

**UNOFFICIAL TRANSLATION**

Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

April 27, 2016

Company Name: JAPAN POST INSURANCE Co., Ltd.

Representative: Masami Ishii, Director and President, CEO, Representative Executive Officer

Stock exchange listing: Tokyo Stock Exchange (Code Number: 7181)

**Notice Regarding the Introduction of a New Performance-Linked Stock Compensation System for Executive Officers of the Company (Details Confirmed)**

JAPAN POST INSURANCE Co., Ltd. (hereinafter the “Company”) hereby announces that, subsequent to the announcement in the “Notice Regarding the Introduction of a New Performance-Linked Stock Compensation System for Executive Officers of the Company” dated December 22, 2015 that it will introduce a performance-linked stock compensation system utilizing a trust (hereinafter the “System”) for its Executive Officers, it has determined the details including timing of the trust establishment, timing of the share acquisition and the calculation methods and upper limit of the number of shares to be granted, etc. at the Compensation Committee held today.

**1. Objectives of the System**

The objective of the System is to further enhance the consciousness of contribution of Executive Officers toward achieving sustainable growth and enhancing the medium-to-long term corporate value of the Company through clarification of the linkage between the Executive Officers’ compensation and share values of the Company so that Executive Officers share with shareholders not only the benefits from rising share prices, but also the risks associated with falling share prices.

Accordingly, the compensation of the Executive Officers of the Company shall consist of a “base compensation” as fixed compensation, and a “performance-linked stock compensation” as variable compensation.

The Company has adopted a company with three committees structure, and compensation of Executive Officers, etc., is determined by the Compensation Committee.

**2. Persons subject to the System**

Executive Officers of the Company are subject to the System.

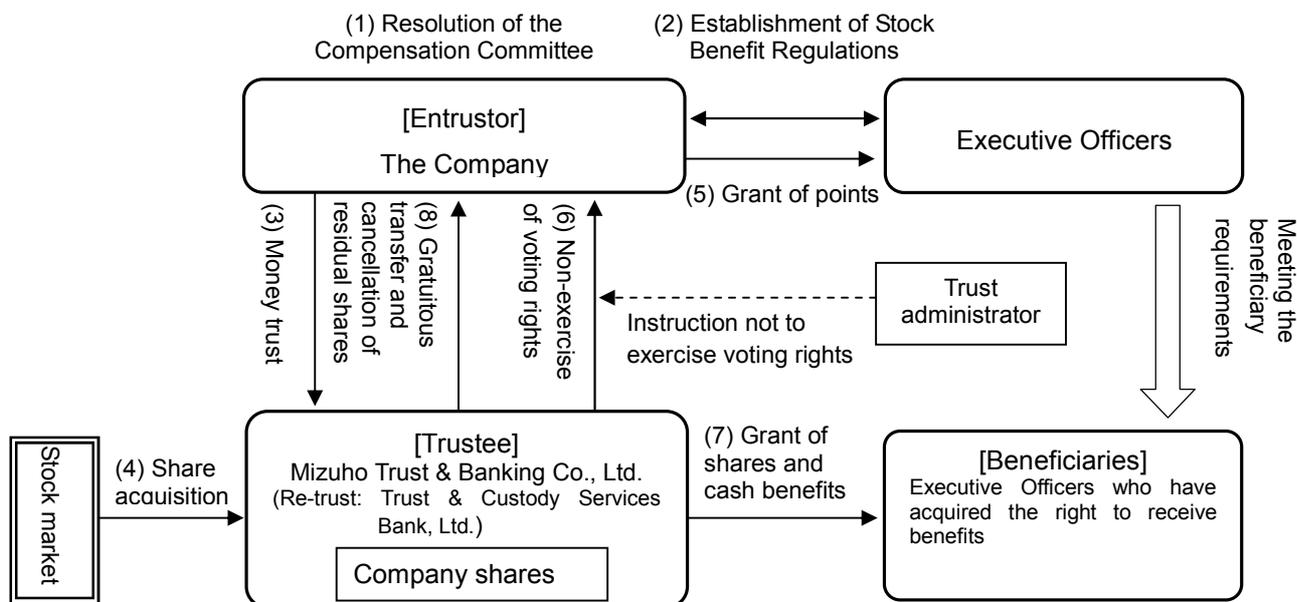
**3. Overview of the System**

The System adopts a structure called “Board Benefit Trust.” Board Benefits Trust is a performance-linked stock compensation system whereby the Company’s shares are acquired from the stock market through a trust using monetary assets of the Company as capital, and the acquired shares and money in the amount equivalent to the fair value of a certain portion of the Company’s shares as of the retirement date (hereinafter the “Company’s shares, etc.”) are

granted to Executive Officers in accordance with the predetermined Stock Benefit Regulations. In principle, the Company's shares, etc., are provided to Executive Officers at the time of retirement as Executive Officer of the Company.

Voting rights related to shares of the Company attributable to trust assets of the said trust shall not be exercised.

#### 4. Framework of the System (Planned)



- (1) The Company resolves to introduce the System at its Compensation Committee.
- (2) The Company establishes the Stock Benefit Regulations regarding compensation to Executive Officers in conjunction with the introduction of the System.
- (3) The Company entrusts money in accordance with the resolution of the Compensation Committee made in (1) (hereinafter the trust established through such money trust will be referred to as the "Trust").
- (4) The Trust acquires the Company's shares from the stock market using the monetary assets entrusted in (3).
- (5) The Company grants points to Executive Officers in accordance with the Stock Benefit Regulations.
- (6) In the Trust, in accordance with the instructions by an independent trust administrator, the voting rights on the shares of the Company held in the Trust are not to be exercised.
- (7) The trust grants Executive Officers who have satisfied the beneficiary requirements as set forth in the Stock Benefit Regulations the Company's shares and money obtained by converting a certain portion of the Company's shares into cash, in accordance with the number of points granted to the beneficiary.
- (8) In the event that residual shares remain in the Trust after expiry of the trust period, such residual shares are planned to be transferred without compensation from the Trust to the Company and be cancelled.

## **5. Trust term**

The Trust term shall be from May 16, 2016 to March 31, 2019 (however, unless a request is made in writing by the Entrustor or the Trustee at least one month prior to the Trust's expiry date, the Trust term will be extended for another three years, and the same shall apply thereafter. Furthermore, the System shall be terminated when the Company's shares are delisted or the Stock Benefit Regulations are revoked, among other factors).

## **6. Amount of Trust**

The Company shall establish the Trust by contributing funds, which will be required for the Trust to acquire in advance the number of shares that are reasonably estimated to be required for the grant of the Company's shares, etc., for a certain period in accordance with paragraphs 8 and 9 below. As set forth in paragraph 7 below, the Trust shall acquire the Company's shares using the funds contributed by the Company as capital.

Specifically, in the three-year period from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018 (hereinafter the "Initial Target Period"), the Company shall contribute a maximum of ¥610 million to the Trust for acquiring shares necessary for granting benefits to Executive Officers.

Moreover, even after the elapse of the Initial Target Period, in principle, for every subsequent three fiscal years (the "Next Target Period") until the termination of the Trust, the Company shall contribute additional funds deemed necessary for the Trust to acquire the number of shares that are reasonably estimated to be required for granting the Company's shares to Executive Officers in accordance with the System.

However, when an additional contribution is to be made and the Company's shares (excluding the Company's shares equivalent to the number of points granted to the Executive Officers but are yet to be granted to the Executive Officers) and money (hereinafter the "Residual shares, etc.") remain in the Trust on the date immediately before the commencement of the Next Target Period, such Residual shares, etc., shall be used as the capital for granting shares or acquiring shares in the subsequent target period in accordance with the System. Consequently, the amount of additional contribution for the Next Target Period shall be calculated by taking into consideration the amount of such Residual shares, etc.

## **7. Method for acquiring the Company's shares and the number of shares to be acquired**

The Company's shares shall be acquired by the Trust through the stock market using the capital contributed as set forth in paragraph 6 above. In the Initial Target Period, a maximum of 228,600 shares shall be acquired immediately after the establishment of the Trust.

## **8. Calculation method of the number of the Company's shares, etc., to be granted to Executive Officers**

For each fiscal year, Executive Officers shall be granted a certain number of points reflecting their level of attainment of performance targets for the relevant fiscal year, in accordance with the Stock Benefit Regulations.

The points granted to Executive Officers shall be exchanged at a rate of one share of the

Company's common stock for each one point in the grant of the Company's shares, etc., as set forth in paragraph 9 below (however, in the event that the Company conducts a stock split, gratuitous allotment or a consolidation of its shares, reasonable adjustments shall be made to the ratio of exchange accordingly).

The number of points that will serve as the basis for determining the Company's shares, etc., to be granted to Executive Officers shall be calculated by aggregating all the points granted to Executive Officers up to the time of retirement (points calculated in such a manner shall be referred to as the "Final Number of Points").

#### **9. Granting period of the Company's shares, etc.**

Upon retirement and upon meeting the requirements for the grant as set forth in the Stock Benefit Regulations, Executive Officers shall receive the Company's shares and money in the amount equivalent to the fair value of a certain portion of the Company's shares as of the retirement date corresponding to the Final Number of Points as set forth in paragraph 8 above from the Trust after retirement, by completing the prescribed procedures to confirm their status as beneficiaries.

#### **10. Voting rights of the shares held by the Trust**

Under the instructions of the trust administrator, voting rights of the Company's shares held by the Trust will not be exercised without exception. In this way, the Company aims to ensure neutrality towards the Company's management.

#### **11. Handling of dividends**

Dividends associated with the Company's shares within the Trust shall be received by the Trust and allocated to the capital for the acquisition of the Company's shares and trust fees to be paid to trustees associated with the Trust, among others. In the event that dividends remain in the Trust upon termination of the Trust term, in accordance with the Stock Benefit Regulations, such dividends shall be granted to Executive Officers in office at that time.

#### **12. Handling of the Trust upon termination**

The Trust shall be terminated when the Company's shares are delisted or the Stock Benefit Regulations are revoked, among other events. Of the residual assets of the Trust remaining at the time of termination, all of the Company's shares are scheduled to be transferred to the Company without compensation and cancelled. Of the residual assets of the Trust remaining at the time of termination, money deducting the amount distributed to the Executive Officers as stipulated in paragraph 11 above shall be granted to the Company.

[Overview of the Trust]

1) Name: Board Benefit Trust (BBT)

2) Entrustor: The Company

3) Trustee: Mizuho Trust & Banking Co., Ltd.

Mizuho Trust & Banking Co., Ltd. shall enter in to a comprehensive trust agreement with Trust & Custody Services Bank, Ltd., and Trust & Custody Services Bank, Ltd. shall become the re-trust trustee.

4) Beneficiaries: Retired Executive Officers who meet the beneficiary requirements set forth in the Stock Benefit Regulations

5) Trust administrator: A third party having no conflict of interest with the Company will be appointed.

6) Type of trust: Trust of money other than money trust (third party beneficiary trust)

7) Date of conclusion of the Trust agreement: May 16, 2016 (Planned)

8) Date on which money will be entrusted: May 16, 2016 (Planned)

9) Trust term: From May 16, 2016 (Planned) to March 31, 2019 (however, unless a request is made in writing by the Entrustor or the Trustee at least one month prior to the Trust's expiry date, the trust term will be extended for another three years, and the same shall apply thereafter.)