



1H FY3/2016 Results Briefing

November 20, 2015

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Highlights

1. Progress versus FY3/2016 forecast largely on track (1H net income: ¥213.3bn, 57.7% of full-year forecast)

■ Earnings at major subsidiaries

□ Japan Post Co. (consolidated)

- Postal and logistics business segment: operating income up ¥35.3bn YoY to ¥868.1bn on growth in volumes for Yu-Pack, EMS and other products, net operating loss improved by ¥3.2bn YoY to ¥46.3bn.
- International logistics business segment: operating income ¥191.4bn, net operating income ¥8bn (IFRS basis).
- Post office business segment: operating income up ¥37.1bn YoY to ¥666.3bn on growth in financial services commissions, merchandising, real estate development and third-party financial product agency services, net operating income up ¥7.9bn to ¥21.6bn.

□ Japan Post Bank: 1H net income down ¥10.1bn YoY to ¥171.5bn, equating to 53.6% of full-year forecast.

□ Japan Post Insurance: 1H net income down ¥2.3bn YoY to ¥48.5bn, equating to 57.8% of full-year forecast.

2. Full-year FY3/2016 business forecasts and dividend policy

- We forecast FY3/2016 net income of ¥370bn, down ¥112.6bn YoY due to lower interest income in the banking business segment, maintenance costs (extraordinary losses) to repair aging post offices and other infrastructure, and a decline in the equity stake in the Group's two financial companies.
- We are targeting a year-end dividend payout ratio of 25% or higher and plan to use proceeds from the IPO to repurchase shares.

3. Group strategy – Medium-term business plan and Group investment strategy

4. Japan Post Co. business strategy – Japan Post Co. business strategy in light of 1H FY3/2016 results

* In this document, "net income" and "1H net income" for Japan Post Holdings Group (consolidated), Japan Post Co. (consolidated) and Japan Post Insurance (consolidated) are "net income attributable to Japan Post Holdings" and "1H net income attributable to Japan Post Holdings," respectively.

1 Overview of 1H FY3/2016 results

1-1 Results summary

- Japan Post Group (consolidated): 1H net income down ¥3.7bn YoY to ¥213.3bn, mainly due to the impact of persistently low interest rates at Japan Post Bank; good progress versus forecast, with 1H net income equating to 57.7% of full-year forecast.
- Japan Post Co.: 1H operating income up ¥260.8bn YoY, reflecting growth in volumes for Yu-Pack and other products, earnings from Toll, and growth in financial services commissions, merchandising, real estate development and third-party financial product agency services; 1H net operating loss improves ¥9bn.
- Japan Post Bank: profits lower due to the impact of persistently low interest rates; deposits down ¥815.4bn from end-1H FY3/2015; in asset management, expanded the satellite portfolio with foreign securities and other assets.
- Japan Post Insurance: core profit down ¥28bn, net income lower versus 1H FY3/2015, mainly reflecting a decline in policies in force; annualized premiums on new policies largely steady YoY.

	(¥ bn)			
	Japan Post Group (consolidated)	Japan Post Co.	Japan Post Bank	Japan Post Insurance
Ordinary income	7,035.0	1,643.9	987.1	4,881.3
YoY change	(70.6)	+263.3	(43.8)	(290.3)
	(-1.0%)	(+19.1%)	(-4.2%)	(-5.6%)
Net ordinary income	473.3	(21.8)	251.6	218.7
YoY change	(45.4)	+12.2	(21.3)	(44.7)
	(-8.8%)	(-)	(-7.8%)	(-17.0%)
1H net income	213.3	(12.5)	171.5	48.5
YoY change	(3.7)	+23.3	(10.1)	(2.3)
	(-1.7%)	(-)	(-5.5%)	(-4.5%)

*1. Figures less than ¥100mn have been rounded down; totals for Japan Post Group (consolidated) do not agree with the combined figures for Group companies due to factors related to consolidated accounting.

*2. Japan Post Co. and Japan Post Insurance figures are consolidated, including earnings from subsidiaries and affiliates.

1-2-1 Results by major subsidiary – Japan Post Co. (consolidated)

- Postal and logistics business: operating income up ¥35.3bn YoY to ¥868.1bn on growth in volumes for Yu-Pack, EMS and other products, net operating loss improved by ¥3.2bn YoY to ¥46.3bn.
- International logistics business (Toll): operating income ¥191.4bn, net operating income ¥8bn.
- Post office business: operating income up ¥37.1bn YoY to ¥666.3bn on growth in financial services commissions, merchandising, real estate development and third-party financial product agency services, net operating income up ¥7.9bn to ¥21.6bn.

(¥ bn)

Item	Japan Post Co. (consolidated)	YoY change	Postal and logistics	YoY change	*2 International logistics	*3 YoY change	Post office	YoY change
Operating income	1,633.0	+260.8	868.1	+35.3	191.4 (2,156)	-	666.3	+37.1
Operating expenses	1,659.9	+251.8	914.5	+32.0	183.4 (2,066)	-	644.6	+29.1
Personnel expenses	1,111.0	+90.6	591.3	+15.5	59.4 (669)	-	460.2	+15.6
General and administrative expenses	*1 548.8	+161.1	323.1	+16.5	123.9 (1,396)	-	184.4	+13.4
Net operating income (loss)	(26.8)	+9.0	(46.3)	+3.2	8.0 (90)	-	21.6	+7.9

Net ordinary income (loss)	(21.8)	+12.2
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Interim net income (loss) before income taxes	(11.2)	+25.3
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Interim net income (loss)	(12.5)	+23.3
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*1. Includes goodwill amortization of ¥6.1bn (for Jul-Sep 2015) related to the consolidation of Toll.

*2. Toll's financial statements are based on IFRS (i.e., not Japanese GAAP); EBIT used for Toll's net operating income (same below); figures in brackets show actual results in millions of AUD based on average exchange rate of ¥88.77/AUD during the period.

*3. YoY comparison figures have not been shown, as Toll became a consolidated subsidiary during the interim period under review.

1-2-2 Results by major subsidiary – Japan Post Co. (consolidated) – Postal and logistics business

- Operating income up ¥35.3bn YoY to ¥868.1bn, reflecting growth in Yu-Pack volume due to expansion of e-commerce market and stepped up marketing targeting small and medium business users, as well as higher EMS volumes.
- Despite efforts to control costs by improving productivity in collection and delivery operations, operating expenses increased ¥32bn YoY to ¥914.5bn due mainly to an increase in average pay rates.
- Net operating loss improved by ¥3.2bn YoY to ¥46.3bn

Results for 1H FY3/2016

	(¥ bn)		
	1H FY3/2016	1H FY3/2015	Increase (Decrease)
Operating income	868.1	832.8	+35.3
Operating expenses	914.5	882.4	+32.0
Personnel expenses	591.3	575.8	+15.5
General and administrative expenses	323.1	306.6	+16.5
Net operating income (loss)	(46.3)	(49.6)	+3.2

< Factors behind growth in operating income >

- Growth in Yu-Pack, Yu-Mail volumes
- Growth in EMS, international parcels
- Higher sales for Letter Pack (including Smart Letter)

< Factors behind increase in personnel expenses >

- Higher salaries (including pay for fixed-term employees)
- Increase in statutory welfare expenses

< Factors behind increase in general and administrative expenses >

- Rise in international shipping costs due to growth in EMS and other products
- Increase in domestic collection, delivery and shipping outsourcing expenses due to growth in Yu-Pack and other products.

* Net operating loss for 1H is partly due to the seasonal nature of the postal business, with earnings typically weighted to 2H due to New Year's greeting card demand.

1-2-3 Results by major subsidiary – Japan Post Co. (consolidated) – International logistics business

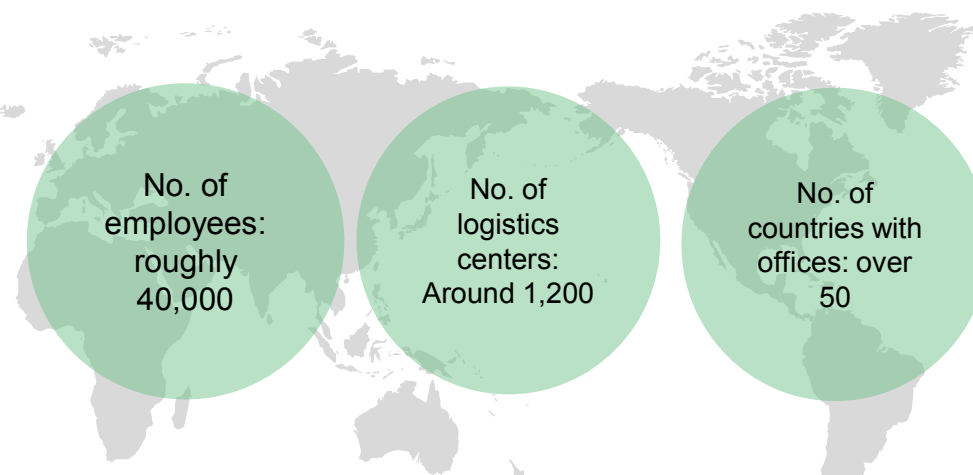
- Global logistics company Toll handles the Group's international logistics business. It has a strong operating base in Australia and provides forwarding and contract logistics services (3PL) in the Asia Pacific region.
- Toll's operating income and net operating income for Jul-Sep 2015 were on par with levels of the previous year (Toll's results are included in the Group's consolidated financial statements from Jul 2015)
- We have positioned Toll as the platform for the Group's international logistics business, which will be used to drive the Group's growth; we therefore plan to make the necessary ongoing investments to support growth.

Toll's Results for 1H FY3/2016 (reference)

(AUD, millions)

	1H FY3/2016 *1	1H FY3/2015 *2	Change *2
Operating income	2,156	2,140	+16 (+0.8%)
Operating expenses	2,066	2,059	+6 (+0.3%)
Net operating income (EBIT)	90	81	+9 (+12.1%)

TOLL



*1 The 1H FY3/16 column shows earnings for only three months (Jul-Sep 2015, IFRS basis), as Toll's results were included in the Group's consolidated financial statements from July 2015.

*2 The 1H FY3/15 column shows Toll's results for the same three months a year earlier (IFRS basis) and the Change column shows the YoY change (AUD basis), provided for reference purposes only.

1-2-4 Results by major subsidiary – Japan Post Co. (consolidated) – Post office business

- Operating income rose ¥37.1bn YoY to ¥666.3bn on growth in financial services commissions, merchandising, real estate development and third-party financial product agency services.
- Net operating income increased ¥7.9bn YoY to ¥21.6bn.

Results for 1H FY3/2016			
	1H FY3/2016	1H FY3/2015	Increase (Decrease)
Operating income	666.3	629.1	+37.1
Operating expenses	644.6	615.4	+29.1
Personnel expenses	460.2	444.5	+15.6
General and administrative expenses	184.4	170.9	+13.4
Net operating income	21.6	13.6	+7.9

< Breakdown of operating income >

Item	1H FY3/2016 results
Commissions for business consignment	¥577.9bn
Postal fees	¥84.4bn
Banking commissions	¥308.1bn
Insurance commissions	¥185.4bn
Other income	¥88.3bn
Merchandising business	¥61.9bn
Real estate business	¥14.8bn
Third-party financial product agency services	¥5.4bn

< Factors behind increase in personnel expenses >

- Higher salaries (including pay for fixed-term employees)
- Increase in statutory welfare expenses

< Factors behind increase in general and administrative expenses >

- Increase in costs related to merchandising business
- Increase in costs related to unit sales of residential real estate

< Factors behind decrease in general and administrative expenses >

- Lower costs for purchase of next-generation computer terminals

1-3 Results by major subsidiary – Japan Post Bank

Results of operations for 1H FY3/2016

(Billions of yen, %)

	1H FY3/2016	1H FY3/2015	Increase (Decrease)
Gross operating profit	759.4	821.4	(61.9)
Net interest income	699.4	777.1	(77.6)
Net fees and commissions	46.9	44.5	+2.4
Net other operating income (loss)	13.1	(0.2)	+13.3
General and administrative expenses ^{*1}	531.6	565.1	(33.4)
Provision for general reserve for possible loan losses	(0)	-	(0)
Net operating profit	227.8	256.2	(28.4)
Non-recurring gains (losses)	23.8	16.7	+7.1
Net ordinary income	251.6	273.0	(21.3)
1H net income	171.5	181.7	(10.1)
Ordinary income	987.1	1,030.9	(43.8)
Ordinary expenses	735.4	757.9	(22.4)
Deposits ^{*2}	177,131.0	177,946.5	(815.4)
Capital adequacy ratio (non-consolidated, domestic standard)	30.45	44.91	(14.46)

Overview

- Gross operating profit declined ¥61.9bn YoY to ¥759.4bn. Net interest income fell YoY, while net fees and commissions and net other operating income increased YoY.
- General and administrative expenses decreased ¥33.4bn YoY to ¥531.6bn, mainly due to a reduction in the deposit insurance premium rate.
- Amid the challenging business environment, characterized by prolonged historically low interest rates, net operating profit fell ¥28.4bn YoY to ¥227.8bn and net ordinary income declined ¥21.3 billion YoY to ¥251.6bn.
- Net income fell ¥10.1bn YoY to ¥171.5bn, equating to 53.6% of the FY3/2016 full-year forecast of ¥320bn.

(Billions of yen, %)

	1H FY3/2016	FY3/2016 full-year business forecasts	Attainment rate
Ordinary income	251.6	460.0	54.7
1H net income	171.5	320.0	53.6

*1: Excludes non-recurring losses *2: Excludes accrued interest

1-4 Results by major subsidiary – Japan Post Insurance(consolidated)

- Net income amounted to ¥48.5 billion, a 4.5% decrease year on year. However, 57.8% of the full-year forecast has been achieved, signifying steady progress.
- Annualized premiums from new policies for individual insurance amounted to ¥238.1 billion, same level as the previous fiscal year. Annualized premiums from new policies for medical care was on a recovery track at ¥24.6 billion or a 17.7% increase year on year.
- EV increased by ¥66.8 billion from the end of the previous fiscal year to ¥3,568.1 billion, backed by an increase in sales of new policies (a 17.3% increase year on year in Value of New Business).

Financial Highlights and Financial Result Forecasts

(¥ bn)

	1H FY3/2015	1H FY3/2016	YoY change	FY3/2016 full-year forecast	Progress
Ordinary income	5,171.7	4,881.3	(5.6)%	9,550.0	51.1%
Ordinary profit	263.5	218.7	(17.0)%	350.0	62.5%
Net income*1	50.8	48.5	(4.5)%	84.0	57.8%

< Assets >

(¥ bn)

	End-Mar 2015	End-Sep 2015	Change
Total assets	84,915.0	84,691.8	(0.3)%
Net assets	1,975.7	1,908.6	(3.4)%
Total shareholders' equities	1,412.0	1,436.0	+1.7%

*1: Net income attributable to Japan Post Insurance

Main business indicators

(¥ bn)

	1H FY3/2015	1H FY3/2016	Increase (Decrease)
Policies			
[Individual Insurance] Annualized premiums from new policies	238.1	238.1	0.0
[Medical Care] Annualized premiums from new policies	20.9	24.6	3.7

(¥ bn)

	End-Mar 2015	End-Sep 2015	Increase (Decrease)
EV			
EV	3,501.3	3,568.1	66.8
	1H FY3/2015	1H FY3/2016	Increase (Decrease)
Value of new business	67.6	79.2	11.6

2. Full-year FY3/2016 business forecasts and dividend policy

2-1 FY3/2016 business forecasts

- We forecast net ordinary income of ¥860bn, mainly reflecting the impact of a decline in net interest income in the banking business segment.
- We forecast FY3/2016 net income of ¥370bn, mainly due to maintenance costs (extraordinary losses) to repair aging post offices and other infrastructure and a decline in the equity stake in the Group's two financial companies.

□ Consolidated

(¥ bn)

	FY3/2016 (forecasts)	FY3/2015
Net ordinary income	860.0	1,115.8
Net income	※370.0	482.6

* Calculated after deducting net income attributable to non-controlling interest for the three months from the deemed sale of shares in the two financial companies (December 31, 2015), assuming the Group's equity stake in the two companies drops to 89%.

□ Profits by segment (net ordinary income)

(¥ bn)

Segment	FY3/2016 (forecasts)	FY3/2015
Postal and logistics business	5.0	1.8
International logistics business	28.0	—
Post office business	14.0	22.8
Banking business	460.0	569.6
Life insurance business	350.0	492.6
Other	220.0	150.2
Adjustments	(220.0)	(121.2)
Total	860.0	1,115.8

2-2 Progress in 1H FY3/2016

- We made steady progress in the first half of the fiscal year, with 1H net ordinary income and net income both equating to over 50% of full-year forecasts.
- However, profits may fluctuate significantly from 3Q due to (1) the exclusion of the two financial companies from the tax consolidated group, and (2) trends in financial markets.

Consolidated

(¥ bn)

	1H FY3/2016	FY3/2016 (forecasts)	Attainment rate
Net ordinary income	473.3	860.0	55.0%
Net income	*1213.3	*2370.0	57.7%

*1: The Japan Post Group has adopted a consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company. In normal circumstances, combined taxable income for Japan Post Holdings and Japan Post Co. is negative. As of end-1H FY3/2016, before the sale of the Group's two financial companies, the negative taxable income of Japan Post Holdings and Japan Post Co. offset the taxable income of the two financial companies, reducing the Group's income tax payments. However, the two financial companies are no longer part of the tax consolidated group following their sale in November 2015. Consequently, our full-year forecasts for FY3/2016 are based on the assumption that this reduction in income tax payments will not occur after 3Q FY3/2016.

*2: Calculated after deducting net income attributable to non-controlling interest for the three months from the deemed sale of shares in the two financial companies (December 31, 2015), assuming the Group's equity stake in the two companies drops to 89%.

Profits by segment (net ordinary income)

(¥ bn)

Segment	1H FY3/2016	FY3/2016 (forecasts)	1H FY3/2015	Increase (Decrease)
Postal and logistics business	(32.6)	5.0	(48.0)	+15.3
International logistics business	6.7	28.0	-	-
Post office business	23.3	14.0	14.0	+9.3
Banking business	251.7	460.0	273.0	(21.3)
Life insurance business	218.7	350.0	263.5	(44.7)
Other	225.0	220.0	135.9	+89.0
Adjustments	(219.7)	(220.0)	(119.6)	-
Total	473.3	860.0	518.7	(45.4)

*1: "Other" includes the hotel business and the hospital business, which are not included in reportable segments. "Other" also includes ¥209,245mn in dividends from subsidiaries and affiliates.

*2: "Adjustments" includes items such as elimination of intersegment transactions and goodwill amortization (¥6,141mn) in the international logistics business.

2-3 FY3/2016 shareholder returns

Dividend policy

- We are targeting a year-end dividend payout ratio of 25% or higher (equating to a projected dividend of ¥23 per share)

* Our post-IPO dividend policy is to return 50% or more of net income to shareholders through interim and year-end dividends combined, for the period through to FY3/2018. However, for FY3/2016, we are targeting a dividend payout ratio of 25% or higher, as there will be no interim dividend and less than six months will have passed since the IPO.

Share buybacks

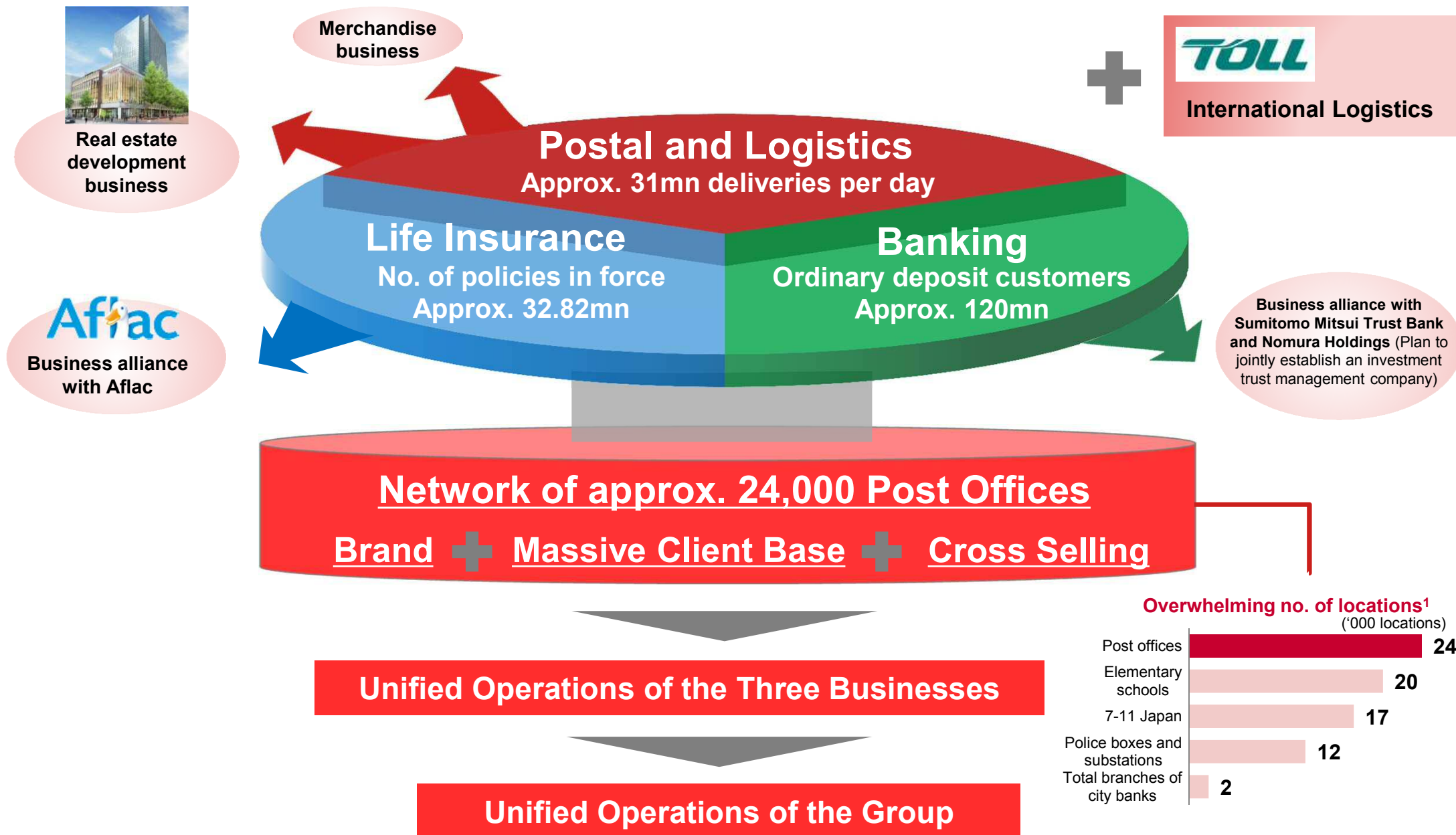
- We will use proceeds from the IPO (¥730.9bn) to repurchase shares. (Off-market share buyback method (ToSTNeT-3))

* The Ministry of Finance issued the following release

At a meeting of the board of directors on September 10, 2015, Japan Post Holdings approved plans to repurchase a portion of its shares between November 5, 2015 and March 31, 2016 using proceeds from the sale of shares in Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. ("the two financial companies"). The shares will be repurchased using the Tokyo Stock Exchange's off-market trading system (ToSTNeT-3). In the event that Japan Post Holdings entrusts the tender-offer-bid for the repurchase of shares to a third party, Japan Post Holdings will issue a sell order for the same number of shares as the number repurchased through the share buyback.

3 Group strategy

3-1 Group structure and business overview



Source: Ministry of Education, Culture, Sports, Science and Technology, National Policy Agency, Japanese Bankers Association, company disclosure

1. Post offices and 7-11 Japan are as of March 31, 2015. Elementary schools is as of May 1, 2015. Police boxes and substations are as of April 1, 2013. Total branches of major banks is as of September 30, 2014.

3-2 Overview of Group strategy (medium-term business plan)

■ FY3/2018 targets for each business strategy

Business strategy		FY3/2018 targets
□ Turn round the postal and logistics business		□ Roughly 680mn Yu-Pack items, 4.1bn Yu-Mail and Yu-Packet items
□ Revitalize the post office network		□ Grow merchandise business to ¥150bn, real estate business to ¥25bn, third-party financial product agency services to ¥20bn
□ Boost earnings at Japan Post Bank		□ Deposits over ¥3tn, investment products more than ¥1tn
□ Halt decline then increase policies in force at Japan Post Insurance		□ Increase new policies to around ¥50bn in FY3/17 then expand further
□ Shift to more sophisticated fund management to increase earnings		□ Japan Post Bank satellite portfolio balance of ¥60tn

< Consolidated management target > Net income of roughly ¥450bn

* Net income after application of new accounting standard for business combinations (accounting standard revision in 2013); includes net income attributable to non-controlling interest, excludes impact of M&As after announcement of medium-term business plan (Toll and other companies).

3-3 Group investment strategy

Investment Topics

Our Achievements and Future Direction

Strengthen Postal and Domestic Logistics Business


- Expand logistics operations
- Improve productivity
- Develop businesses in related areas

Reorganize postal and logistics network (planned through FY3/2019)
Invest in related areas of postal and logistics business (e.g. JP Biz Mail)

Investment for improving productivity and increasing market share of Yu-Pack

Expand International Logistics Business


- Develop and expand overseas logistics operations
- Increase volumes of both inbound and outbound parcels

Japan Post Co.'s acquisition of Toll (May 2015) 
Japan Post Co.'s alliances with Lenton Group and GeoPost (October 2014)

Strategic investment to strengthen global logistics network

Expand Financial Services Business

- Expand the range of third-party financial products
- Grow the range of financial services we offer

Business alliance with Aflac (sales of cancer insurance (sold at approx. 20,000 post offices) 
Japan Post Bank and Japan Post Co. plan to jointly establish an investment trust management company together with Sumitomo Mitsui Trust Bank and Nomura Holdings (announced in July 2015)

Strategic investment to diversify financial business

Expand business by leveraging the post office network / management resources

- Enhance value of post office network
- Develop new business domain

Strategic investments in system, CAPEX for our outlets
Establish JV with Isetan Mitsukoshi Holdings for merchandising operations (April 2014)
Develop real estate business (JP Tower etc.)
Initiative with IBM and Apple to provide services for seniors (announced in October 2015)



CAPEX and strategic investments for developing new business

4 Japan Post Co. business strategy

4-1-1 Postal and logistics business (consolidated) < Review >

- Operating income up ¥35.3 bn YoY to ¥868.1 bn, reflecting growth in Yu-Pack volume due to expansion of e-commerce market and stepped up marketing targeting small and medium business users, as well as higher EMS volumes.
- Despite efforts to control costs by improving productivity in collection and delivery operations, operating expenses increased ¥32 bn YoY to ¥914.5 bn due mainly to an increase in average pay rates.
- Net operating loss improved by ¥3.2 bn YoY to ¥46.3bn.

Results for 1H FY3/2016

	(¥bn)		
	1H FY3/2016	1H FY3/2015	Increase (Decrease)
Operating income	868.1	832.8	+35.3
Operating expenses	914.5	882.4	+32.0
Personnel expenses	591.3	575.8	+15.5
General and administrative expenses	323.1	306.6	+16.5
Net operating income (loss)	(46.3)	(49.6)	+3.2

< Factors behind growth in operating income >

- Growth in Yu-Pack, Yu-Mail volumes
- Growth in EMS, international parcels
- Higher sales for Letter Pack (including Smart Letter)

< Factors behind increase in personnel expenses >

- Higher salaries (including pay for fixed-term employees)
- Increase in statutory welfare expenses

< Factors behind increase in general and administrative expenses >

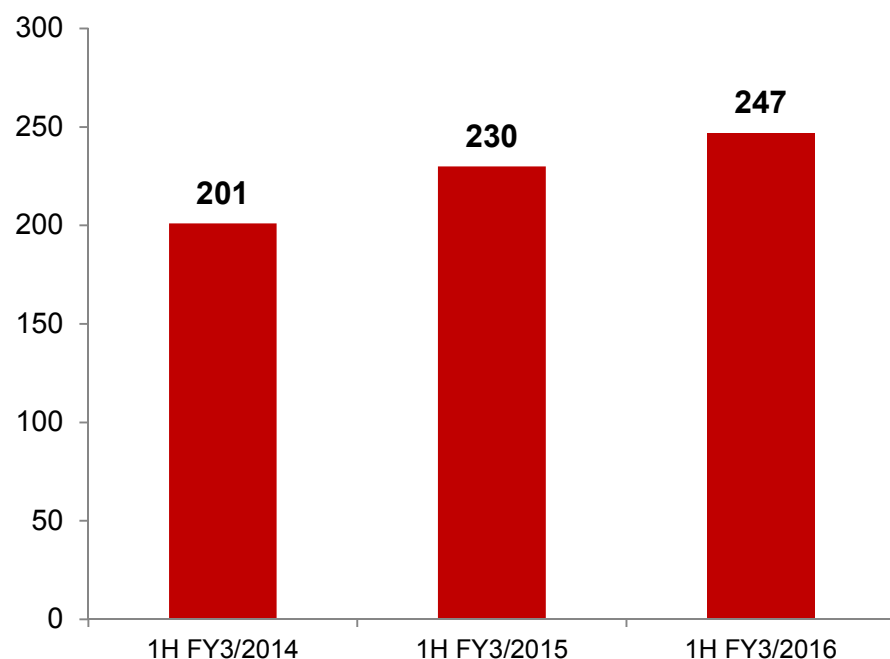
- Rise in international shipping costs due to growth in EMS and other products
- Increase in domestic collection, delivery and shipping outsourcing expenses due to growth in Yu-Pack and other products.

Note: Net operating loss for 1H is partly due to the seasonal nature of the postal business, with earnings typically weighted to 2H due to New Year's greeting card demand.

4-1-2 Initiatives to make Yu-Pack profitable (1)

- Yu-Pack volumes rose a solid 7.7% YoY, supported by growth in the e-commerce market and stepped up marketing activities targeting small and medium business users.
- We adjusted basic pricing plans for Yu-Pack on August 1, 2015 to lift average unit prices, and started revising business terms with corporate users to boost margins.
- We also worked to raise productivity in collection and delivery operations by cutting redelivery costs and other expenses, and took steps to increase the efficiency of shipping operations.

Yu-Pack volume (millions of packages)



Main factors behind improvement in profitability

- (1) Stepped up marketing targeting small and medium business users
 - Improved employee marketing skills, increased advertising
 - Marketed logistics solutions
- (2) Improvement in average unit prices
 - Adjusted basic pricing plans on August 1, 2015
 - Revised business terms with corporate users to boost margins
- (3) Productivity gains in collection and delivery operations
 - Reduced labor time in post offices, cut redelivery costs
 - Expanded convenience store pickup services, promoted home delivery locker system
- (4) Optimized shipping operations
 - Improved loading rates, etc.

4-1-3 Initiatives to make Yu-Pack profitable (2)



Hako Post

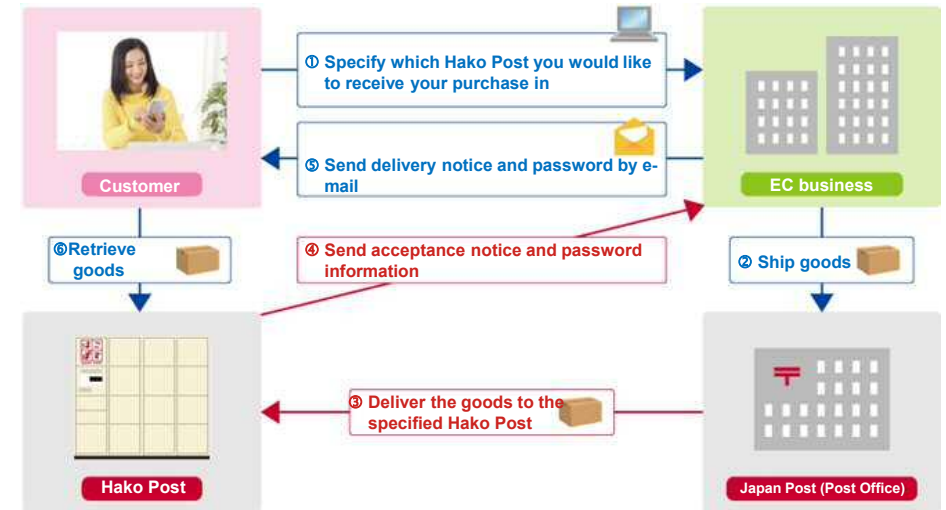
- Customers can select Hako Post delivery lockers as their preferred delivery method when they make a purchase from online retailers.* The parcels can then be picked up from the lockers at a later time that best suits the lifestyle and needs of each customer.

*At participating online retailers only

< Post offices with Hako Post lockers >

24 post offices in the Tokyo area, including Shibuya and Setagaya

Service flow



FamilyMart convenience stores nationwide

How to use the service

- (1) Select "FamilyMart pickup" at checkout on the online shopping site
- (2) Input the request number or the store pickup number and the ID number sent from the online shopping site into the in-store FamiPort multimedia terminal and receive a FamiPort request slip
- (3) Show the FamiPort request slip to staff at the cash register
- (4) Receive the parcel from the FamilyMart staff

October 5, 2015 press release

4-1-4 Reorganize postal and logistics network (1)

■ North Tokyo Post Office established (operational from May 4, 2015)

< Overview >

- (1) Location: Wako-shi, Saitama Prefecture
- (2) Area: Land area roughly 32,320 m², floor area, roughly 78,000 m²
(Including roof, slopes, etc.)
- (3) Structure: Six steel-frame above-ground floors (with integrated ramp and rooftop parking)

< Business plan >

Regional postal and logistics center for the Tokyo area

(1) Sorting center for letters, Yu-Pack, Yu-Mail and other items

The North Tokyo Post Office has taken over work for the north western part of Tokyo's 23 wards and the Tokyo-Tama east area. As a regional post office with Tokyo-area super-hub functions, the facility is responsible for sorting and dispatching letters, Yu-Pack, Yu-Mail and other items to other regional post offices and local collection and delivery offices within its own area. The post office will also maximize the use of sorting machines and other equipment to create delivery schedules for letters and other items for dispatch to local collection and delivery offices.

* Super-hub functions: centralized, efficient distribution centers

○ Areas transferred to the North Tokyo Post Office

New Tokyo postal areas	Tokyo-Tama postal areas
Shinjuku ward, Nakano ward, Suginami ward, Toshima ward, Itabashi ward, Nerima ward	Musashino-shi, Mitaka-shi, Chofu-shi, Fuchu-shi, Koganei-shi, Kokubunji-shi, Kunitachi-shi, Kodaira-shi, Higashimurayama-shi, some parts of Nishi-Tokyo-shi

(2) Logistics solutions

Provision of total logistics services covering everything from product storage for clients, ordering, and warehousing functions such as packaging, through to delivery.



4-1-5 Reorganize postal and logistics network (2)

■ New regional sorting offices

Catchment area	Location	Approximate land area	Scheduled completion date
Central Hokkaido	Higashikariki-cho, Higashi-ku, Sapporo-shi, Hokkaido (Stage 2 redevelopment zone, Higashikariki, Sapporo-shi)	51,000 m ²	FY2016 (winter)
Iwate area	Omatsuzawa , Aisari-cho, Kitakami-shi, Iwate Prefecture (Kitakami south industrial zone)	65,000 m ²	FY2016 (winter)
Fukushima area	Fukuhara, Fukuyama-machi, Koriyama-shi, Fukushima Prefecture	48,000 m ²	FY2017 (spring)
Gunma area	Miyahara-cho, Takasaki-shi, Gunma Prefecture	36,000 m ²	FY2017 (spring)
Tokyo area	Wako-shi, Saitama Prefecture (Block 13, Wako North Interchange regional redevelopment zone)	32,320 m ²	Opened May 4, 2015
West Kanagawa area	Nakano 3-chome, Ebina-shi, Kanagawa Prefecture	44,000 m ²	FY2017 (summer)
Niigata area	Shinko-cho, Mitsuke-shi, Niigata Prefecture (Niigata central industrial zone)	50,000 m ²	FY2016 (winter)
Shizuoka area	Obuchi, Fuji-shi, Shizuoka Prefecture (No. 2 Tomei Expressway Interchange redevelopment area, Gakunan Regional Urban Development Plan)	36,000 m ²	FY2016 (autumn)
Kyoto area	Jyoyo-shi, Kyoto-fu (Block 13, Arauchi Kuse / Teradatsukamoto redevelopment area)	41,000 m ²	FY2017 (winter)
Okayama area	Nagara, Sojya-shi, Okayama Prefecture	42,000 m ²	FY2016 (winter)
Hiroshima area	Oaza Ishiuchi, Itsukaichi-cho, Saeki-ku, Hiroshima-shi, Hiroshima Prefecture	37,000 m ²	FY2016 (winter)
Yamaguchi area	Fukamizo, Yamaguchi-shi, Yamaguchi Prefecture (Yamaguchi logistics zone)	27,000 m ²	FY2016 (autumn)
Kagoshima area	Hayato-cho, Kirishima-shi, Kagoshima Prefecture (Oda industrial zone)	44,000 m ²	FY2017 (spring)

* Above information is based on current plans and may change at a later date.

4-1-6 My Number notification card handling volumes

- As of November 18, 2015, Japan Post had received 46,225,000 My Number notification cards (preliminary data), accounting for 81.5% of the projected total number of cards.
- In the first stage of deliveries, 17,665,000 notification cards have been sent, accounting for 38.2% of cards received by Japan Post.

(1) My Number notification cards handled

(As of November 18, 2015 <preliminary data>)

< Cards received > (thousands of cards)

Status	Projected total number of cards	Number already received	Ratio
Received	56,727	46,225	81.5%

< First stage of deliveries* > (thousands of cards)

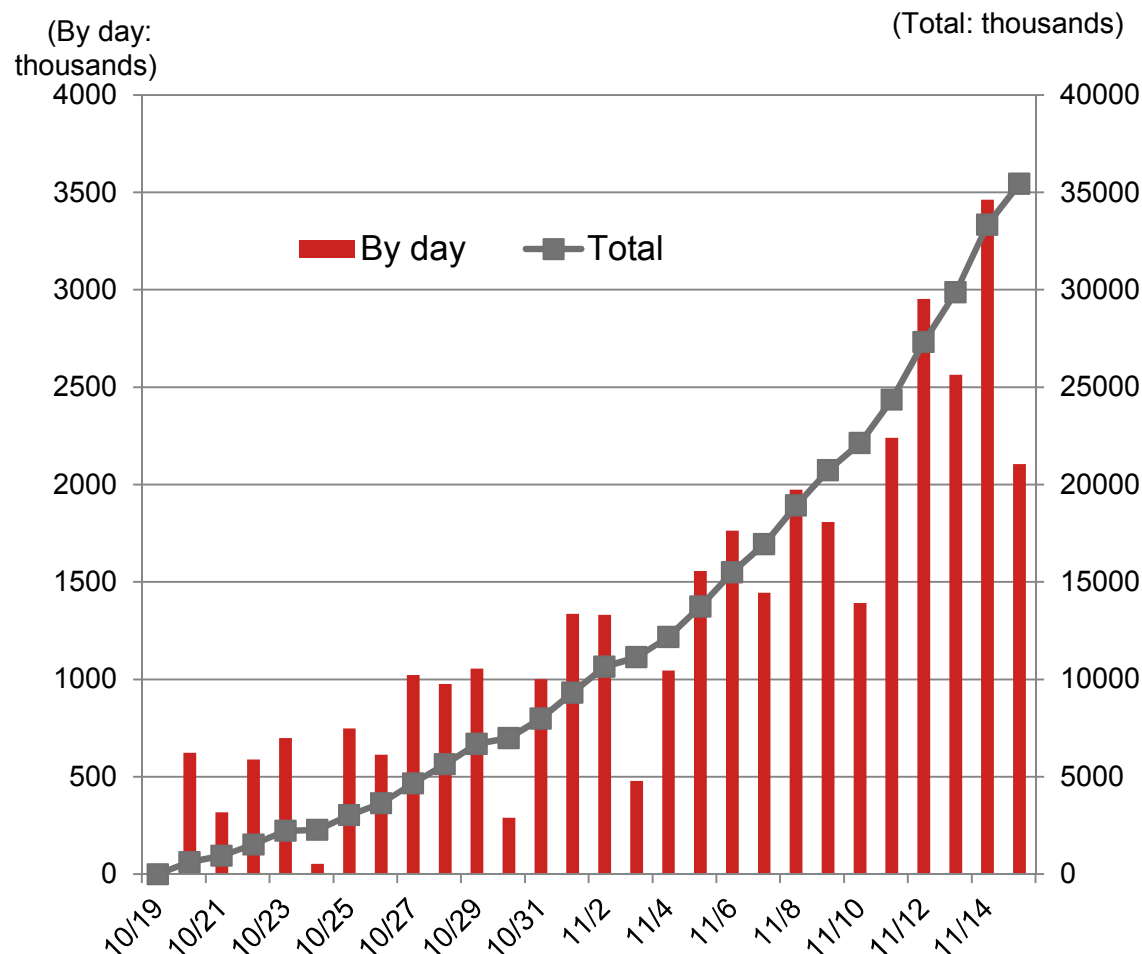
Status	First stage of deliveries	Ratio of cards received
Delivered	17,665	38.2%

* Includes returned cards due to absence of recipient

< Breakdown >

Status	Number of cards (thousands)	Ratio
Delivery completed / handed over at counter	14,595	82.6%
Returned – recipient absent	2,228	12.6%
Undeliverable, etc.	842	4.8%
Total	17,665	100.0%

(2) My Number notification cards received

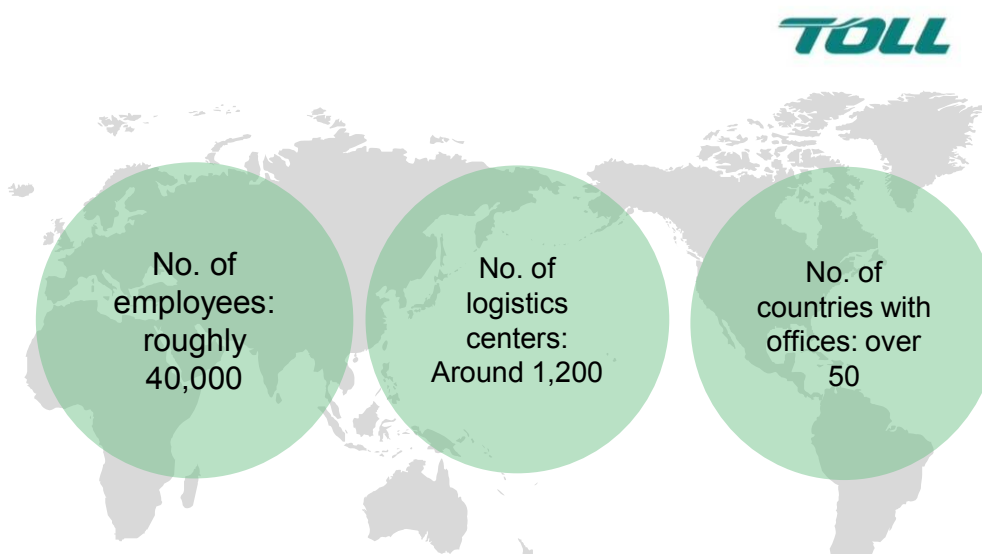


4-2-1 International logistics business (consolidated) < Review >

- Global logistics company Toll handles the Group's international logistics business. It has a strong operating base in Australia and provides forwarding and contract logistics services (3PL) in the Asia Pacific region.
- Toll's operating income and net operating income for Jul-Sep 2015 were on par with levels of the previous year (Toll's results are included in the Group's consolidated financial statements from Jul 2015)
- We have positioned Toll as the platform for the Group's international logistics business, which will be used to drive the Group's growth; we therefore plan to make the necessary ongoing investments to support growth.

Toll's Results for 1H FY3/2016 (reference)

	(AUD, millions)		
	1H FY3/2016 *1	1H FY3/2015 *2	Change *2
Operating income	2,156	2,140	+16 (+0.8%)
Operating expenses	2,066	2,059	+6 (+0.3%)
Net operating income (EBIT)	90	81	+9 (+12.1%)



*1 The 1H FY3/16 column shows earnings for only three months (Jul-Sep 2015, IFRS basis), as Toll's results were included in the Group's consolidated financial statements from July 2015.

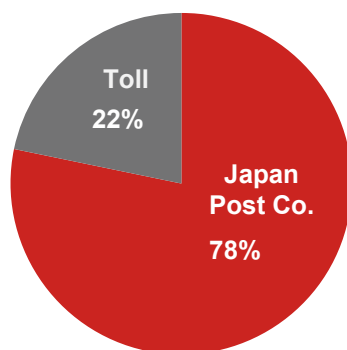
*2 The 1H FY3/15 column shows Toll's results for the same three months a year earlier (IFRS basis) and the Change column shows the YoY change (AUD basis), provided for reference purposes only.

4-2-2 Summary of Toll

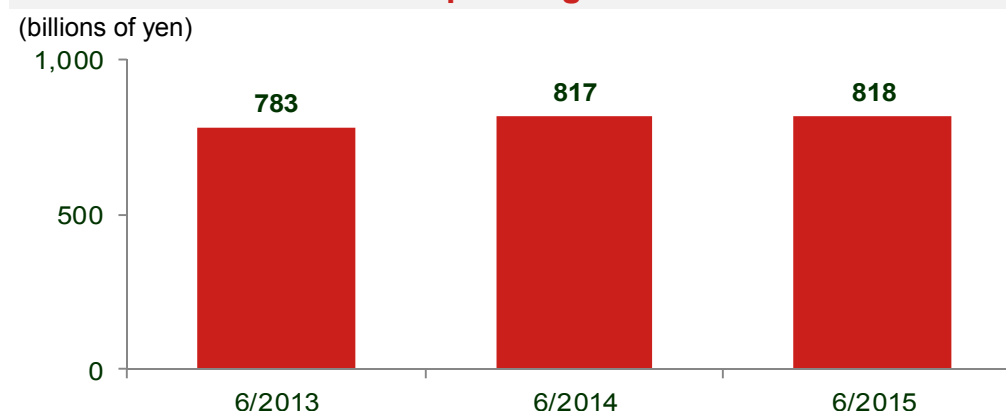
- **Businesses:**
Provides a wide range of logistics services, from resources and government logistics and domestic freight forwarding in Australia, to global contract logistics, forwarding and express freight shipping
- **Aims of acquisition:**
Toll was acquired as a platform company to develop the Group's overseas business by moving into the international forwarding business (air, marine, land freight shipping) and the overseas contract logistics business.

Business segments	Resources and Government Logistics	Global Logistics	Global Forwarding	Global Express	Domestic Forwarding
Business profile	Contract logistics driven businesses		Network driven businesses		
	Contract logistics services for the oil & gas, mining, liquids distribution and government and defense sectors in Australia, Asia and Africa	Transport, warehousing and other 3PL logistics services in the Asia-Pacific region	Full range of international freight forwarding services, mainly for exports from Asia	Express freight services in Australia, New Zealand and Asia	Domestic freight shipping services in Australia and New Zealand
Business area	Australia, Asia, Africa	Asia Pacific	International	Australia, Asia	Australia, New Zealand

Toll's expected contribution to Japan Post Co. after acquisition*1



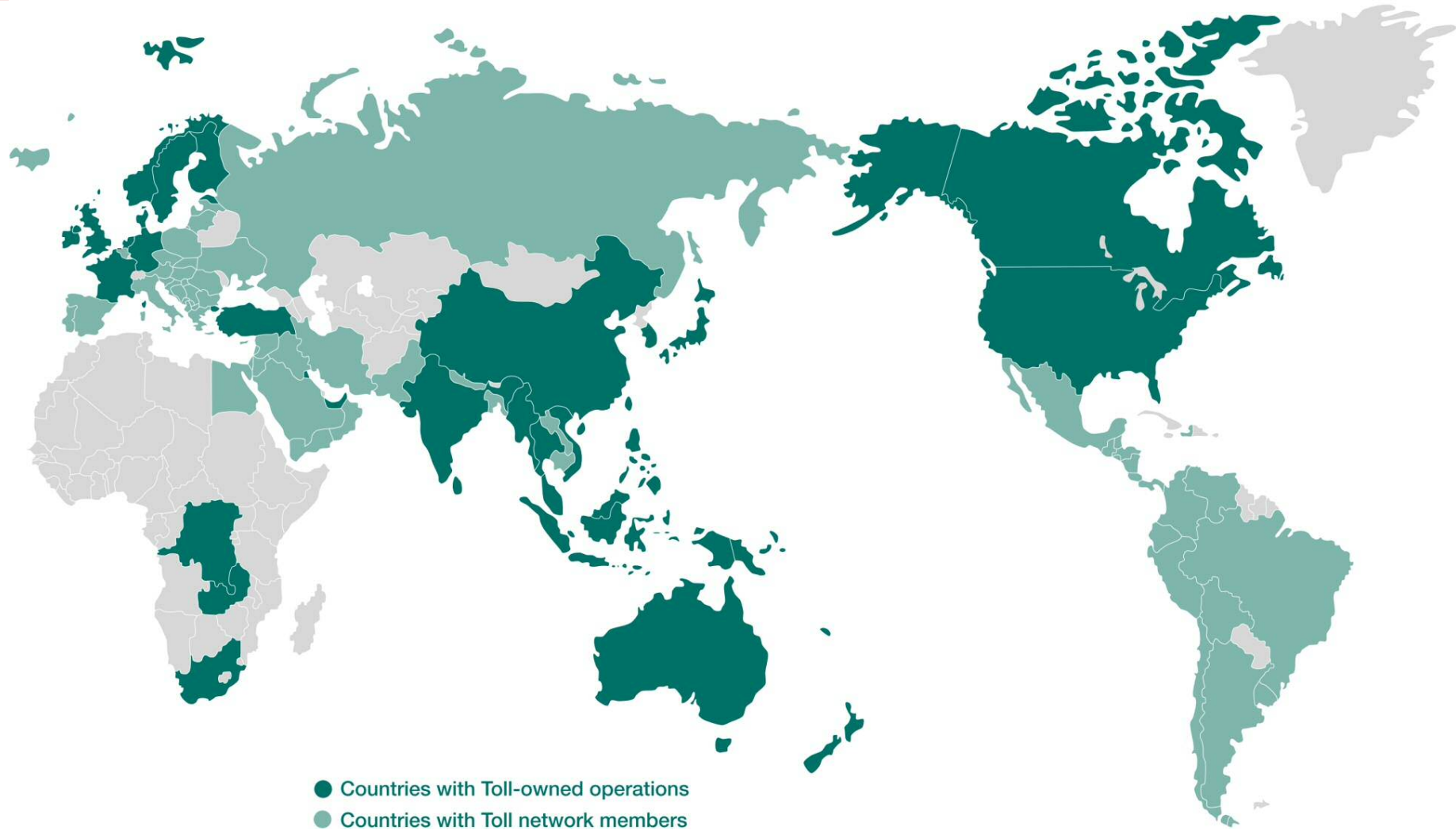
Toll's operating income*2



- Operating income is FY3/2015 consolidated operating income for Japan Post Co. and FY6/2015 consolidated income (IFRS basis) for Toll. Toll operating income (IFRS basis) is converted into JPY using the average JPY/AUD exchange rate for FY6/2015.
- Earnings for Toll are based on figures in its Annual Report, converted into JPY using the average JPY/AUD exchange rate for each fiscal year. Consolidated financial statements in Toll's Annual Report are audited, based on IFRS and prepared in AUD.

4-2-3 Expansion of international business with Toll as a platform (1)

- Toll is a global company providing freight forwarding, contract logistics and other services via its network of roughly 1,200 offices in more than 50 countries worldwide.



Expanded global presence through acquisition of Toll

4-2-4 Toll as a Platform for International Business Expansion (2)

- Targeting freight transactions in Asia, we aim to capture demand from customers in Japan and other parts of Asia by leveraging Toll's freight forwarding and contract logistics capabilities and Japan Post's solid customer base.

Synergy Between Japan Post Co. and Toll

JAPAN POST

- Large corporate client base
- Brand recognized for high reliability

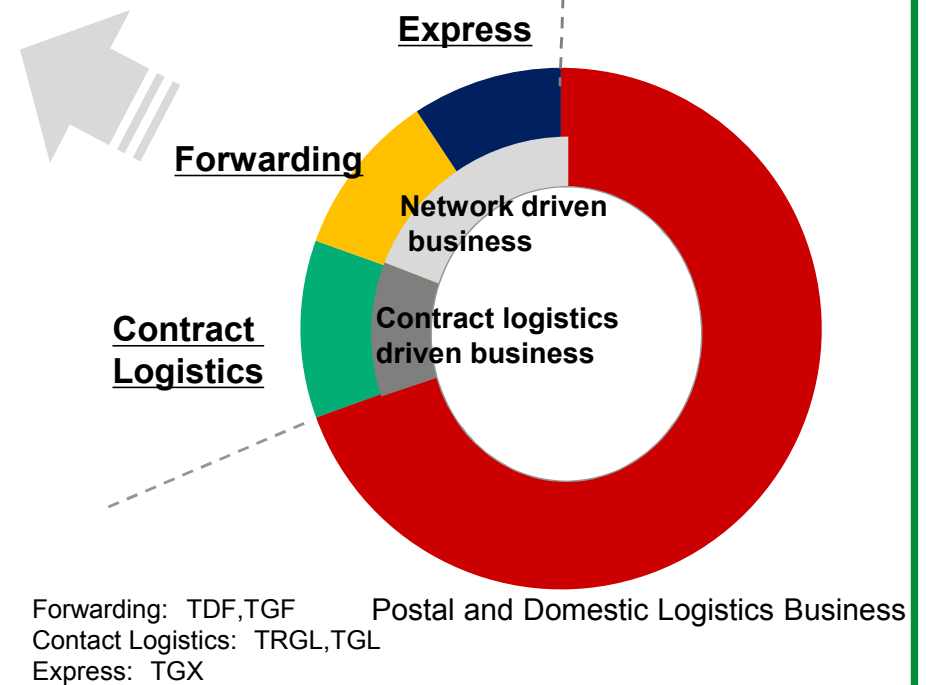
Synergy through mutual collaboration
of management resources

TOLL

- Expertise in forwarding business
- Expertise in contract logistics business
- High presence in Asia

Strengthening Logistics and Forwarding Business

Illustrative operating income after acquisition of Toll



4-3-1 Post office business (consolidated) < Review >

- Operating income rose ¥37.1bn YoY to ¥666.3bn on growth in financial services commissions, merchandising, real estate development and third-party financial product agency services.
- Net operating income increased ¥7.9bn YoY to ¥21.6bn.

Results for 1H FY3/2016

(¥ bn)

	1H FY3/2016	1H FY3/2015	Increase (Decrease)
Operating income	666.3	629.1	+37.1
Operating expenses	644.6	615.4	+29.1
Personnel expenses	460.2	444.5	+15.6
General and administrative expenses	184.4	170.9	+13.4
Net operating income	21.6	13.6	+7.9

< Breakdown of operating income >

Item	1H FY3/2016 results
Commissions for business consignment	¥577.9bn
Postal fees	¥84.4bn
Banking commissions	¥308.1bn
Insurance commissions	¥185.4bn
Other income	¥88.3bn
Merchandising business	¥61.9bn
Real estate business	¥14.8bn
Third-party financial product agency services	¥5.4bn

< Factors behind increase in personnel expenses >

- Higher salaries (including pay for fixed-term employees)
- Increase in statutory welfare expenses

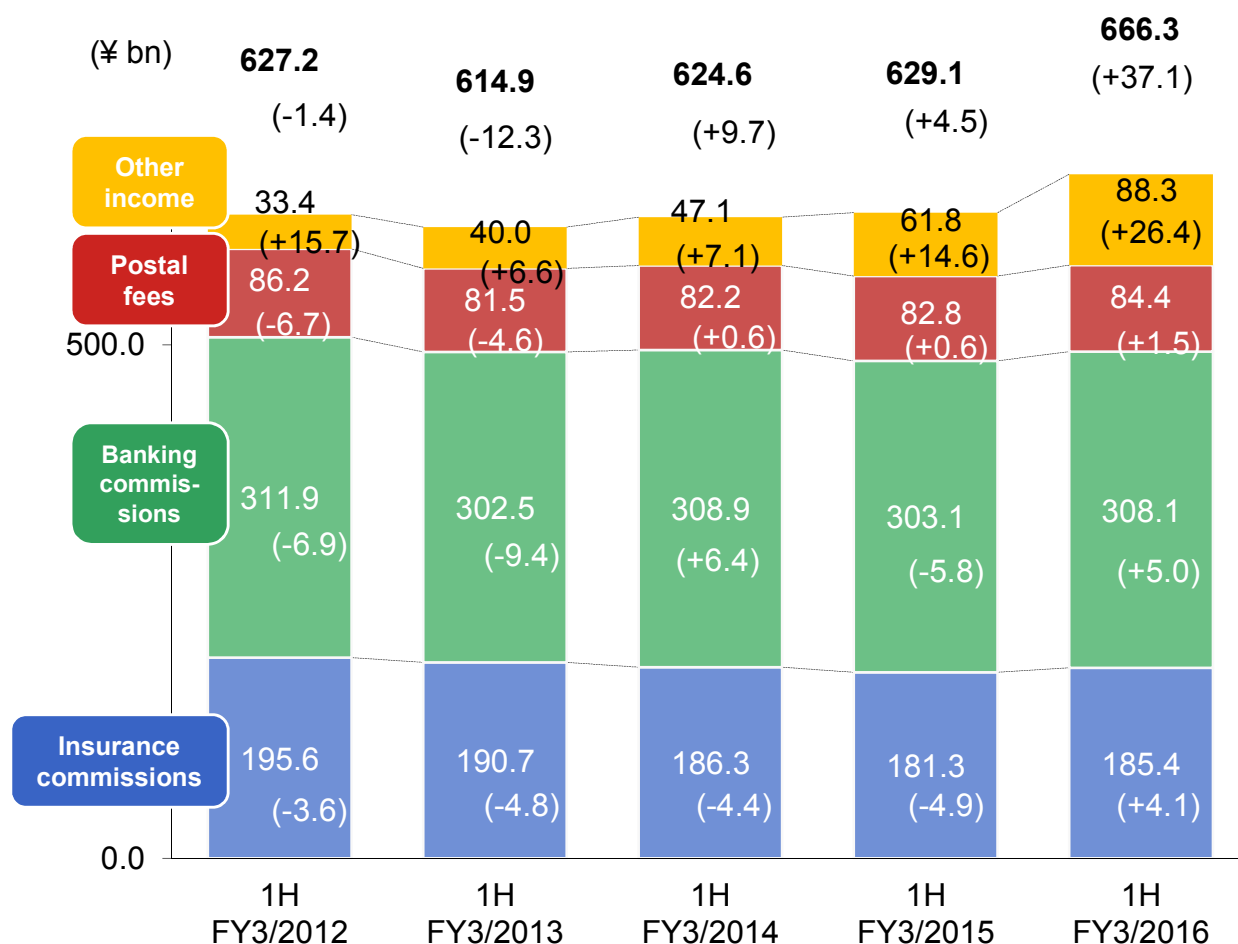
< Factors behind increase in general and administrative expenses >

- Increase in costs related to merchandising business
- Increase in costs related to unit sales of residential real estate

- < Factors behind decrease in general and administrative expenses >
- Lower costs for purchase of next-generation computer terminals

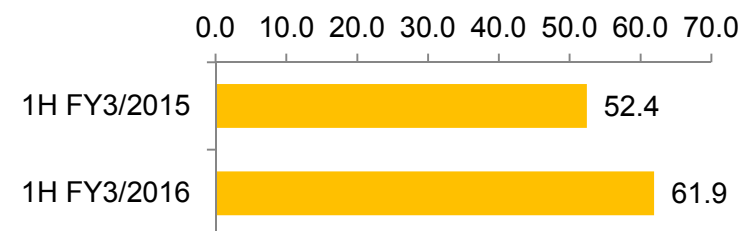
4-3-2 Changes in post office business segment earnings structure

- Financial services commissions from Japan Post Bank and Japan Post Insurance increased ¥5bn and ¥4.1bn YoY, respectively.
- Other operating income rose ¥26.4bn YoY, reflecting growth in catalog sales and expansion in the real estate business. Growth in other operating income was also supported by an increase in the number of post offices that handle cancer insurance products, which rose to 20,000 locations in July.

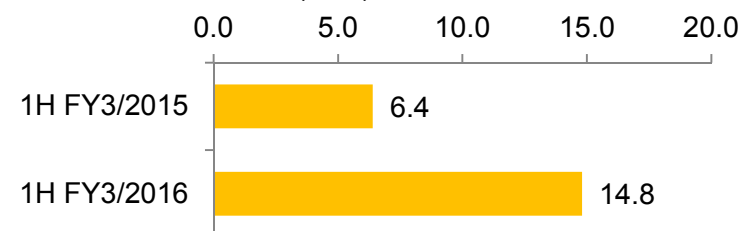


Other operating income

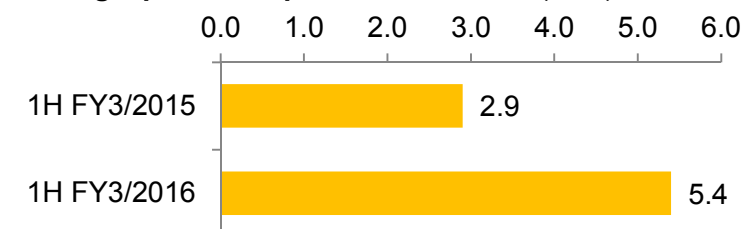
Merchandise business (¥ bn)



Real estate business (¥ bn)



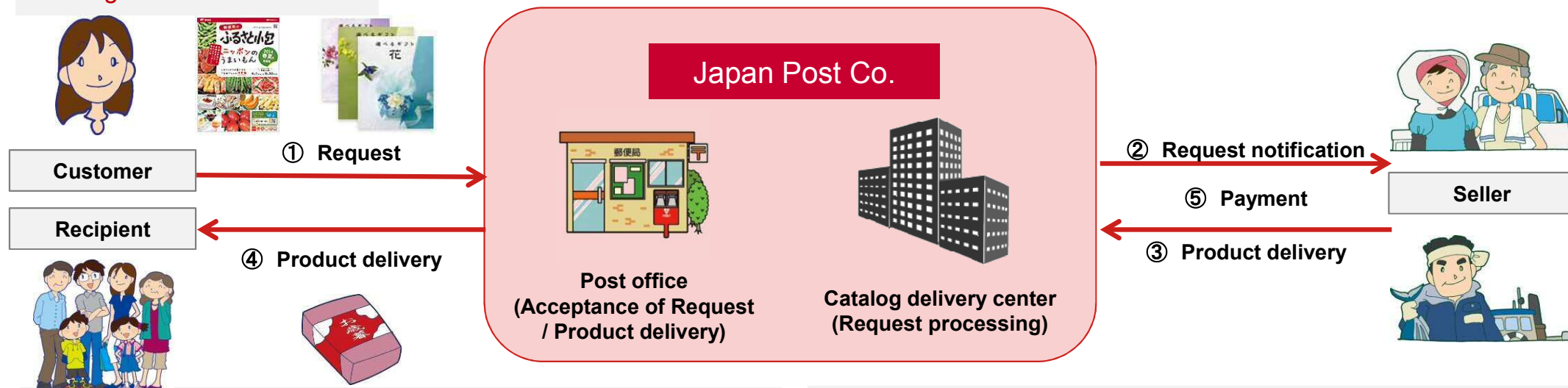
Strategic partnership financial service (¥ bn)



4-3-3 Growing new sources of earnings – Status of Merchandise Business and Expansion Policies

- Unique business model in the mail order industry where store-based support, acceptance and settlement are the focus in post offices nationwide.
- Expand sales through various measures such as the strengthening of highly profitable non-food items, diversification of sales channels and strengthening of CRM (customer relationship management).

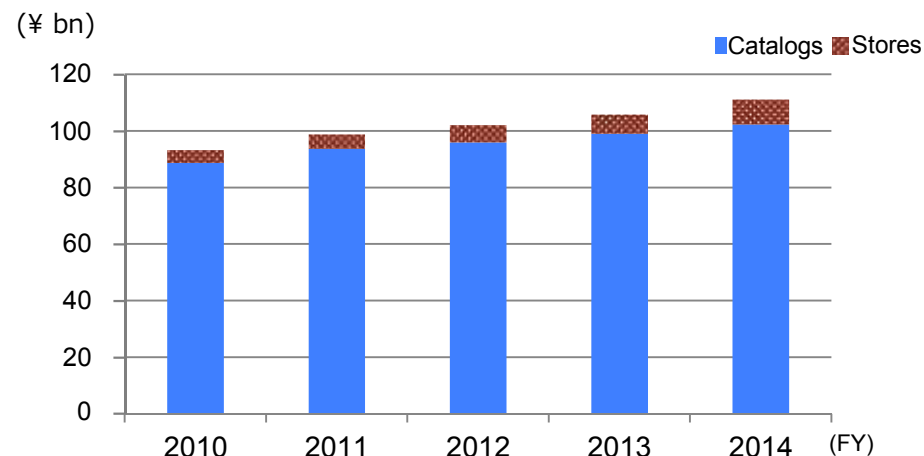
Catalog sales business flow



Measures for Expansion of Catalog Businesses

- Creating a wider lineup, centered on food products
- Strengthening of personal gifts and corporate sales
- Strengthen CRM (customer relationship management) system
- Increase in EC order rate through EC site updates

Sales in the merchandise business (catalog and store sales)



General mail order catalog tie up with Mitsukoshi Isetan
"JP Mitsukoshi Merchandising Co., Ltd."
 established (April 2014)

Capital and business tie-up with Ring Bell, the largest company in the gift shopping sector (August 2014)



4-3-4 Growing new sources of earnings – Development of Real Estate Business through Active Use of Idle Property

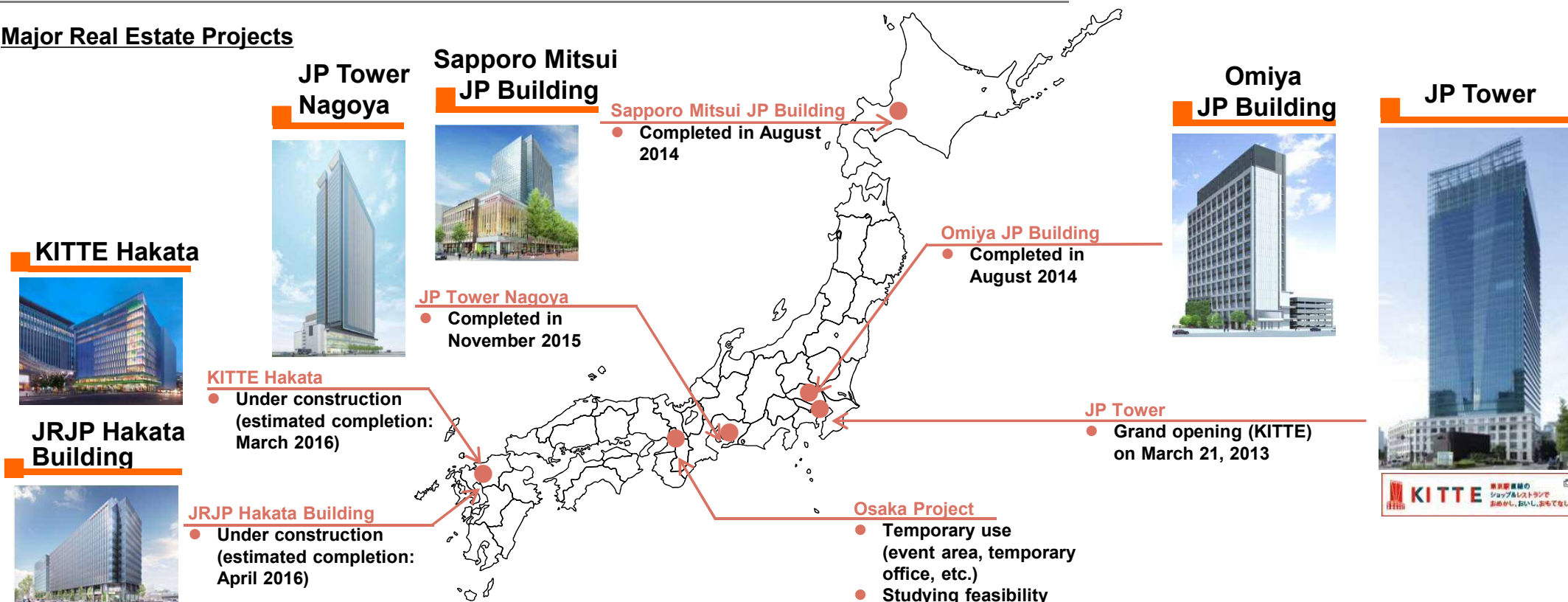
Major Rental Buildings

Title	Land Area ('000 m ²)	Total Floor Space ('000 m ²)	Book Value (¥mn)	Land		Share
				Land	Building	
JP Tower	Approx. 11	Approx. 212	319,526	227,783	91,743	Joint Venture Majority
Omiya JP Building	Approx. 6	Approx. 45	12,628	3,903	8,725	Sole Business
JP Tower Nagoya (Completed Nov 2015)	Approx. 12	Approx. 179	—	10,945	Estimated Amount of Investment Approx. ¥44.0bn	Joint Venture Majority
KITTE Hakata (Under construction) (estimated completion: March 2016)	Approx. 5	Approx. 65	—	7,385	Estimated Amount of Investment Approx. ¥17bn	Sole Business

Financial (Real Estate)		(As of the end of FY3/2015)
Tangible fixed assets (Group consolidated)		
Buildings		¥1,025.9bn
Land		¥1,513.3bn
Fair value of rental real estate*		¥409.6bn

* Fair value at the end of the fiscal year is calculated based primarily on real estate appraisal standards. Since market value of certain real estate, such as rental commercial properties under development, is extremely difficult to appraise, such properties are not included in the table above.

Major Real Estate Projects

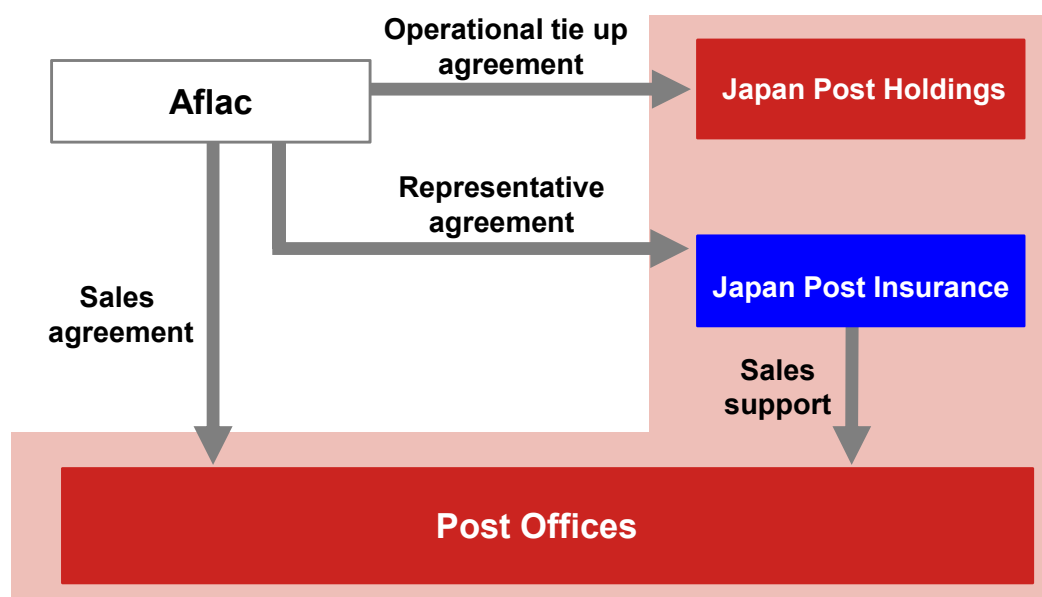


4-3-5 Growing new sources of earnings – Expanding third-party financial product agency services

Expansion of Product Line-up through Tie Ups

Operational tie up with Aflac in third-sector insurance (July 2013)

- Steady growth in post offices that sell Aflac cancer insurance products
Sales were launched in October 2008, with 1,000 post offices offering Aflac's cancer insurance by July 2009. The number of post offices selling this insurance has grown steadily after Aflac and Japan Post formed a business tie-up in July 2015, all post offices that sell insurance products began offering Aflac cancer insurance. (20,072 post offices as of October 1, 2015)
- Commenced marketing (October 2014) a new cancer insurance policy developed by AFLAC especially for the Japan Post group.



Third Party Financial Products

	Product types	Service Providers
Insurance products	Cancer insurance	Aflac (American Family Life Assurance Co.)
	Eased underwriting conditions Medical insurance	Sumitomo Life Insurance
	Variable annuity	Mitsui Sumitomo Primary Life Insurance Co., MetLife Inc.
	Life insurance for management-level personnel	NN Life, Sumitomo Life, Tokio Marine Nichido Anshin Life Insurance, Nippon Life, Mitsui Sumitomo Aioi Life Insurance, Meiji Yasuda Life, MetLife Inc.
	Automobile insurance (five companies joint insurance)	Aioi Nissay Dowa Insurance, Sompo Japan Nippon Koa Insurance, Tokio Marine Nichido Fire Insurance, Fuji Fire and Marine Insurance, Mitsui Sumitomo Insurance.
	Motorcycle mandatory vehicle liability insurance	Aioi Nissay Dowa Insurance, Asahi Fire & Marine Insurance, Kyoei Fire & Marine Insurance, Secom General Insurance, Sompo Japan Nippon Kowa Insurance, Daido Fire & Marine Insurance, Tokio Marine Nichido Fire Insurance, Nisshin Fire & Marine Insurance, Fuji Fire and Marine Insurance, Mitsui Sumitomo Insurance
Investment trusts		Tokio Marine Asset Management, Mitsubishi UFJ Trust, Nikko Asset Management, Nomura Asset Management, etc.

* As of November 18, 2015

4-3-6 Strengthening the post office network – Optimizing post office locations

■ New post office openings

8 openings planned for FY3/2016 (total of 21 post offices opened between FY3/2008 and FY3/2015)

< Examples >

- Tsukuba Science City Post Office (Ibaraki Prefecture):
opened June 1, 2015



The opening of Kenyu-gakuen Station (Tsukuba Express line) has spurred housing development in the area, leading to growth in the population. The new post office was opened to tap into this demand.

- Nogata Yunohara Post Office (Fukuoka Prefecture) :
opened June 29, 2015



The opening of a large shopping center has spurred housing development in the area, leading to growth in the population. The new post office was opened to tap into this demand.

4-3-7 Strengthening the post office network – Creating welcoming post offices

■ Post offices paired with convenience stores, other formats

We are opening post offices in large shopping centers and next to sites such as convenience stores, which have high customer traffic. We are also opening post offices in local government buildings.

< No. of post offices opened since privatization > (As of end-October 2015)

	Convenience stores	Shopping centers	Local government buildings
No. of post offices	56*	11	10

⇒ * We plan to open 100 post offices next to convenience stores by the end of FY3/2017. (The 100 post office target includes 2 opened prior to privatization and 8 next to convenience stores in Japan Post Group buildings)

■ Post office in-store renovations, etc.

We had renovated a total of 376 post offices by the end of FY3/2015. Renovation work included expanding lobby space and adding customer service counters. We plan to continue with post office in-store renovations in FY3/2016.

(Example of convenience store post office)

Bandai City Post Office (Niigata Prefecture): opened July 1, 2014



(Example of post office in-store renovation)

Tsurumi Station Post Office (Kanagawa Prefecture): opened May 8, 2014 after renovation



before



after

4-3-8 New initiatives – Trial use of tablet PCs for senior citizens

- Japan Post Group teamed up with IBM and Apple on April 30, 2015 to carry out proof-of-concept trials using tablet PCs to provide lifestyle services for senior citizens. The trials will launch in 2H FY3/2016.
- Starting on October 29, we extended our existing Watch Over service, where mail carriers regularly check in on the well-being of elderly people, with a tablet PC-based service. The extended service will initially be available in Yamanashi and Nagasaki prefectures.

■ Service summary

Watch Over service with ICT capabilities	<ul style="list-style-type: none">• Health watch: Family can check the well-being of elderly relatives based on responses provided via tablet PCs• Medication watch: Tablet PCs remind elderly people to take medication, which family can check on a daily basis
Communication service for elderly people and their families	<ul style="list-style-type: none">• Family hotline: Easy-to-use video phone service that keeps elderly people in touch with their family and friends• Family album: Family photo sharing service that also allows photos to be used as screen savers
Home shopping support service	<ul style="list-style-type: none">• Shopping support: Easy-to-use service that helps elderly people order groceries from home
Community information service provided with local governments	<ul style="list-style-type: none">• Community news: Information provided by local governments• Lifestyle support: Allows elderly people to request help for house work / light work from social welfare councils and other providers

* Scheduled to start in November 2015

* Name and content of the above services may change; some services may not be available or take longer to be rolled out in some areas.

APPENDIX

Highly Experienced Management with Large Proportion of Outside Directors

Highly
experienced top
management

President and CEO (Representative Executive Officer)



Taizo Nishimuro

2000 Toshiba Corporation, Chairman
of the Board of Director
2001 Keidanren, Co-Vice Chairman
2008 IBM (US), Director
2009 Tokyo Stock Exchange,
Chairman of the board of Directors

Executive Senior Vice President (Representative Executive Officer)

Yasuo Suzuki (Former Vice Minister, Ministry of Internal
Affairs and Communications)

Executive Vice President (Representative Executive Officer)

Tatsuo Soda (Former Executive Vice President,
Mitsui Fudosan)

Susumu Atsuki (Former Director of Trade and Economic
Cooperation Bureau, Ministry of Economy,
Trade and Industry)

**Toshihide
Komatsu** (Executive Vice President,
Hitachi Solutions, Ltd.)

Director

Masami Ishii (President & CEO, Japan Post Insurance)
(Former Executive Vice President,
Sompo Japan Insurance)

Toru Takahashi (President & CEO, Japan Post Co.)

**Masatsugu
Nagato** (President & CEO, Japan Post Bank)

Outside Director

Haruo Kasama (Attorney-at-Law)
(Former Prosecutor General)

Keiji Kimura (Chairman & Representative Director of
Mitsubishi Estate co., Ltd.)

Miwako Noma (Representative Director of
Nipponurashi Co., Ltd.)

Fujio Mitarai (Chairman & CEO of Canon Inc.)
(Former Chairman of Keidanren)

Akio Mimura (Senior Advisor and Honorary Chairman
of Nippon Steel & Sumitomo Metal
Corporation)
(Chairman of the Tokyo Chamber of
Commerce and Industry)

Tadashi Yagi (Auditor of Kyodo News Building Co.,
Ltd.)

Fumiaki Watari (Honorary Advisor of JX Holdings, Inc.)

Satoshi Seino (Chairman (Director) of East Japan
Railway Company)

Kunio Ishihara (Advisor of Tokio Marine & Nichido Fire
Insurance Co., Ltd.)

Yasuo Inubushi (Honorary Advisor of Kobe Steel, Ltd.)

Toru Shimizu (Advisor of Hitachi Insurance Services,
Ltd.)

Outline for Outside Directors

Company with committees

**Japan Post
Holdings**

Outside
directors: 11

Total number
of directors: 19

= 57%

Japan Post Co.

Outside
directors: 5

Total number
of directors: 10

= 50%

Company with committees

**Japan Post
Bank**

Outside
directors: 8

Total number
of directors: 12

= 66%

Company with committees

**Japan Post
Insurance**

Outside
directors: 6

Total number
of directors: 11

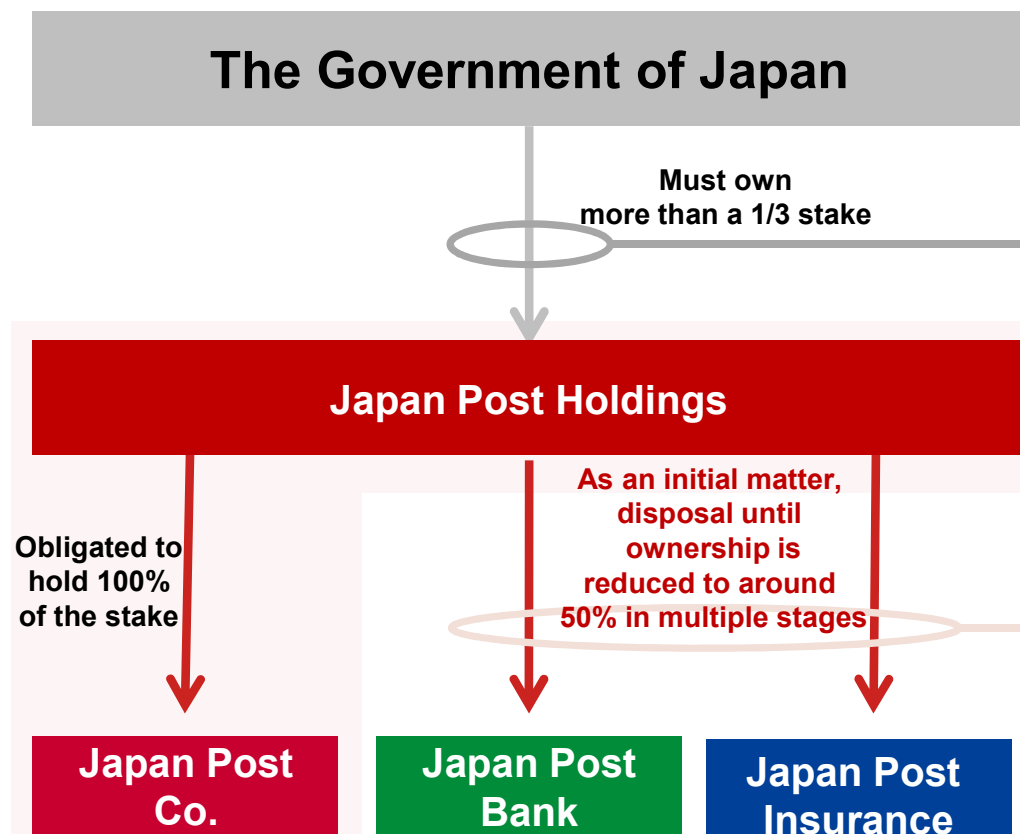
= 54%

A minimum of 2 independent outside directors is required under Japan's Corporate Governance Code

Note: Information on this page is as of September 4, 2015.

Simultaneous Listings of Japan Post Holdings, Japan Post Bank and Japan Post Insurance

- As an initial matter, Japan Post Holdings aims to dispose of its holdings in Japan Post Bank and Japan Post Insurance (“Two Financial Subsidiaries”) in multiple stages until its ownership of each is reduced to around 50%.



The articles of incorporation of the Two Financial Subsidiaries require them to enter into the Bank / Insurance Counter Services Agreements with Japan Post Co. As a result, an amendment of the articles of incorporation is necessary to change the agent for financial agency services, which requires a special resolution at a shareholder meeting

Obligations under Japanese law with respect to shareholdings and policy for disposal of stocks

- The Japanese government must retain an equity interest in Japan Post Holdings that exceeds one-third of its total equity interest and dispose of the remainder within the earliest possible time frame
- Japan Post Holdings must retain all of its equity interest in Japan Post Co.
- Japan Post Holdings is required to dispose of its entire equity interest in Japan Post Bank and Japan Post Insurance within the earliest possible time frame, in light of the condition of the business of Japan Post Bank and Japan Post Insurance, and any impact on the ability of Japan Post Holdings and Japan Post Co. to fulfill their obligations to provide universal services to the Japanese public

Policy of 3 IPOs of Japan Post Group

Concurrent initial public offerings

- Japan Post Holdings aims to conduct initial public offerings of Japan Post Bank and Japan Post Insurance concurrently with the initial public offering of Japan Post Holdings

Reduction of Japan Post Holdings' equity interests in the Two Financial Subsidiaries

- With a view to increasing management flexibility while maintaining group unity and the comprehensive strength of the Two Financial Subsidiaries, Japan Post Holdings plans to initially dispose of its holdings in the Two Financial Subsidiaries in multiple stages until its ownership of each is reduced to around 50%

Use of proceeds from reduction of Japan Post Holdings' equity interests

- Japan Post Holdings plans to use proceeds from the initial public offerings of Japan Post Bank and Japan Post Insurance to repurchase shares of its own common stock

Main Additional Regulations and other Rules at the Japan Post Group

Activity	Description	
New Business Operations	Japan Post Holdings	<u>Approval of the Minister of Internal Affairs and Communications</u> (a new business must be one which is necessary with regard to the purposes of the company (oversight of Japan Post Co. and support for Japan Post's operations))
	Japan Post Co.	<u>The Minister of Internal Affairs and Communications must be notified</u> (during the transition period*1, care must be exercised concerning competing companies and the Postal Privatization Committee must be notified, too) *1 Transition period: Period ending on the first March 31 after the day that additional restrictions end for Japan Post Bank or Japan Post Insurance.
	Japan Post Bank	【Until at least half of all shares of the two financial subsidiaries are sold by the government】 <u>Approval of the applicable ministers*2</u> (Input from the Postal Privatization Committee is also needed.) 【Up to a designated date*3 after at least half of all shares of the two financial subsidiaries are sold by the government】 <u>Notification submitted to the applicable ministers</u> (Care must be exercised concerning competing companies and the Postal Privatization Committee must be notified, too) 【After the designated date】
	Japan Post Insurance	<u>No restrictions based on the Postal Service Privatization Act</u> (must still comply with restrictions based on the Banking Act and Insurance Business Act, as applicable) *2 Applicable ministers: The Prime Minister (the Commissioner of the Financial Services Agency) and Minister of Internal Affairs and Communications *3 Designated date: The earlier of the following two dates – (i) The day that Japan Post Holdings completes the sale of all of its Japan Post Bank or Japan Post Insurance stock and (ii) the day that Japan Post Holdings has sold at least half of its Japan Post Bank or Japan Post Insurance stock, the day that Prime Minister and Minister of Internal Affairs and Communications decide that there is no risk of blocking a proper competitive relationship with other companies and no risk of preventing the proper provision of products and services to users.
Limit on Deposits Limit on Insurance	<u>Regulations established by government ordinance (*4, 5)</u> (Revisions require the input of the Postal Privatization Committee) *4 Deposit limit: ¥10 million; separately, ¥5.5 million limit for asset accumulation <i>TEIGAKU</i> deposits, asset accumulation pension <i>TEIGAKU</i> deposits and asset accumulation home <i>TEIGAKU</i> deposits combined * Insurance coverage limit: ¥10 million, cumulative ¥13 million four years after purchasing the first policy 【After the designated date】 <u>No restrictions based on the Postal Service Privatization Act</u>	
Current Status	In June and July 2015, the ruling parties made statements to the government about increasing the limit on deposits and the insurance coverage limits and permission to enter new businesses (such as home loans). In July 2015, as part of government deliberations, the Postal Privatization Committee was requested by the Minister of State for Financial Services and the Prime Minister to “study and consider the future postal privatization process in light of the changing conditions in recent years.” This study and consider is currently underway.	

Universal services offered in post offices

Japan Post Holdings and Japan Post Co. have been obligated to enable integrated use of postal services, postal savings, remittances and settlement of loans services and easy-to-use life insurance services at post offices through means convenient for users and in the future maintain a nationwide post office network to enable fair use as universal services (The Postal Service Privatization Act Article 7-2, The Japan Post Holdings Company Act Article 5).

Postal counter operations

- Acceptance of postal items
- Delivery of postal items
- Sale of postage stamps, etc.

Banking counter operations

- Acceptance of ordinary deposits
- Acceptance of *TEIGAKU* deposits and fixed time savings
- Exchange, payments and transfers

Insurance counter operations

- Promotion of endowment insurance
- Promotion of whole life insurance
- Receipt of claims for maturity or living benefits for the above types of insurance

Post office placement criteria (overview)

- In principle, at least one post office must be placed in all cities, towns and villages.
- Aside from the above, post offices must be placed according to the following standards:
 - ▶ Placed to respond appropriately to demand from local residents.
 - ▶ Positioned for local residents to easily use considering local traffic, geography and other circumstances.
 - ▶ To maintain the standards of the post office network existing in underpopulated areas at the time of enforcement of the bill to Partially Amend the Postal Service Privatization Act, etc. (2012 Act No. 30)

Investment Strategy

■ Basic stance towards investments

- Promote infrastructure development to enhance management base such as customer satisfaction, marketing strength and efficiency
- Drive real estate development projects (Nagoya, Hakata)
- Utilize proceeds from the sale of the Two Financial Subsidiaries towards strategic investments to achieve growth

Group Investment Target for FY2015–2017

Properties / equipment	¥670bn
IT systems	¥420bn
Real estate development	¥70bn
Strategic growth investments*	¥800bn
Total	¥1,960bn

* Including the acquisition of Toll (¥620bn)

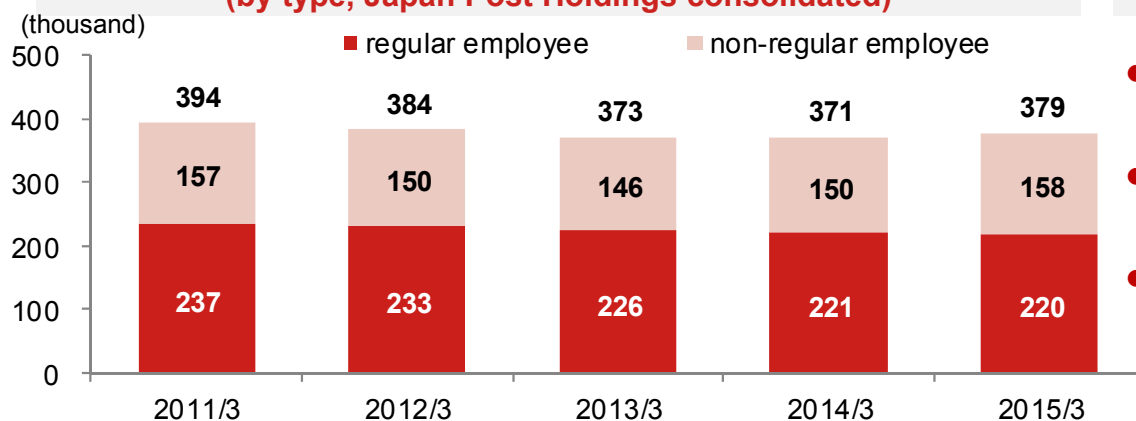
Effect of Major Initiatives

Initiative	Amount	Effect
Enhancement of service environment	¥480.0bn	Improved customer satisfaction Enhanced work environment
Installation of additional ATMs	¥42.0bn	Enhanced service quality and efficiency
Renovation of properties/equipment (e.g. Deposit Administration Center, etc.)	¥22.0bn	Resolve obsolete and small properties
Renovation of Japan Post Insurance branches and service centers	¥46.0bn	Enhance obsolete, small and dispersed office environment
Development of the new-generation mail information system	¥60.0bn	Cost reduction through enhanced efficiency and reduction in running cost
Renovation of Yucho Direct	¥1.2bn	Improved customer satisfaction
Introduction of branch terminal (CTM6)	¥9.0bn	Increase in operational quality and efficiency, reduction of system cost
Renewal of Japan Post Insurance Core System	¥60.0bn	Improve software development efficiency
Enhancement of system to handle insurance contracts easily, swiftly and accurately	¥50.0bn	Strengthen policy management (provide high quality of service)
Promotion of real estate business	¥70.0bn	Secure revenue through building leasing and condominium sales
Establishment of Logistics Solution Center	¥20.0bn	Secure revenue by promoting logistics solution marketing
Reorganization of the Mail and Logistics network	¥130.0bn	Cost reduction through increased efficiency throughout the mail/logistics network, accommodate expansion in the logistics business

Number of Employees / Personnel Expense

- Introduction of “new general employee” in 2014 as a new job category. Aim to secure resources after retirement of regular employees.
- Japan Post’s workforce is growing as our business expands, but we aim to control costs by actively using the new general employee category, introducing new personnel and salary systems and implementing measures to boost productivity.

**Number of Employees
(by type, Japan Post Holdings consolidated)**

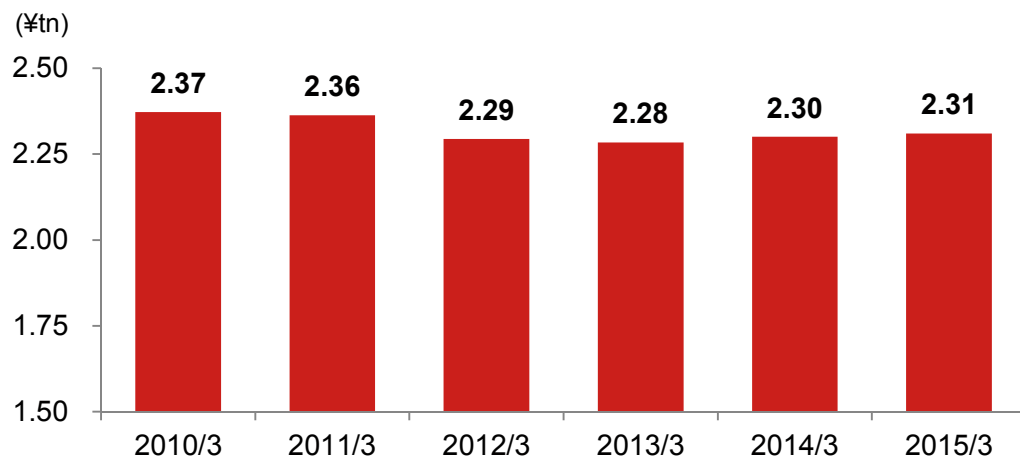


Note: Non-regular employee is the average number of employees of the year. Numbers less than a thousand have been truncated, so the sum may differ from the breakdowns.

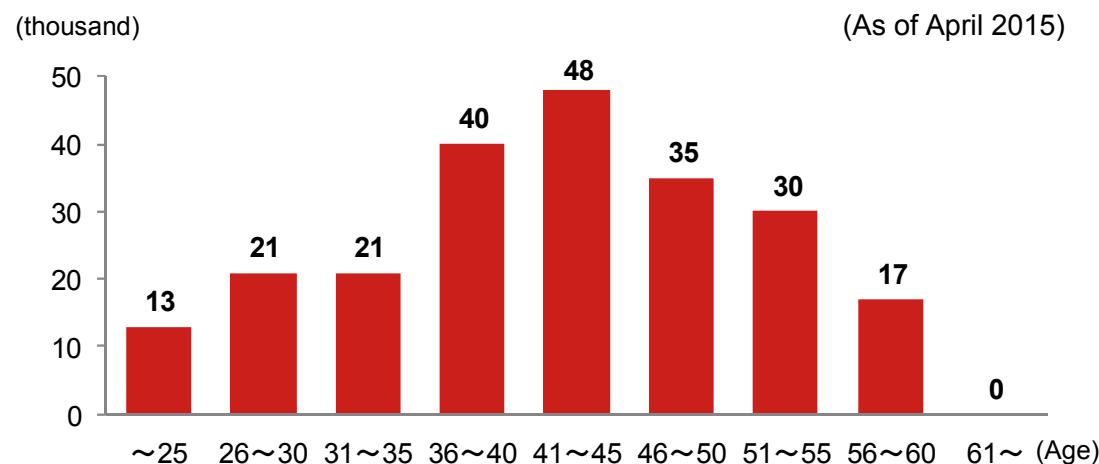
Introduction of “New General Employee”

- “New general employee” was introduced in 2014 as a new regular employee category with limitations on scope of work and location.
- Aim to secure a stable workforce by accommodating changes in the labor market.
- The number of new general employee for as of April 1, 2015 was approx. 10,000. This is expected to increase to approx. 20,000 by FY2017.

**Personnel Expense
(Japan Post Holdings consolidated)**



**Distribution of Employees by Age Group
(Regular employee of the 4 companies of Japan Post Group)**



Market Overview of Postal and Logistics Business

Details of Business

Postal services business

Market Trend

Domestic/International markets in decline

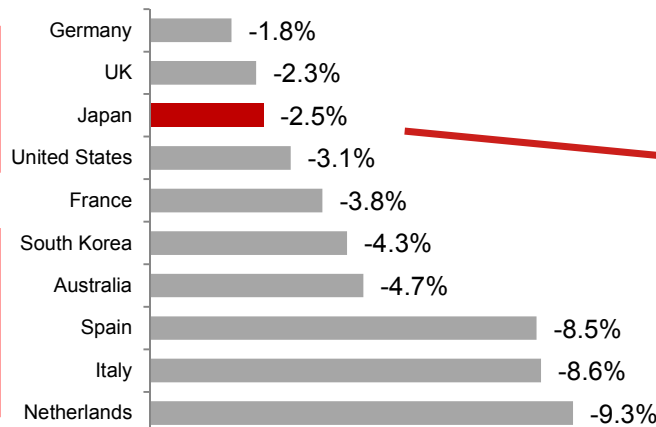
Growing

Growing

Corporate needs growing

Corporate needs growing

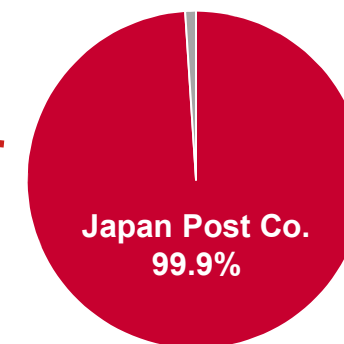
Average Annual Decline in Mail Volume by Country



Source: Universal postal union

* Figures are based 2009-2013 (UK and Spain are based 2008-2013).

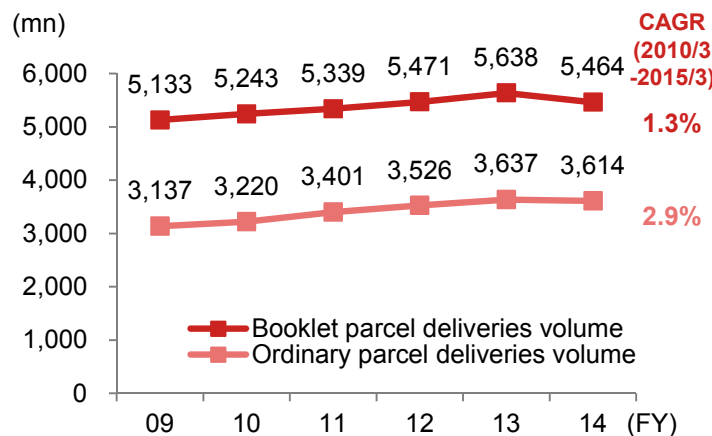
Correspondence Mail Market Share¹



Source: Correspondence Mail Annual Report 2014

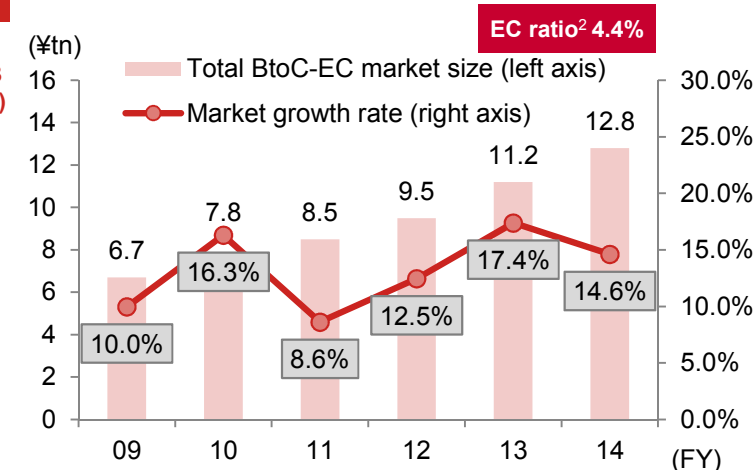
* Volume accepted by Japan Post Co. (First-class mail (letters), Second-class mail (post cards)) / (volume accepted by Japan Post Co. + volume accepted by other correspondence mail providers).

Growth of Booklet Parcel and Ordinary Parcel Deliveries in Japan



Source: "Trend of ordinary parcels deliveries volume" / "Trend of booklet parcel deliveries volume" Ministry of Land, Infrastructure, Transport and Tourism

Trends in Japan BtoC-EC Market¹ Size

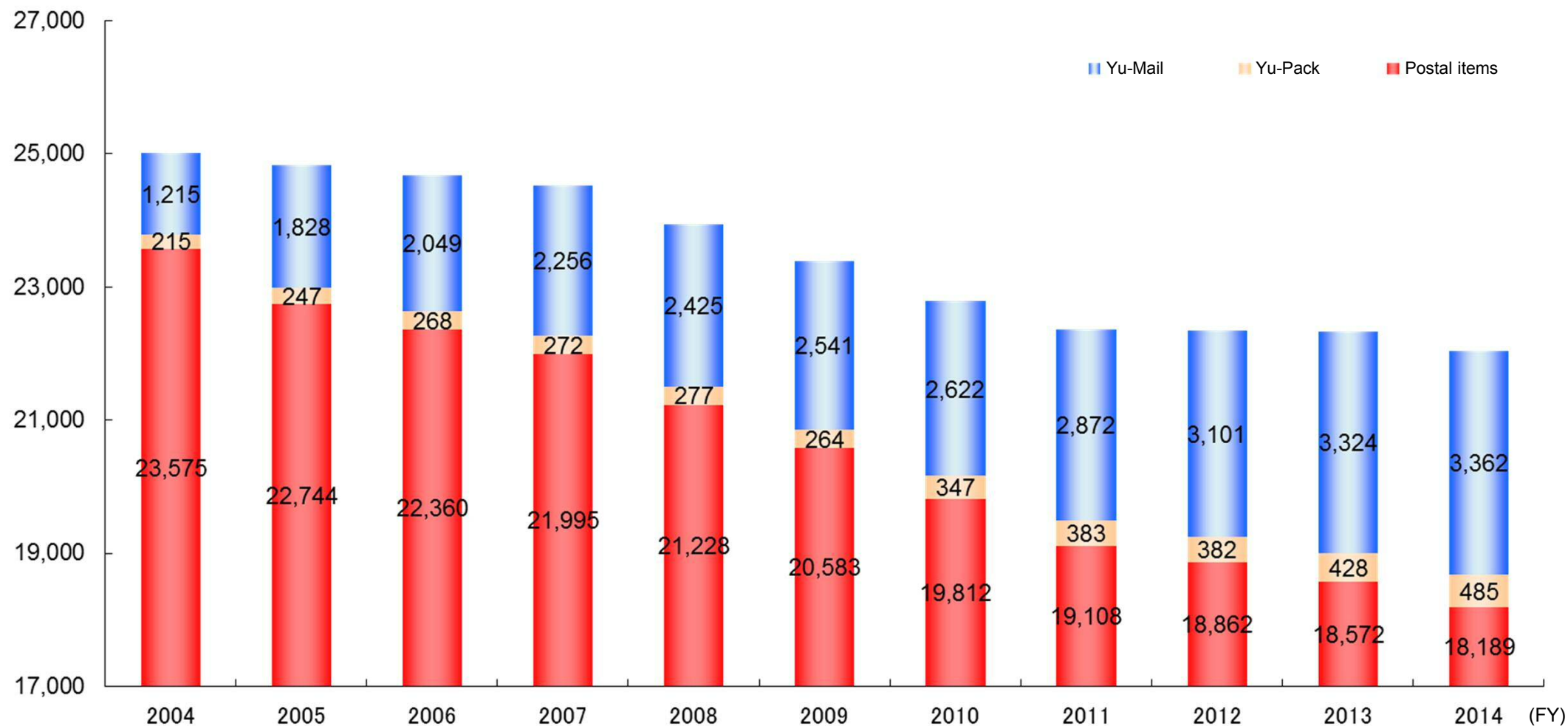


Source: Ministry of Economy, Trade and Industry FY2014 Report on Upgrading the Foundation of Japan's Digital Economy (e-commerce market survey)

1. BtoC-EC market is the e-commerce market in the retail and service industries.
2. EC ratio is the share of e-commerce transactions among all transactions.

Number of postal items and other items received

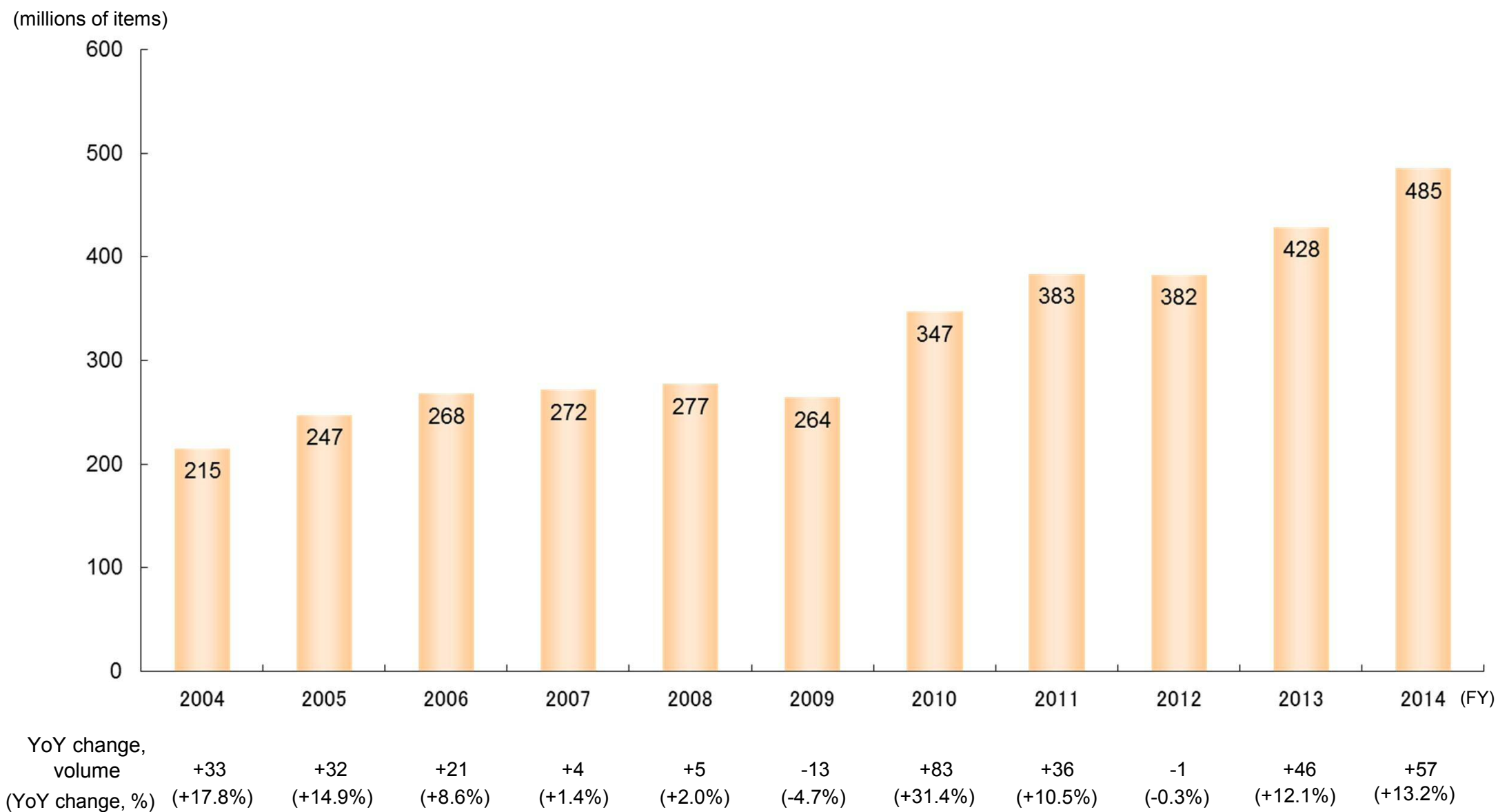
(millions of items)



Annual totals	25,004	24,819	24,677	24,522	23,930	23,387	22,780	22,363	22,346	22,324	22,036
(YoY change)	(-2.3%)	(-0.7%)	(-0.6%)	(-0.6%)	(-2.4%)	(-2.3%)	(-2.6%)	(-1.8%)	(-0.1%)	(-0.1%)	(-1.3%)

* Yu-Pack volumes include EXPACK.

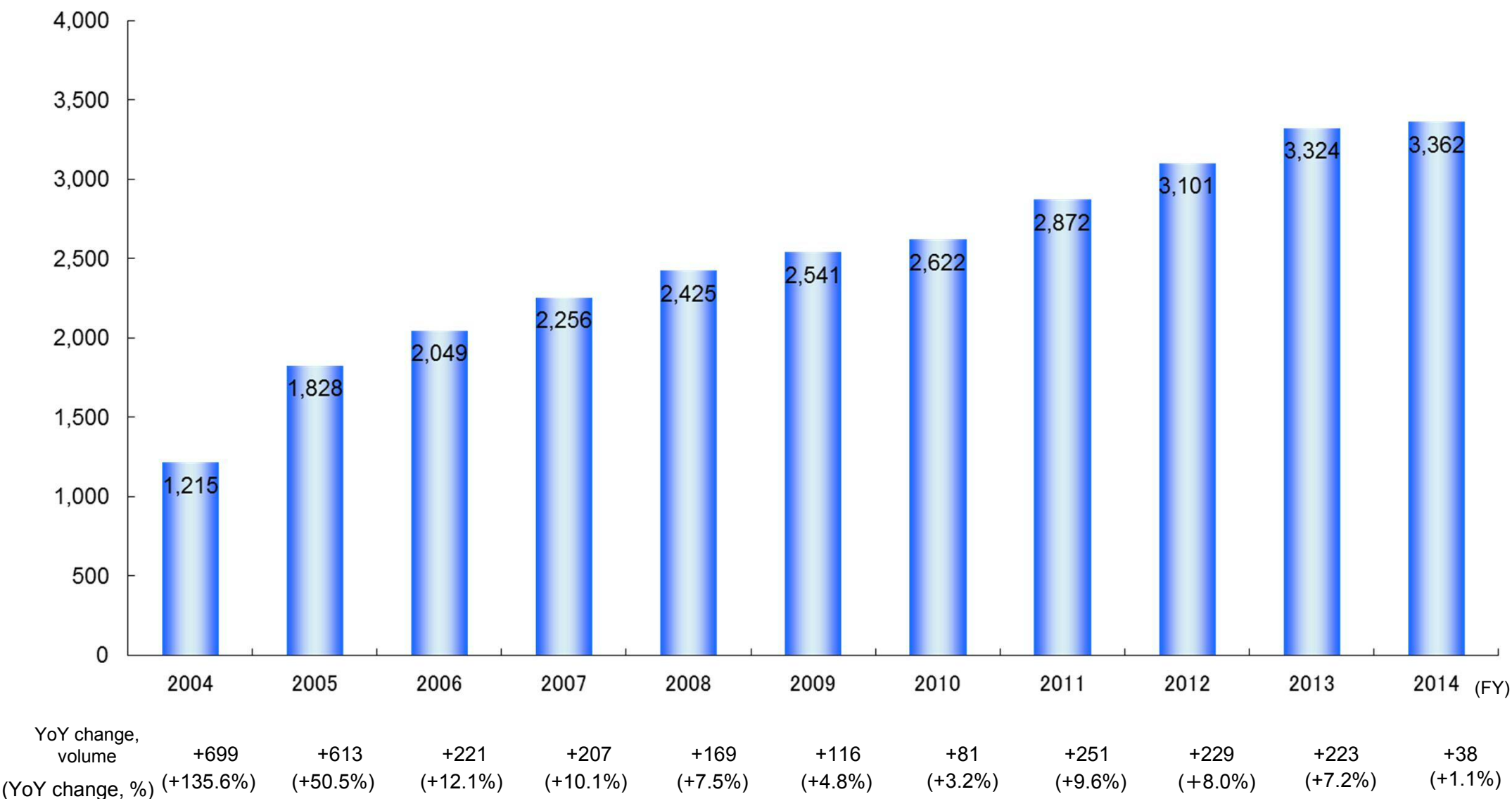
Yu-Pack volumes



* Yu-Pack volumes include EXPACK.

Yu-Mail volumes

(millions of items)



Regulations under the Postal Act

Regulations concerning postage charges

Postage charges (Postal Act, Article 3)

Charges for postal services must be based on efficient management of the postal services business, an appropriate level of cost, and an appropriate level of profit.

Notification and approval of postage charges (Postal Act, Article 67-1 and 67-3)

Type	Details of main postal items	Notification / approval
First-class mail	Letters	Notification (there is an upper limit* for postage charged for postal items of set format, weighing 25 g or less)
Second-class mail	Postcards	Notification (lower than the lowest rate for postal items of set format)
Third-class mail	Magazines, newspapers	Approval
Fourth-class mail	Educational materials, etc.	Approval

* The amount charged for delivery of lightweight items is set by order of the Ministry of Internal Affairs and Communications, based on the importance of the role played by this service in the life of the people, the ability of the people to pay, general costs of goods and services, and other information ⇒ Now ¥82

(Note) Compensation for total costs, based on total postage revenues, regardless of cost of individual services.

Order to change charges (Postal Act, Article 71)

The Minister of Internal Affairs and Communications may order changes in postage charges, when required.

Level of services for universal coverage

Acceptance

【Installation of "posts" (mailboxes) as an easy way to drop off mail at any time】

< Postal Act, Article 70-3, enforcement regulations Article 30-2 (approval standards in Postal Operations Administration Regulations) >

- Maintain the number of posts (approx. 180,000) that existed at the time of the enactment of the Act for the Enforcement of the Japan Post Act (April 1, 2003).
- Posts to be universally maintained in every city, town and village
- These posts shall be on public streets where they are readily accessible on an everyday basis, and other locations where they are highly visible to the public: rail stations, retail establishments, etc.

【Installation of post offices】

< Japan Post Holdings Co., Ltd. Act, Article 6; enforcement regulations Article 4, Paragraphs 1-3. >

- Japan Post Holdings Co. is to establish post offices everywhere, throughout Japan, for the purpose of public use.

Delivery

【Deliveries once a day, six days a week, in principle】

< Postal Act, Article 70-3, enforcement regulations Article 30-3 >

- Delivery of the mail is to take place at least once a day, six days a week, from Monday to Saturday, excluding holidays and January 2.

【In principle, delivery should be made within three days from the day when mail is handed to the post office】

< Postal Act, Article 70-3, enforcement regulations Article 30-5 >

- Three-day delivery is the principle, excluding mail handed in at the locations below:
 - Remote islands without means of transportation suitable for mail transport that run at least once daily (limited to islands that do not have roadways connecting to Honshu, etc.): two weeks or less
 - Remote islands other than those above: within 5 days

【Household delivery throughout the country (receiving address)】

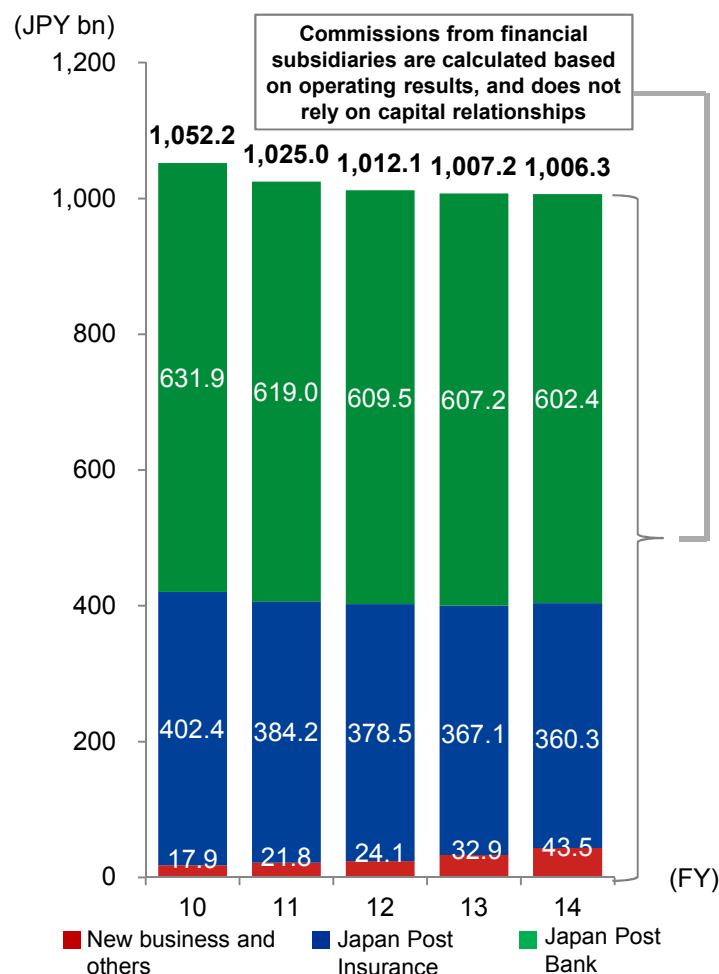
< Postal Act, Article 70-3, enforcement regulations Article 30-3 >

- Mail is to be delivered to the addressee, with the exception of locations where transportation access by ordinary means is difficult*

* Locations such as mountain huts in winter, etc., to be specified separately by Japan Post Co., Ltd.

Stable Income Structure of Post Office Business

Income Structure of Post Office Business¹



1. Based on Japan Post Co.'s non-consolidated financials. Breakdown for FY3/2015 is as follows:

Japan Post Bank: Banking counter services component of ¥250.9bn, deposit component of ¥220.2bn, remittance component of ¥96.8bn, financial product sales component of ¥2.3bn and incentive component of ¥32.1bn.

Japan Post Insurance: Sales commissions of ¥173.1bn and maintenance commissions of ¥186.2.

The gap between Japan Post Insurance' total commissions shown in the above chart and foregoing breakdown numbers is sales support funds included in the total commissions.

Commissions paid by Japan Post Bank

Banking Counter Component²

Deposit Component

Remittance Component

Financial Product Sales Component

■ Commissions are based on operating cost of Japan Post Bank branches and operational volume, etc. of post offices to arrive at an amount reflecting the cost of agency services

Incentive Component

■ Payable based on marketing targets and service quality

Commissions paid by Japan Post Insurance

Sales commissions

■ Linked mainly to new policy acquisition (instalment payment, typical in industry)
■ Incentive bonus is paid if targets are reached

Maintenance commissions

■ For tasks delegated to Japan Post Co., a unit cost is set based on amount of time, assuming the task was handled adequately in post offices
■ Composed of commissions linked to number of policies in force and follow-up activities, and commissions linked to the number of post offices

New business and other income

Merchandise business

■ Income from sales through catalogs and the internet

Real estate business

■ Rental income from real estate such as office buildings and other commercial facilities

Strategic partnership financial service

■ Commissions from selling financial products of external partners

2. Cost to maintain post offices (allocated to Japan Post Bank based on management accounting of Japan Post Co.) within "cost of agency services" as mentioned in the right column of the table.

No. of post offices that provide third-party financial product agency services / sell investment trusts

Variable annuities

We sell variable annuities to provide a wider choice of life planning / wealth building consulting products.

No. of post offices	1,079
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Third-sector insurance

We sell cancer insurance and medical insurance with eased underwriting conditions to address recent growth in demand for medical insurance products.

No. of post offices that offer cancer insurance	20,072
No. of post offices that offer medical insurance with eased underwriting conditions	1,000

Life insurance for companies (for management-level personnel)

We sell life insurance for companies (for management-level personnel) to address the various needs of executives, including retirement benefit-related issues, business insurance, business succession and inheritance issues.

No. of post offices	200
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Automobile insurance

As a non-life insurance agency, we offer post office automobile insurance in cooperation with five non-life insurer partners.

No. of post offices	1,495
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Investment trusts

We sell and repurchase investment trusts and pay distributions and amounts due for fund maturities and redemptions.

No. of post offices	1,316
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* As of October 1, 2015

Disclaimer

This document contains forward-looking statements such as business forecasts and targets for the Japan Post Group and its Group companies. These forward-looking statements are based on certain assumptions and information available to the Japan Post Group at the time the document was created.

Consequently, actual performance may differ materially from these statements due to a wide range of factors, including but not limited to, economic conditions, economic trends, changes in interest rates and changes in legal regulations.