924.8 billion and net operating income was ¥7.4 billion.

In the international logistics business, operating income was ¥544.0 billion and net operating income was ¥17.2 billion, reflecting the financial results of Toll Holdings Limited. (Toll's results are for the nine months ended March 31, 2016 after July 2015 when it became a consolidated subsidiary of the Japan Post Group)

In the post office business, due to promoting the operating initiatives in cooperation with Japan Post Bank Co. and Japan Post Insurance Co., operating income was ¥1,353.0 billion and net operating income was ¥35.6 billion.

### Consolidated Results of Operations

#### ■ Operating income

(Year ended March 31, 2016)

**¥3,627,005 million**

#### ■ Net operating income

(Year ended March 31, 2016)

**¥32,611 million**

#### ■ Net ordinary income

(Year ended March 31, 2016)

**¥42,336 million**

#### ■ Net income attributable to Japan Post Co.

(Year ended March 31, 2016)

**¥47,247 million**

#### ■ Net income per share

(Year ended March 31, 2016)

**¥4,724.73**

#### ■ Diluted net income per share (Note)

(Year ended March 31, 2016)

—

#### ■ Return on equity

(Year ended March 31, 2016)

**3.7 %**

#### ■ Net ordinary income / Total assets

(Year ended March 31, 2016)

**0.8 %**

#### ■ Net operating income / Operating income

(Year ended March 31, 2016)

**0.9 %**

Note: Because there was no potential common stock, the amount for diluted net income per share is omitted.

## Consolidated Financial Position

### ■ Total assets

(As of March 31, 2016)

**¥5,651,387 million**

### ■ Net assets

(As of March 31, 2016)

**¥1,244,984 million**

### ■ Equity ratio

(As of March 31, 2016)

**22.0%**

### ■ Net assets per share

(As of March 31, 2016)

**¥124,097.80**

(Reference)  
Equity capital  
As of March 31, 2016:  
¥1,240,978 million

## Results of Operations by Business Segment

### Postal and domestic logistics business segment

#### ■ Operating income

(Year ended March 31, 2016)

**¥1,924,810 million**

#### ■ Net operating income

(Year ended March 31, 2016)

**¥7,454 million**

### International logistics business segment

#### ■ Operating income

(Year ended March 31, 2016)

**¥544,062 million**

#### ■ Net operating income

(Year ended March 31, 2016)

**¥17,231 million**

### Post office business segment

#### ■ Operating income

(Year ended March 31, 2016)

**¥1,353,068 million**

#### ■ Net operating income

(Year ended March 31, 2016)

**¥35,606 million**

Note: The figures for international logistics business segment have been calculated based on the Australian Accounting Standards, and the amount presented in net operating income is EBIT of Toll excluding amortization of goodwill, etc.

# 3. Operations of Japan Post Bank



Norito Ikeda

Director, President and Representative Executive Officer  
Japan Post Bank Co., Ltd.

## Message from the Company



### Address by the Newly Appointed Director, President and Representative Executive Officer

Having assumed the position of Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. in 2016, I would first like to extend my sincere gratitude to all stakeholders for their continued encouragement and goodwill. Drawing on my experience to date, I will make every effort to carry out my assigned tasks and to fulfill my obligations.

I would also like to offer my heartfelt condolences to all who suffered as a result of the Kumamoto earthquake earlier this year and wish for the earliest possible recovery of the areas affected.

Japan Post Bank Co. was listed on the First Section of the Tokyo Stock Exchange on November 4, 2015. Leveraging the strengths of our greatest asset, the nationwide network of 24,000 post offices of the Japan Post Group, we will continue to provide a stable stream of financial services to our broad spectrum of customers as a part of efforts to become the most accessible and trustworthy bank in Japan. As we work toward achieving this goal, we kindly request your continued support and understanding.

### Review of the Year Ended March 2016

Japan Post Bank Co. has defined the fiscal year ended March 31, 2016 as a year for further strengthening its business foundation as a listed company. We have continued to implement a variety of measures based on the JAPAN POST GROUP Medium-Term Management Plan, which was announced in April 2015.

#### ■ Enhancing Sales Strategies

Japan Post Bank Co. has concentrated on implementing two key measures under its overarching sales strategy. The first has been to increase assets under management by securing a stable customer base, and the second has been to increase fees and commissions. In specific terms, we focused on enhancing our asset management product lineup as well as our consulting-based marketing by financial consultants. As a result, sales of asset management products exceeded those of the previous fiscal year. Furthermore, Japan Post Bank Co., in alliance with Japan Post Co., Sumitomo Mitsui Trust Bank, Limited, and Nomura Holdings, Inc., established JP Asset Management Co., Ltd.\* In order to support customers in their efforts to build

assets on a long-term and stable basis, we commenced sales of the first investment trust established and managed by JP Asset Management in February 2016. Turning to the Bank's ATM initiatives, we adopted a strategic approach with respect to installation. At the same time, we worked to bolster collaboration with regional financial institutions. As a result, customers have been able to use cash cards from all regional banks in Japan at our ATMs since January 2016.

\* Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. jointly established SNJ Preparatory Co., Ltd. in August 2015. Thereafter, Japan Post Bank Co. and Japan Post Co. took an equity interest in SNJ Preparatory Co., Ltd. and the company's name was changed to JP Asset Management Co., Ltd. in November 2015.

### ■ Executing an ALM\* Strategy

Japan Post Bank Co. engages in asset liability management in response to the changing market environment. In broad terms, the Bank's ALM strategy is based on the two pillars of a "base portfolio" that seeks to secure stable profits by investing mainly in Japanese government bonds, and a "satellite portfolio" that pursues high returns predominantly through the allocation of global assets. Specifically, we responded to the decline in the balance of the base portfolio affected by persisting historically low yen interest rates and expanded the satellite portfolio. We made efforts to expand investments in foreign securities mainly in investment grade bonds. At the same time, we worked on enhancing foreign currency funding. As a result, the satellite portfolio balance increased from approximately ¥48 trillion as of March 31, 2015 to approximately ¥61 trillion as of March 31, 2016. On this basis, we achieved our objectives ahead of projection under the Medium-Term Management Plan.

In terms of our organizational structure, we actively recruited investment professionals from outside the Bank. We also restructured our organization to a product-oriented framework specializing in various asset classes as a part of efforts to reinforce activities as a whole. Moreover, we took steps to upgrade and expand our risk management structure. For example, we established a division to focus on risk management and unified all relevant departments. We also appointed a dedicated executive officer to assume responsibility for managing risks.

\* Asset Liability Management

### ■ Enhancing the Internal Control System and Strengthening Our Business Foundation

In the fiscal year under review, Japan Post Bank Co. worked diligently to enhance its internal control system and strengthen its business foundation. After receiving a business improvement order from the Financial Services Agency (FSA) in December 2009, and in cooperation with Japan Post Co., we enhanced and reinforced our internal control system based on our strong belief that "companies cannot survive without compliance." As a result of our efforts to date, the business improvement order was lifted in December 2015. Recognizing the important management need to foster greater awareness of compliance issues and to enhance our internal control system, however, we have continued our efforts.

With the aim of further strengthening a business foundation that is suitable for a publicly listed company, we put in place our "Basic Policy on Corporate Governance" in November 2015. In addition, we also introduced a performance-linked stock compensation system in May 2016 to ensure that the compensation paid to executive officers functions as a sound incentive toward the sustainable growth of Japan Post Bank Co.

### ■ Promoting Diversity Management

In addressing the wide-ranging needs of customers, each employee has strived to act with an understanding and awareness toward the diversity of each individual. With this in mind, the Bank has continued to place a priority on supporting women in the workforce, while nurturing a corporate culture that respects work-life balance management and career promotion.

As a result of these initiatives, Japan Post Bank Co. reported net income of ¥325 billion for the fiscal year ended March 31, 2016. While this represented a decrease of ¥44.3 billion compared with the previous fiscal year, the result was 1.5% higher than our forecast for the full fiscal year.

## Strategies for the Future

The public listing of Japan Post Bank Co. on the First Section of the Tokyo Stock Exchange during the fiscal year ended March 2016 was a milestone in the Bank's efforts to secure management discretion and establish an autonomous management structure.

In the fiscal year ending March 31, 2017, each and every employee of the Bank is again working in unison to improve the quality of its services and increase customer satisfaction. With this in mind, we are dedicated to carrying out our Medium-Term Management Plan.

### ■ Securing Our Customer Base and Strengthening Our Fee Business

We will bolster our retail marketing capabilities in cooperation with Japan Post Co. (post offices). We will also further enhance our stable and sustainable relationships with our customers by providing products according to their life cycles and various events. In addition, we will strengthen our fee businesses which are less susceptible to the impact of interest rate fluctuation. In particular, we will step up efforts to focus on the expected growth areas such as sales of asset management products and ATM alliance services, etc.

Specifically, with regard to the sales of asset management products, we will focus on providing such products as the investment trusts of JP Asset Management Co., Ltd., which are simple and easy to understand even for customers who are considering undertaking an investment for the first time. We will also enhance consultation-based marketing through a variety of measures including fostering and increasing the number of financial consultants.

As far as ATM services are concerned, we will install compact ATMs throughout FamilyMart's nationwide network of convenience stores as a part of efforts to expand our ATM network in highly convenient locations. In addition, we will further improve our collaboration with regional financial institutions by utilizing our ATM network.

\* FamilyMart Co., Ltd. and Japan Post Bank Co. entered into a basic memorandum with a view to concluding a business alliance on April 5, 2016.

### ■ Promoting Sophisticated Investment by Enhancing Assets in the Satellite Portfolio

With regard to the base portfolio, although the investment environment is extremely challenging, especially considering the continued occurrence of negative yields on Japanese long-term government bonds, we will manage our assets flexibly according to interest rate trends and aim to generate stable earnings in the medium to long term.

In the satellite portfolio, we will strive to improve earnings by exploring such new investment frontiers as private equity, real estate, etc. in addition to diversifying into foreign assets. To this end, we will further enhance our investment strategy through a variety of measures. We will, for example, work to secure skilled personnel, enhance the foreign currency funding system, and introduce an employee stock ownership plan for management employees in the Investment Division.

In tandem with these endeavors to promote increasingly sophisticated investment, we will strengthen our risk analysis and monitoring capacity to enhance our risk management framework.

### ■ Enhancing the Internal Control System and Strengthening Our Business Foundation

Guided by a "Compliance First" policy, we are working to enhance our internal control system, which is an important management task, by fostering greater awareness of compliance through various forms of training. We are also enhancing the customer protection structure with respect to the sale of investment products. In addition to ongoing efforts to promote diversity with an emphasis on initiatives aimed at supporting women in the workforce, we are promoting human resource development while improving our IR activities and systems and dealing with FinTech\*. Through these means, we are endeavoring to strengthen our business foundation.

Japan Post Bank Co. is working diligently to enhance its corporate value through each of these initiatives. As we work toward achieving our goals, we kindly ask for the continued support and understanding of all stakeholders.

\* A term that designates the fusion of financial services and technology encompassing new financial services that utilize information technology.



# Overview of Operations

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

The company provides a range of financial products and services through an extensive network of post offices and Japan Post Bank branches.

Japan Post Bank Co. is dedicated to serving as “the most accessible and trustworthy bank in Japan,” with operations that are guided by the needs and wishes of our customers.

## ① Basic Services

Main business lines of Japan Post Bank Co. are as listed below. At the end of March 2016, Japan Post Bank’s total deposits from customers across Japan amounted to ¥177,871.9 billion.

### (1) Deposits

We handle various types of deposits, including transfer deposits, ordinary deposits, ordinary savings deposits, time deposits, *TEIGAKU* deposits and separate deposits.

### (2) Loans

We handle loans on deeds and overdrafts.

### (3) Securities investment

We invest in Japanese government bonds, Japanese local government bonds, Japanese corporate bonds and other securities for accumulating payment reserves and for fund management.

### (4) Domestic remittances

We handle remittances, fund transfers and transfers.

### (5) Foreign remittances

We handle international remittances and provide foreign exchange services.

### (6) Major associated services

#### \* Agency services

- Services for the Bank of Japan as its revenue and government bond representative
- Handling public money for local governments
- Services under consignment from the Management Organization for Postal Savings and Postal Life Insurance
- Intermediary services for individual loans

#### \* Counter sales of Japanese government bonds, investment trust products and insurance products

#### \* Deposits for safekeeping

#### \* Credit card services

#### \* Operation and management of defined contribution pensions (only those related to individual annuities)

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





## ② Initiatives of Japan Post Bank Co.

### ● Started Handling Products of a New Asset Management Company, JP Asset Management Co., Ltd.

In July 2015, Japan Post Bank Co., Ltd. and Japan Post Co., Ltd. concluded a business alliance agreement with Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. to establish a new asset management company and develop investment trust products, and thereafter established JP Asset Management Co., Ltd.\*.

In February 2016, we started handling the new company's JP 4 Assets Balanced Fund products that are simple and easy to understand for first-time investors.

With the addition of these products to our lineup, we will support customers' long-term stable asset building based more precisely on their life planning details and asset management needs.

\* Sumitomo Mitsui Trust Bank, Limited and Nomura Holdings, Inc. jointly established SNJ Preparatory Co., Ltd. in August 2015. Thereafter, Japan Post Bank Co. and Japan Post Co. took an equity interest in SNJ Preparatory Co., Ltd., and the company's name was changed to JP Asset Management Co., Ltd. in November 2015.



Leaflet of the JP 4 Assets Balanced Fund

### ● Strengthening Market Investment Structure

We have been proactively recruiting external human resources with a high level of expertise in an effort to increase the sophistication of our market investment and bolster risk management.

Positioning these external recruits at the core of our efforts, we conducted organizational restructuring on an individual asset basis for further refining our investment operations and expanding investment areas. While doing so, we established the Risk Management Division, which integrates risk management roles of the relevant divisions, and appointed a dedicated risk management officer in order to upgrade our risk management capabilities.

### ● ATM Alliance Services with All Regional Banks in Japan

As part of efforts to expand alliances with regional financial institutions to provide greater convenience to customers, we initiated an ATM alliance service with Chikuhō Bank Ltd. in January 2016. As a result, our ATMs now accept cash cards of all 105 regional banks in Japan.

### ● Installing Japan Post Bank ATMs in FamilyMart Convenience Stores

As of March 31, 2016, we have installed Japan Post Bank ATMs in about 500 FamilyMart convenience stores in the Tokyo metropolitan area and Kansai region. These ATMs are available around the clock except during maintenance.

In addition to the Japan Post Bank cash card, these ATMs accept cash and credit cards of some 1,400 companies, including all major and regional banks in Japan as well as overseas financial institutions.

No fees are charged on deposits and withdrawals made using the Japan Post Bank cash card.

### ● Introducing "JAPAN POST BANK Direct + (Plus)"

In March 2016, we introduced a passbook-free general account service called JAPAN POST BANK Direct + (Plus).

It is a passbook-free, fully online service that allows users to manage their bank accounts, deposit money and make payments over the Internet, eliminating the need to update and renew passbooks. As details of transactions for the last 15 months are available for viewing, it provides extra convenience to frequent users, such as users of Internet auction services.



JAPAN POST BANK Direct + (Plus) logo

### ● Increasing Security of Internet Banking Transactions

We offer a range of services through our JAPAN POST BANK Direct and implement various security measures to ensure their safe use over the Internet.

#### Providing One-time Password Tokens Free of Charge

We are providing one-time password tokens free of charge to customers who use JAPAN POST BANK Direct.

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.

#### One-time password token

##### Secure

Ensures security by generating a new one-time password every minute.

##### Easy

Only requires users to enter the specific one-time password shown on the token before making money transfers.

##### Free

Requires no application or usage fees.

Note: The charge for replacing a lost token is ¥1,080.

Note: For more details on this security token, please visit our official website.

About One-time Password Tokens

[Top page](#) ▶ [About JAPAN POST BANK Direct](#)

▶ [About One-time Password Tokens \(in Japanese\)](#)

### Providing PhishWall Premium Free of Charge

PhishWall Premium\*1 is a security software program designed to counter MITB\*2 attacks. Customers use this program by installing free PhishWall Client software into their personal computers.

When customers access the JAPAN POST BANK Direct website, the program checks their personal computer and displays a warning message if it detects signs of MITB malware infection. The program can also disable detected MITB malware.

\*1 PhishWall Premium is a security software program provided by SecureBrain Corporation.

\*2 Man-in-the browser attack: A security attack that infects a victim's computer, showing the victim a fake screen and steals personal identification number and password to gain illegal access.

### Warning screen displayed when PhishWall Premium detects an MITB attack



(Internet Explorer)  
A warning message is displayed on the screen, and a red signal is displayed on the PhishWall toolbar.



(Firefox and Chrome)  
The PhishWall icon turns red, and a warning message is displayed.

### ● Launched a Foreign Currency Delivery Service

In September 2015, we launched a foreign currency delivery service, "Japan Post Bank Foreign Currency Delivery Service — Travel with You."

This service offers 15 currencies, including U.S. dollar, euro, Chinese yuan and Australian dollar, from which customers purchase their desired currencies over the Internet via personal computer or smartphone. The purchased currencies are delivered to customers' homes anywhere in Japan and free of charge. The service does not involve actual money exchange, as the purchased amount will be paid from customers' general accounts through an automatic, instant account transfer.

The service is available 365 days a year over the Internet and is very useful for people planning an overseas trip.



Japan Post Bank Foreign Currency Delivery Service — Travel with You logo

## ③ Investment

We implement expeditious risk management for the entire portfolio based on the economic conditions and monetary policies both in and outside Japan. In order to secure stable current profits, we continue to diversify risks and revenue sources through such measures as promotion of internationally diversified investments while performing appropriate risk control.

## TOPICS

### "Yu-chan" in Japan Post Bank's Corporate Advertisement

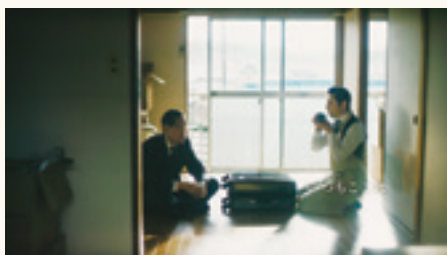
In June 2016, we rolled out another nationwide corporate advertisement campaign on TV and other media, featuring Japanese actor Masahiro Motoki as our new advertising character and under the catch phrase "Always Here."

In the TV commercial series, Masahiro Motoki acts as Yu-chan, a figurative character representing Japan Post Bank. He appears in people's lives as a "passbook" kept by parents for their daughter, as a "post office" welcoming a father transferred to an unfamiliar town away from his family and as an "aspiration" of our branches and post offices to always remain by our customers' side.

The catch phrase "Always Here," embraces our desire to be there for our customers to help them anytime, anywhere, including when they start working, have a family and enter retirement.



"Daughter's marriage partner"



"Father working away from family"



"Call from mom"

### Providing Financial Education

We conduct school visits and provide financial lessons to elementary and junior high school students.

These lessons use our original textbooks and help children nurture a correct sense of money by learning the importance of money and how to get along with it.

During fiscal year ended March 31, 2016, we held financial lessons at 39 elementary and junior high schools 65 times in total.

Additionally, we hosted an additional financial lesson, "Learn about Money in a Fun Way!," six times in total at the JAPAN POST BANK Piggy Bank Design Contest exhibition held respectively at six locations across Japan.



Financial lesson held at a school



Financial lesson "Learn about Money in a Fun Way!"



Textbooks for students in each grade and allowance book (rendering)

### Held the JAPAN POST BANK Piggy Bank Design Contest for Children

With the objectives of increasing children's interest in saving and fostering their artistic creativity by making piggy banks, we hold the JAPAN POST BANK Piggy Bank Design Contest for elementary school children. This contest was launched in 1975 to commemorate the 100th anniversary of the postal savings business and has reached a milestone of 40 years in 2015.

For the 40th contest held during fiscal year ended March 31, 2016, we received 832,530 entries from 11,365 elementary schools across Japan. Among these piggy banks, which had already undergone judging at each school, 240 excellent works were picked in the primary judging using photographs. Winners of the Minister of Education, Culture, Sports, Science and Technology Award, Japan Post Bank Award, Post Office Award, Jury's Special Award and Amazing Design and Idea Award were then determined in the final judging of actual works. To commemorate the 40th anniversary of the contest, 13 extra works were granted a Regional Special Award.

Following the contest, an exhibition of the 253 award-winning works was held at six venues across Japan in Tohoku, Kanto, Chubu, Kansai, Chugoku and Kyushu from December 2015 to February 2016.

Additionally, Japan Post Bank Co. donated ¥10 for every piggy bank entry received to the Japan Committee for UNICEF and the Japan International Cooperation Agency (JICA) (¥4,162,650 each, totaling ¥8,325,300). These donations are used to assist children suffering from poverty and illnesses in developing countries.



"Black Hole Piggy Bank," which won the Minister of Education, Culture, Sports, Science and Technology Award



"Save Water," which won the Japan Post Bank Award



Donation presentation ceremony



Exhibition (Fukuoka Prefecture)

### Machiomoi® wa Hitoomoi Created Japan Post Bank Machiomoi Calendar 2016

We created our original Japan Post Bank Machiomoi Calendar 2016.

Starting with the 2013 edition, we have been creating this original series of calendar through a tie-up with the Machiomoi-cho\* project. The theme, *Machiomoi wa Hitoomoi* (Love my hometown, love my people), represents our wish to be close to our customers and remain the most accessible and friendly financial institution in each community.

The calendar includes a section entitled "Welcome to Our Town. We are Machiomoi Post Office!" in which branch managers and postmasters of the post offices in towns featured in the calendar talk about the appeal and their feelings about their towns. The page of each month features one town and includes a quiz on its unique dialect, local specialty products or landmarks to let people get acquainted with the town in a fun way. The calendar brings up warm feelings and memories of people's hometown or towns that mean a lot to them.

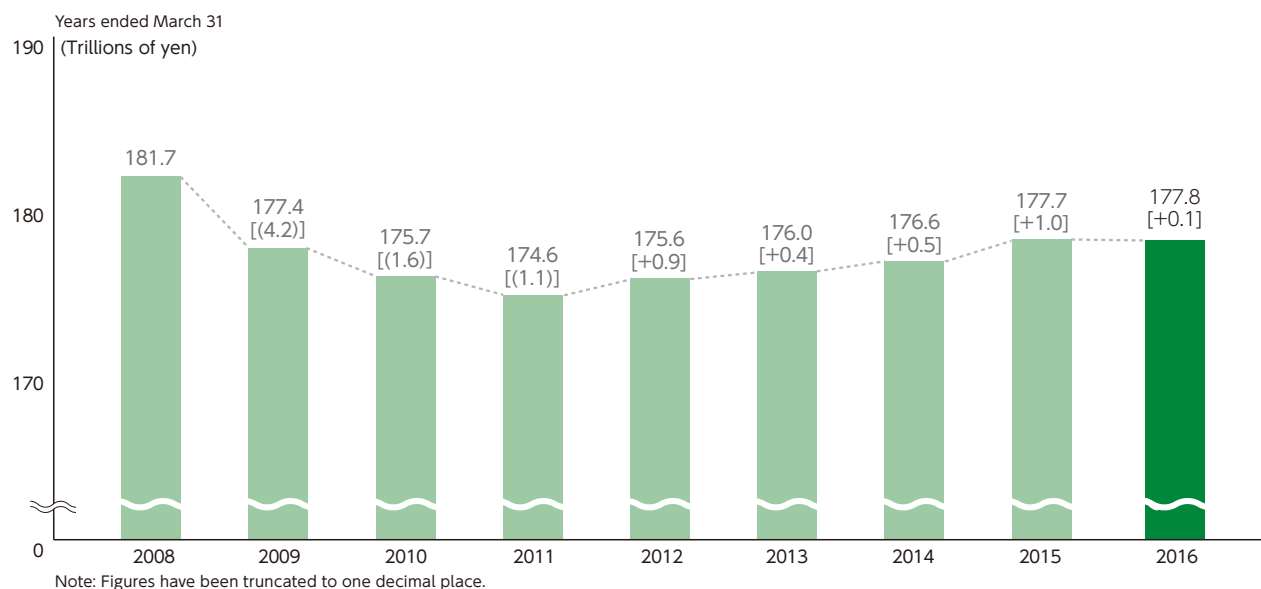
\* Machiomoi-cho is a project in which creators in Japan use pictures, photographs, essays and videos to make "personal" memory books of their much-longed-for hometowns, towns in which they spent their school days or town they now live in. These booklets and videos are put on exhibitions held at various locations in Japan.



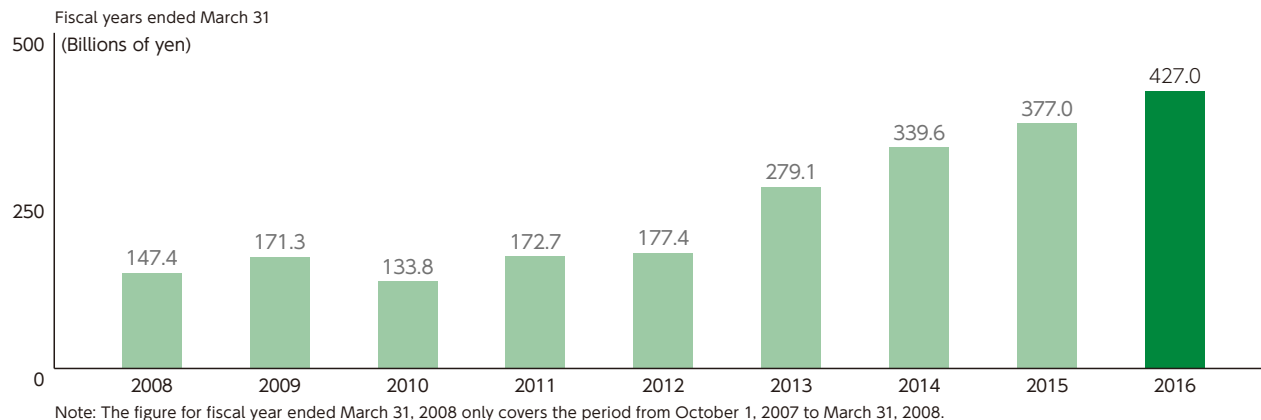
Machiomoi-cho website: <http://machiomoi.net/> (in Japanese)

## ④ Japan Post Bank Co. Business Performance

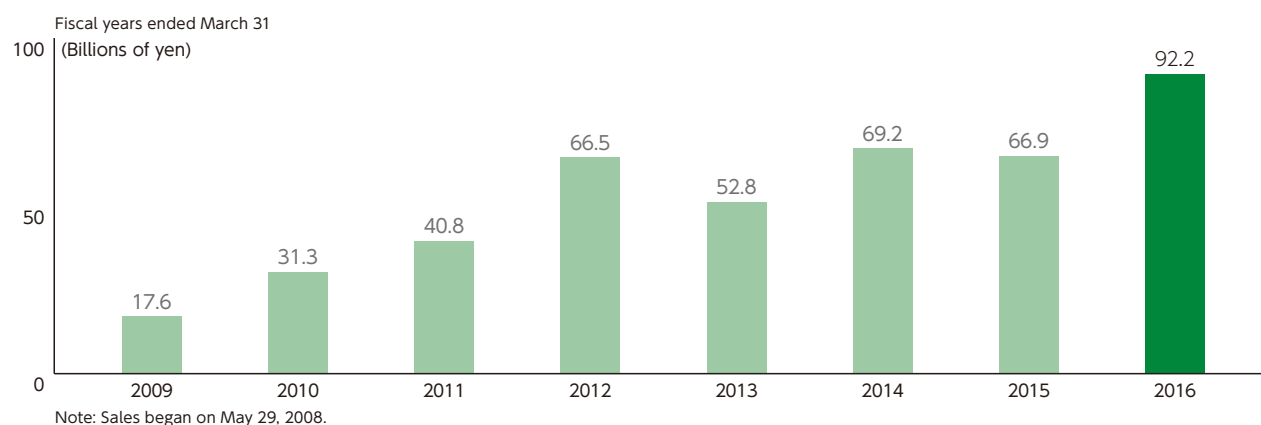
### 1 Deposit Balance



### 2 Investment Trusts Sales



### 3 Variable Annuity Policies Sales





## ⑤ Japan Post Bank Co. (Non-consolidated) Financial Highlights

As a result of efforts to strengthen its sales promotion capabilities in corporation with Japan Post Co., deposits at Japan Post Bank Co. totaled ¥177,871.9 billion. Ordinary income was ¥1,968.9 billion, net ordinary income was ¥481.9 billion and net income was ¥325.0 billion. Capital adequacy ratio (non-consolidated, domestic standard) was 26.38%.

### Results of Operations

#### ■ Ordinary income

(Year ended March 31, 2016)

**¥1,968,987** million

#### ■ Net ordinary income

(Year ended March 31, 2016)

**¥481,998** million

#### ■ Net income

(Year ended March 31, 2016)

**¥325,069** million

#### ■ Net income per share (Note 1)

(Year ended March 31, 2016)

**¥86.69**

#### ■ Diluted net income per share (Note 2)

(Year ended March 31, 2016)

—

Notes: 1. Japan Post Bank Co. implemented a 30-for-1 common stock split effective August 1, 2015, and net income per share for the year ended March 31, 2016 was calculated assuming the stock split was implemented on April 1, 2015.

2. Because there was no potential common stock, the amount for diluted net income per share is omitted.

#### ■ Return on equity

(Year ended March 31, 2016)

**2.8%**

#### ■ Net ordinary income/ Total assets

(Year ended March 31, 2016)

**0.2%**

#### ■ Ordinary income/ Ordinary expenses

(Year ended March 31, 2016)

**75.5%**

## Financial Position

### ■ Total assets

(As of March 31, 2016)

**¥207,056,039** million

### ■ Net assets

(As of March 31, 2016)

**¥11,508,150** million

### ■ Equity ratio (Note 1)

(As of March 31, 2016)

**5.5%**

### ■ Net assets per share (Note 2)

(As of March 31, 2016)

**¥3,069.26**

### ■ Capital adequacy ratio (non-consolidated, domestic standard) (Note 3)

(As of March 31, 2016)

**26.38%**

Notes: 1. Equity ratio = [(Net assets – Stock acquisition rights) / Total assets] × 100

2. Japan Post Bank Co. implemented a 30-for-1 common stock split effective August 1, 2015, and net assets per share as of March 31, 2016 was calculated assuming the stock split was implemented on April 1, 2015.

3. 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, 2006).

(Reference)  
Equity capital  
As of March 31, 2016:  
¥11,508,150 million

## 4. Operations of Japan Post Insurance Co.



**Masami Ishii**

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

### Message from the Company



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

We would also like to offer our sincere sympathies to all those affected by the 2016 Kumamoto earthquake, as well as extend our heartfelt wishes for the region's quick recovery.

We hereby present to you our Annual Report for the year ended March 31, 2016, which describes our financial results, business performance and various initiatives undertaken during the term under review.

Through this report, we hope to bring a better understanding of our operations and ask for your continued support.

### Review of the Year Ended March 2016

The fiscal year ended March 31, 2016 was a notable year as it marked the first year of our new medium-term management plan "New Japan Post Group Network Creation Plan 2017," covering the three years from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018, which was formulated to articulate the future direction of management for overcoming issues, such as the pursuit of greater profitability of the Group, improvement in productivity and strengthening of corporate governance upon taking into account factors such as changes in the operating environment, including the continued low interest rate environment.

In line with the above, we pressed ahead with initiatives according to the plan's top priority themes to "Establish our financial management base which will be necessary for growth", as well as accelerated efforts to build an unshakable management base for our enduring growth

and development by “developing products and services that will further enhance our strengths”.

It was also a year when we took another step forward with the listing of our common stock on the First Section of the Tokyo Stock Exchange on November 4, 2015. We would like to express our sincere gratitude to all those who provided advice and support toward successfully listing the stock.

We also promoted an initiative called “Kampo Platinum Life Service” to offer the elderly customer-friendly services that emphasize a sense of security and trust by improving every customer contact from our elderly customers' perspective.

Specific efforts to enhance services for elderly customers in the fiscal year ended March 31, 2016, included raising the maximum limit of the enrollment age range of endowment insurance and whole life insurance, establishing a dedicated call center for elderly customers and publishing an information magazine for elderly customers. In the fiscal year ending March 31, 2017, we started offering a free telephone consultation service on “health, medicine, nursing” and “taxes in life”.

In response to customers' needs, in October 2015, we launched a “Short-Term Premium Payment Endowment Insurance” that resolves the insurance premium payment burden at an early stage and increases savings by making the insurance premium payment period shorter than the insurance period. From the same month, in order to improve convenience for our customers, we started “handling of a deferred first premium payment system” and the handling of a “Special Provision on Designating Commencement Date of Liability.”

To develop and strengthen our systems for managing insurance claims and other payments, we strived to further improve payment quality and make administrative processing more efficient by working to improve payment examination administration with the implementation of a Claim Payment Processing System (SATI). In addition, we strived to enhance guidance following a system determination of insurance claims that can possibly be paid and the necessary procedures when a customer makes an insurance claim.

In addition to these initiatives, in March 2016, we reached an agreement to form a strategic business alliance with The Dai-ichi Life Insurance Company, Limited in the three areas of international life insurance business, asset management business and joint research in the new product and IT fields as the pillars of the alliance. By mutually complementing and fusing the strengths of both companies, we aim for the sustainable improvement of corporate value.

Regarding the business results for the fiscal year ended March 31, 2016, a stronger collaboration with Japan Post Co., Ltd., led to a record-high number of new individual insurance policies. Annualized premiums from new policies reached ¥485.3 billion (6.0% increase year on year) for individual insurance and ¥49.5 billion (20.6% increase year on year) for third-sector; 2.39 million individual insurance

policies were sold (0.6% increase year on year) for an insured amount of ¥7,168.4 billion (2.4% increase year on year).

Looking at consolidated profit and loss, ordinary profit amounted to ¥411.5 billion and net income attributable to Japan Post Insurance amounted to ¥84.8 billion, which exceeded the previous year's level.

In addition, consolidated solvency margin ratio, an indicator of financial soundness, stood at 1,570.3%. Internal reserves within liability, combined with the contingency reserve and reserve for price fluctuations, amounted to ¥3,157.1 billion, and we thereby were able to secure a strong financial base.

We appreciate all those who supported us in the realization of these solid results.

## Future Outlook

The fiscal year ending March 2017 marks the 100th anniversary of Postal Life Insurance Services.

We again would like to express our deepest gratitude to our stakeholders for the generous support that they have rendered to us over the years.

Upon reaching this milestone, in anticipation of the next 100 years, we have reconsidered what Japan Post Insurance meant to do and what manner of company it is meant to become. We have also revised our corporate philosophy, the idea at the foundation of engaging in business activities, to “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.”

This management philosophy contains our mission as a member of the Japan Post Group of delivering insurance services as a means of security to customers throughout Japan, and our strong will to ensure that all people live with a positive mind-set and full of dreams with the help of the insurance services that we provide, thereby supporting the regional societies in Japan.

Under the new management philosophy, we will carry out our 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. Although we will keep our business model—“a big, unique and heartfelt company”—unchanged, we will continue to meet the needs of a larger number of customers and further upgrade our insurance services.

We will continue to work, with all our employees united, toward the corporate vision of aiming to be the “No. 1 Japanese insurance company selected by customers” to stay trusted and loved by our customers for the centuries to come.

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

## Overview of Operations

Japan Post Insurance Co. 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 Co. is “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.”

### ① Overview of Insurance Products and Services

#### Provision of Insurance Products and Services

Japan Post Insurance Co. 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 Co. 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.

#### ● Agents

Japan Post Insurance Co. utilizes a nationwide supply network of the post offices operated by Japan Post Co., Ltd. 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 Co. has also established Agency Relations Divisions for 76 directly managed sales offices (as of March 31, 2016) to support sales promotion, training and development, and administrative affairs.

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

#### ● Directly-managed wholesales channel

Whole Sales Divisions of our directly-managed offices are placed in 76 major cities nationwide (as of March 31, 2016), where they provide our products and services primarily to the corporate and worksite market including small- and mid-sized companies, and also handle other life insurance companies’ products for corporate customers.

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 Postal Life Insurance policies 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 offsite sales personnel and counter services.



## ② Enhancing Products and Services

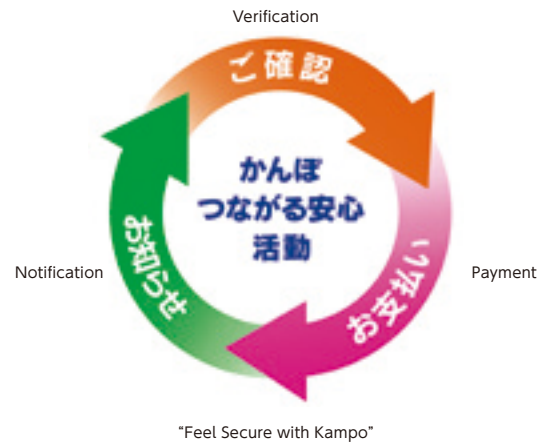
### “Feel Secure with Kampo” Activities

We are engaging in “Feel Secure with Kampo” activities to meet with customers directly and provide a range of services in order to further increase customer satisfaction and trust.

In the “Feel Secure with Kampo” activities launched in the fiscal year ended March 31, 2016, we visit each customer to verify the details of policy coverage, any claimable insurance benefits and other information on the policy contracts they hold.

To ensure that customers receive insurance and/or other benefits easily and accurately, we advise them of the procedures for designating a bank account for receiving benefits and the system for payment claim by a designated proxy to enhance our customer service.

We will continue to enhance collaboration with Japan Post to bring even greater satisfaction to our customers.



### Promotion of “Kampo Platinum Life Service” (Service Focusing on Elderly Customers)

#### ● The Intent and Purpose of the Kampo Platinum Life Service

We are conducting a company-wide initiative called “Kampo Platinum Life Service” to win the favor of the growing number of elderly customers by offering age-friendly services based on a sense of security and trust that has been enabled by improving every customer contact from our elderly customers' perspective.

This initiative aims to provide products and services matched to the needs of elderly customers. Under the initiative, we intend to encourage improvement whenever we interact with customers and build a business model that is friendly to elderly customers.

# かんぽ プラチナライフサービス

Kampo Platinum Life Service logo used across Japan Post Insurance

### Main Activities

#### ● Extended the upper age limit of our endowment insurance and whole life insurance

We extended the upper age limit of our endowment insurance (*Shin Free Plan*) in April 2015 and whole life insurance (*Shin Nagaiki Kun*) in October 2015 to encourage the enrollment of customers at older ages.

かんぽ生命では、ご高齢者にやさしい商品・サービスを提供しています。

2015年4月2日から、新フリープラン（普通型老保険）が、  
特別優待保険の加入年齢範囲を拡大しました。

「新フリープラン（普通型老保険）」が  
「80歳」の方まで、ご加入  
いただけるようになりました！  
加入年齢 0～75歳・0～80歳

2015年10月2日から、  
新ながいきくん（定期型）が、  
終身保険の加入年齢範囲を拡大しました。

「新ながいきくん（定期型）」が  
「85歳」の方まで、ご加入  
いただけるようになりました！  
加入年齢 満15～65歳・満15～85歳

#### ● Published an information magazine for elderly customers

In November 2015, we launched an information magazine for elderly customers titled “Kampo Platinum Life Service” with tips for everyday life and published the second issue in May 2016. This magazine is available at post offices or on our website.



### Launched a new service

In May 2016, we started offering a free telephone consultation service on health, medicine, nursing and "taxes in life" for the policyholders and insured persons of our life insurance and Postal Life Insurance contracts and their families.

### Efforts when explaining our insurance products

When explaining our products to elderly customers, we try to explain in an attentive and easy-to-understand manner. We ask customers aged 70 or older to have a family member or equivalent present when listening to an explanation of our insurance products. Since April 2016, we have sent written guidance after enrollment so that the policyholder can reconfirm the details of the insurance policy.

### Establishment of a dedicated call center for elderly customers

In April 2015, we established a dedicated call center for elderly customers where operators trained on how to attend to elderly customers directly answer calls via an exclusive toll-free telephone line.

### Efforts for simpler, more legible and easier notifications

We have made improvements to various notifications and guides for customers on an item-by-item basis. In addition to these improvements, we formulated the Internal Guidelines for Preparing Guides for Elderly Customers to be shared within our Company to make those guides simpler, more legible and easier especially for elderly customers to understand. Since July 2015, we have made revisions to those guides in accordance with these guidelines.

The "Insurance Policy Handbook" enclosed in the "Certificate of Premium Payment and Notice of Policy Details" delivered in October 2015 was created by reflecting the results of user testing to make it simple and easy to understand for elderly customers. The handbook acquired the certification of Universal Design Verified by Elderly Users from JITSUKEN, a nonprofit organization certified by the Cabinet Office. In two consecutive years from the fiscal year ended March 31, 2015, the handbook also acquired the Certificate of Color Universal Design from the Color Universal Design Organization, a nonprofit organization, as it was created to achieve the best effect in terms of coloring and lettering size.



"2015 Insurance Policy Handbook" prepared in accordance with the "Internal Guidelines for Preparing Guidebooks for Elderly Customers"



Certificate of Color Universal Design



Certificate of Universal Design Verified by Elderly Users

### Encouraging employees to acquire qualifications

From the perspective of enhancing customer services, we encourage employees to acquire qualifications as a Dementia Supporter, a Carefitter and others.

As of March 31, 2016, 2,795 employees had acquired the qualification of Dementia Supporter and 69 employees as a Carefitter.



Carefitter training

### Holding a free seminar on the use of tablet devices

For the purpose of improving the quality of life of elderly people through the acquisition of IT skills, we have held free seminars on the use of tablet devices for elderly people since May 2015 in a tie-up with the Sendai Senior Net Club, a nonprofit organization, in Sendai and other Tohoku areas.



At a seminar in March 2016 in Koriyama City, Fukushima Prefecture

### Launched Sales of Short-Term Premium Payment Endowment Insurance

To respond to customers' needs to be free from the burden of paying insurance premiums earlier, etc., we launched sales of Ordinary Endowment Insurance "Shin Free Plan (short-term premium payment)" in October 2015.

#### Product Features

- Feature 1: This product release customers from the burden of paying insurance premiums earlier as it enables them to complete premium payments in a shorter period (10 years) than the insurance period (15 years).
- Feature 2: By making the insurance premium payment period shorter than the insurance period and offering a certain deferment period after completing premium payments, this product enables customers to enroll in the insurance policy with less total premiums than those paid over the full term of insurance.
- Feature 3: By adding a hospitalization rider, hospitalization costs are covered. In addition, the coverage lasts until the maturity date even after the completion of premium payments.

### Introduced "Deferred First Premium Payment System" and "Special Provision on Designating Commencement Date of Liability"

#### ● Deferred First Premium Payment System

In October 2015, we launched a deferred first premium payment system in which the coverage (liability) starts from the time customers apply and report their health status, and then

customers make their first premium payment through a bank transfer or other way after the policy is concluded.

Previously, customers were requested to pay the first premium in cash at the time of application because a bank transfer was not available for such initial premium payment. The adoption of this system enables customers to start paying premiums by bank transfer from the first payment.

With the commencement of this new system, customers are no longer requested to bring cash when they pay the first premium, thus enhancing customers' convenience and improving our operational efficiency of collection of premiums.

#### ● Special Provision on Designating Commencement Date of Liability

In October 2015, we commenced the handling of a special provision on designating the commencement date of liability whereby policy holders can designate the commencement date of coverage (liability) at the time of application.

As a result, customers can start application procedures for new insurance policies and designate the commencement date of coverage (liability) at most three months prior to the maturity of the insurance policies in which they are already enrolled, thus enabling seamless transition to new coverage (liability) without causing duplicate coverage or an in-between period.

With the commencement of this new provision, procedures to make an insurance claim for maturity proceeds and application for new insurance policies can be handled at the same time, thus enhancing customers' convenience and improving our operational efficiency for the solicitation of new insurance policies.

### Further Refinement of Insurance Benefit Payment Operations through Utilization of IBM Watson

We are promoting study on further refinement of our insurance claim payment operations through utilization of the Watson technology, which is IBM's cutting-edge cognitive computing system.

More specifically, we will consider the development of an operational support system to enable examination staff to handle payment operations more promptly and accurately. This operational support system proposes options with certainty factors for staff to make payment decisions based on an analysis of our payment examination data (one of the largest data sources in Japan), contract terms, relevant laws and regulations, and past cases.

We will continue to work toward our management philosophy of becoming the "No. 1 Japanese Insurance Company Selected by Customers" through initiatives such as the improvement of our service level.

Note: Cognitive computing is a technology whereby computers autonomously make links to various data input and analyze and learn from that to provide support for decision-making through computing and evaluating the estimated results.

### Reinforcement of Payment Operations

#### ● For Simple, Prompt and Accurate Claim Payments

Our most significant mission as an insurance company is to pay the insurance and other benefits we promised to policyholders. To fulfill this responsibility properly from the standpoint of the policyholders, we have engaged in efforts to achieve simple,

prompt and accurate claim payments toward the goal of upgrading our claim payments management structure to the industry's highest level.

Specifically, we are promoting the enhancement of procedures upon receiving insurance claims and notices of other claimable insurance benefits; the development of examination staff with the knowledge and skills required for claim payment examination through professional trainings and education; the enhancement of IT-supported assistance to the payment examination process by introducing the Claim Payment Processing System (SATI); and strengthening the functions of the Policy Assessment Services Center, which plays the central role in claim payment examinations.

#### **Claim Payment Processing System (SATI)**

As our top priority measure for strengthening our claim payments management structure, the Claim Payment Processing System (SATI) enables a shift of the payment examination process from paperbased to digital-data-based using advanced image workflow (IWF) technologies and enhances IT-supported assistance throughout the entire process, thereby aiming to achieve simple, prompt and accurate claim payments and thus enhance customer services.

Based on this processing system, we will continue to enhance the quality and efficiency of the payment examination process via the plan, do, check, act (PDCA) cycle using various data, thereby strengthening the claim payments management structure.

#### ● **Education and Training for Payment Examination Staff**

In addition to lectures on new products and services when they are launched, the education and training for our claim payment examination staff include those designed to acquire our proprietary payment examination skills and e-learning programs according to the analysis results of the Claim Payment Processing System (SATI) and payment examination skills. We also encourage the staff to acquire the qualification of a Life Insurance Payment Specialist as offered by The Life Insurance Association of Japan to enhance their payment examination capabilities.

#### ● **Highly Objective and Neutral Examination System for Insurance Claims**

When we receive an insurance claim from a customer, the dedicated staff at the Policy Assessment Services Center conducts a claim payment examination. According to the content of the claim, the staff asks for medical opinions from the employees who have a medical doctor's license and/or legal opinions from external lawyers to ensure highly objective and neutral examinations.

More specifically, if it is possible that the insured event falls under the exclusions prescribed in the policy conditions, we investigate the detailed facts as necessary and have an external lawyer examine whether the exclusions are applicable.

If a customer is not satisfied with the examination result, he/she can ask for a review by the Claims-Related Services Review Session, which consists of external lawyers and other members and reviews conflicts concerning the payment of insurance

benefits. This also contributes to ensuring highly objective and neutral payment examinations.

## **③ Investment Policies**

Japan Post Insurance's operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others.

Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets with a high affinity to the characteristics of liabilities, and investments in risk assets such as foreign securities and stocks under appropriate risk management.

Japan Post Insurance Co. aims to enhance profitability by strengthening the investment divisions and accelerating the diversification of asset management.



## TOPICS

### Celebrating the 100th Anniversary of Postal Life Insurance

The Postal Life Insurance Service, which was succeeded by Japan Post Insurance after the privatization of the postal service, will celebrate its 100th anniversary in October 2016. Inheriting the service's social mission of "providing basic measures of life with simple procedures for the people of Japan," we have provided simple and easy-to-understand products with smaller coverage amounts through the nationwide network of post offices, while enhancing the quality of customer services.

Throughout the year, we will carry out various initiatives to celebrate the 100th anniversary of Postal Life Insurance.



#### 100th Anniversary Ads Featuring Yoshihiko Inohara

TV commercials featuring the 100th anniversary ambassador Yoshihiko Inohara, who appears as "Kampo-san," have been broadcast since April 2016. The commercials convey our sincere thanks to the many customers who have supported us through the heartfelt expression of Mr. Inohara as he looks down upon a town, filled with thanks for the 100th anniversary. Along with the TV commercials, commemorative posters that show our gratitude for the 100th anniversary are posted at post offices nationwide.



#### Japan Post Insurance presents DREAMS COME TRUE Uradori Wonderland 2016 Special Sponsorship

We are sponsoring the special concert tour "Japan Post Insurance presents DREAMS COME TRUE Uradori Wonderland 2016" by DREAMS COME TRUE, which is a popular J-POP group among people of all age groups. Through this sponsorship, we would like to deliver dreams to everyone.



#### TV Commercials in Collaboration with DREAMS COME TRUE

The "Everyone's Dream" version of TV commercials are broadcast nationwide, featuring DREAMS COME TRUE and a song exclusively composed by them to commemorate the 100th anniversary of Postal Life Insurance. In these commercials, DREAMS COME TRUE cheers people's dreams throughout Japan via the melody of this new song.



TV commercial "Everyone's Dream" version

#### Special Website for the 100th Anniversary of Postal Life Insurance (<http://100th.jp-life.japanpost.jp/>)

In commemoration of the 100th anniversary, a special website has been established. The site provides information on the 100th anniversary ads featuring Yoshihiko Inohara and the history of Postal Life Insurance.



\* Postal Life Insurance does not accept new applications for insurance policies on and after October 2007. In addition, unlike Postal Life Insurance policies, no government guarantee is given to insurance policies currently underwritten by Japan Post Insurance Co., Ltd. with regard to benefit payments. For Postal Life Insurance policies entered into before September 2007, Japan Post Insurance Co., Ltd. is entrusted by the Management Organization, which succeeds the rights and obligations of the insurance policies, to provide services concerning benefit payments and receipt of insurance premiums, etc.



## Life is Full of Dreams

With the tagline "Life is Full of Dreams," we put up corporate ads that encourage all people who are moving forward in their lives.

Featuring actress Mitsuki Takahata as its new spokesperson, our new series of corporate ads, titled "That's a life, My Life," have aired nationwide on TV since March 2016.

The corporate ad conveys a message—"All lives are unique, and your life is undoubtedly yours. The world in which you live is full of wonderful things"—with a musical-like performance to an original song composed by musician Ringo Sheena.

The corporate ads have been extensively placed in various media, including posters at post offices nationwide, in newspapers and on transit mainly in the Tokyo metropolitan and Kansai areas.

Through the corporate ads, we spread our wish to support the lives of our customers and other people living in local communities by always being close at hand.



Corporate TV commercial "That's a life, My Life"



Newspaper ad



Poster



Transit ad

## "Full of Dreams" Caravan

To deliver the corporate message of "encouraging those who take on the challenges toward achieving their dreams" on a continuing basis and from many angles, we have some of Japan Post Group's employees and their families who work enthusiastically toward their dreams to appear in corporate ads that are placed in magazines and on a special website for the campaign: <http://www.yumedarake.jp/caravan/>.



"I pledge to make it a game played fairly."



"I am building up muscle toward my dreams."



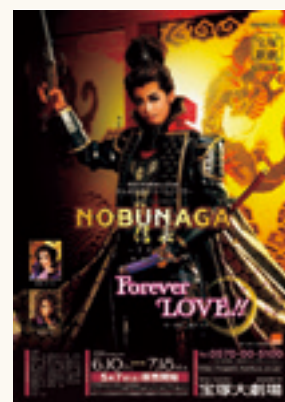
"I met my wife in space."

Note: The information is effective as of the date and time of the filming.

## KAMPO DREAM THEATER, Sponsorship of the Takarazuka Revue

As one of our cultural activities, we sponsor the Takarazuka Revue's 2016 performances by the Moon troupe: Rock Musical "Nobunaga: The Will to Power" and Shining Show "Forever LOVE!!," as we did in 2015.

Through the sponsorship of the performances of the Takarazuka Revue, we wish to deliver dreams to the audiences at these performances.



©Takarazuka Revue Company

## TOPICS

### Sponsorship Contract with Female Professional Golfer Momoko Ueda

Since March 2015, we have been under a three-year sponsorship contract with Momoko Ueda, a professional golfer. Her committed efforts to making her dreams come true led to the sponsorship.

Ms. Ueda has competed in various golf tournaments armed with a cap, golf clothing and a golf bag bearing the name of Japan Post Insurance.

Wishing her further success, we will continue to provide support for her.

### Special Sponsorship of Student Music Concours of Japan to Encourage Students Striving for Their Dreams

To develop a music culture and support students who are taking on the challenge of pursuing their dreams, we sponsor the Student Music Concours of Japan.

This competition nurtures an appreciation of music and helps improve performance techniques. Through a fair screening process, young talents are discovered who can perform on the global stage, thereby contributing to the development of music culture.

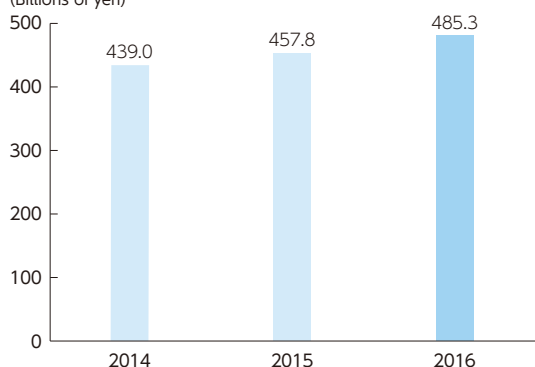


## ④ Japan Post Insurance Co. Business Performance (Non-Consolidated)

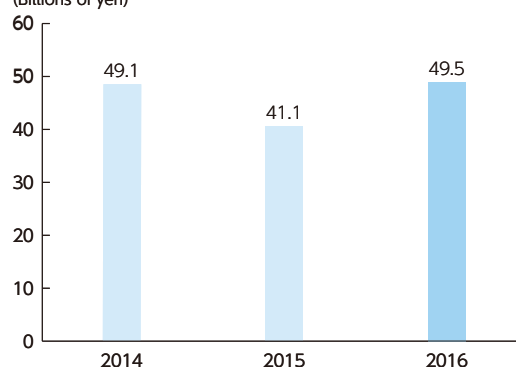
### 1 Insurance Policies

#### ■ Annualized Premiums – New Policies

Individual Insurance / For the years ended March 31  
(Billions of yen)



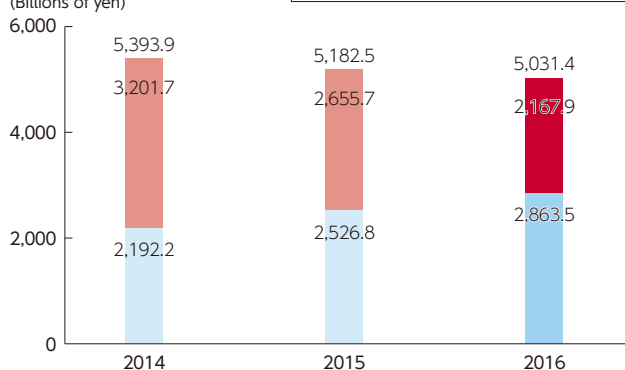
Third-Sector / For the years ended March 31  
(Billions of yen)



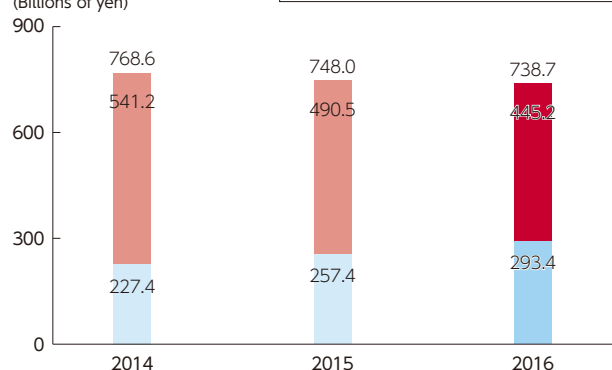
Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

#### ■ Annualized Premiums – Policies in Force

Individual Insurance / As of March 31  
(Billions of yen)



Third-Sector / As of March 31  
(Billions of yen)



Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies (individual insurance policies are limited to Postal Life Insurance Policies) it has received from the Management Organization in the form of reinsurance.

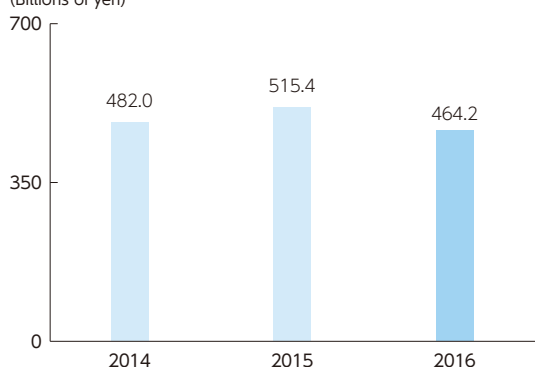
2. Regarding Postal Life Insurance Policies that Japan Post Insurance has received from the Management Organization in the form of reinsurance, it calculated its annualized premiums under "Old Classification" based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities it has underwritten.

3. "Third-sector" includes medical benefits (including hospitalization and surgery benefits) and living benefits (including specified diseases and nursing care benefits).

### 2 Sound Management Indicators

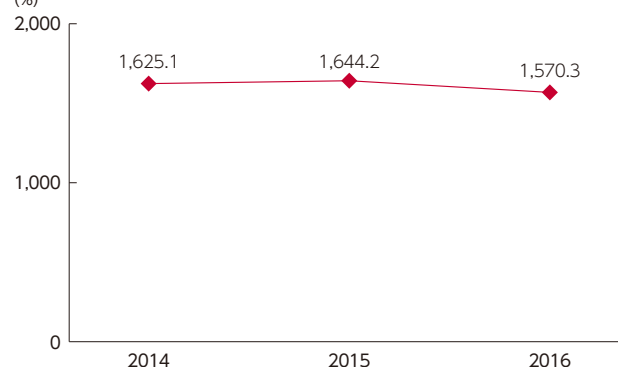
#### ■ Core Profit

Years ended March 31  
(Billions of yen)



#### ■ Consolidated Solvency Margin Ratio

As of March 31  
(%)



## ⑤ Japan Post Insurance Co. (Consolidated) Financial Highlights

As a result of efforts to strengthen its sales promotion capabilities in corporation with Japan Post Co., new insurance policies for individuals totaled 2.39 million. Ordinary income was ¥9,605.7 billion, net ordinary income was ¥411.5 billion and net income attributable to Japan Post Insurance Co. was ¥84.8 billion. Insurance premiums amounted to ¥5,413.8 billion, while internal reserves (contingency reserve and reserve for price fluctuations) totaled ¥3,157.1 billion, and a consolidated solvency margin ratio was 1,570.3%.

### Consolidated Results of Operations

#### ■ Ordinary income

(Year ended March 31, 2016)

**¥9,605,743** million

#### ■ Net ordinary income

(Year ended March 31, 2016)

**¥411,504** million

#### ■ Net income attributable to Japan Post Insurance Co.

(Year ended March 31, 2016)

**¥84,897** million

#### ■ Net income per share (Note 1)

(Year ended March 31, 2016)

**¥141.50**

#### ■ Diluted net income per share (Note 2)

(Year ended March 31, 2016)

—

#### ■ Return on equity

(Year ended March 31, 2016)

**4.4%**

#### ■ Net ordinary income/ Total assets

(Year ended March 31, 2016)

**0.5%**

#### ■ Net ordinary income/ Ordinary income

(Year ended March 31, 2016)

**4.3%**

Notes: 1. Japan Post Insurance Co. implemented a 30-for-1 common stock split effective August 1, 2015, and net income per share for the year ended March 31, 2016 was calculated assuming the stock split was implemented on April 1, 2015.

2. Because there was no potential common stock, the amount for diluted net income per share is omitted.

## Consolidated Financial Position

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### ■ Total assets

(As of March 31, 2016)

**¥81,545,182 million**

### ■ Net assets

(As of March 31, 2016)

**¥1,882,982 million**

### ■ Equity ratio

(As of March 31, 2016)

**2.3%**

### ■ Net assets per share

(As of March 31, 2016)

**¥3,138.30**

(Reference)  
Equity capital  
As of March 31, 2016:  
¥1,882,982 million

Note: Japan Post Insurance Co. implemented a 30-for-1 common stock split effective August 1, 2015, and net assets per share as of March 31, 2016 was calculated assuming the stock split was implemented on April 1, 2015.



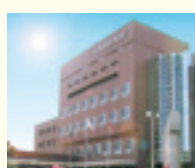
# 5. Other Businesses

## ① Hospital Business

Japan Post Holdings has established ten 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 89 for details including locations.

Notably, Tokyo Teishin Hospital has 477 sickbeds and advanced medical equipment to organize a structure required for providing advanced medical care, and approximately 7,600 people utilized medical check-up services during fiscal year ended March 31, 2016. The hospital also has a palliative care unit to provide cancer patients with relief from physical and mental pain so that they can spend valuable time with their family in the most comfortable way as possible.

### List of ten Teishin Hospitals nationwide



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



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



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



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



**Tokyo Teishin Hospital**  
Departments  
Internal medicine, endocrinology/metabolism, hematology, neurology, infectious diseases, cardiology, nephrology, gastroenterohepatology, respiratory diseases, psychiatry, surgery, gastroenterological surgery, respiratory surgery, neurosurgery, orthopedics, gynecology, pediatrics, ophthalmology, dermatology, plastic and reconstructive surgery, urology, otolaryngology, radiology, rehabilitation, anesthesiology, palliative care, dental/oral surgery, emergency, pathology



**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, respiratory diseases, geriatrics, surgery, urology, obstetrics and gynecology, pediatrics, ophthalmology, dermatology, otolaryngology, orthopedics



**Kagoshima Teishin Hospital**  
Departments  
Internal medicine, gastroenterohepatology, gastroenterological surgery, liver internal medicine, liver surgery, 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 facilitiesInns

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.

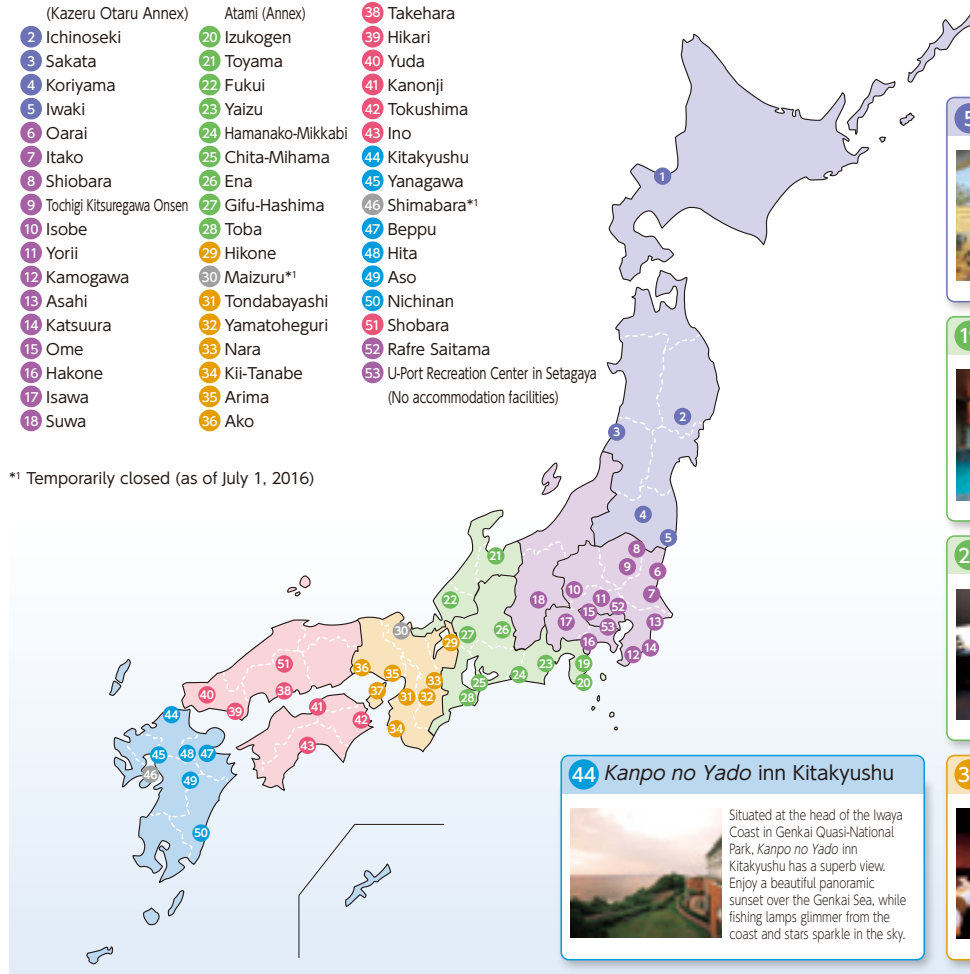
MIELPARQUE hotels provide accommodations, conference rooms, banquet and wedding halls, restaurants and other facilities.

Note: 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.

## List of Accommodation Facilities Nationwide

- |                                 |   |  |
|---------------------------------|---|--|
| 1 Otaru<br>(Kazeru Otaru Annex) | 19 Atami (Main Building)<br>Atami (Annex) | 37 Awajishima  |
| 2 Ichinoseki                    | 20 Izukogen                               | 38 Takehara  |
| 3 Sakata                        | 21 Toyama                                 | 39 Hikari  |
| 4 Koriyama                      | 22 Fukui                                  | 40 Yuda  |
| 5 Iwaki                         | 23 Yaizu                                  | 41 Kanonji   |
| 6 Oarai                         | 24 Hamanako-Mikkabi                       | 42 Tokushima   |
| 7 Itako                         | 25 Chita-Mihama                           | 43 Ino   |
| 8 Shiobara                      | 26 Ena                                    | 44 Kitakyushu  |
| 9 Tochigi Kitsuregawa Onsen     | 27 Gifu-Hashima                           | 45 Yanagawa  |
| 10 Isobe                        | 28 Toba                                   | 46 Shimabara*  |
| 11 Yorii                        | 29 Hikone                                 | 47 Beppu   |
| 12 Kamogawa                     | 30 Maizuru* <sup>1</sup>                  | 48 Hita  |
| 13 Asahi                        | 31 Tondabayashi                           | 49 Aso   |
| 14 Katsuura                     | 32 Yamatoheguri                           | 50 Nichinan  |
| 15 Ome                          | 33 Nara                                   | 51 Shobara   |
| 16 Hakone                       | 34 Kii-Tanabe                             | 52 Rafre Saitama   |
| 17 Isawa                        | 35 Arima                                  | 53 U-Port Recreation Center in Setagaya<br>(No accommodation facilities) |
| 18 Suwa                         | 36 Ako                                    |  |

\*<sup>1</sup> Temporarily closed (as of July 1, 2016)



On our recommendation list:

#### 5 Kanpo no Yado inn Iwaki



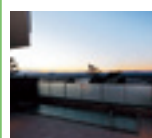
All guestrooms have a spectacular ocean view of the long white sandy beach and black pine forest of the Iwaki Kaigan Prefectural Natural Park. Watch the beautiful Pacific sunrise from your room or indulge in the outdoor hot spring under the starry sky.

#### 19 Kanpo no Yado inn Atami (Main Building)



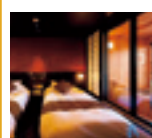
The hot spring hotel's hilltop location offers a panoramic view of Atami city and the Sagami Bay. The Main Building was renewed in December 2015 with four types of spas including outdoor, jet baths and bed baths.

#### 25 Kanpo no Yado inn Chita-Mihama



Rejuvenate your mind and body in the skin-soothing natural hot springs while overlooking Ise Bay at Kanpo no Yado inn Chita-Mihama, which reopened in February 2016 with a new tropical resort design.

#### 33 Kanpo no Yado inn Nara



Located just west of the Heijo Palace site and perfect for visiting the various World Heritage sites scattered throughout the ancient capital, Kanpo no Yado inn Nara reopened in March 2016 with new guestrooms, including special Japanese-Western style rooms with private panoramic view baths.

#### 44 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.