



**Interim Financial Results Briefing Session  
for the Six Months Ended September 30, 2017**

November 20, 2017

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# Interim Financial Results Summary

- Performance was steady as Japan Post Holdings recorded consolidated net income for the six months ended September 30, 2017, of ¥180.1 billion (up 20.3% year on year), compared to the forecast of ¥400.0 billion for the fiscal year ending March 31, 2018
- No changes to the forecast. The Group paid interim dividends of ¥25 as planned, and expects to pay year-end dividends of ¥25 also as planned

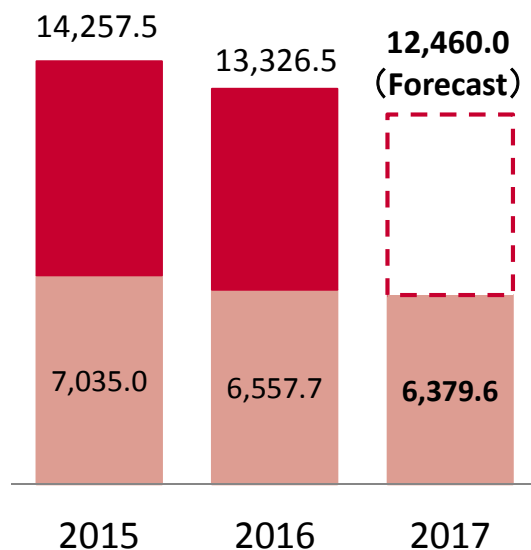
## Ordinary income

**¥ 6,379.6 billion**

(Down 2.7% year on year)

■ Full year

■ Six months ended September 30



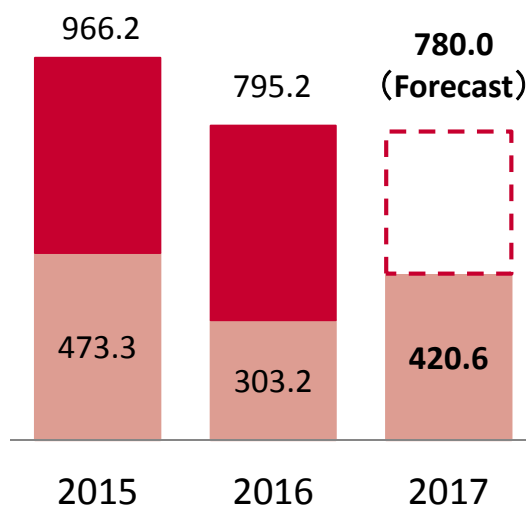
## Net ordinary income

**¥ 420.6 billion**

(Up 38.7% year on year)

■ Full year

■ Six months ended September 30



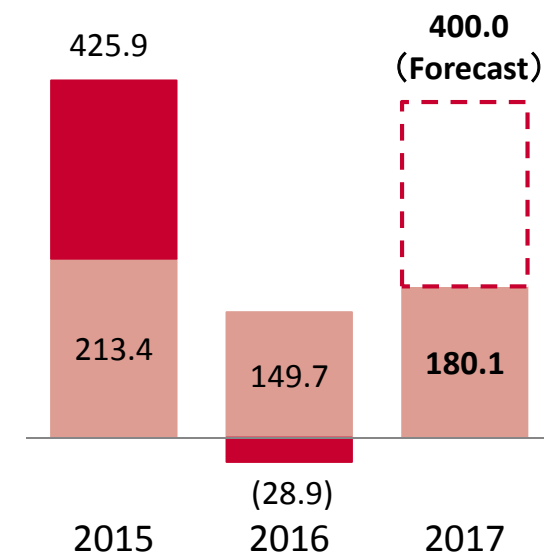
## Net income attributable to Japan Post Holdings

**¥ 180.1 billion**

(Up 20.3% year on year)

■ Full year

■ Six months ended September 30



Note: In accordance with Article 11 of the Act on Japan Post Holdings Co., Ltd., payment of dividends from retained earnings or other appropriation of retained earnings (excluding disposition of loss) of Japan Post Holdings shall not be effective without the approval of the Minister for Internal Affairs and Communications.

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## Interim Financial Results Overview for the Six Months Ended September 30, 2017

# Japan Post Holdings: Financial Highlights

## ■ Results of Operations for the Six Months Ended September 30, 2017

(Billions of yen)

	Japan Post Holdings (Consolidated)	Japan Post Co. (Consolidated)	Japan Post Bank	Japan Post Insurance (Consolidated)
<b>Ordinary income</b>	<b>6,379.6</b>	1,834.7	977.2	4,054.8
Year-on-year (for the six months ended Sept. 30, 2016) change	(178.1) (2.7)%	+ 44.4 + 2.5%	+ 43.0 + 4.6%	(279.0) (6.4)%
<b>Net ordinary income (loss)</b>	<b>420.6</b>	(12.8)	257.1	168.8
Year-on-year (for the six months ended Sept. 30, 2016) change	+ 117.4 + 38.7%	+ 14.7 -	+ 44.7 + 21.0%	+ 61.0 + 56.6%
<b>Net income (loss)</b>	<b>180.1</b>	(17.1)	181.5	51.2
Year-on-year (for the six months ended Sept. 30, 2016) change	+ 30.3 + 20.3%	+ 11.6 -	+ 30.5 + 20.2%	+ 8.7 + 20.6%

## ■ Forecast for the Fiscal Year Ending March 31, 2018 (Announced in May 2017)

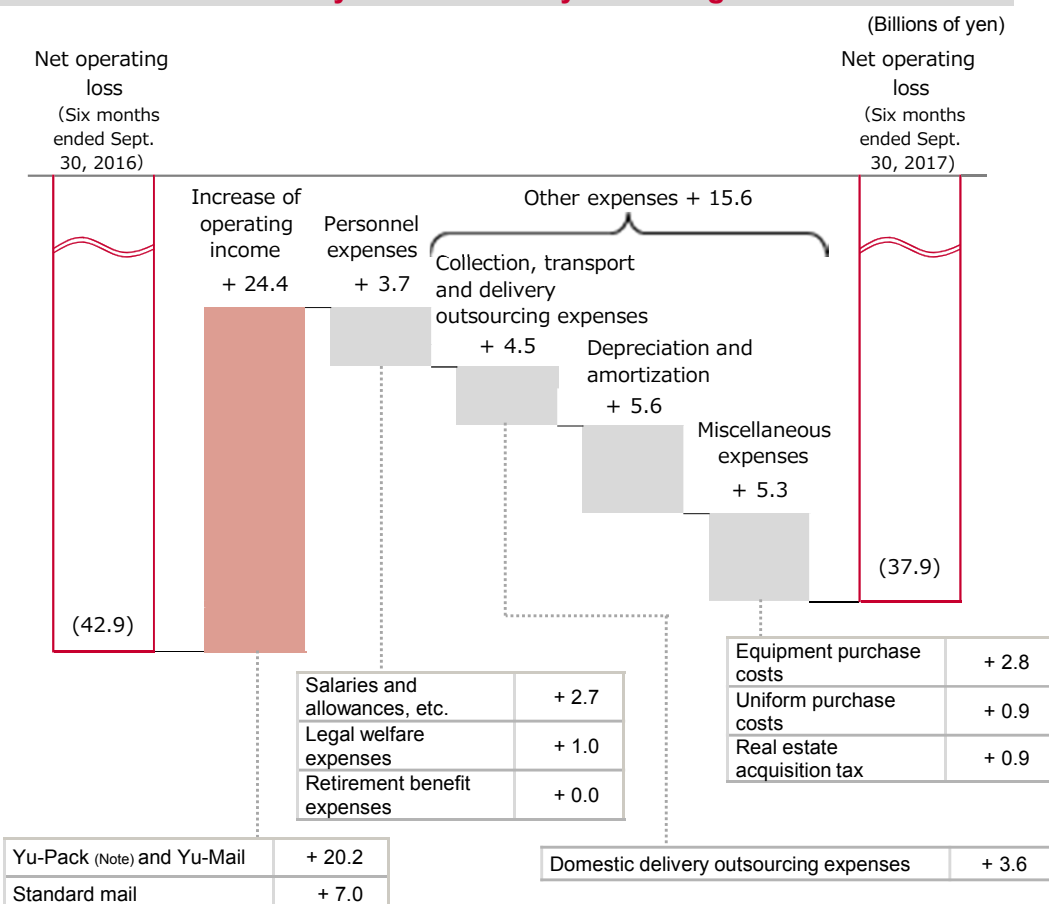
<b>Net ordinary income</b>	780.0	18.0	490.0	250.0
[percentage achievement]	[53.9%]	-	[52.4%]	[67.5%]
<b>Net income</b>	400.0	13.0	350.0	86.0
[percentage achievement]	[45.0%]	-	[51.8%]	[59.6%]

Notes: 1. Figures less than ¥0.1 billion are rounded down. The figures of Japan Post Holdings (consolidated) and the combined figures of each subsidiary do not correspond because of other consolidated accounting procedures.  
2. The amount of ordinary profit on the consolidated financial statements of Japan Post Insurance has been used for net ordinary income of Japan Post Insurance.  
3. The amounts of net income attributable to Japan Post Holdings, net loss attributable to Japan Post Co. and net income attributable to Japan Post Insurance have been used for net income (loss) of Japan Post Holdings (consolidated), Japan Post Co. (consolidated) and Japan Post Insurance (consolidated), respectively.

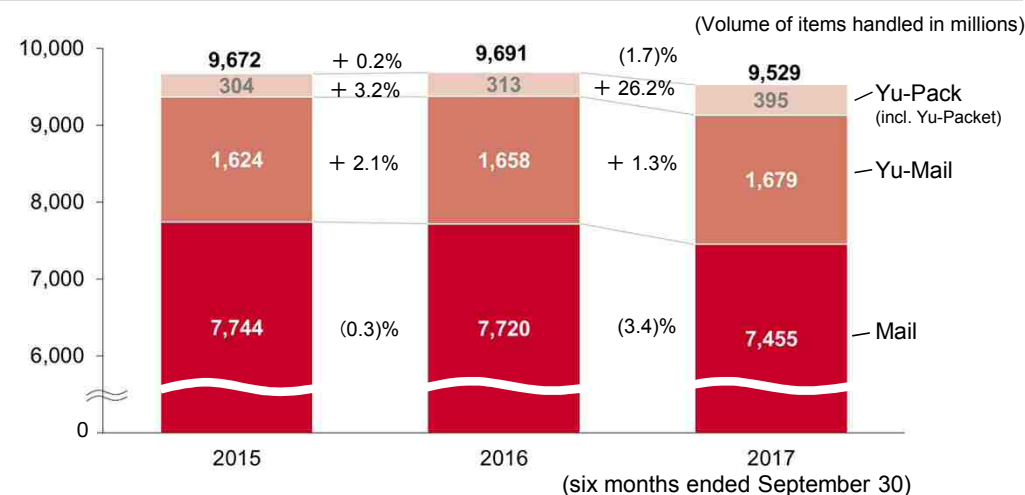
# Japan Post Co. (Consolidated) [Postal and Domestic Logistics Business]: Financial Results

- Operating income increased by ¥24.4 billion year-on-year owing to an increase in volume of Yu-Pack and Yu-Packet handled, and the effects of the revision of fees.
- Operating expenses increased by ¥19.4 billion year-on-year as a result of a rise in expenses associated with the increase in volume of Yu-Pack, etc. handled, rising wage rates and an increase in depreciation and amortization. Nevertheless, the increase in operating expenses was kept within the growth of operating income through efforts to control costs.
- As a result, net operating loss decreased by ¥5.0 billion year-on-year to ¥37.9 billion.

## Analysis of Year-on-year Change



## Trends in Volume of Items Handled



## Results of Operations for the Six Months Ended September 30, 2017

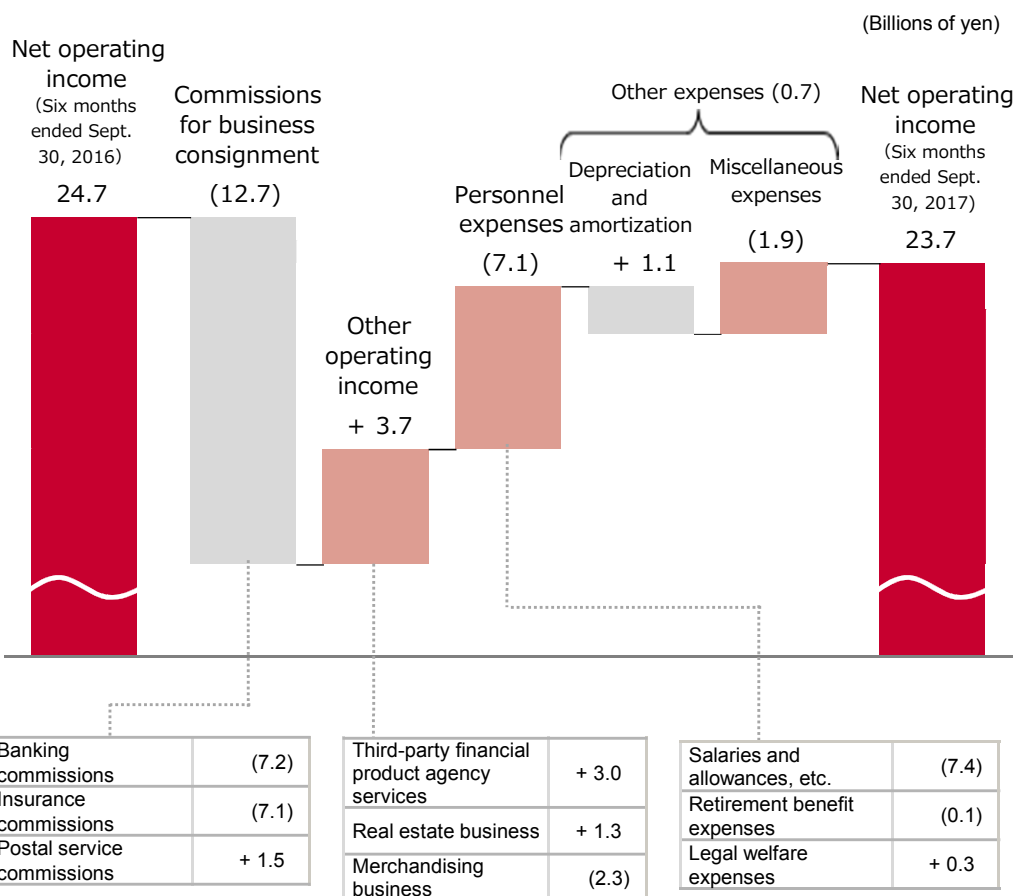
(Billions of yen)

	For the six months ended Sept. 30, 2017	For the six months ended Sept. 30, 2016	Year-on-year change
Operating income	908.9	884.5	+ 24.4
Operating expenses	946.9	927.5	+ 19.4
Personnel expenses	608.0	604.2	+ 3.7
Other expenses	338.8	323.2	+ 15.6
Net operating loss	(37.9)	(42.9)	+ 5.0

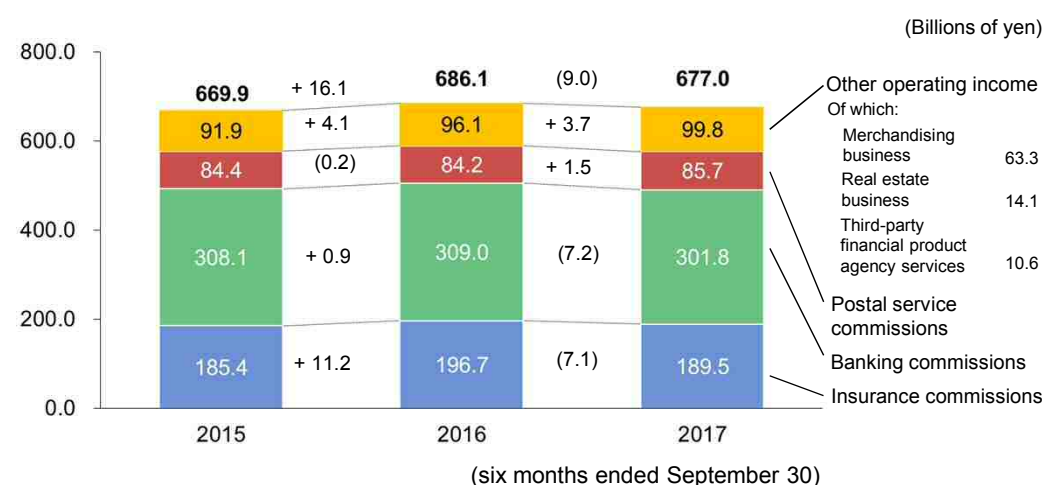
# Japan Post Co. (Consolidated) [Post Office Business]: Financial Results

- Operating income decreased by ¥9.0 billion year-on-year owing to a fall in banking and insurance commissions, despite the increase in business income from third-party financial product agency services and real estate business.
- Operating expenses decreased by ¥7.9 billion year-on-year due to a reduction in personnel expenses resulting from a fall in new policy sales at Japan Post Insurance and various measures to improve efficiency.
- As a result, net operating income decreased by ¥1.0 billion year-on-year to ¥23.7 billion.

## Analysis of Year-on-year Change



## Trends in the Earnings Structure



## Results of Operations for the Six Months Ended September 30, 2017

(Billions of yen)

	For the six months ended Sept. 30, 2017	For the six months ended Sept. 30, 2016	Year-on-year change
Operating income	677.0	686.1	(9.0)
Operating expenses	653.3	661.3	(7.9)
Personnel expenses	461.1	468.3	(7.1)
Other expenses	192.1	192.9	(0.7)
Net operating income	23.7	24.7	(1.0)

# Japan Post Co.(Consolidated) [International Logistics Business]:

## Financial Results of Toll

- Operating income increased by A\$101 million year-on-year owing to the increase in operating income in the Global Logistics business. (¥33.8 billion increase in Japanese yen terms, helped by the Japanese yen depreciation)
- Net operating income (EBIT) for the six months ended September 30, 2017 was A\$33 million, representing a decrease of A\$35 million year-on-year. EBIT for the latest quarter from July to September 2017 turned positive and reached A\$42 million. Since bottoming out in Q4 in the previous fiscal year at (A\$13 million), performance has improved quarter on quarter in Q1 and in Q2.
- We expect to sustain our upward trend in Q3 and we will continue to exert our efforts on the Transformation plan to achieve our annual budget plan.

### Results of Operations for the Six Months Ended September 30, 2017

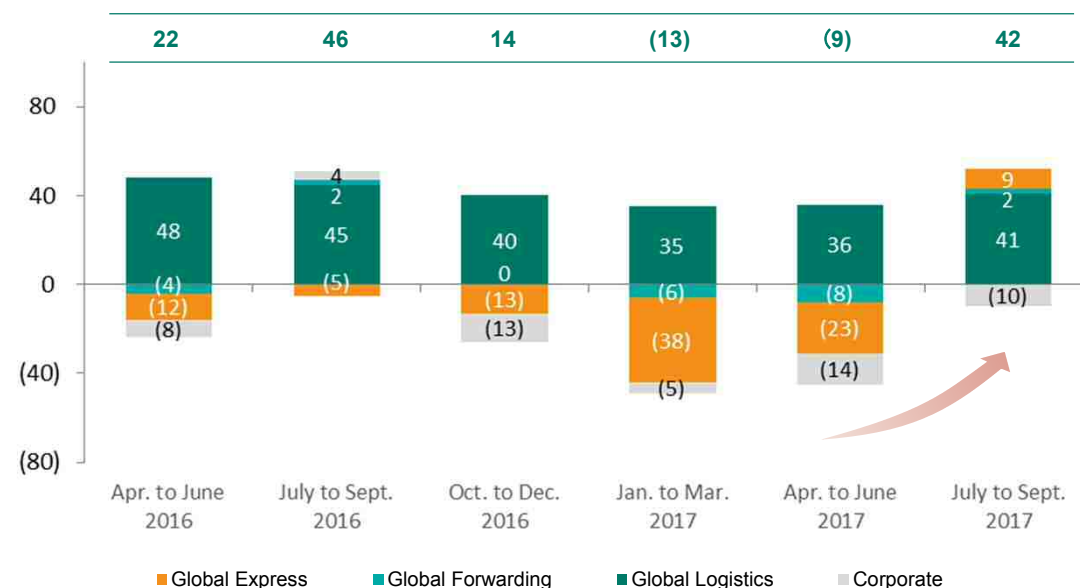
(Millions of Australian dollars)  
[Billions of yen]

	For the six months ended Sept. 30, 2017 (Note 1)	For the six months ended Sept. 30, 2016 (Note 1)	Year-on-year change (Note 1)
Operating income (revenue)	<b>4,004</b> [342.5]	3,903 [308.6]	+ 101 [+ 33.8]
Operating expenses	<b>3,971</b> [339.6]	3,834 [303.2]	+ 136 [+ 36.4]
Net operating income (EBIT)	<b>33</b> [2.8]	68 [5.4]	(35) [(2.5)]

### Quarterly Trends in Net Operating Income (Loss) (EBIT)

3-months EBIT

(Millions of Australian dollars)



Notes: 1. Net operating income is presented as EBIT of Toll. Figures in square brackets are presented in billions of yen (Average exchange rate for the six months ended September 30, 2017: ¥85.52 to A\$1.00 and for the six months ended September 30, 2016: ¥79.08 to A\$1.00).

2. In line with Toll's re-organization of its divisional structure from July 2017, the figures of each division prior to the re-organization were recalculated according to the current divisional structure. The names of each division were changed accordingly.



# Japan Post Co. (Consolidated): Financial Highlights

Operating income increased by ¥46.5 billion year-on-year to ¥1,831.7 billion. Net loss decreased by ¥11.6 billion year-on-year to ¥17.1 billion.

- In the postal and domestic logistics business, operating income increased owing to an increase in volume of Yu-Pack and Yu-Packet handled. Net operating loss decreased through efforts to control costs, despite a rise in expenses associated with the increase in volume of Yu-Pack, etc. handled, rising wage rates and an increase in depreciation and amortization.
- In the post office business, net operating income decreased due to a fall in commissions from Japan Post Bank and Japan Post Insurance, despite a reduction in personnel expenses.
- In the international logistics business, net operating income decreased year-on-year. Though net operating income for the three months ended June 30, 2017 was negative, it turned positive in the six months ended September 30, 2017.

## Results of Operations for the Six Months Ended September 30, 2017

(Billions of yen)

Item	Japan Post Co. (Consolidated)	Year-on-year change	Postal and domestic logistics business	Year-on-year change	Post office business	Year-on-year change	International logistics business	Year-on-year change
Operating income	<b>1,831.7</b>	+ 46.5	908.9	+ 24.4	677.0	(9.0)	342.5	+ 33.8
Operating expenses	<b>1,844.0</b>	+ 31.7	946.9	+ 19.4	653.3	(7.9)	339.6	+ 36.4
Personnel expenses	<b>1,180.7</b>	+ 5.1	608.0	+ 3.7	461.1	(7.1)	111.5	+ 8.5
Other expenses	<b>663.2</b>	(Note) + 26.5	338.8	+ 15.6	192.1	(0.7)	228.0	+ 27.8
Net operating income (loss)	<b>(12.2)</b>	+ 14.7	(37.9)	+ 5.0	23.7	(1.0)	2.8	(2.5)
Net ordinary loss	<b>(12.8)</b>	+ 14.7						
Extraordinary gains (losses)	<b>1.3</b>	(3.3)						
Loss before income taxes	<b>(11.5)</b>	+ 11.3						
Net loss	<b>(17.1)</b>	+ 11.6						

Note: Amortization of goodwill, etc. in connection with the acquisition of Toll (¥10.5 billion) was recognized for the six months ended September 30, 2016.

# Japan Post Bank: Financial Highlights

## Results of Operations for the Six Months Ended September 30, 2017

(Billions of yen)			
	As of / for the six months ended		Year-on-year change
	Sept. 30, 2017	Sept. 30, 2016	
Gross operating profit	757.7	716.3	+ 41.4
Net interest income	618.0	629.3	(11.2)
Net fees and commissions	47.1	42.9	+ 4.1
Net other operating income (loss)	92.5	44.0	+ 48.5
General and administrative expenses <sup>(Note1)</sup>	522.2	530.9	(8.7)
Provision for general reserve for possible loan losses	0.0	(0.0)	+ 0.0
Net operating profit	235.4	185.3	+ 50.1
Non-recurring gains (losses)	21.6	27.1	(5.4)
Net ordinary income	257.1	212.4	+ 44.7
Net income	181.5	150.9	+ 30.5
Ordinary income	977.2	934.2	+ 43.0
Ordinary expenses	720.0	721.7	(1.6)
Deposits <sup>(Note2)</sup>	179,419.3	178,456.5	+ 962.8
Capital adequacy ratio (non-consolidated, domestic standard)	19.64%	23.15%	(3.50)%

## Overview

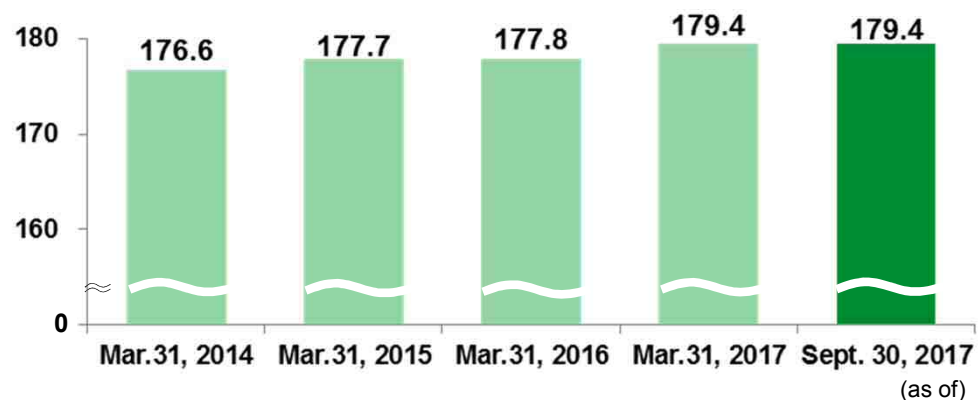
- Gross operating profit for the six months ended September 30, 2017 increased by ¥41.4 billion year-on-year to ¥757.7 billion. Of which, net interest income decreased by ¥11.2 billion year-on-year mainly as a result of a decrease in interest on Japanese government bonds. Meanwhile, net fees and commissions increased by ¥4.1 billion year-on-year. Net other operating income (loss) increased by ¥48.5 billion year-on-year mainly owing to an increase in gains (losses) on foreign exchanges.
- General and administrative expenses decreased by ¥8.7 billion year-on-year to ¥522.2 billion.
- In the adverse business environment from factors such as a low interest rate trend, net operating profit increased by ¥50.1 billion year-on-year to ¥235.4 billion.
- Non-recurring gains (losses) decreased by ¥5.4 billion year-on-year mainly owing to a decrease in gains (losses) on money held in trust and net ordinary income increased by ¥44.7 billion year-on-year to ¥257.1 billion.
- Net income increased by ¥30.5 billion year-on-year to ¥181.5 billion, achieving 51.8% of the financial results forecast of ¥350.0 billion for the fiscal year ending March 31, 2018, more or less as planned.
- Deposits as of September 30, 2017 amounted to ¥179,419.3 billion.
- Capital adequacy ratio (non-consolidated, domestic standard) as of September 30, 2017 was 19.64%.

Notes: 1. Excludes non-recurring losses.  
2. Excludes accrued interest.

# Japan Post Bank: Business Results

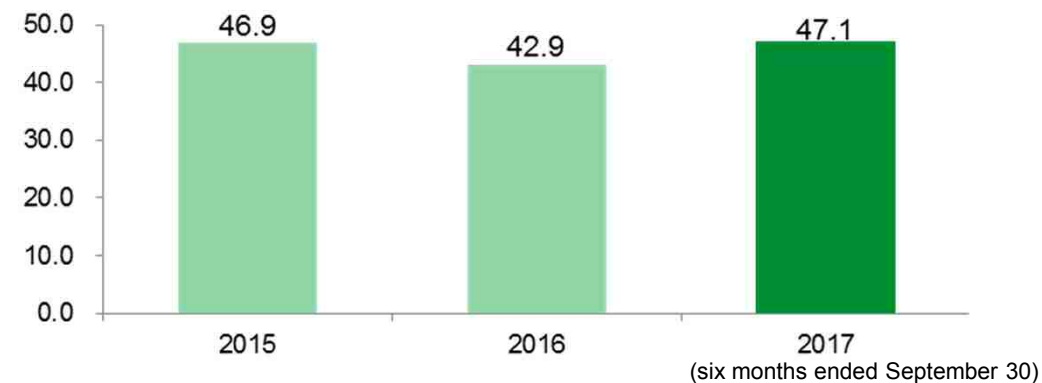
## Deposit Balance

(Trillions of yen)



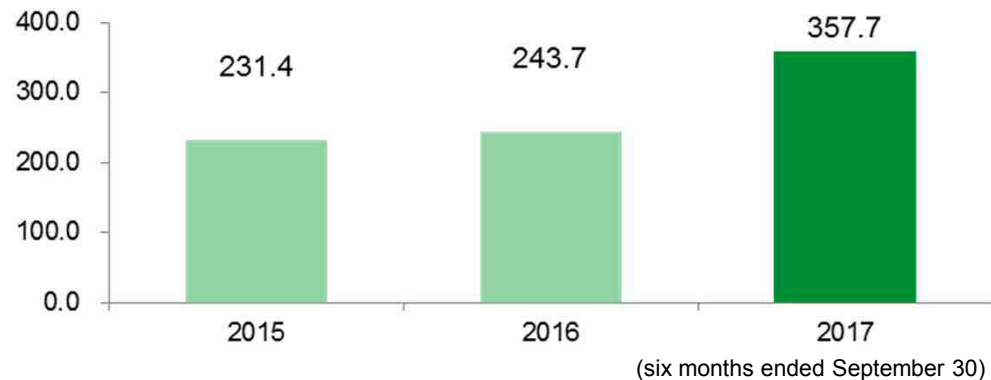
## Net Fees and Commissions

(Billions of yen)



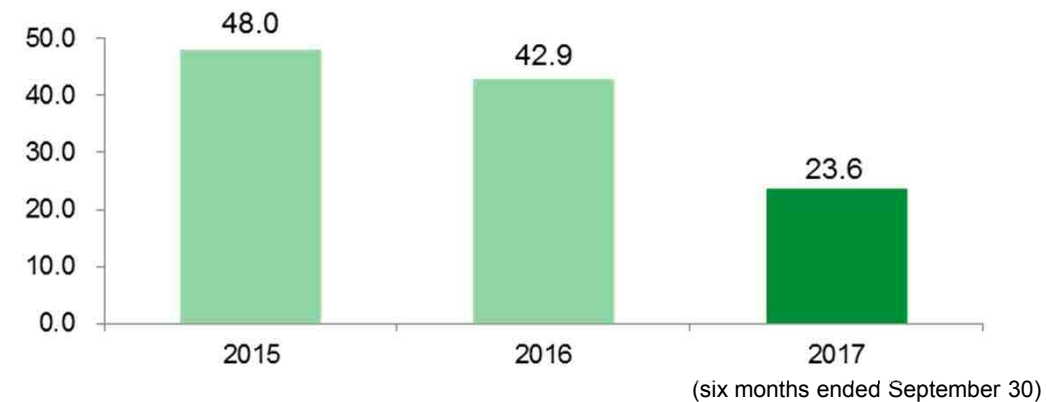
## Investment Trusts Sales

(Billions of yen)



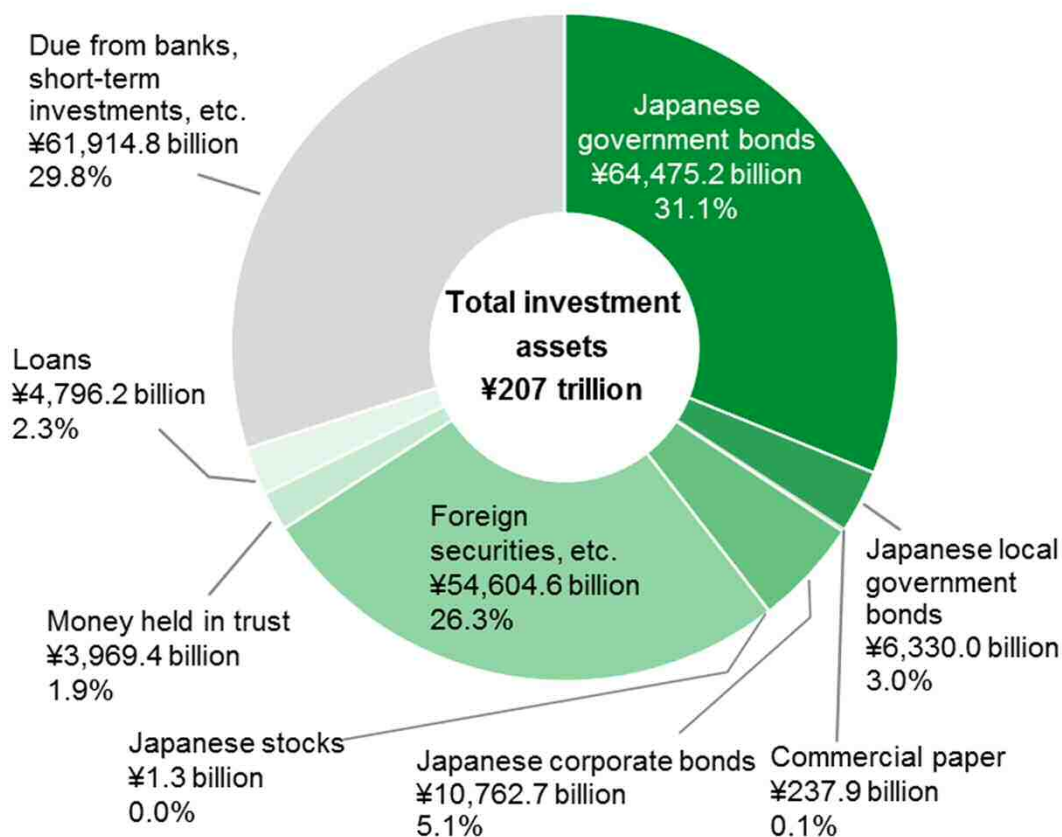
## Variable Annuities Policies Sales

(Billions of yen)



Note: Figures are rounded down to the first decimal place.

# Japan Post Bank: Status of Investment Assets



(Billions of yen)

Type	As of Sept. 30, 2017	Composition ratio (%)	As of Mar. 31, 2017	Composition ratio (%)
Loans	4,796.2	2.3	4,064.1	1.9
Securities	136,412.0	65.8	138,792.4	66.9
Japanese government bonds	64,475.2	31.1	68,804.9	33.2
Japanese local government bonds	6,330.0	3.0	6,082.2	2.9
Commercial paper	237.9	0.1	233.9	0.1
Japanese corporate bonds	10,762.7	5.1	10,752.8	5.1
Japanese stocks	1.3	0.0	1.3	0.0
Foreign securities, etc.	54,604.6	26.3	52,917.0	25.5
Money held in trust	3,969.4	1.9	3,817.9	1.8
Due from banks, short - term investments, etc. <sup>(Note)</sup>	61,914.8	29.8	60,519.0	29.2
<b>Total investment assets</b>	<b>207,092.6</b>	<b>100.0</b>	<b>207,193.4</b>	<b>100.0</b>

Note: "Due from banks, short-term investments, etc." consists of negotiable certificates of deposit, Bank of Japan deposits, call loans, receivables under securities borrowing transactions, and monetary claims bought, etc.

# Japan Post Insurance (Consolidated): Financial Highlights

## Results of Operations for the Six Months Ended September 30, 2017

(Billions of yen, number of policies in thousands)

	For the six months ended		Year-on-year change
	Sept. 30, 2017	Sept. 30, 2016	
Core profit (non-consolidated)	<b>194.4</b>	194.4	(0.0)
Ordinary income	<b>4,054.8</b>	4,333.8	(279.0)
Ordinary expenses	<b>3,885.9</b>	4,226.0	(340.0)
Ordinary profit	<b>168.8</b>	107.8	+ 61.0
Net income	<b>51.2</b>	42.5	+ 8.7
Annualized premiums from new policies (individual insurance)	<b>208.9</b>	282.3	(73.4)
Number of new policies (individual insurance)	<b>940</b>	1,350	(400)
	As of		Change
	Sept. 30, 2017	Mar. 31, 2017	
Annualized premiums from policies in force (Note 1)	<b>4,924.4</b>	4,979.6	(55.1)
Number of policies in force (Note 1)	<b>31,020</b>	31,560	(540)
Solvency margin ratio (consolidated)	<b>1,207.7%</b>	1,290.6%	(82.9)%
Real net assets (consolidated)	<b>12,764.3</b>	12,763.1	+ 1.2

## Overview

- Core profit (non-consolidated) for the six months ended September 30, 2017 was ¥194.4 billion and remained nearly at the same level as the previous corresponding period. Net income increased by ¥8.7 billion year-on-year to ¥51.2 billion, and achieved 59.6% of the financial results forecast for the fiscal year ending March 31, 2018.
- Annualized premiums from new policies for individual insurance decreased by 26.0% year-on-year to ¥208.9 billion due to a revision of insurance premium rate in April 2017. Annualized premiums from new policies for medical care increased by 7.4% year-on-year to ¥27.9 billion.
- Annualized premiums from policies in force (including Postal Life Insurance Policies) was ¥4,924.4 billion, slightly decreased from the end of the previous fiscal year.
- Internal reserves, which are the sum of contingency reserve and reserve for price fluctuations, amounted to ¥3,003.9 billion.
- Solvency margin ratio (consolidated), an indicator of financial soundness, amounted to 1,207.7% and real net assets (consolidated) amounted to ¥12,764.3 billion, continuously maintaining a high level of financial soundness.

Notes: 1. Including Postal Life Insurance Policies, which show contracts reinsured by Japan Post Insurance from the Management Organization for Postal Savings and Postal Life insurance.

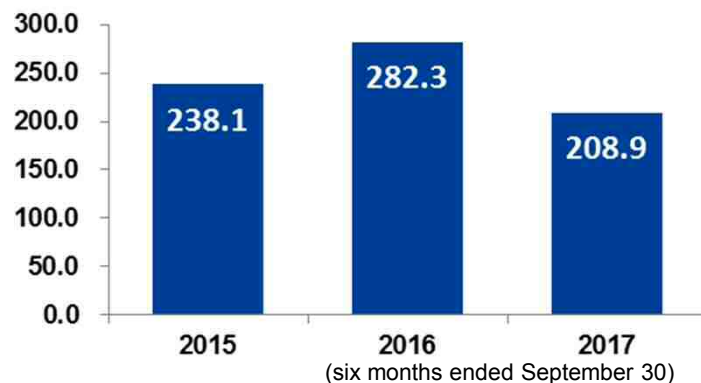
2. Figures are rounded down to the first decimal place, and number of policies is rounded down to the nearest ten thousand.

# Japan Post Insurance (Consolidated): Status of Insurance Policies

## New Policies

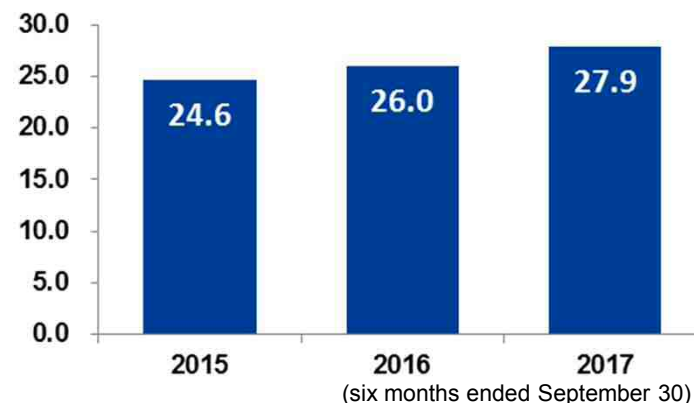
### Annualized Premiums from New Policies (Individual Insurance)

(Billions of yen)



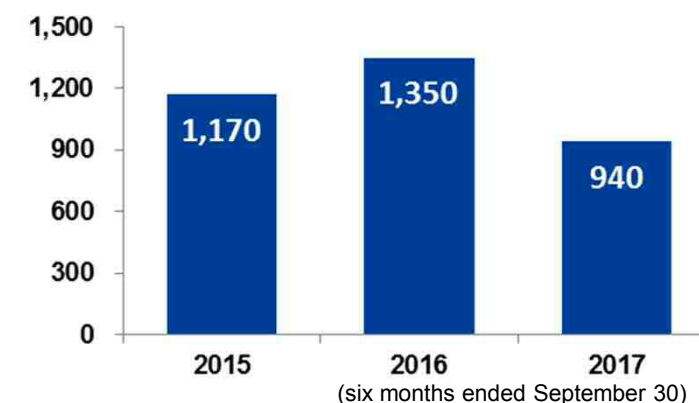
### Annualized Premiums from New Policies (Medical Care)

(Billions of yen)



### Number of New Policies (Individual Insurance)

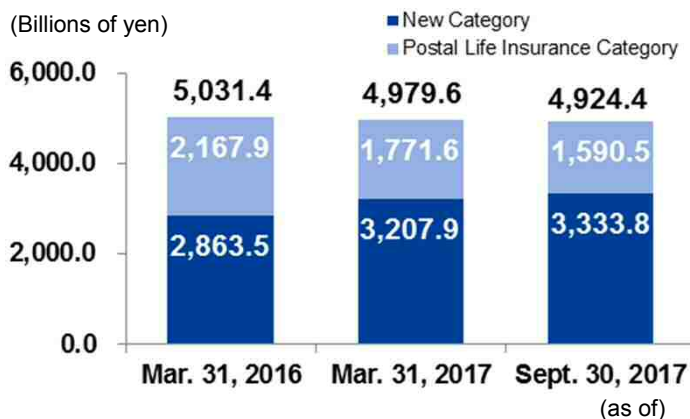
(Policies in thousands)



## Policies in Force

### Annualized Premiums from Policies in Force (Individual Insurance)

(Billions of yen)



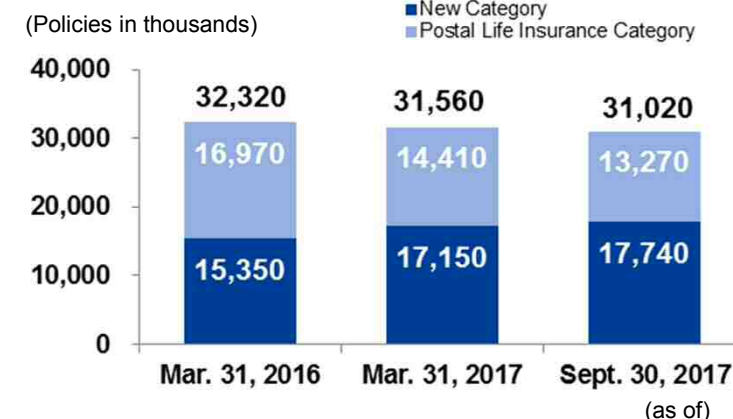
### Annualized Premiums from Policies in Force (Medical Care)

(Billions of yen)



### Number of Policies in Force (Individual Insurance)

(Policies in thousands)

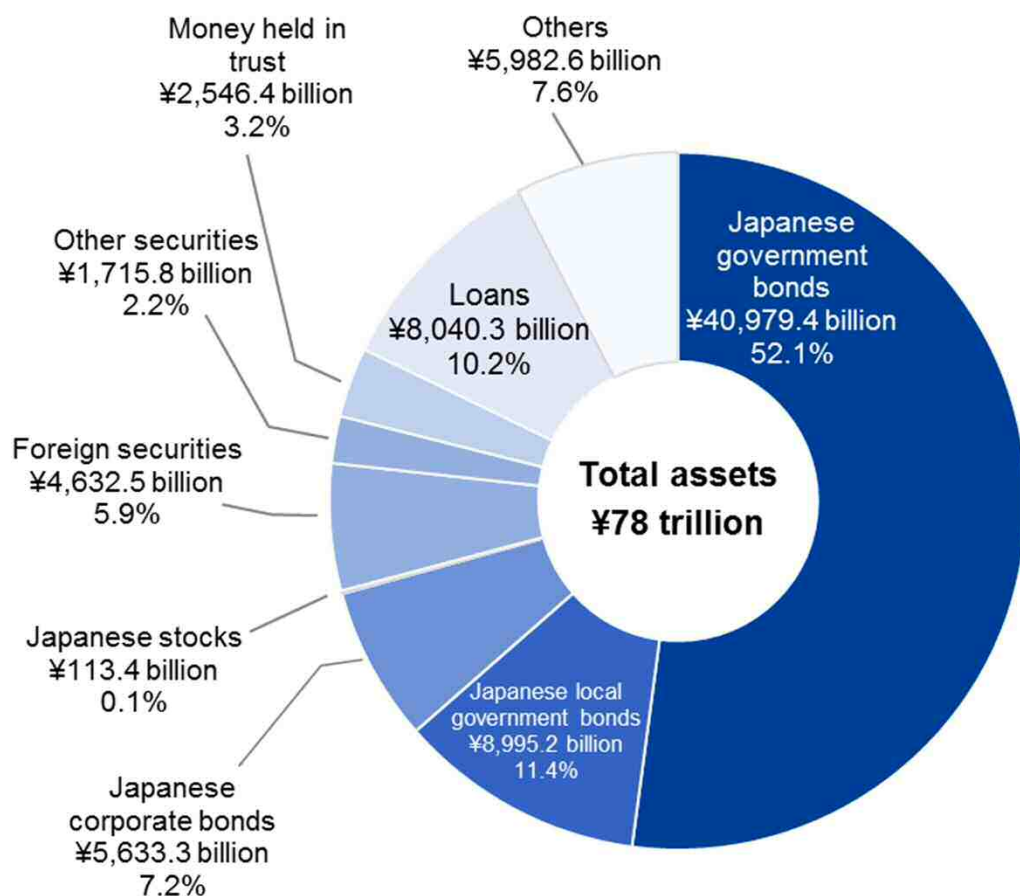


Notes: 1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.

2. "New Category" shows individual insurance policies underwritten by Japan Post Insurance. "Postal Life Insurance Category" shows postal life insurance policies reinsured by Japan Post Insurance from the Management Organization for Postal Savings and Postal Life Insurance.



# Japan Post Insurance (Consolidated): Status of Investment Assets



(Billions of yen)

Type	As of Sept. 30, 2017	Composition ratio (%)	As of Mar. 31, 2017	Composition ratio (%)
Loans	8,040.3	10.2	8,060.9	10.0
Securities	62,069.9	78.9	63,485.2	79.0
Japanese government bonds	40,979.4	52.1	42,732.3	53.2
Japanese local government bonds	8,995.2	11.4	9,226.8	11.5
Japanese corporate bonds	5,633.3	7.2	5,698.9	7.1
Japanese stocks	113.4	0.1	58.3	0.1
Foreign securities	4,632.5	5.9	4,351.7	5.4
Other securities	1,715.8	2.2	1,417.1	1.8
Money held in trust	2,546.4	3.2	2,127.0	2.6
Others	5,982.6	7.6	6,663.5	8.3
Total assets	78,639.3	100.0	80,336.7	100.0

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# Financial Results Forecast for the Fiscal Year Ending March 31, 2018



# Japan Post Holdings: Financial Results Forecast for the Fiscal Year Ending March 31, 2018

(Billions of yen)

	Net Ordinary Income	Year-on-year change (for the fiscal year ended March 31, 2017)	Net Income	Year-on-year change (for the fiscal year ended March 31, 2017)	Key Initiatives for the Fiscal Year Ending March 31, 2018
Japan Post Holdings (Consolidated)	780.0	(15.2)	400.0 [450.0]	+ 428.9 [+ 434.2]	<ul style="list-style-type: none"> <li>■ Enhancing Group corporate value</li> </ul>
Japan Post Co. (Consolidated)	18.0	(34.2)	13.0	+ 398.2	<ul style="list-style-type: none"> <li>■ Providing stable services by revising postage fees</li> <li>■ Increasing income from Yu-Pack, Yu-Packet, etc., such as by promoting highly convenient services for receiving parcels</li> <li>■ Improving productivity through cost control</li> <li>■ Strengthening employee sales capabilities in cooperation with Japan Post Bank and Japan Post Insurance</li> <li>■ Recovering performance at Toll by implementing measures to improve management</li> </ul>
Japan Post Bank	490.0	+ 47.9	350.0	+ 37.7	<ul style="list-style-type: none"> <li>■ Expanding sales of investment trusts and strengthening the commissions businesses by enhancing the settlement business, etc.</li> <li>■ Pursuing cooperation with regional financial institutions through participating in regional revitalization funds and other measures</li> <li>■ Promoting internationally diversified investment based on appropriate risk management</li> </ul>
Japan Post Insurance (Consolidated)	250.0	(29.7)	86.0	(2.5)	<ul style="list-style-type: none"> <li>■ Practicing courteous solicitation activities based on customer-first business operations</li> <li>■ Strengthening sales focusing on security and launching new products (revision of hospitalization rider, etc.)</li> <li>■ Diversifying investment (investment in new fields, etc.)</li> </ul>

	Net Operating Income	Year-on-year change (for the fiscal year ended March 31, 2017)
Japan Post Co. (Consolidated)	19.0	(34.4)
Postal and Domestic Logistics Business	2.0	(10.0)
Post Office Business	12.0	(51.3)
International Logistics Business	7.0	+ 1.3

- Notes: 1. The amounts of net income attributable to Japan Post Holdings, net income attributable to Japan Post Co. and net income attributable to Japan Post Insurance have been used for net income of Japan Post Holdings (consolidated), Japan Post Co. (consolidated) and Japan Post Insurance (consolidated), respectively.
2. Net income of Japan Post Holdings (consolidated) is calculated based on the current ratio of voting rights to two financial subsidiaries by Japan Post Holdings of approximately 89%. Figures in square brackets below include net income attributable to non-controlling interests.

# Japan Post Holdings:

## Dividend forecast for the fiscal year ending March 31, 2018

- Japan Post Holdings aims to provide stable returns to shareholders while maintaining required internal reserves and paying attention to capital efficiency. Accordingly, until the year ending March 31, 2018, Japan Post Holdings intends to sustain stable dividends per share, while maintaining a consolidated dividend payout ratio of roughly 50% or higher.

	For the fiscal year ending March 31, 2018			
	Dividend per share (forecast)	Dividend payout ratio (forecast)	Interim dividends	Year-end dividends
Japan Post Holdings	50 Yen	51.0%	25 Yen	25 Yen

(Note) In accordance with Article 11 of the Act on Japan Post Holdings Co., Ltd., payment of dividends from retained earnings or other appropriation of retained earnings (excluding disposition of loss) of Japan Post Holdings shall not be effective without the approval of the Minister for Internal Affairs and Communications.

### (Two Financial Subsidiaries)

Japan Post Bank	50 Yen	53.5%	25 Yen	25 Yen
Japan Post Insurance	64 Yen	44.6%	—	64 Yen

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# Initiatives in the Fiscal Year Ending March 31, 2018

# Japan Post Co. — Postal and Domestic Logistics Business (1)

## Initiatives in Postal and Domestic Logistics Business to Respond to External Environment

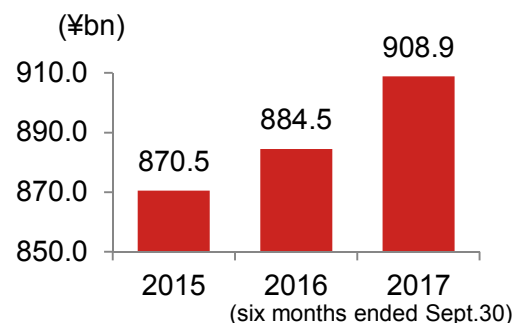
■ Japan Post Co. has steadily taken actions to improve profitability and enhance efficiency in order to respond to the changing environment

### Operating Environment of Japan Post Co.

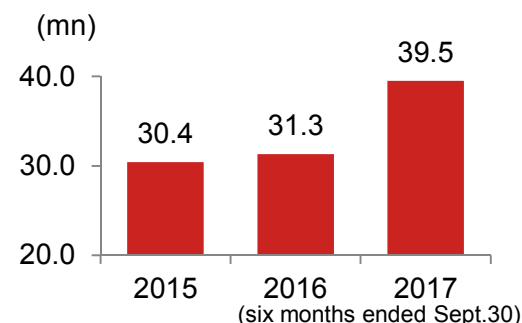
- Decrease in the number of postal items
- Increase in domestic parcel volumes and re-delivery requests due to the rapid e-commerce market growth
- Increase in personnel and outsourcing expenses

### Current Status of Japan Post Co.'s Postal and Domestic Logistics Business

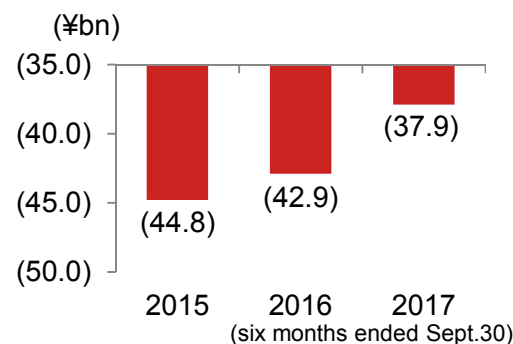
#### Operating Income



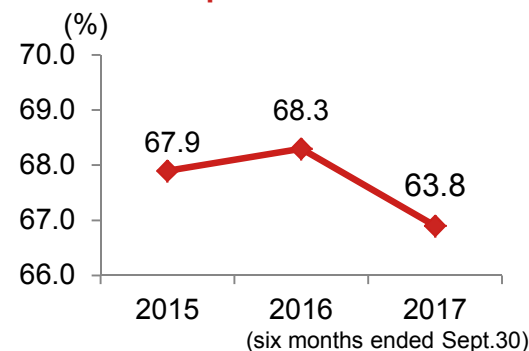
#### Yu-Pack Volume<sup>1</sup>



#### Net Operating Income and Loss



#### Personnel expense to sales ratio<sup>2</sup>



Source: Company disclosures

1. Yu-Pack includes Yu-Packet.

2. Calculated by dividing personnel expenses (including salaries and allowances, bonuses and reserve for employees' bonuses and retirement benefit and legal welfare expenses) in Japan Post Co.'s postal and domestic logistics business by segment income for Japan Post Co.'s postal and domestic logistics business.

### Japan Post Co.'s Initiatives

1

#### Profitability Growth

- Established Yu-Packet basic shipping fees (October 2016)
- Revision in Yu-Pack basic shipping fees (Planned in March 2018)
- Improvement in Yu-Pack services (In preparation)
  - (1) Introduction of online services for Yu-Pack (Online shipping label printing and online payment service with discounted price)
  - (2) Introduction of loyalty program to grant points for pick-up at post offices etc.<sup>3</sup>
  - (3) Expansion of delivery time window
- Expansion of locations for pick-up at convenience stores and post offices (Approx. 49,000<sup>4</sup> locations through the country)
- Expansion of delivery locker service called "Hako Post" (185 locations<sup>5</sup>)
- Further marketing of logistics solutions
- Increase in unit prices through negotiations with corporate customers

2

#### Efficiency Improvements

- Enhanced management of personnel expenses
- Open new regional sorting post offices (13 post offices to open by the end of FY3/2018)
- Automation of sorting processes to improve efficiency

3. Includes post offices, convenience stores and Hako Post.

4. As of the end of September 2017. 5. As of November 1, 2017.

# Japan Post Co.— Postal and Domestic Logistics Business (2)

## Price Revisions to Secure Profitability

In the postal and domestic logistics business, Japan Post Co. has steadily implemented revisions to postage and shipping fees to maintain and improve profitability

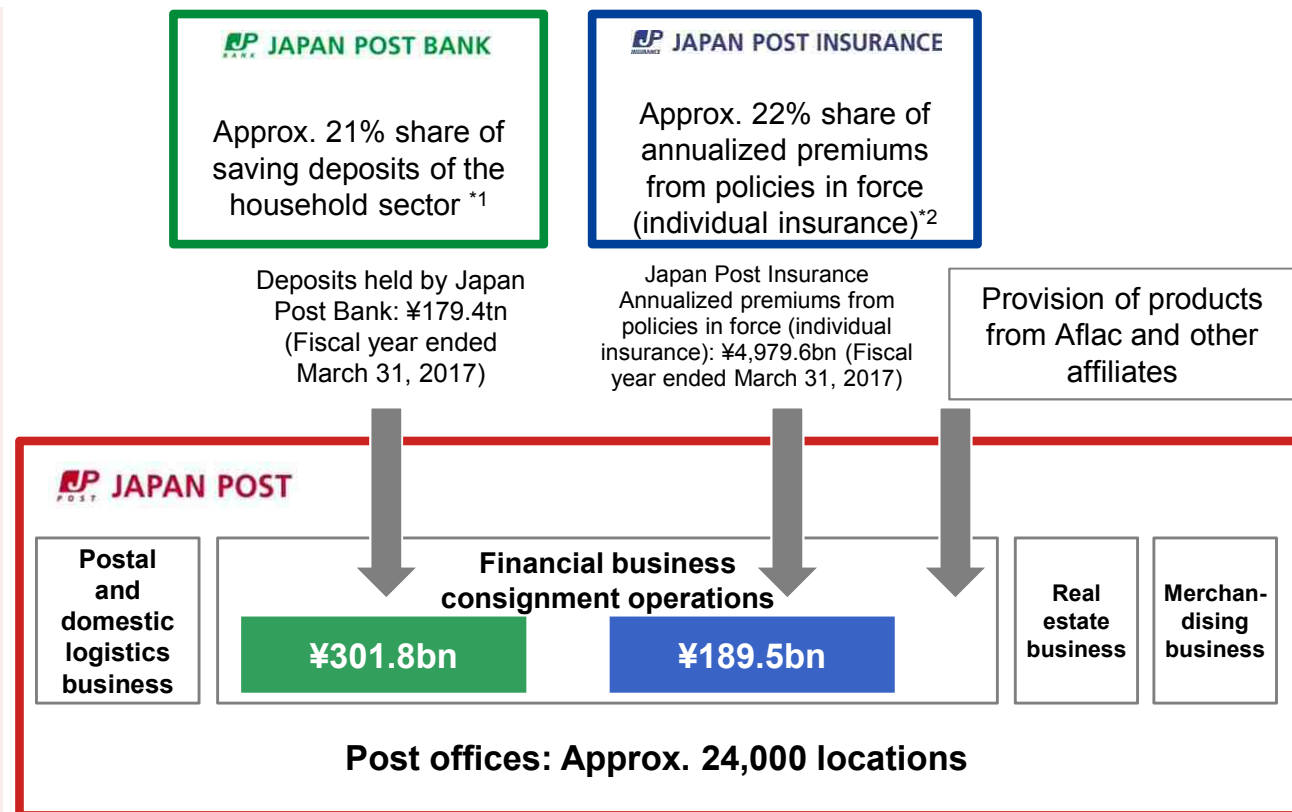
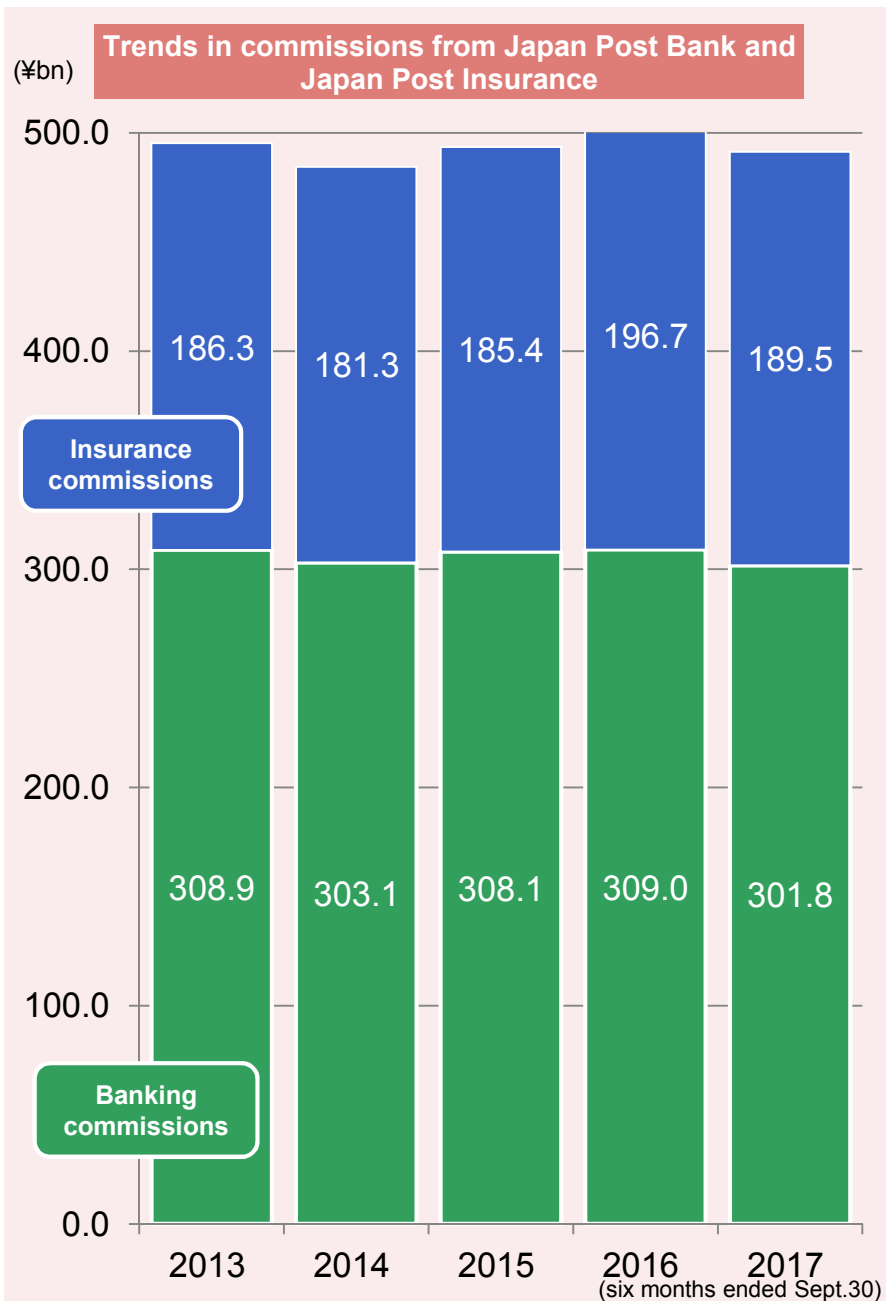
First significant revision of basic price in 23 years

Timing	General description	Increase in revenue
Jan. 1994	✓ Increase in domestic mail basic postage (first and second-class)	Approx. ¥200.0bn
Apr. 2012	✓ Revision to discounts domestic mail postage (second-class advertising mail)	Approx. ¥1.0 to 2.9bn
Aug. 2015	✓ Increase in Yu-Pack basic shipping fees	Approx. ¥2.8bn
Jun. 2016	✓ Revision to discounts domestic mail postage (advertising mail, sorted mail, special mail within the same postal area, etc.) ✓ Partial revision to international mail postage	Approx. ¥20.0bn
Jun. 2017	✓ Increase in second-class mail postage (excluding New Year's postcards) ✓ Partial revision to nonstandard size mail postage ✓ Partial revision to Yu-Mail shipping fees	Approx. ¥30.0bn (Forecast for the fiscal year ending March 31, 2018)
Mar. 2018 (Planned)	✓ Increase in Yu-Pack basic shipping fees	Approx. ¥8.0bn (Forecast for the fiscal year ending March 31, 2019)

\*Continuing negotiations with corporate customers to increase unit prices

# Japan Post Co. — Post Office Business (1)

## Securing Stable Income from Japan Post Bank and Japan Post Insurance



### Deposits breakdown (by source)

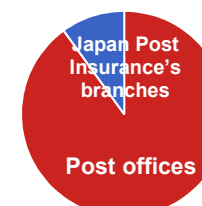


<Number of offices>

Post offices:  
Approx. 24,000 locations

Japan Post Bank's directly-managed offices: 234 offices

### New policies mix (by distribution channel)



<Number of field sales personnel>

Post offices:  
Approx. 18,000 persons

Japan Post Insurance's branches: Approx. 1,100 persons

Source: Bank of Japan "Flow of Funds Accounts," The Life Insurance Association of Japan "Summary of Life Insurance Business"

\*1 Retail deposits of Japan Post Bank as of March 31, 2017 (¥179.4tn) divided by the sum of "transferable deposits" and "time and saving deposits" of households from Bank of Japan "Flow of Funds Accounts" (as of March 31, 2017).

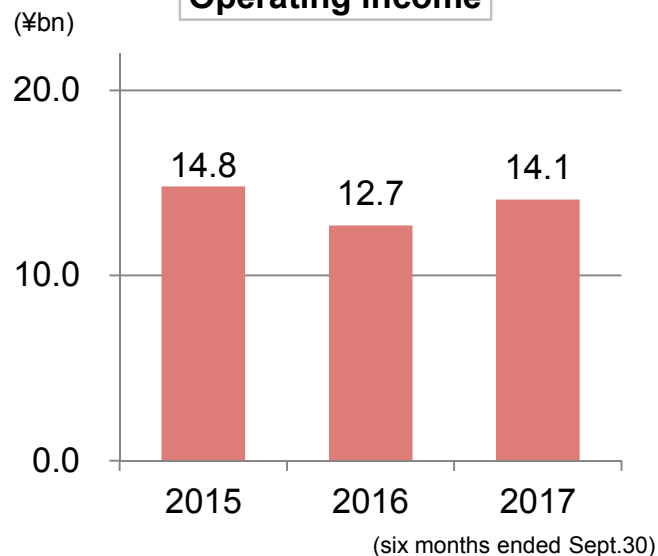
\*2 Annualized premiums from policies in force (individual insurance) held by Japan Post Insurance (as of March 31, 2017, including Postal Life Insurance Policies) (¥4,979.6bn) divided by the sum of the total Annualized premiums from policies in force (individual insurance) based on the "Summary of Life Insurance Business" and annualized premiums from policies in force of Postal Life Insurance Policies.

# Japan Post Co. — Post Office Business (2)

## Expanding Businesses as a Total Lifestyle Support Corporate Group

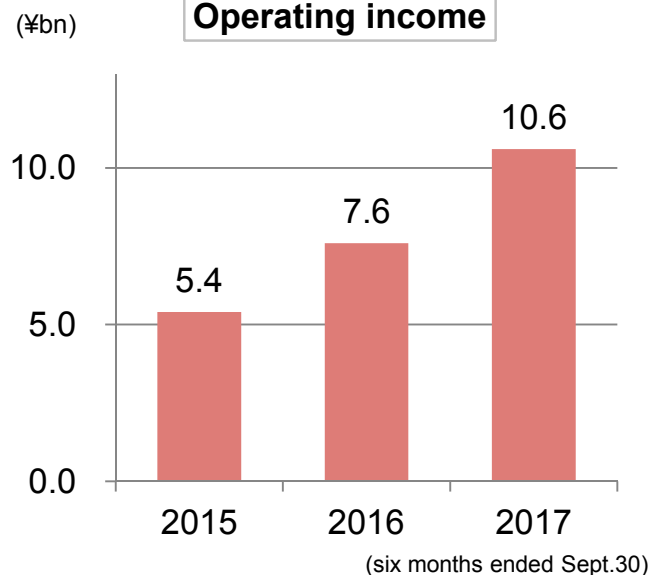
### Real estate business

#### Operating income



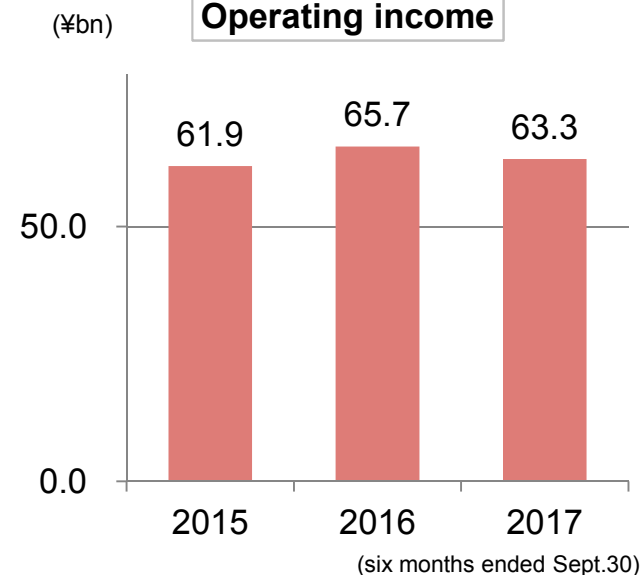
### Third-party financial product agency service business

#### Operating income



### Merchandising business

#### Operating income



### Real estate financial information

(as of March 31, 2017)

#### Tangible fixed assets (Japan Post Group consolidated)

Buildings ¥1,178.2bn

Land ¥1,567.2bn

### 【Third-party financial product agency service】

(As of October 30, 2017)	Number of post offices handling products	Number of companies supplying products
Cancer insurance	20,063	1
Medical insurance with eased underwriting conditions	1,467	1
Life insurance for corporate (for management-level personnel)	200	7
Automobile insurance	1,495	5
Variable annuity	1,079	1

# Japan Post Co. — International Logistics Business

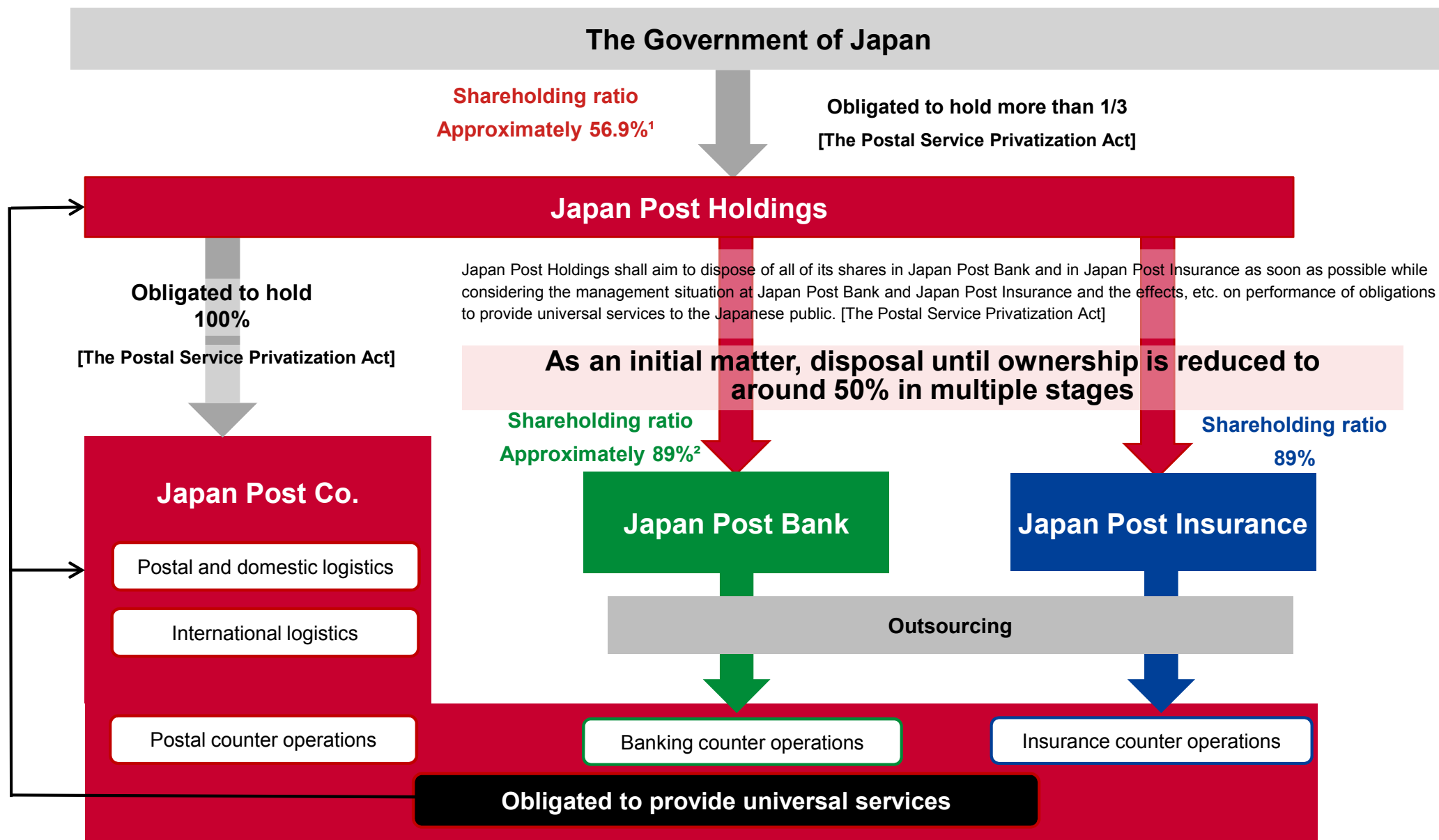
## Specific Initiatives to Improve International Logistics Business

Initiatives for turnaround		Actions
Improve Earnings	1 Establish stable market position in major industries	■ Focus on energy industry, retail industry and industry
	2 Focus on major regions and regions with high growth potential	■ Concentrate management resources in Australia, Singapore and other fast-growing Asian countries and the US ■ In Global Forwarding business, focus on high growth trade lanes (China-the US, Asia-Asia, Asia-ANZ)
	3 Entry into high growth fields	■ In ANZ Domestic Network business, capture e-commerce growth ■ In contract business, capture high growth in medical and technology, based on government, resource and retails
Reduce Costs	4 Integrate duplicative operations between business units	■ Reorganize 5 divisions into 3 divisions (July 1, 2017) ■ Set up a new division, Group Operation Services, responsible for operations common to all divisions ■ Reduce headcount significantly ■ Streamline procurement process
	5 Withdraw from unprofitable businesses	■ Withdraw from global forwarding business in Turkey
Achieve Synergy	6 Achieve synergy between Japan Post Co. and Toll	■ Introduce customers to each other ■ Establish new sales team for Japanese customers in Toll ■ Coordinate with Asahi in global logistics ■ Coal transportation in Australian mines owned by Japanese companies



# APPENDIX

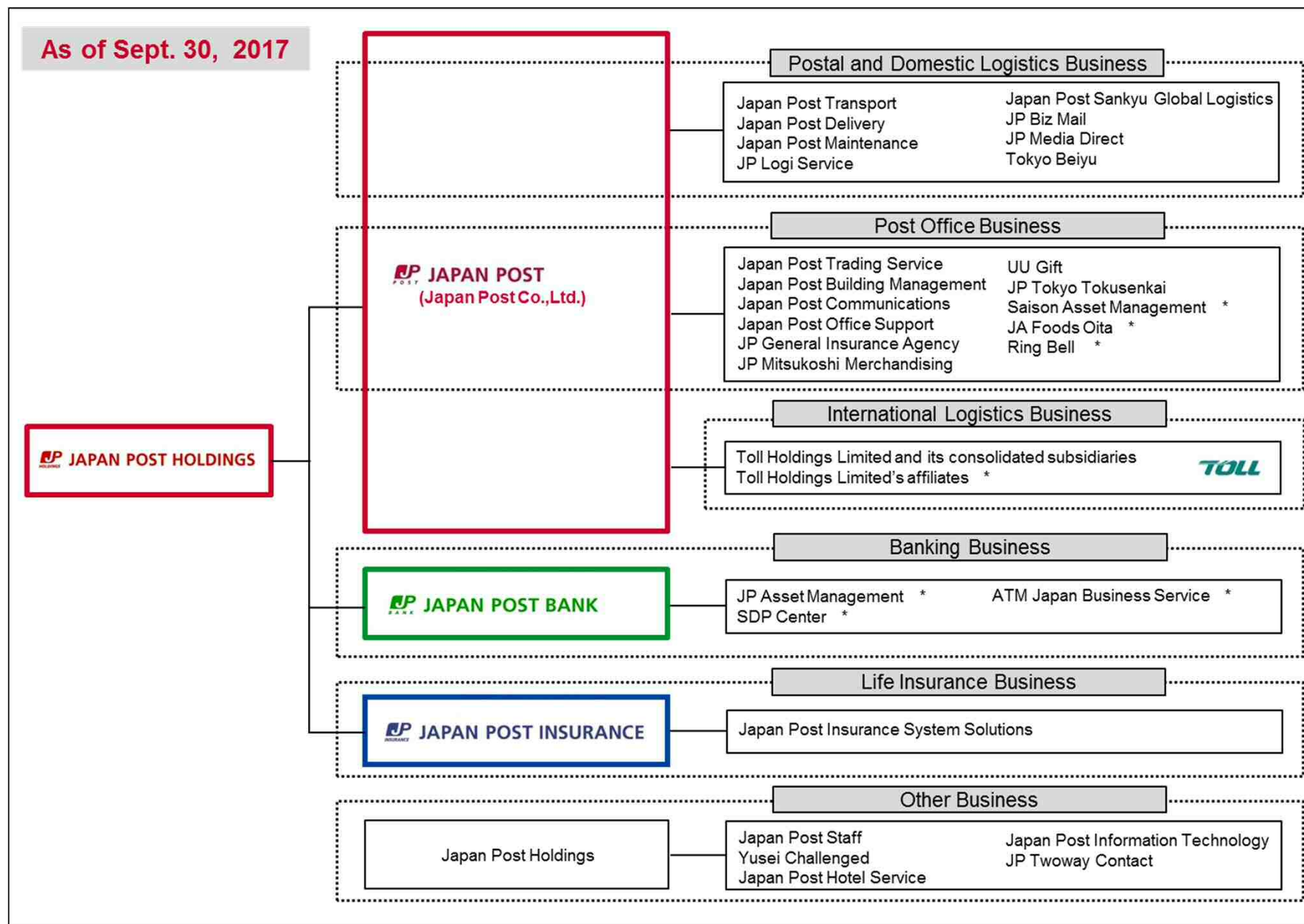
# Japan Post Holdings: Management Structure of Japan Post Group



1. Shareholding ratio to the total number of issued shares as of September 30, 2018

2. Shareholding ratio to the voting shares except for treasury shares as of September 30, 2018

# Japan Post Holdings: Organization Chart



\* Affiliates accounted for by the equity method.

# Japan Post Holdings: Organization Chart

- With considerable management experience, our executive team has reinforced our ability to make significant decisions in a timely manner
- Japan Post Group has carried out various initiatives backed by our management's leadership

## Japan Post Group's Top Management

### JP JAPAN POST HOLDINGS

Masatsugu Nagato

Director and Representative Executive Officer, President & CEO



2001 Managing Executive Officer, Industrial Bank of Japan  
2002 Managing Executive Officer, Mizuho Bank  
2010 Representative Director of the Board, Deputy President of Fuji Heavy Industries  
2012 Director & Chairman, Citibank Japan  
2015 President and Representative Executive Officer, Japan Post Bank Director, Japan Post Holdings  
2016 Director and Representative Executive Officer, President & CEO, Japan Post Holdings

### JP JAPAN POST

Kunio Yokoyama

Representative Executive Officer, President & CEO



2007 Senior Managing Executive Officer, Japan Post Holdings  
2011 Managing Executive Officer, Sumitomo Mitsui Banking Corp.  
2014 Representative Director, President & CEO, Sumitomo Mitsui Asset Management  
2016 Representative Executive Officer, President & CEO, Japan Post Co. Director, Japan Post Holdings

### JP JAPAN POST BANK

Norito Ikeda

Director, President and Representative Executive Officer



2001 Representative Director, Bank of Yokohama  
2004 President, Ashikaga Bank  
2008 Special Adviser, A.T. Kearney  
2012 President and Representative Director, Organization to Support Revitalization of Businesses Affected by the Great East Japan Earthquake  
2016 Director, President and Representative Executive Officer, Japan Post Bank Director, Japan Post Holdings

### JP JAPAN POST INSURANCE

Mitsuhiro Uehira

Director and President, CEO Representative Executive Officer



2012 Executive Officer, Tokio Marine Holdings  
2013 Managing Executive Officer, Japan Post Insurance  
2015 Senior Managing Executive Officer, Japan Post Insurance  
2017 Director and President, CEO Representative Executive Officer, Japan Post Insurance Director, Japan Post Holdings

## Japan Post Group's Selected Initiatives

- Business alliance with FamilyMart (April 2016)
- Cooperation with AEON (July 2016)
- Sale of Teishin Hospitals in Sapporo, Yokohama and Tokushima (April 2017)
- Appointment of new management team at Toll Holdings (January 2017)
- Strengthening alliance with Rakuten to reduce e-commerce-related redeliveries (April 2017)
- Price increase in standard postcards and price amendment of nonstandard sized mail items and Yu-mail (June 2017)
- Launch of delivery service dedicated to E-commerce service providers (Yahoo! Auctions, Mercari, etc.) (June 2017)
- Announcement of increase in Yu-Pack basic shipping fees and service improvements (March 2018~)
- Participation in regional vitalization funds with regional financial institutions (July 2016~)
- Installation of 3,500 compact ATM at FamilyMart convenience stores (January 2017~)
- Start issuing local Visa prepaid card "mijica" (January 2017)
- Start to accept settlement via smartphone application "PayB" (July 2017)
- Expansion of an immediate transfer service
- Strategic business alliance with Dai-ichi Life (March 2016)
- Utilizing IBM Watson for insurance benefit payment operations (March 2017)

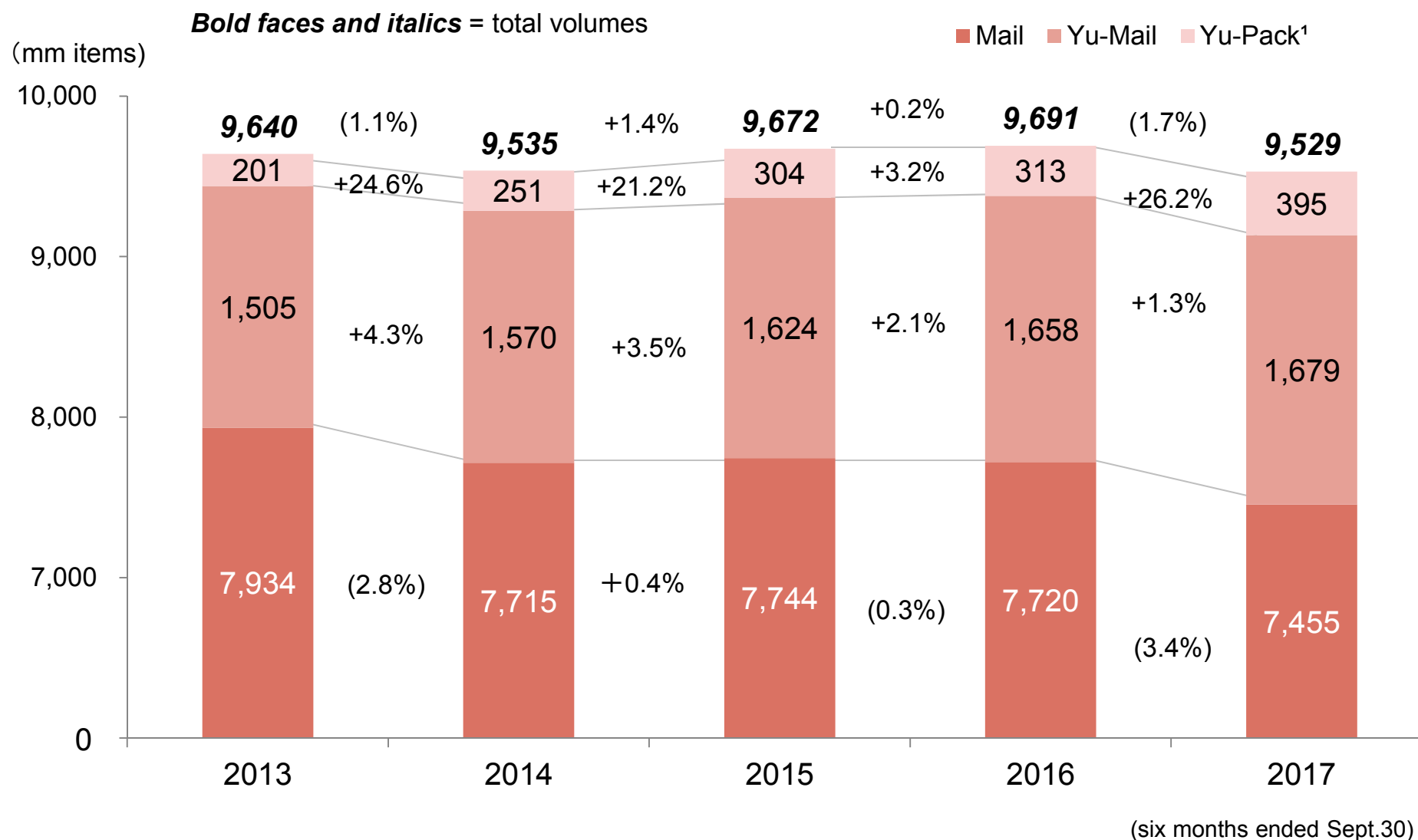
# Japan Post Holdings: Progress of Medium-term Management Plan

Growth and development of business	Business targets for the year ending March 31, 2018	Results for the six months ended September 30, 2017
<ul style="list-style-type: none"> <li>Revival of postal and domestic logistics business (Regain profitability in the Yu-Pack business)</li> </ul>	<ul style="list-style-type: none"> <li>Yu-Pack items : Approx. 0.68bn</li> <li>Yu-Mail and Yu-Packet items : Approx. 4.1bn</li> <li>Reorganization of the postal and logistics network</li> </ul>	<ul style="list-style-type: none"> <li>Yu-Pack items : 0.40bn</li> <li>Yu-Mail items : 1.68bn</li> <li>Established 12 new regional sorting post offices</li> </ul> <p><small>*Including Yu-Packet under Yu-Pack since October 2016</small></p>
<ul style="list-style-type: none"> <li>Vitalization of the post office network</li> </ul>	<ul style="list-style-type: none"> <li>Merchandise business : ¥150bn</li> <li>Real estate business : ¥25bn</li> <li>Third-party financial product agency services : ¥20bn</li> </ul>	<ul style="list-style-type: none"> <li>Merchandise business : ¥63.3bn</li> <li>Real estate business : ¥14.1bn</li> <li>Third-party financial product agency services : ¥10.6bn</li> </ul>
<ul style="list-style-type: none"> <li>Further increase in Japan Post Bank's revenues</li> </ul>	<ul style="list-style-type: none"> <li>Deposits : +¥3tn</li> <li>Investment products : +¥1tn</li> </ul> <p><small>* total for the three fiscal years</small></p>	<ul style="list-style-type: none"> <li>Deposits : +¥2.06tn <sup>*1</sup></li> <li>Investment products : +¥1.07tn <sup>*2</sup></li> </ul> <p><small>*1 Including accrued interest and excluding deposits relating to funds paid by us to acquire shares of our common stock held by Japan Post Holdings *2 Excluding market value fluctuation</small></p>
<ul style="list-style-type: none"> <li>Recovering from bottoming out of Japan Post Insurance's in force</li> </ul>	<ul style="list-style-type: none"> <li>Increase contracted monthly insurance premiums from new policies to over ¥50bn for the year ending March 31, 2017 and aim to further growth in the future</li> </ul>	<ul style="list-style-type: none"> <li>Achieved ahead of schedule in the fiscal year ended March 31, 2016 Contracted monthly insurance premiums from new policies : ¥20.8bn</li> </ul>
<ul style="list-style-type: none"> <li>Sophisticated asset management for revenue growth</li> </ul>	<ul style="list-style-type: none"> <li>Japan Post Bank : Increase the satellite portfolio balance to ¥60tn</li> <li>Japan Post Insurance : Increase risk assets</li> </ul>	<ul style="list-style-type: none"> <li>Japan Post Bank – Satellite portfolio balance : ¥72.9tn</li> <li>Japan Post Insurance – Risk assets : 11.5% of total assets</li> </ul>

**< Consolidated business target > Consolidated net income Approx. ¥450bn**

\* Net income after the adoption of Accounting Standards for Business Combination (ASBJ, amended in 2013) ; includes net income attributable to non-controlling interest, excludes impact of M&As after announcement of medium-term management plan (Toll and other companies).

# Japan Post Co.: Trends in Volume of Mail, Yu-Mail and Yu-Pack



1. Yu-Packet parcels which used to be included in Yu-Mail have been included in Yu-Pack since October 2016. Following this change, same has been applied to parcels from October in fiscal years 2015, 2016, and 2017 respectively.

## Accessible drop off, accessible pick up



### Accessible drop off

#### —Easy drop off service using the Internet—

##### ■ Online services for Yu-Pack

- Advance payment by credit card
- Shipping label easily issued online
- Discount from basic shipping fees

##### ■ App for Yu-Pack address labeling available

### Services to ensure safe receipt at home

##### ■ Services providing delivery to designated place

- Delivery to a place designated by receiver (at front door, garage, etc.)

##### ■ Expansion of delivery time window

- Addition of delivery hours from 19:00 to 21:00

##### ■ Expanded services that let users designate time and place for first receipt

- Accepted requests to designate or change delivery date or time and free-of-charge forwarding to workplace, etc. from those in the e-mail, etc. sent by e-commerce operators

**Improved Yu-Pack services to make drop off and pick up of parcels easier for each and every customer**

### Accessible pick up services

##### ■ Established access points available for pick up within a 5-minute walk

- Expanded “Hako Post” receiving lockers mainly in Tokyo, Chiba, Saitama and Kanagawa
- Receiving facilities reached around 6,000 locations including in post offices, convenience stores, station lockers, and commercial facilities

##### ■ Loyalty program to grant points for pick-up at post offices





# Japan Post Co.: Enhancement of Productivity in Delivery Operations

## Expansion of package receiving availability at convenience stores and post offices<sup>1</sup>

May be received at approx. 49,000 locations across the country

- Merchandise purchased online may be received at post office counters and major convenience stores

**LAWSON** Approx. 12,400 stores



**MINI STOP** Approx. 2,200 stores



**FamilyMart** Approx. 14,300 stores



**Post offices**  
Approx. 20,100 offices



1. As of September 31, 2017.

## Increase of "HAKO POST" receiving lockers



- A service enabling customers to pick up goods purchased through e-commerce websites and Yu-Pack parcels brought back upon absence
- Installed at a total of 185 locations including outside post offices (available even after counter service hours), stations, and commercial facilities (as of November 1, 2017)
- Considering further service enhancements, such as drop off service and services enabling customers to pick up items handled by peer courier companies

**Extended the period** ※Until March 31, 2018

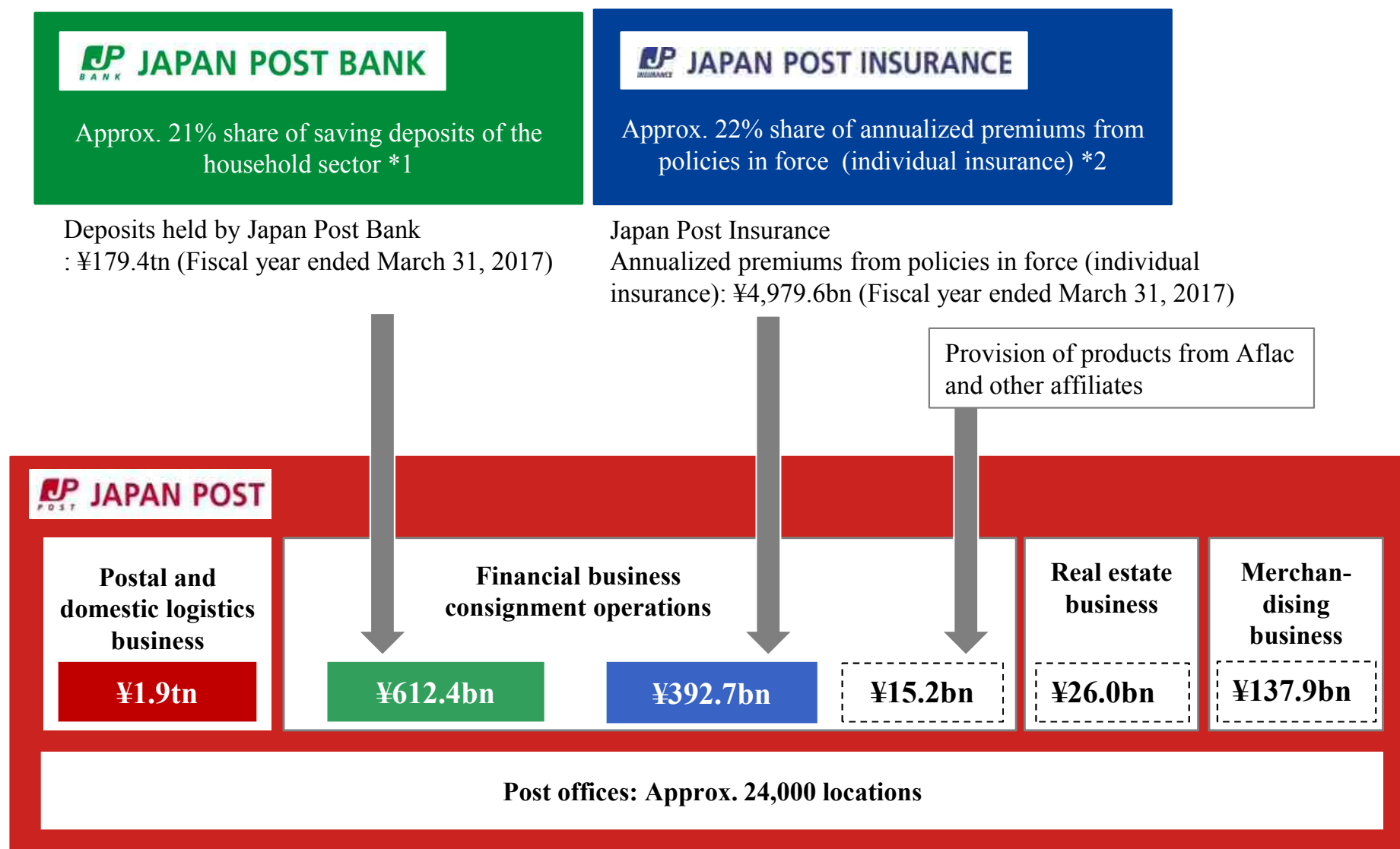
## Campaign to promote parcel pick-up at post offices, convenience stores, and "HAKO POST"



- Participating in the "COOL CHOICE – Try to receive your parcel without redelivery requests!" campaign, a project led by the Ministry of the Environment and others to prevent repeated home delivery attempts
- Customers who purchase products online receive points when they pick up the item at a post office or other locations
- Increase the points for picking up the item directly at a post office from 50 points to 60 points



# Japan Post Co.: Securing Stable Income from Japan Post Bank and Japan Post Insurance



Source : Bank of Japan “Flow of Funds Accounts,” The Life Insurance Association of Japan “Summary of Life Insurance Business”

Note : 1 Retail deposits of Japan Post Bank as of March 31, 2017 (¥179.4tn) divided by the sum of “transferable deposits” and “time and saving deposits” of households from Bank of Japan “Flow of Funds Accounts” (as of March 31, 2017).

Note : 2 Annualized premiums from policies in force (individual insurance) held by Japan Post Insurance (as of March 31, 2017, including Postal Life Insurance Policies) (¥4,979.6bn) divided by the sum of the total Annualized premiums from policies in force (individual insurance) based on the “Summary of Life Insurance Business” and annualized premiums from policies in force of Postal Life Insurance Policies.

# Japan Post Co.: Reinforcement and Utilization of the Post Office Network

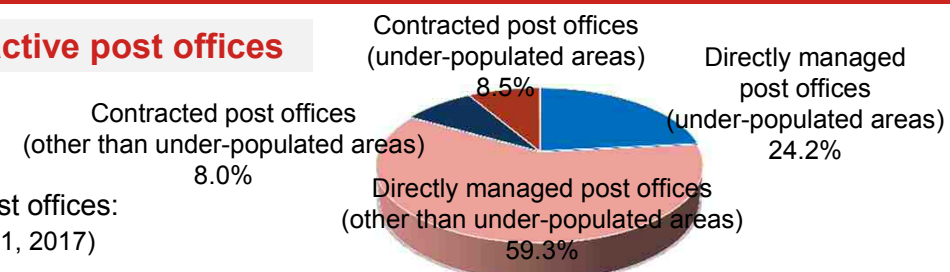
## Changes in the number of active post offices

	Oct 1, 2012	Sep 30, 2017	Change
Directly managed Post Offices	20,176	20,086	△90
Contracted Post Offices	4,057	3,966	△91
Total	24,233	24,052	△181

## Breakdown of active post offices

Number of active post offices:  
24,069 (as of March 31, 2017)

Note: Under-populated areas refer to the areas specifically designated under the Remote Islands Development Act, the Act on Special Measures for the Amami Islands Promotion and Development, the Mountain Villages Development Act, the Act on Special Measures for the Ogasawara Islands Development, the Peninsulas Development Act, the Act on Special Measures for Promotion for Independence for Under-populated Areas, and the Okinawa Promotion and Development Special Treatment Act.



## Initiatives for enhancing customer convenience

### Concurrent operations of post offices and convenience stores at the same location



- Enhancing customer convenience by combining different retail business operation with post office operation
- Adopted by 79 post offices\* after the privatization

○ Yafuso Post Office  
(Okinawa Prefecture)  
Relocated on September 19, 2017

### Opening of post offices within shopping malls



○ Lakewalk Okaya Post Office  
(Nagano Prefecture)  
Relocated on July 21, 2016

- Enhancing customer convenience for visitors at shopping malls
- Adopted by 24 post offices\* after the privatization

### Opening of post offices within municipal facilities



○ Kawai Post Office  
(Tokushima Prefecture)  
Relocated on March 21, 2017

- Enhancing customer convenience through offering one-stop service
- Adopted by 15 post offices\* after the privatization

※ As of September 30, 2017

## Utilization of the post office network

### Expanding “Investment trust sales post offices” and “Investment trust sales support post offices”

- “Investment trust sales post offices”  
Expanded to 1,415 post offices by adding a total of 100 post offices, including 13 starting from July 10, 2017 and 87 from October onwards\*
- “Investment trust sales support post offices”  
Expanded from July 10, 2017 onwards to 17,000 post offices offering asset management consultation and investment trust sales support\*

\* As of October 30, 2017

### Established the “Multi-Bank-Shared Service Counter”



○ Illustration of “Multi-Bank-Shared Service Counter”

- Leased part of Shinjuku Post Office and established the “Multi-Bank-Shared Service Counter” operated by ATM Japan, Ltd. (September 2017)
- Providing account after-sales services (such as accepting requests for change of name or address, passbook entry and carry-over passbooks, etc.) for individual customers of 25 banks in 15 prefectures affiliated with ATM Japan (as of October 2017)

### Established Miyazaki Bank ATM Corner



○ Illustration of Miyazaki Bank ATM  
(without cash handling service)

- Leased part of Kamishiiba Post Office in Shiiba Village, Miyazaki Prefecture, from July 2017, as the ATM corner of The Miyazaki Bank, Ltd., and provided part of the ATM services of the Miyazaki bank

# Japan Post Co.: Improving Effective Use of Real Estate

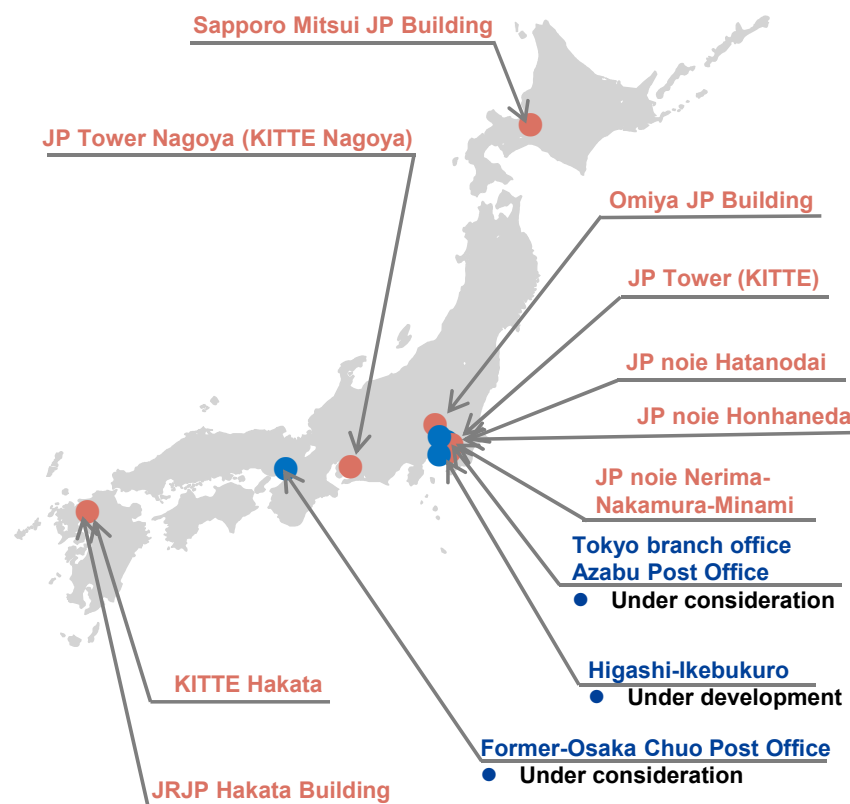
## ■ In our real estate business, we plan to make more effective use of real estate

- Generate earnings primarily from leasing income through redeveloping unused or not fully utilized properties at desirable locations including those near regional city train stations, in the centers of large cities that can produce substantial returns
- For properties with a particularly high value, consider redevelopment schemes that may include relocating current postal and logistics operations










Completed / Under Development	Property	Location	Land Area (m <sup>2</sup> )	Floor Space (m <sup>2</sup> )	Floor Space Ratio (%)	Asset Type / Rental Space (m <sup>2</sup> ) (Room)	Share	Completed
	<b>Completed</b>							
	JP Tower (KITTE)	Chiyoda	11,600	212,000	1,630	Office / 93,000m <sup>2</sup> Commercial / 9,400m <sup>2</sup>	JV Majority	'12.5
	Omiya JP Building	Saitama	6,100	45,700	600	Office / 22,300m <sup>2</sup>	Sole	'14.8
	Sapporo Mitsui JP Building	Sapporo	5,500	68,000	1,500	Office / 25,400m <sup>2</sup> Commercial / 8,500m <sup>2</sup>	JV Minority	'14.8
	JP Tower Nagoya (KITTE Nagoya)	Nagoya	12,000	180,000	1,200	Office / 80,000m <sup>2</sup> Commercial / 3,700m <sup>2</sup>	JV Majority	'15.11
	KITTE Hakata	Fukuoka	5,000	64,300	1,100	Commercial / 30,800m <sup>2</sup>	Sole	'16.3
	JRJP Hakata Building	Fukuoka	3,350	44,000	1,140	Office / 24,000m <sup>2</sup> Commercial / 2,800m <sup>2</sup>	JV Minority	'16.4
	JP noie Hatanodai	Shinagawa	560	970	200	Housing / 18 Room	Sole	'15.5
	JP noie Honhaneda	Ota	1,230	1,420	200	Housing / 44 Room	Sole	'16.1
High Value Properties	JP noie Nerima-Nakamura-Minami	Nerima	1,160	1,900	200	Housing / 28 Room	Sole	'17.3
	<b>Under Development</b>							
	Higashi-Ikebukuro	Toshima	2,039	16,000	676	Office / 11,100m <sup>2</sup> (Planned)	JV Minority	'19.10 Planned

High Value Properties	Property	Location	Land Area (m <sup>2</sup> )	Floor Space Ratio (%)	Access/Walk (min)	Age	Status
	Tokyo branch office	Minato	22,244	approx. 1,000	Hibiya-line Kamiyacho /7	86	Occupied
	Azabu Post Office	Minato		Planned			Under urban planning
	Former-Osaka Chuo Post Office	Osaka	8,899	1,500	JR Osaka /1	-	Land (Used tentatively)
	Yokohama Chuo Post Office	Yokohama	6,399	800	JR Yokohama /1	51	Occupied
	Shiodome	Minato	1,460	700	JR Hamamatsu-cho /7	-	Land (Used tentatively)
	Former-Yu-Port	Shinagawa	6,704	714	JR Gotanda /7	-	Under construction
	Kyoto Chuo Post Office	Kyoto	7,522	600	JR Kyoto /1	56	Occupied
	Hiroshima-Higashi Post Office	Hiroshima	4,199	760	JR Hiroshima /1	59	Occupied
	Downtown post offices	-	-	-	-	-	-Occupied
High Value Properties	Post offices near regional city train stations	-	-	-	-	-	-Occupied
	Company housings	30 locations in the center of Tokyo (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku) Approx. 100 locations in Tokyo 23-ku					Occupied

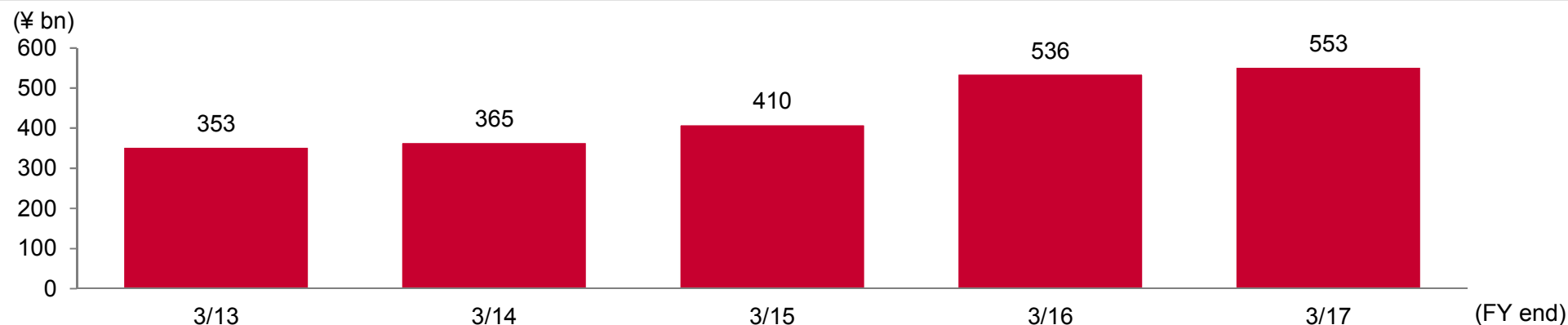
## Major Real Estate Projects



# Japan Post Co.: Growth of Real Estate Developments

2012	2014	2015	2016	2017	Potential Sites for Development	
 <p><b>JP Tower (KITTE)</b> Land area:11,600m<sup>2</sup> Floor space: 212,000m<sup>2</sup></p>	 <p><b>Sapporo Mitsui JP Building</b> Land area:5,500m<sup>2</sup> Floor space: 68,000m<sup>2</sup></p>  <p><b>Omiya JP Building</b> Land area:6,100m<sup>2</sup> Floor space: 45,700m<sup>2</sup></p>	 <p><b>JP Tower Nagoya (KITTE Nagoya)</b> Land area:12,000m<sup>2</sup> Floor space: 180,000m<sup>2</sup></p>  <p><b>JP noie Hatanodai</b> Land area:560m<sup>2</sup> Floor space: 970m<sup>2</sup></p>	 <p><b>KITTE Hakata</b> Land area:5,000m<sup>2</sup> Floor space: 64,300m<sup>2</sup></p>  <p><b>JRJP Hakata Building</b> Land area:3,350m<sup>2</sup> Floor space: 44,000m<sup>2</sup></p>	 <p><b>JP noie Honhanedai</b> Land area:1,230m<sup>2</sup> Floor space: 1,420m<sup>2</sup></p>  <p><b>JP noie Nerima-Nakamura-Minami</b> Land area:1,160m<sup>2</sup> Floor space: 1,900m<sup>2</sup></p> <p><b>Under Development</b></p> <p><b>Higashi-Ikebukuro</b> Land area:2,039m<sup>2</sup> Floor space: 16,000m<sup>2</sup></p>	<p><b>Tokyo branch office Azabu Post Office</b> Land area :22,244m<sup>2</sup></p> <p><b>Former-Osaka Chuo Post Office</b> Land area :8,899m<sup>2</sup></p> <p><b>Yokohama Chuo Post Office</b> Land area :6,399m<sup>2</sup></p> <p><b>Shiodome</b> Land area :1,460m<sup>2</sup></p> <p><b>Former-Yu-Port</b> Land area :6,704m<sup>2</sup></p>	<p><b>Kyoto Chuo Post Office</b> Land area :7,522m<sup>2</sup></p> <p><b>Hiroshima-Higashi Post Office</b> Land area :4,199m<sup>2</sup></p> <p><b>Downtown post offices</b></p> <p><b>Post offices near regional city train stations</b></p> <p><b>Company housing</b></p>
<p><b>Approx. 30 locations in the center of Tokyo (Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shibuya-ku)</b> <b>Approx. 100 locations in Tokyo 23-ku</b></p>						

Japan Post Holdings' fair value of rental real estate<sup>1,2</sup>



Source: Company disclosures

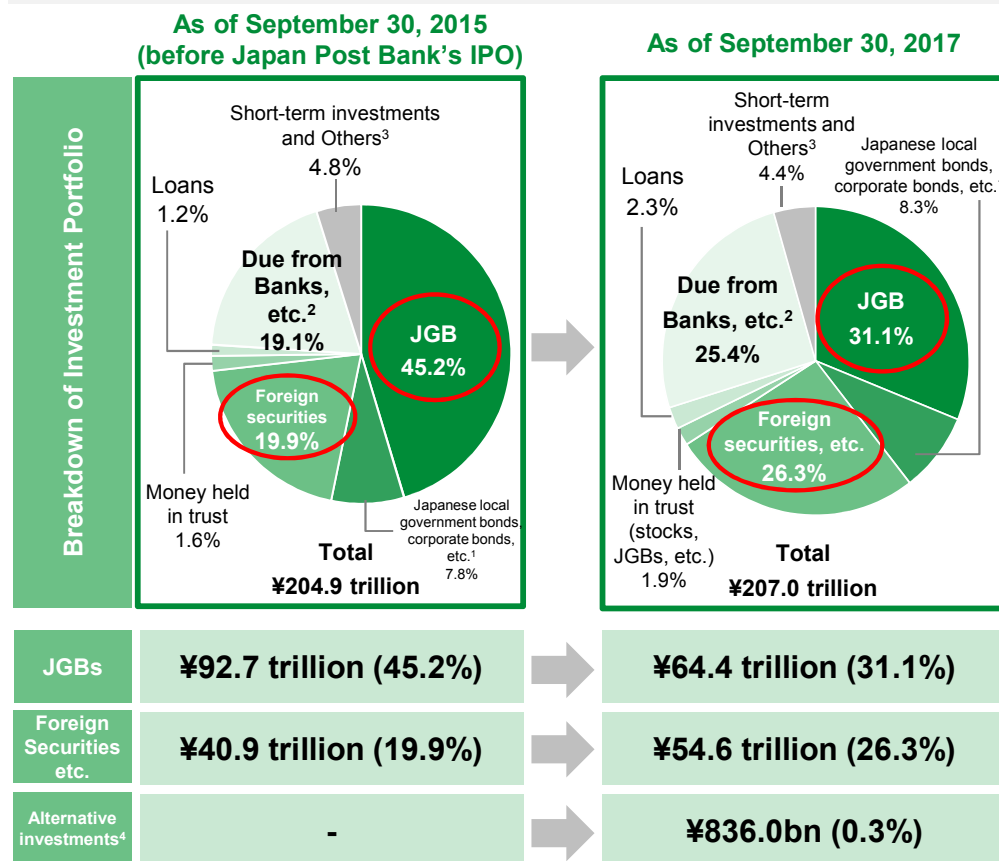
1. The figures for 3/13 ~ 3/15 are derived from documents based on Article 12 of the Japan Post Holdings Company Act. The figures for 3/16 ~ 3/17 are derived from Japan Post Holdings' securities report.

2. Market value at the end of the fiscal year is determined based primarily on "Japanese Real Estate Appraisal Standards". Rental properties under development are not included in this chart, since the market value of such properties are extremely difficult to assess.

# Japan Post Bank: Sophisticated and Diversified Investment Strategy to Secure Stable Income

- Promoting diversification and sophistication of investment by increasing foreign securities and alternative investments as long as the market (interest rate and foreign exchange etc.) and economic (business trend and credit conditions etc.) status remain stable, in light of the low interest rate environment where achieving return through JGB is becoming increasingly difficult

## Change in Invested Portfolio



1. Japanese local government bonds, corporate bonds, etc. consists of Japanese local government bonds, commercial papers, Japanese corporate bonds and Japanese stocks.

2. Due from banks, etc. consists of negotiable certificates of deposit, Bank of Japan deposits and money claims bought.

3. Short-term investments and others consists of call loans and receivables under securities borrowing transactions, etc.

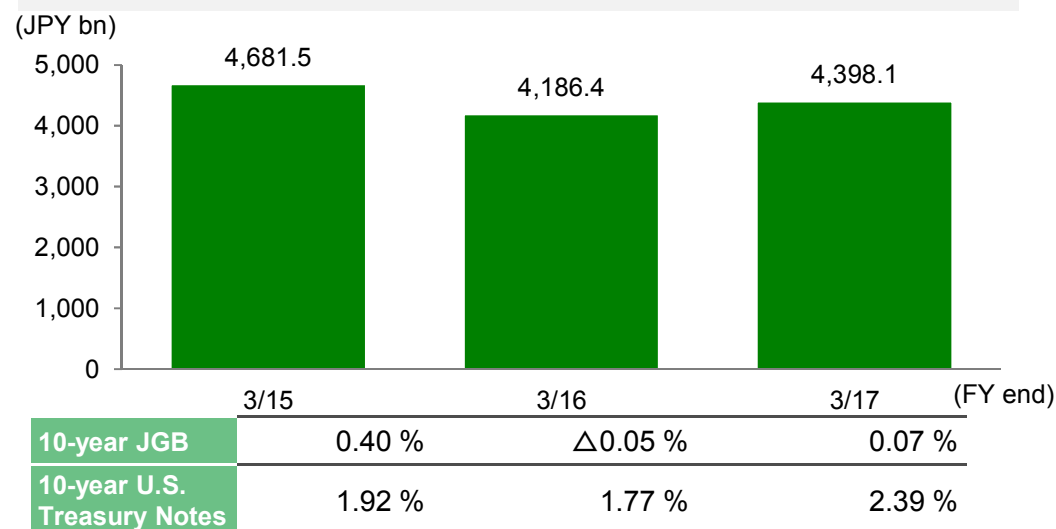
4. Private equity funds, real estate funds and hedge funds. Partly included in foreign securities and partly in money held in trust.

5. Net unrealized gains are the sum of net unrealized gains of available-for-sale securities and money held in trust classified as available-for-sale (after hedge adjustment).

## Strengthening of Investment Administration

- Continued hiring investment professionals and introducing performance-linked compensation system following IPO
  - Investment Division: Approx. 180 employees (as of June 2016)
- Enhanced risk management to prepare for diversification and sophistication of investments
  - Established a risk management division supervised by a dedicated executive officer in January 2016
  - Risk Management Division: Approx. 110 employees (as of June 2016)

## Net Unrealized Gains<sup>5</sup>





# Japan Post Insurance: Product Strategy and Investment Diversification to Cope with a Low Interest Rate Environment

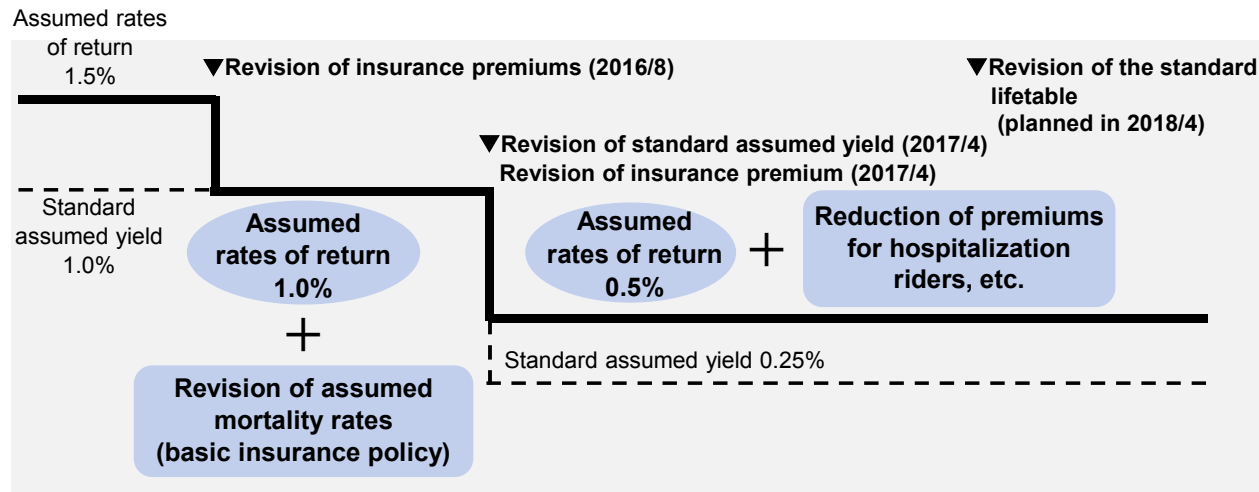
- To deal with the current low interest rate environment, we introduce new products including protection type as well as revising premiums in August 2016 and April 2017
- To secure investment returns in the current low interest rate environment, we are making good progress in expanding investments in risk assets

FY3/2017

FY3/2018

FY3/2019

Revision of insurance premiums



Revision of products

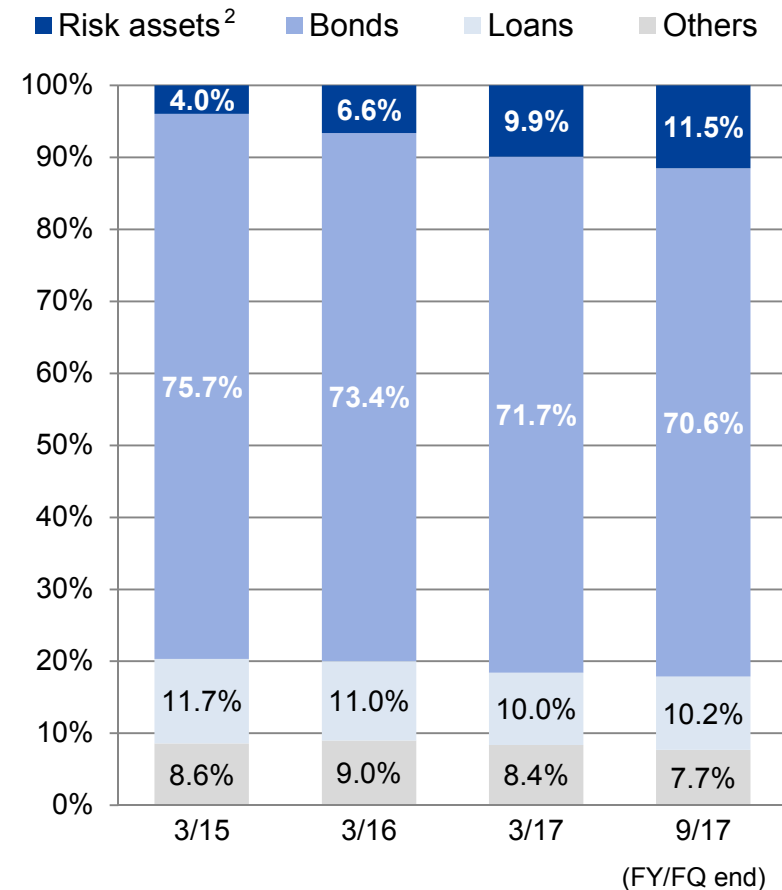
▼Suspension of sales of certain products (2016/6)

- ✓ Lump-sum payment term annuity contract
- ✓ Educational endowment insurance (without premium protection agreement)

▼Launch of new products (2017/10 onwards)

- ① Revision of hospitalization riders  
—Enhance attractiveness of protection and addition of low-priced product lineup
- ② Revision of whole life insurance  
—Whole life insurance with reduced surrender value and lower insurance premiums
- ③ Revision of term annuity  
—Provide extended annuity payments periods in order to respond to a longer life expectancies

## Asset Portfolio<sup>1</sup>



1. Figures are shares of total assets.

2. Risk assets include assets invested in money held in trust.

# Acquired New Business Approval

- Japan Post Bank and Japan Post Insurance have recently obtained regulatory approvals for new businesses. Financial subsidiaries have continued to execute strategic initiatives to satisfy customer needs

## Summary of the Additional Regulations related to Financial Subsidiaries' New Business Operations

- Regulatory approval is required for financial subsidiaries' new businesses in accordance with the Postal Service Privatization Act

### Overview of Additional Regulations

Until at least half of issued and outstanding shares of the two financial subsidiaries are sold by the government

- Approval of the applicable ministers<sup>1</sup> (input from the Postal Privatization Committee is also needed)

Up to a designated date<sup>2</sup> after at least half of issued and outstanding shares of the two financial subsidiaries are sold by the government

- Notification submitted to the applicable ministers (care must be exercised concerning competing companies and the Postal Privatization Committee must be notified as well)

After the designated date

- No restrictions based on the Postal Service Privatization Act (must still comply with restrictions based on the Banking Act and Insurance Business Act, as applicable)

## Examples of Recent Regulatory Approvals of New Business

(submitted in March 2017 and approved in June 2017)

### Japan Post Bank

- Account overdraft lending services<sup>3</sup>
  - Providing account overdraft lending services to help its customers to prepare for any sudden expenditures by automatically providing account overdraft loans to cover any shortfalls arising when, for example, automatic payment requests exceed the outstanding balance of deposit as part of efforts to upgrade and enhance settlement services
- Asset management-related business
  - Market investment-related operations, such as CDS, to promote more sophisticated and diversified asset management
- Other services incidental to banking services
  - Operations incidental to operations permitted under the Postal Service Privatization Act (incidental operations, etc.)

### Japan Post Insurance

- Revision of existing insurances including whole life insurance<sup>4</sup>
  - Revision of whole life insurance, term annuity, hospitalization rider, and accident rider such as lowering premiums by reducing the surrender benefits
- Agency sales of insurance products for corporations
  - Agency sales of Dai-ichi Life's annuity addressing the nursing care risk of business owners

1. Applicable ministers: The Prime Minister (the Commissioner of the Financial Services Agency) and Minister of Internal Affairs and Communications.

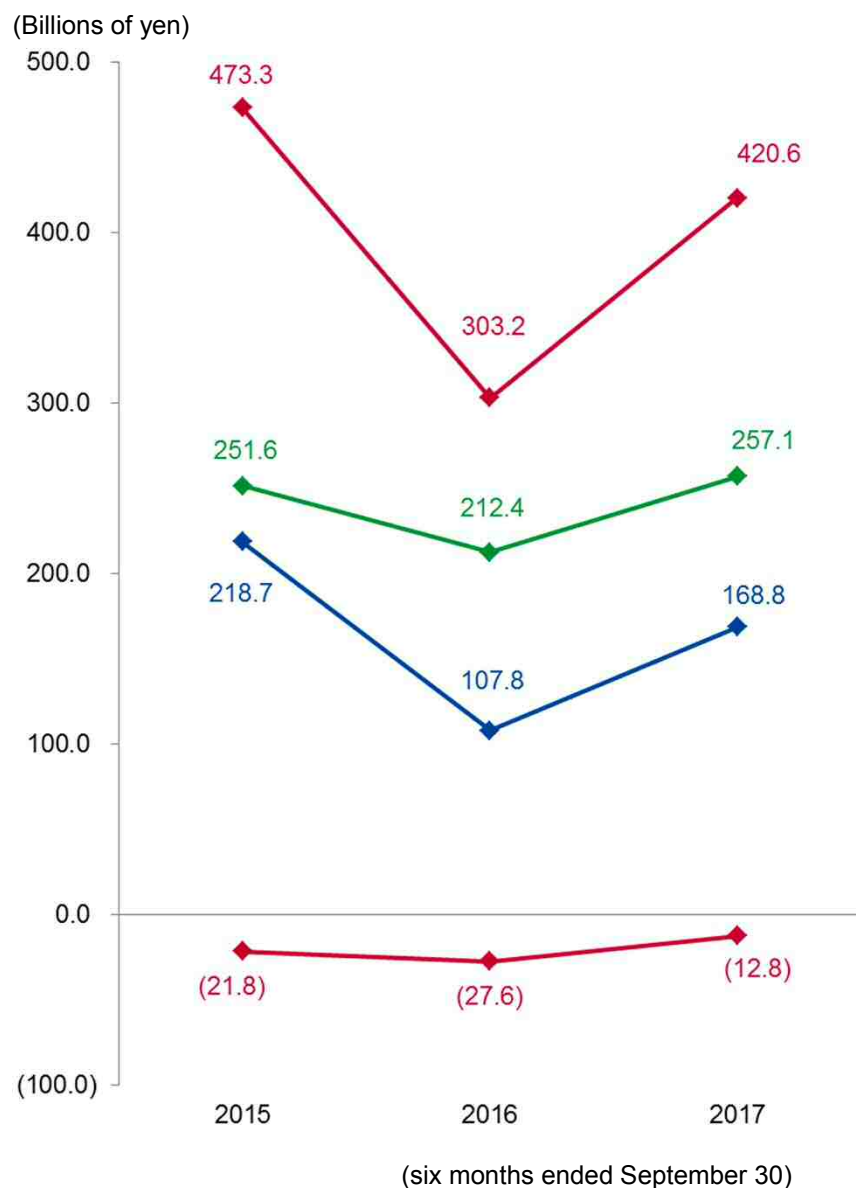
2. Designated date: The earlier of the following two dates: (i) the day that Japan Post Holdings disposes of its entire equity interest in either Japan Post Bank or Japan Post Insurance, as applicable, and the Prime Minister and the Minister for Internal Affairs and Communications determine that the relevant restrictions can be lifted on the basis that such activity would not counter the promotion of fair competition and the provision of appropriate services to customers or result in the circumvention of the restrictions under the Postal Service Privatization Act.

3. Going forward, after developing an appropriate sales framework, including systems development, Japan Post Bank plans to file for approvals based on the Banking Act.

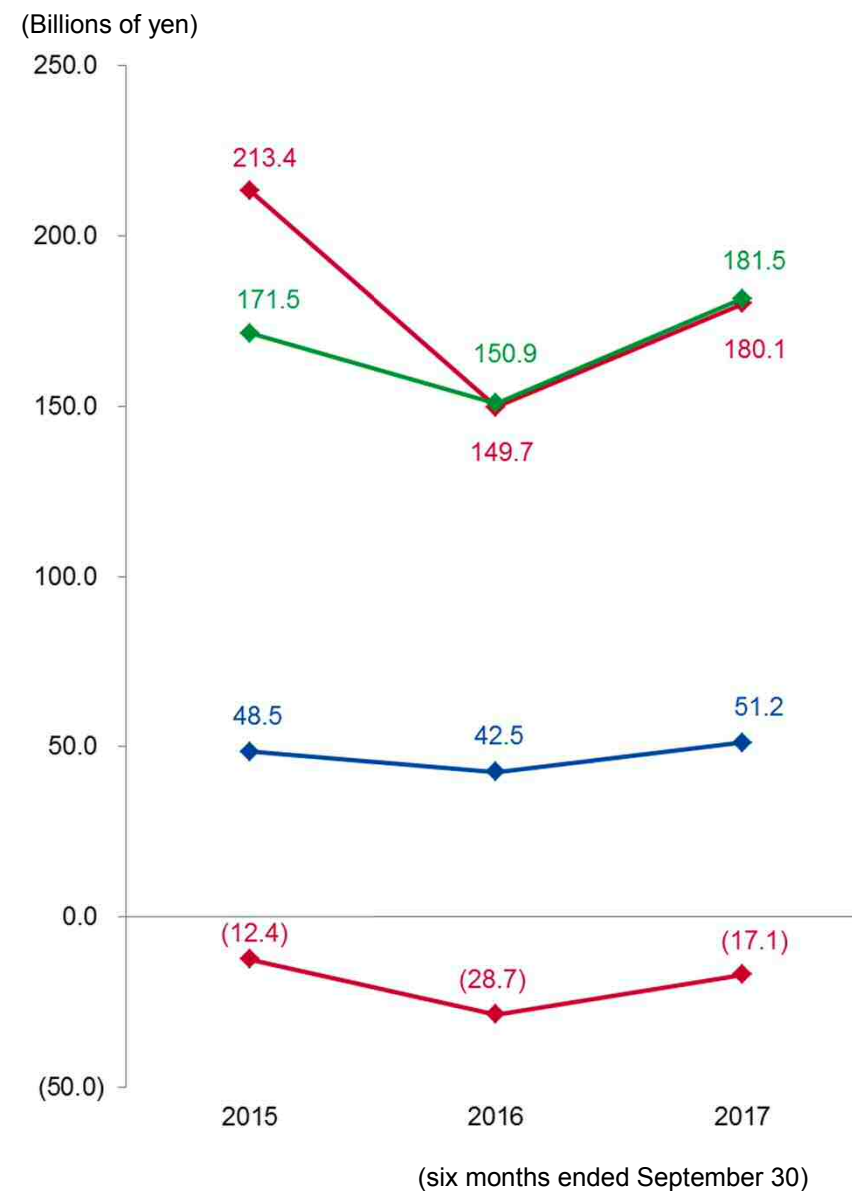
4. Japan Post Insurance started underwriting these revised insurances, including whole life insurance in October 2017.

# Trends in Net Ordinary Income and Net Income (Loss)

## Trends in Net Ordinary Income



## Trends in Net Income





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