

*Kampo*

**Outline of Financial Results for  
the Three Months Ended June 30, 2018**

August 10, 2018

 **JAPAN POST INSURANCE**

# Summary of Financial Results

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- **Net income was ¥34.0 billion (a 41.1% increase year on year) that represented 38.7% towards the full-year financial results forecasts.**
- **Annualized premiums from new policies for individual insurance were ¥94.6 billion, a 9.5% decrease year on year, mainly due to shifting to protection-type products. Annualized premiums from new policies for medical care were ¥17.0 billion, a 28.0% increase year on year.**
- **Annualized premiums from policies in force for individual insurance were ¥4,823.9 billion, a 0.7% decrease from the end of the previous fiscal year. Annualized premiums from policies in force for medical care were ¥754.0 billion, a 0.4% increase from the end of the previous fiscal year.**
- **Under the continued historically low interest rate environment, we increased investments in return seeking assets (foreign securities and domestic stocks, etc.) to ¥9,830.8 billion (13.1% of total assets).**
- **Embedded value (EV) increased by ¥ 59.6 billion from the end of the previous fiscal year to ¥ 3,802.9 billion. The value of new business was ¥ 66 billion (a ¥ 18.4 billion increase year on year).**

# Financial Highlights

## Financial Highlights

(¥bn)

	3 months ended Jun-17	3 months ended Jun-18	Year on year
Ordinary income	2,113.5	1,978.6	(6.4) %
Ordinary profit	83.2	75.2	(9.6) %
Net income <sup>1</sup>	24.1	34.0	+ 41.1 %

Net income per share  
¥ 56.83

(¥bn)

	Mar-18	Jun-18	Change
Total assets	76,831.2	74,958.3	(2.4) %
Net assets	2,003.1	2,039.2	+ 1.8 %
Total shareholders' equity	1,595.4	1,588.7	(0.4) %

## Financial Results Forecasts

(¥bn)

Year ending Mar-19 (Full-year forecasts)	Progress
7,580.0	26.1 %
220.0	34.2 %
88.0	38.7 %

Net income per share  
¥ 146.71

1. Net income attributable to Japan Post Insurance

# Overview of Financial Statements

## Statement of Income

(¥bn)

	3 months ended Jun-17	3 months ended Jun-18	Change	(Reference) Year ended Mar-18
Ordinary income	2,113.5	1,978.6	(134.8)	7,952.9
Insurance premiums and others	1,123.6	1,014.8	(108.8)	4,236.4
Investment income	321.3	307.6	(13.7)	1,284.5
Reversal of policy reserves	640.4	621.3	(19.0)	2,397.9
Ordinary expenses	2,030.3	1,903.4	(126.9)	7,643.7
Insurance claims and others	1,850.7	1,715.0	(135.6)	6,890.0
Investment expenses	16.3	34.8	18.5	106.0
Operating expenses	130.8	125.0	(5.8)	533.4
Ordinary profit	83.2	75.2	(7.9)	309.2
Extraordinary profit and loss	(16.0)	(0.3)	15.7	(44.3)
Provision for reserve for policyholder dividends	32.5	26.8	(5.7)	117.7
Income before income taxes	34.5	48.0	13.5	147.1
Total income taxes	10.4	13.9	3.5	42.6
Net income attributable to Japan Post Insurance	24.1	34.0	9.9	104.4

## Balance Sheets

(¥bn)

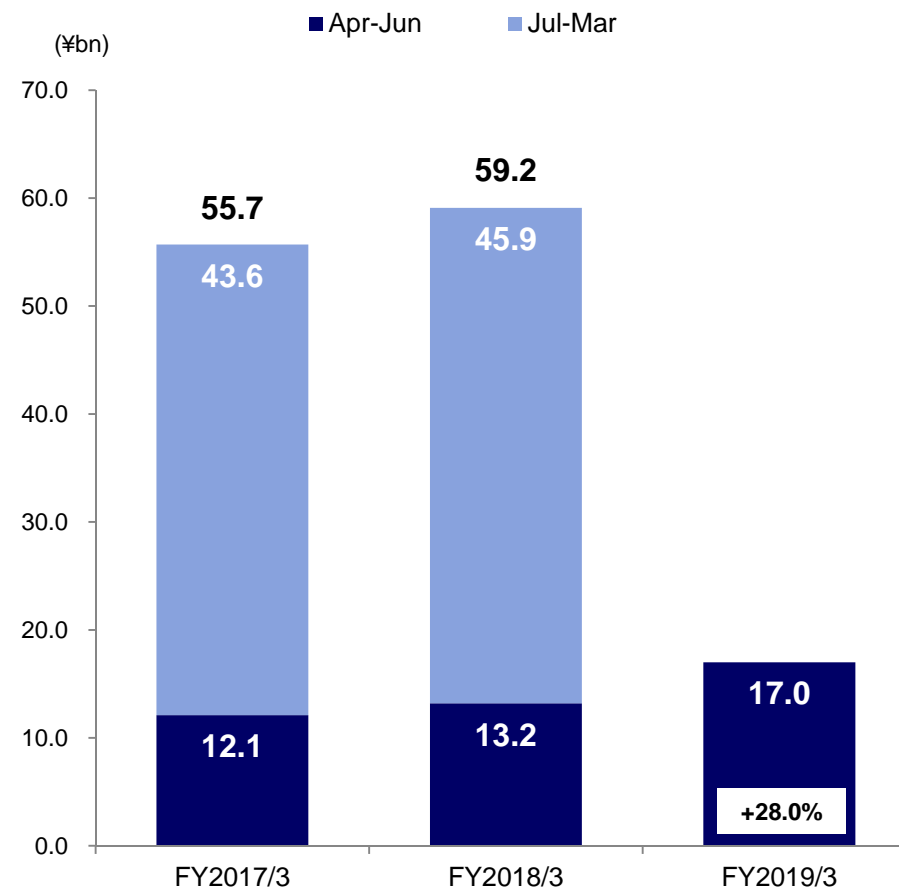
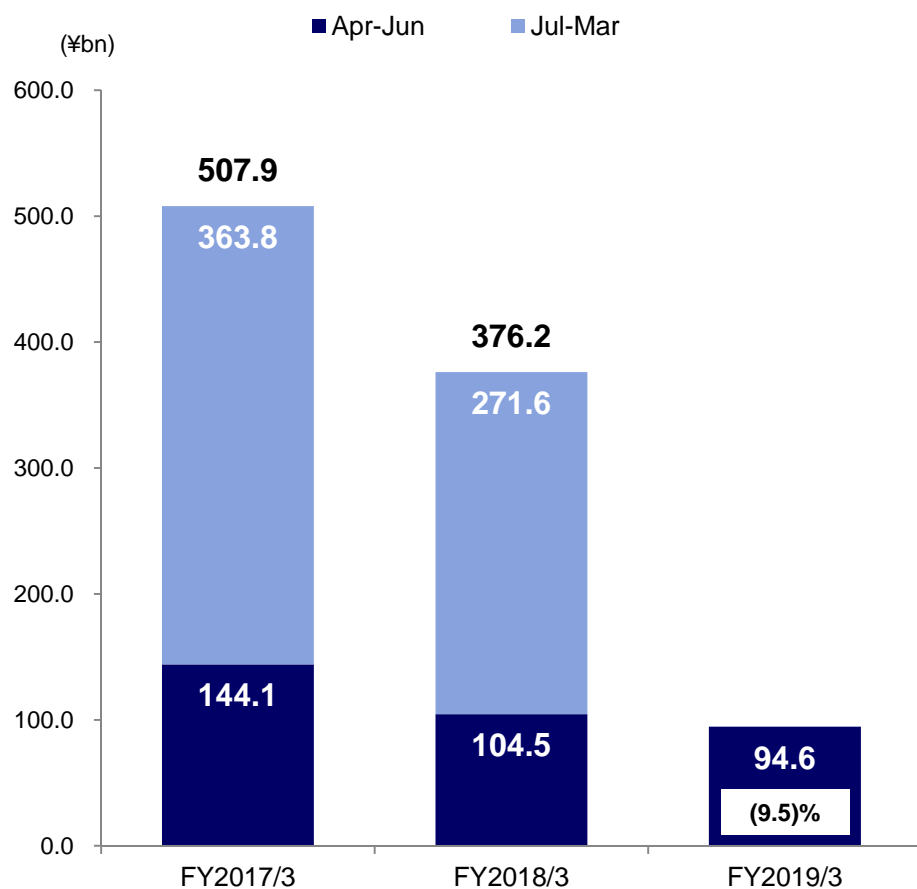
	Mar-18	Jun-18	Change
Assets	76,831.2	74,958.3	(1,872.9)
Cash and deposits	898.5	980.0	81.5
Money held in trust	2,814.8	2,916.6	101.8
Securities	60,130.9	59,049.6	(1,081.2)
Loans	7,627.1	7,170.1	(456.9)
Fixed assets	264.1	263.3	(0.8)
Deferred tax assets	954.0	961.9	7.8
Liabilities	74,828.1	72,919.0	(1,909.0)
Policy reserves	67,777.2	67,155.9	(621.3)
Reserve for price fluctuations	916.7	917.0	0.2
Net assets	2,003.1	2,039.2	36.1
Total shareholders' equity	1,595.4	1,588.7	(6.6)
Total accumulated other comprehensive income	407.7	450.5	42.8

Note: Only major line items are shown.

# Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies  
(Individual Insurance)

Annualized Premiums from New Policies  
(Medical Care)

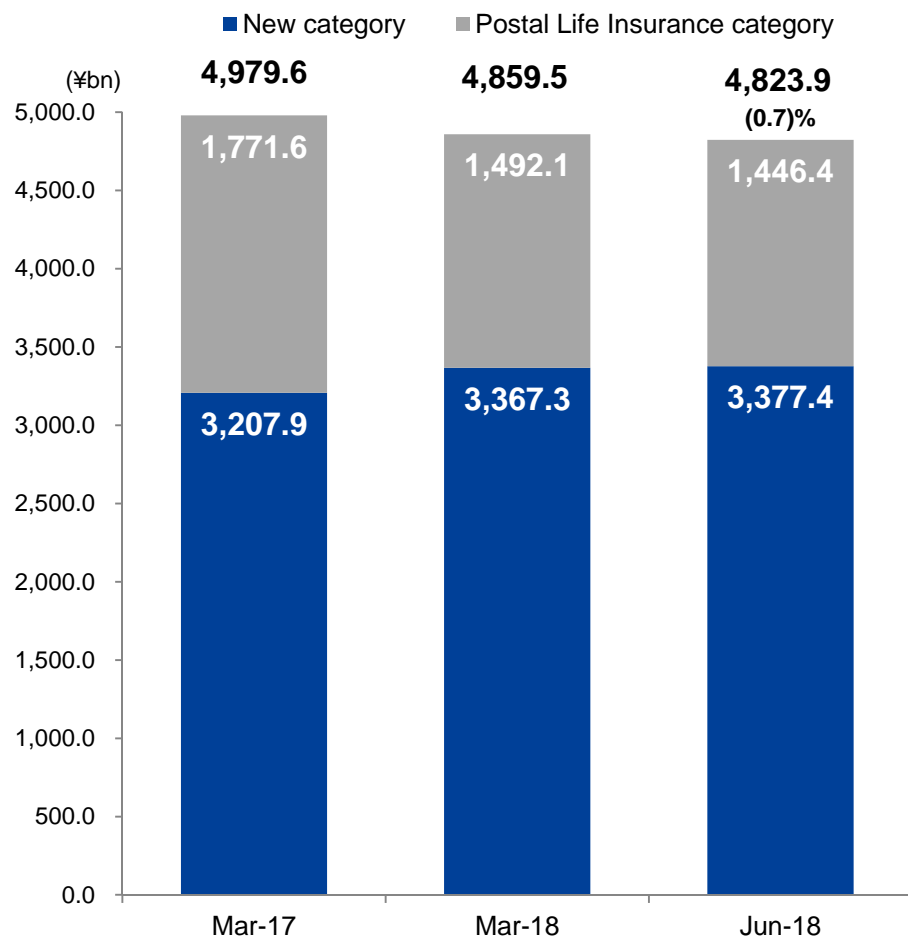


Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period. Medical care corresponds to medical and living benefits, etc. Annualized premiums (individual insurance) include the premiums for medical care related to individual insurance.

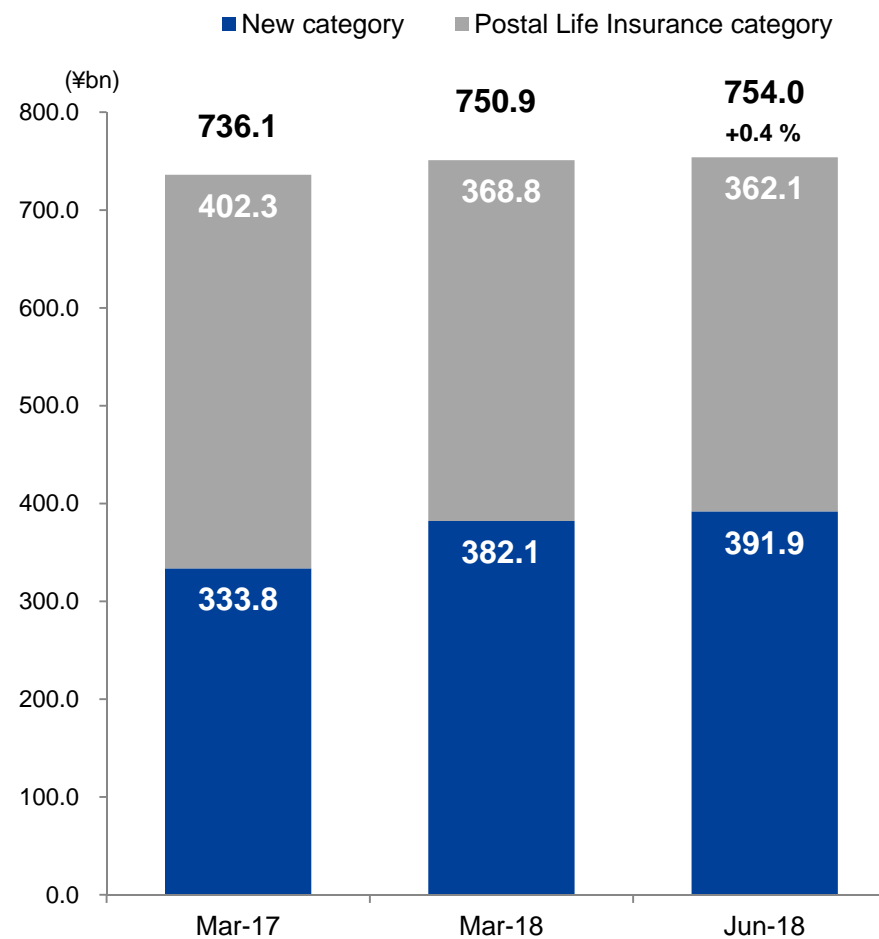
Note 2: In addition to the above, the FY2019/3 period saw a net increase of ¥1.6 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.

# Policy Sales (2) Annualized Premiums from Policies in Force

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



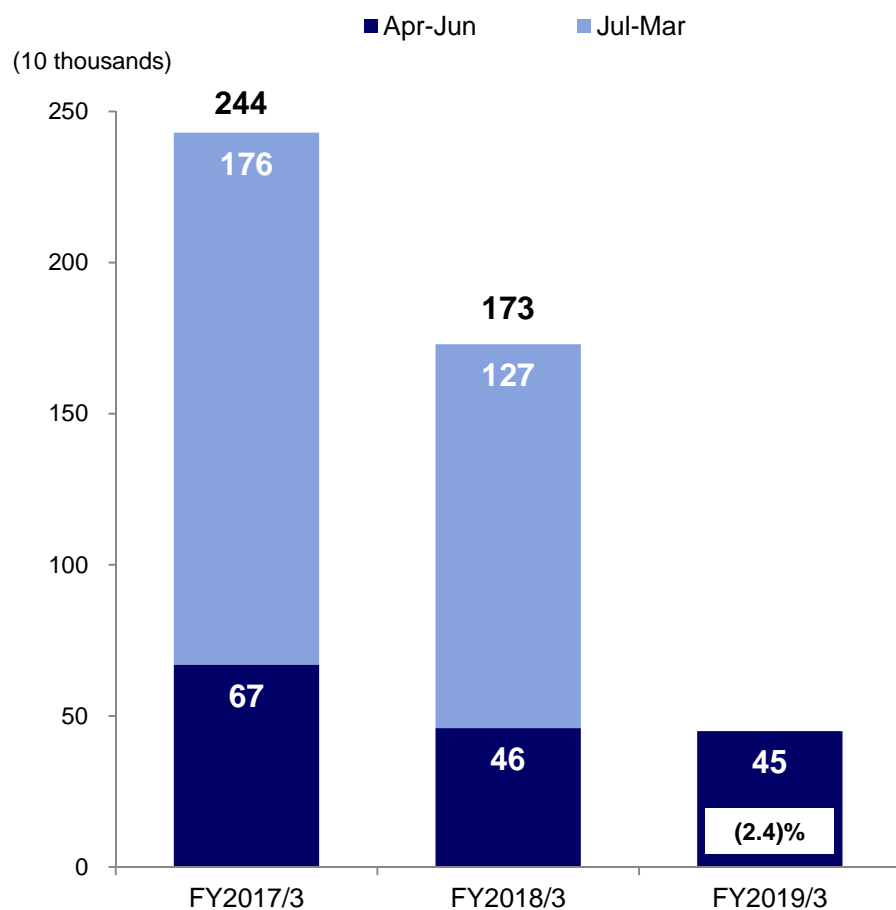
## Annualized Premiums from Policies in Force (Medical Care)



Note: "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.

# Policy Sales (3) Number of New Policies

## Number of New Policies (Individual Insurance)



## Breakdown of New Policies

(10 thousands)

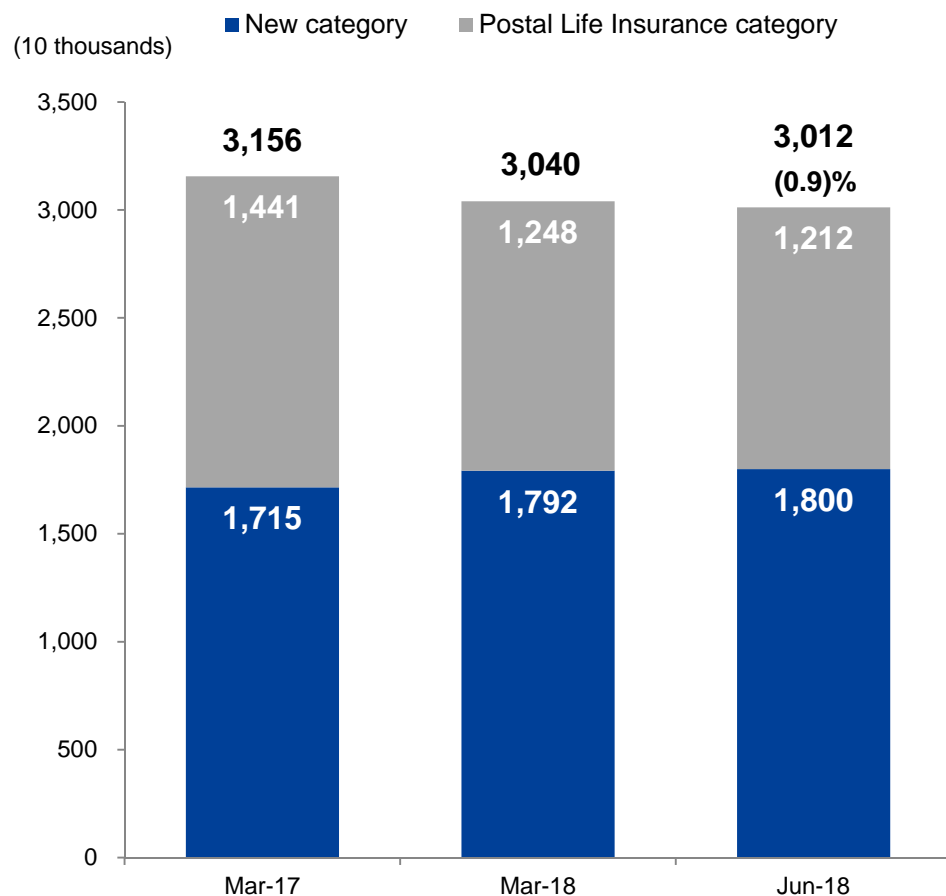
	3 months ended Jun-17		3 months ended Jun-18	
	Number of policies	Share	Number of policies	Share
Individual insurance	46	100.0 %	45	100.0 %
Endowment insurance	23	49.9 %	22	49.7 %
Ordinary endowment insurance	14	30.9 %	12	27.5 %
Special endowment insurance <sup>1</sup>	8	18.9 %	10	22.2 %
Whole life insurance	19	42.7 %	19	43.0 %
Ordinary whole life insurance (Fixed amount type)	8	18.0 %	6	13.7 %
Ordinary whole life insurance (Increased amount type)	7	16.7 %	10	23.3 %
Special whole life insurance	3	8.0 %	2	6.0 %
Educational endowment insurance	3	7.4 %	3	7.1 %
Other insurance	0	0.0 %	0	0.0 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

# Policy Sales (4) Number of Policies in Force

## Number of Policies in Force (Individual Insurance)



Note: "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.

## Breakdown of Policies in Force

(10 thousands)

	Mar-18		Jun-18	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,040	100.0 %	3,012	100.0 %
Endowment insurance	1,257	41.4 %	1,237	41.1 %
Ordinary endowment insurance	802	26.4 %	790	26.3 %
Special endowment insurance <sup>1</sup>	439	14.5 %	432	14.4 %
Whole life insurance	1,296	42.6 %	1,298	43.1 %
Ordinary whole life insurance (Fixed amount type)	413	13.6 %	413	13.7 %
Ordinary whole life insurance (Increased amount type)	261	8.6 %	266	8.9 %
Special whole life insurance	621	20.4 %	617	20.5 %
Educational endowment insurance	472	15.5 %	462	15.4 %
Other insurance	13	0.5 %	13	0.5 %

Note: Only major products are shown.

1. Increased amount type endowment insurance



# Investments (1) Asset Portfolio

## Asset Portfolio

(¥bn, %)

	Mar-18		Jun-18	
	Amount	Share	Amount	Share
Bonds	53,395.2	69.5	52,030.6	69.4
Japanese government bonds	39,589.8	51.5	38,331.6	51.1
Japanese local government bonds	8,513.5	11.1	8,323.3	11.1
Japanese corporate bonds	5,291.7	6.9	5,375.6	7.2
Return seeking assets <sup>1</sup>	9,450.4	12.3	9,830.8	13.1
Domestic stocks <sup>2</sup>	2,040.6	2.7	2,105.8	2.8
Foreign stocks <sup>2</sup>	342.5	0.4	356.2	0.5
Foreign bonds <sup>2</sup>	5,545.4	7.2	6,051.0	8.1
Other <sup>3</sup>	1,521.8	2.0	1,317.7	1.8
Loans	7,627.1	9.9	7,170.1	9.6
Others	6,358.3	8.3	5,926.6	7.9
Cash and deposits, call loans	1,163.5	1.5	1,725.0	2.3
Receivables under securities borrowing transactions	3,296.2	4.3	2,126.8	2.8
<b>Total assets</b>	<b>76,831.2</b>	<b>100.0</b>	<b>74,958.3</b>	<b>100.0</b>

## Investment Yield

(¥bn)

	3 months ended Jun-17	3 months ended Jun-18	(Reference) Year ended Mar-18
Positive spread	14.7	10.1	65.8
Average assumed rates of return <sup>1</sup>	1.71 %	1.71 %	1.71 %
Investment return on core profit <sup>2</sup>	1.80 %	1.77 %	1.81 %

Net capital gains (losses)	1.2	(15.6)	(19.1)
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	Jun-17	Jun-18	Mar-18
Interest rate (10Y JGB)	0.075 %	0.030 %	0.045 %
USD/JPY	¥ 112.00	¥ 110.54	¥ 106.24

1. Average assumed rates of return are the assumed return on general account policy reserves.
2. Investment return on core profit is the return with respect to earned policy reserves.

1. Return seeking assets comprise domestic and foreign stocks, foreign-currency-denominated bonds, investment trusts, etc. held for investment purposes among the assets recorded under "money held in trust" and "securities" on the balance sheet.
2. "Domestic stocks," "foreign stocks" and "foreign bonds" include individual stocks and bonds, as well as investment trusts investing only in the respective assets.
3. "Bank loans," "multi-asset" and "real estate fund" etc.

## Investments (2) Fair Value Information of Securities

### Fair Value Information of Securities

(¥bn)

	Mar-18			Jun-18		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	62,919.1	70,689.5	7,770.3	61,986.7	69,780.6	7,793.8
Held-to-maturity bonds	38,490.0	44,608.7	6,118.6	37,276.9	43,377.8	6,100.8
Policy-reserve-matching bonds	10,676.3	11,769.6	1,093.2	10,619.1	11,694.6	1,075.5
Available-for-sale securities	13,752.7	14,311.2	558.4	14,090.6	14,708.1	617.4
Securities etc.	11,513.9	11,555.8	41.9	11,815.1	11,873.3	58.1
Bonds	4,474.1	4,508.0	33.8	4,338.3	4,376.1	37.7
Domestic stocks	180.3	190.6	10.2	194.3	203.9	9.5
Foreign securities	4,238.9	4,249.5	10.6	4,724.3	4,769.1	44.8
Other securities	2,026.5	2,011.5	(15.0)	1,834.5	1,798.3	(36.1)
Deposits etc.	593.9	596.0	2.1	723.5	725.6	2.1
Money held in trust	2,238.8	2,755.3	516.4	2,275.4	2,834.8	559.3
Domestic stocks <sup>1</sup>	1,407.1	1,849.9	442.8	1,426.2	1,901.8	475.6
Foreign stocks <sup>1</sup>	273.1	342.5	69.4	274.7	356.2	81.5
Foreign bonds <sup>1</sup>	323.0	326.5	3.4	324.7	327.3	2.5
Other <sup>2</sup>	235.5	236.2	0.7	249.7	249.4	(0.3)

Note: This table only shows securities with a fair value. It also includes the handling of securities under the Financial Instruments and Exchange Act.

1. "Domestic stocks," "foreign stocks" and "foreign bonds" include individual stocks and bonds, as well as investment trusts investing only in the respective assets.

2. "Cash and deposits" and "bank loans" etc.

# Expenses

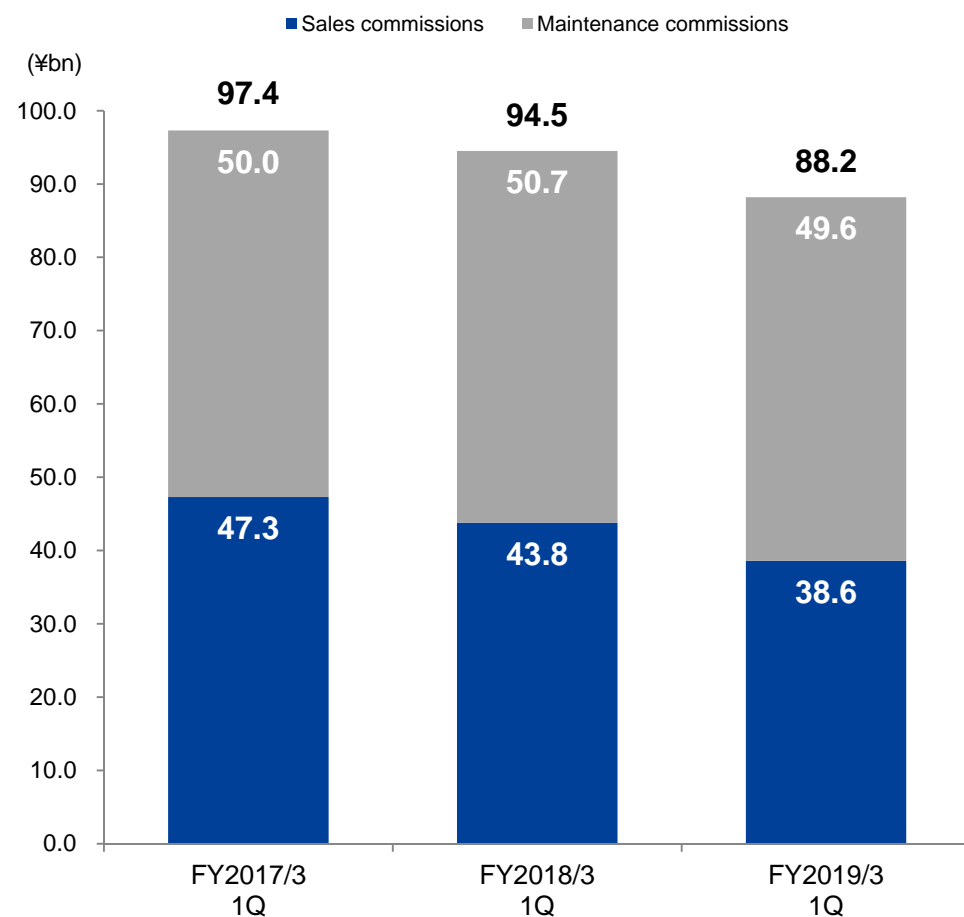
## Commissions to Japan Post Co.

Operating expenses

¥134.6 bn

¥130.8bn

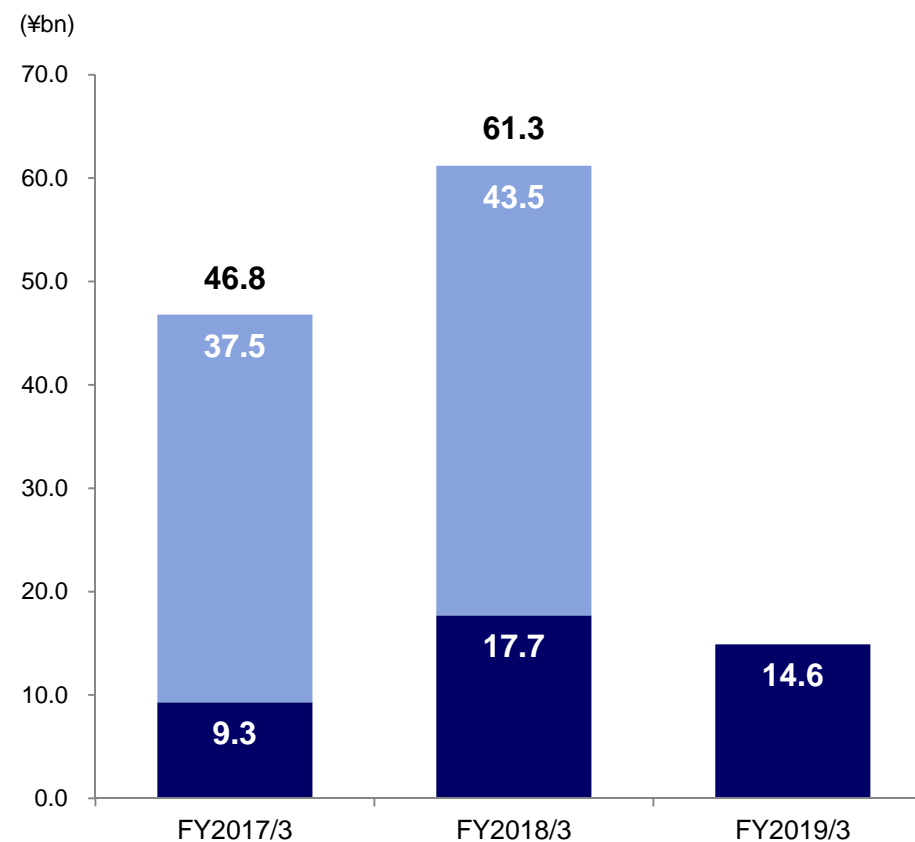
¥125.0bn



## Depreciation and amortization

■ Apr-Jun

■ Jul-Mar



# Financial Soundness

## Internal Reserves

	Mar-18	Jun-18	(¥bn)
			Provisions in the period <sup>3</sup>
Contingency reserve	2,114.3	2,077.6	(36.6)
Postal Life Insurance category	1,665.0	1,621.9	(43.1)
New category	449.2	455.7	6.4
Price fluctuations reserve	916.7	917.0	0.2
Postal Life Insurance category	665.5	663.9	(1.5)
New category	251.2	253.0	1.8
Additional policy reserve	5,930.4	5,917.1	(13.2)
Postal Life Insurance <sup>1</sup> Category	5,913.3	5,901.0	(12.3)
New category <sup>2</sup>	17.0	16.1	(0.9)

## Solvency Margin Ratio

	Mar-18	Jun-18	(¥bn)
Solvency Margin Ratio	1,131.8 %	1,138.6 %	
Total amount of solvency margin	5,595.8	5,636.5	
Total amount of risk	988.8	990.0	
Real net assets	12,904.8	12,878.9	

Notes: "Postal Life Insurance category" shows the amounts generated from the postal life insurance policies, and "New category" shows the figures after deduction of "Postal Life Insurance category" from the total.

1. Including the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for annuity in the postal life insurance policies (for the Three Months Ended June 30, 2018, the amount of additional provision was ¥44.8 bn and the accumulated amount was ¥1,436.1 bn ).

2. The amount determined to be additionally provided in a lump sum for single-payment annuity policies among the individual annuities underwritten by Japan Post Insurance.

3. Provisions in the period includes the excess provision of ¥3.9 bn exceeding the provision requirements for contingency reserve.

# Embedded Value

## Breakdown of EV

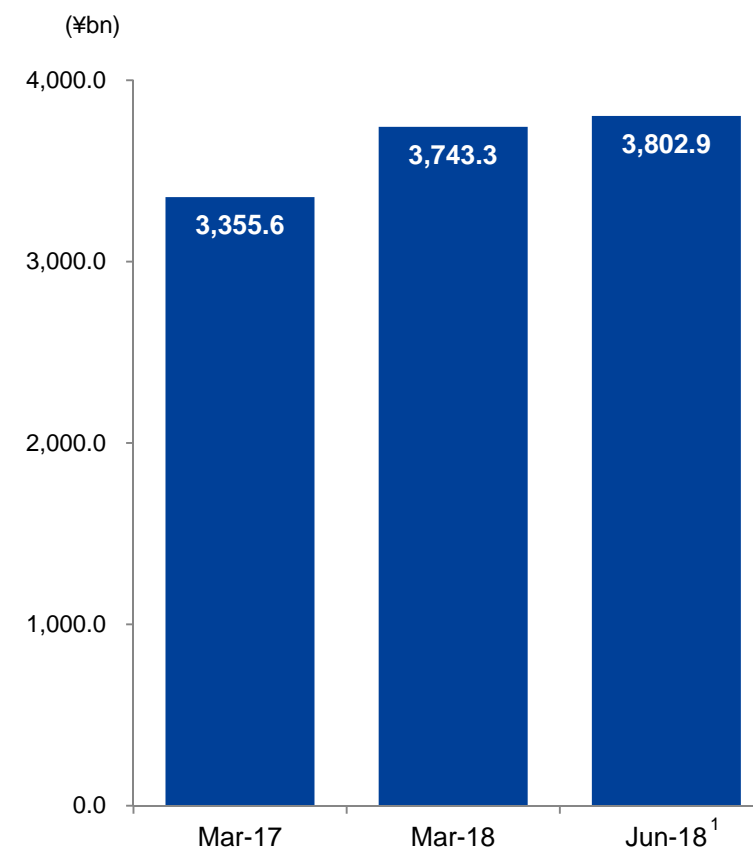
(¥bn)

	Mar-18	Jun-18 <sup>1</sup>	Change
EV	3,743.3	3,802.9	59.6
Adjusted net worth	2,136.4	2,135.4	(1.0)
Value of in-force covered business	1,606.8	1,667.5	60.6

	3 months ended Jun-17 <sup>1,2</sup>	3 months ended Jun-18 <sup>1,3</sup>	Change
Value of new business	47.5	66.0	18.4

1. Provisional calculations have not been verified by a third party.
2. Using the economic assumptions as of the end of June 2017, based on the new policies written in the period from April to June 2017.
3. Using the economic assumptions as of the end of March 2018, based on the new policies written in the period from April to June 2018.  
The value of new business includes an increase or decrease due to a switchover of riders.

## EV



# Financial Results Forecasts for the Year Ending March 31, 2019

## Financial Results Forecasts

(¥bn)

	Year ended Mar-18 (Actual)	Year ending Mar-19 (Forecast)
Ordinary income	7,952.9	7,580.0
Ordinary profit	309.2	220.0
Net income <sup>1</sup>	104.4	88.0
Net income per share	¥174.21	¥146.71

1. Net income attributable to Japan Post Insurance

## Shareholder Return Policy

### Dividend policy

- Aim for a steady increase in dividends per share with a goal of achieving to deliver dividends of ¥76 per share for the year ending March 31, 2021, while considering earning prospects and financial soundness.

## Dividends Per Share

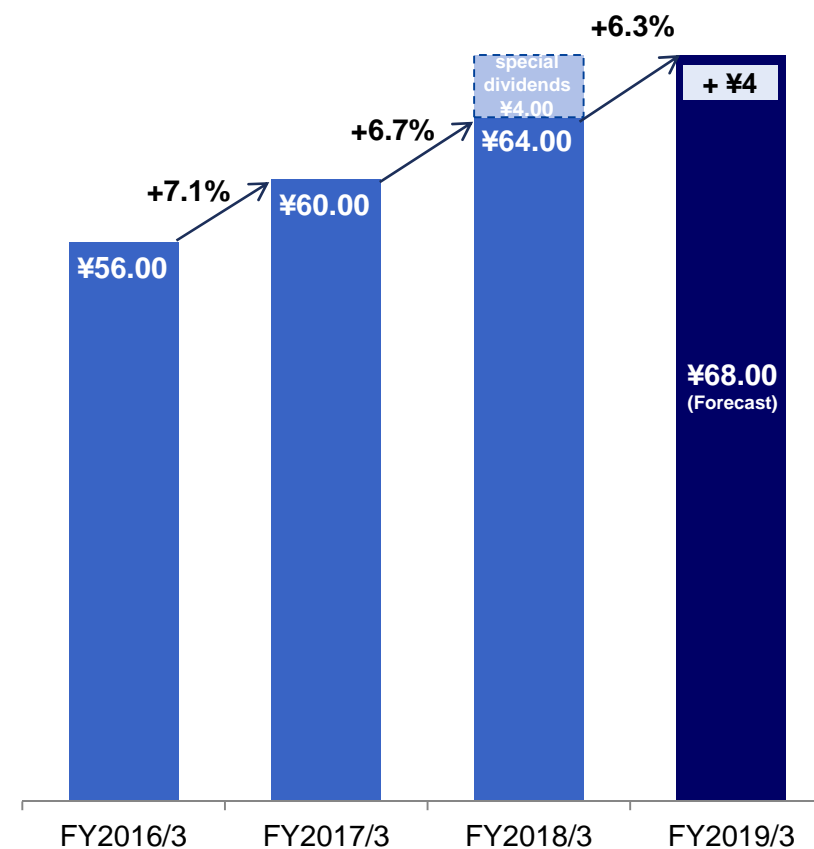
(Payout Ratio)

39.6 %

40.6 %

39.0 %

46.3 %

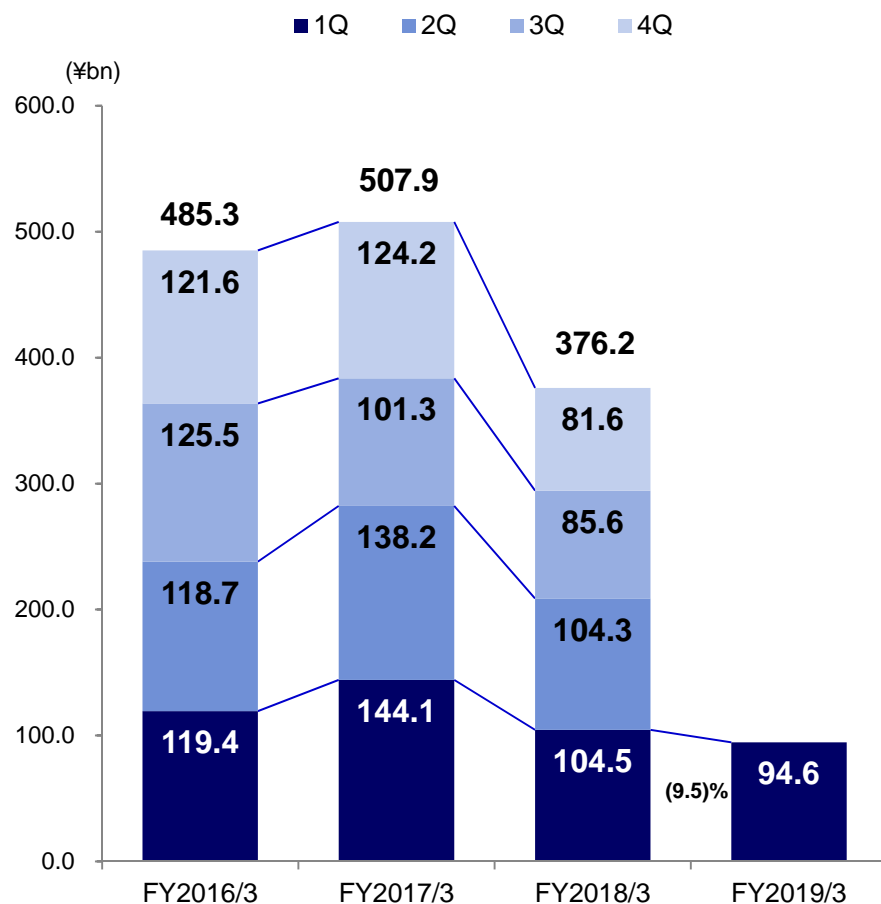


APPENDIX

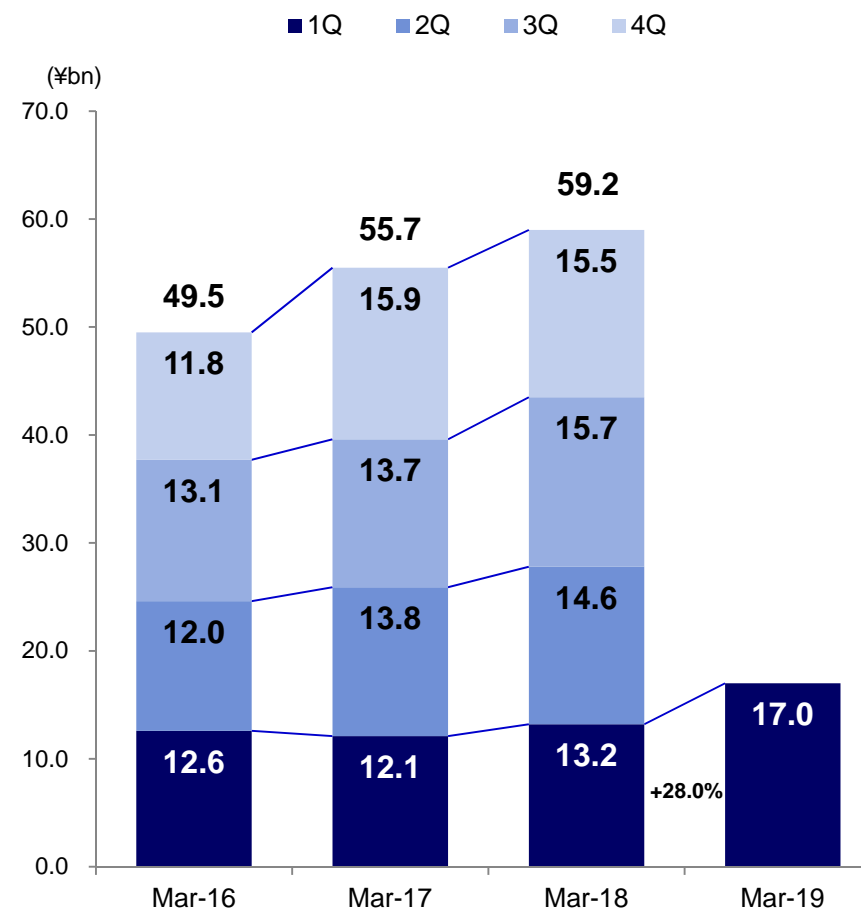
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# Quarterly Trends in Annualized Premiums from New Policies

## Annualized Premiums from New Policies (Individual Insurance)



## Annualized Premiums from New Policies (Medical Care)



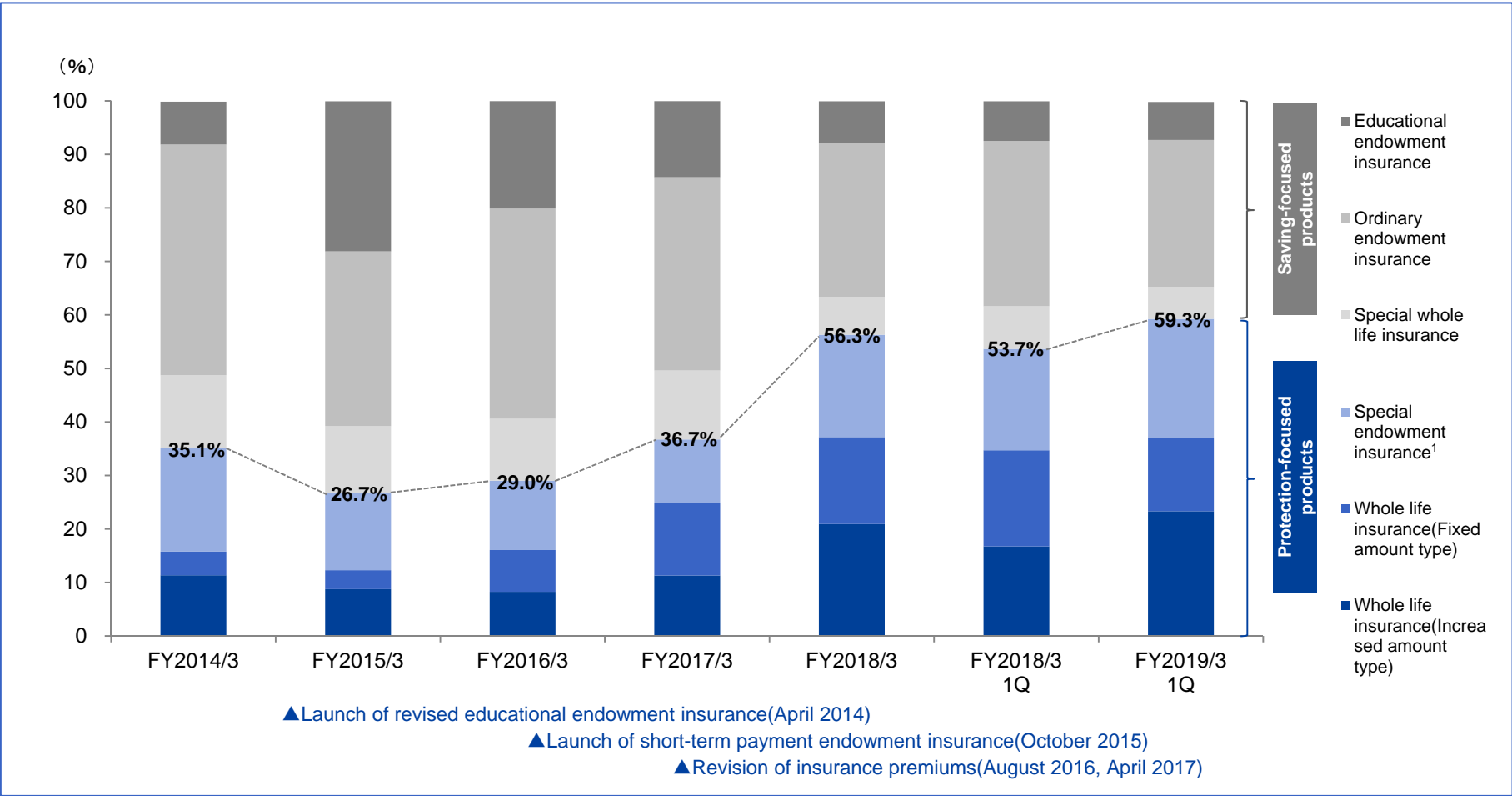
Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period. Medical care corresponds to medical and living benefits, etc. Annualized premiums (individual insurance) include the premiums for medical care related to individual insurance.

Note 2: In addition to the above, the FY2019/3 period saw a net increase of ¥1.6 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.



# Share of Number of New Policies by Product

Share of number of new policies by product



1. Increased amount type endowment insurance

# Interest, Dividends and Other Income and Capital gains(losses)

## Interest, Dividends and Other Income

(¥bn)

	3 months ended Jun-17	3 months ended Jun-18
Investment income	321.3	307.6
Interest, dividends and other income	298.4	280.4
Interest on deposits	0.0	0.0
Interest and dividends on securities	255.4	242.2
Interest on corporate and government bonds	224.4	204.3
Domestic stock dividends	0.2	0.4
Interest and dividends on foreign securities	24.8	31.6
Interest and dividends on other securities	5.9	5.7
Interest on loans	3.4	4.5
Interest on loans to the Management Organization	37.8	32.3
Rent revenue from real estate	-	-

## Breakdown of Capital gains(losses)

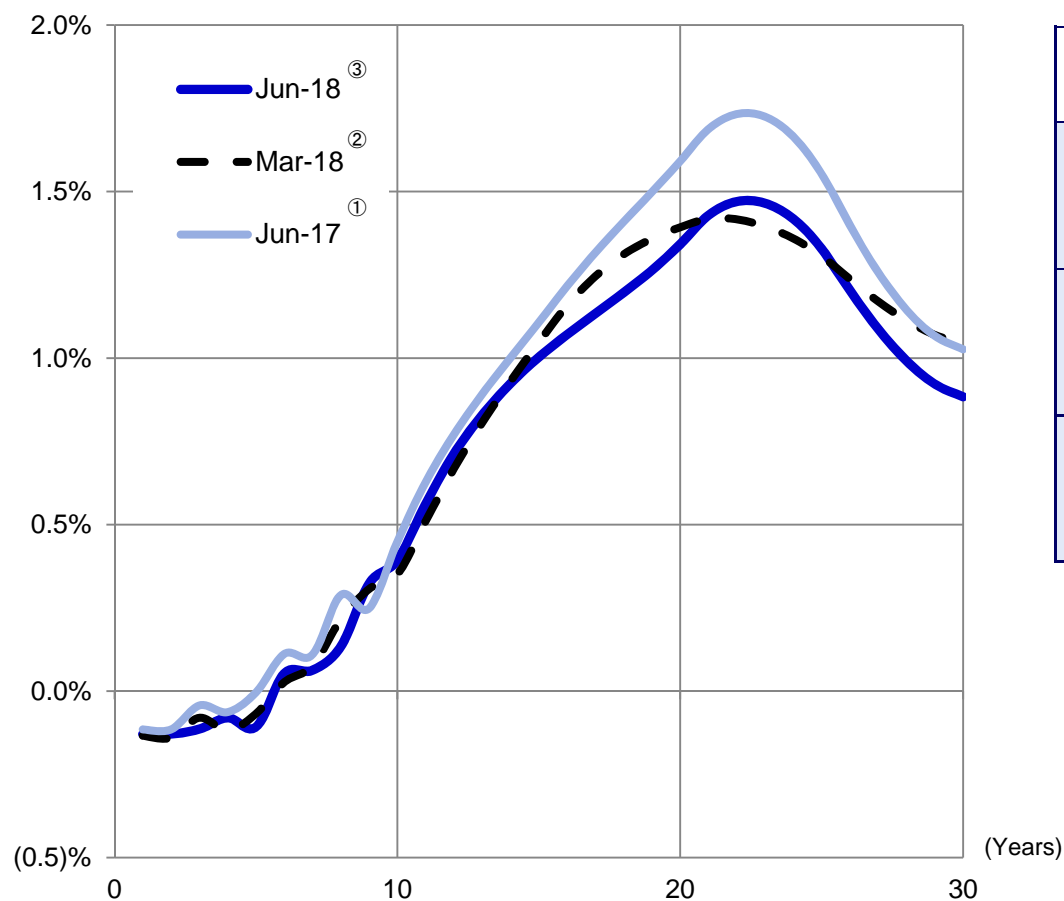
(¥bn)

	3 months ended Jun-17	3 months ended Jun-18
Capital gains	22.7	27.0
Gains on money held in trust	21.1	20.4
Gains on sales of securities	1.6	6.6
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Other capital gains	-	-
Capital losses	(21.5)	(42.7)
Losses on money held in trust	-	-
Losses on sales of securities	(9.0)	(18.9)
Losses on derivative financial instruments	(4.9)	(13.2)
Losses on foreign exchanges	(0.1)	(0.5)
Other capital losses <sup>1</sup>	(7.4)	(9.9)
Net Capital gains(losses)	1.2	(15.6)

1. Amount equivalent to income gains associated with money held in trust is recognized as "other capital losses".

# Fluctuations of Interest Rates (EV Assumptions)<sup>1</sup>

Forward Rate (Jun-17 to Jun-18)



Forward Rate

(%)	Jun-17 <sup>①</sup>	Mar-18 <sup>②</sup>	Jun-18 <sup>③</sup>
10 years	0.449	0.351	0.394
20 years	1.591	1.393	1.342
30 years	1.026	1.043	0.884

Note: The economic assumptions used for the calculation of EV and the value of new business are as follows.

Value of new business for 1Q of FY2018/3 : ①

EV as of the end of FY2018/3 and the value of new business for 1Q of FY2019/3 : ②

EV as of the end of June 2018 : ③

1. The interest rate (EV assumptions) used to prepare the forward rate is based on the market yields on government bonds announced by the Ministry of Finance Japan.

## Figures by New and Postal Life Insurance Categories (Non-Consolidated)

		FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2018/3 1Q	FY2019/3 1Q
<b>Total assets</b>	¥mn	84,911,946	81,543,623	80,336,414	76,832,508	78,925,601	74,957,570
Postal Life Insurance category		61,703,013	55,832,787	51,447,550	46,684,937	49,782,353	43,653,831
New category		23,208,932	25,710,836	28,888,864	30,147,570	29,143,248	31,303,738
<b>Number of policies in force</b>	(000)	33,489	32,323	31,562	30,405	31,239	30,123
Postal Life Insurance category (insurance)		19,949	16,972	14,411	12,484	13,804	12,122
New category (individual insurance)		13,539	15,350	17,150	17,921	17,435	18,000
<b>Insurance premiums and others</b>	¥mn	5,956,716	5,413,862	5,041,868	4,236,461	1,123,687	1,014,865
Postal Life Insurance category		1,697,140	1,322,308	1,002,816	755,221	206,542	159,135
New category		4,259,576	4,091,554	4,039,051	3,481,240	917,145	855,729
<b>Ordinary profit</b>	¥mn	493,169	413,023	279,347	308,845	83,101	75,053
Postal Life Insurance category		377,145	258,059	185,250	137,074	36,567	25,899
New category		116,024	154,963	94,097	171,771	46,534	49,153
<b>Net income</b>	¥mn	81,758	86,338	88,520	104,309	24,072	33,933
Postal Life Insurance category		36,969	32,850	26,044	16,878	4,056	3,644
New category		44,789	53,487	62,475	87,430	20,015	30,288
<b>Contingency reserve (reversal) provision</b>	¥mn	(90,087)	(123,864)	(120,819)	(139,678)	(33,435)	(36,671)
Postal Life Insurance category		(167,144)	(171,199)	(172,881)	(173,722)	(43,387)	(43,159)
New category		77,057	47,335	52,061	34,043	9,951	6,487
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	97,934	70,100	6,444	128,031	16,070	267
Postal Life Insurance category		72,126	8,957	12,625	17,090	5,771	(1,581)
New category		25,808	61,143	(6,181)	110,940	10,298	1,848
<b>Additional policy reserve (reversal) provision</b>	¥mn	(68,347)	(55,533)	(50,454)	(30,648)	(11,912)	(13,255)
Postal Life Insurance category		(68,347)	(55,533)	(50,454)	(47,674)	(11,912)	(12,332)
New category		-	-	-	17,025	-	(922)

Note: "Postal Life Insurance category" shows the amounts generated from the Postal Life Insurance policies, and "New category" shows the figure after deduction of "Postal Life Insurance category" from the total.

# Major Financial Results

	(¥bn)					
	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2018/3 1Q	FY2019/3 1Q
Insurance premiums and others	5,956.7	5,413.8	5,041.8	4,236.4	1,123.6	1,014.8
Ordinary profit	492.6	411.5	279.7	309.2	83.2	75.2
Provision for reserve for policyholder dividends	200.7	178.0	152.6	117.7	32.5	26.8
Net income	81.3	84.8	88.5	104.4	24.1	34.0
Net assets	1,975.7	1,882.9	1,853.2	2,003.1	1,935.1	2,039.2
Total assets	84,915.0	81,545.1	80,336.7	76,831.2	78,925.9	74,958.3
Return on equity	4.6 %	4.4 %	4.7 %	5.4 %	-	-
Return on shareholders' equity	5.9 %	5.9 %	5.9 %	6.7 %	-	-
Dividends to shareholders	24.5	33.6	36.0	40.8	-	-
Payout ratio	30.2 %	39.6 %	40.6 %	39.0 %	-	-
[Reference] Core profit (Non-consolidated)	515.4	464.2	390.0	386.1	93.6	98.8

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**<Disclaimer>**

The financial results forecasts and other forward-looking statements herein are based on certain assumptions deemed reasonable by Japan Post Insurance at the time of this document's disclosure. Please note that actual results may differ materially from such forward-looking statements due to various factors including changes in the operating environment, interest rates or general economic conditions or other future events and circumstances.

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