

FY2020/3
Financial Results & Corporate Strategy Meeting

May 27, 2020



JAPAN POST INSURANCE

CEO Profile



**President, CEO, Representative
Executive Officer**

Tetsuya Senda

[Date of birth: April 22, 1960]

[Summary of career background]

- April 1984** **Joined the Ministry of Posts and Telecommunications**
- October 2007** **Establishment of Japan Post Group
Senior General Manager of Customer Service
Department of the Company**
- July 2011** **Executive Officer and Senior General Manager of
Corporate Planning Department of the Company**
- July 2013** **Managing Executive Officer of the Company**
- (November 2015** **IPO of Japan Post Insurance)**
- June 2016** **Senior Managing Executive Officer of the Company**
- November 2017** **Senior Managing Executive Officer of Japan Post
Holdings Co., Ltd.
President, Representative Director of Japan Post
Capital Co., Ltd.**
- April 2019** **Deputy President, Representative Executive Officer of
the Company**
- August 2019** **Managing Executive Officer of Japan Post Holdings
Co., Ltd. (current position)**
- January 2020** **President, CEO, Representative Executive Officer of
the Company (current position)**

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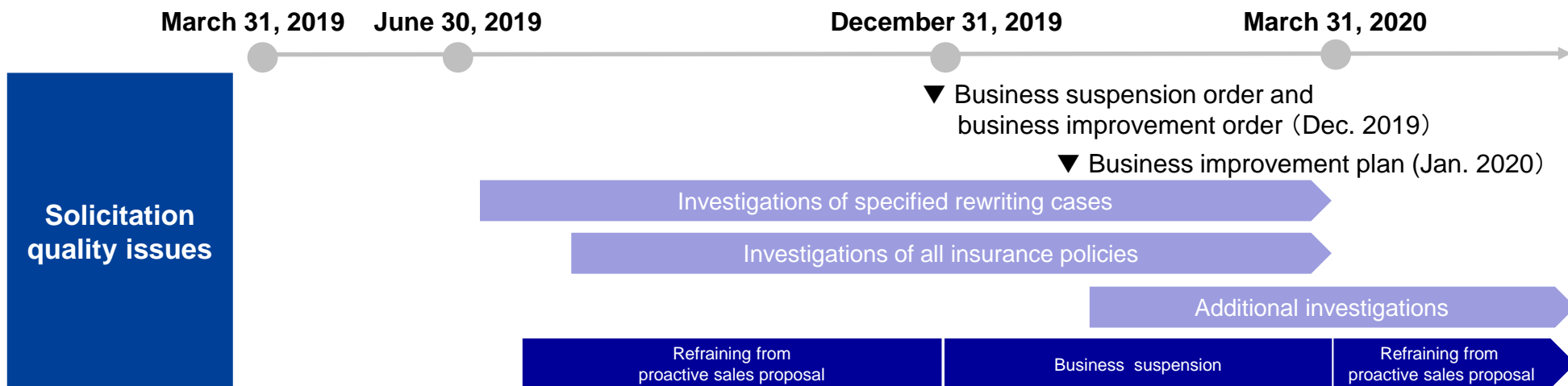
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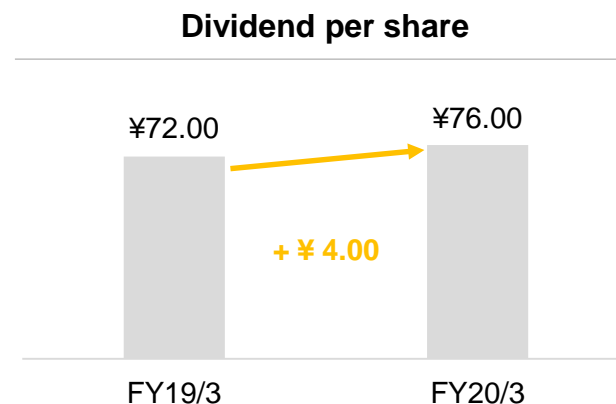
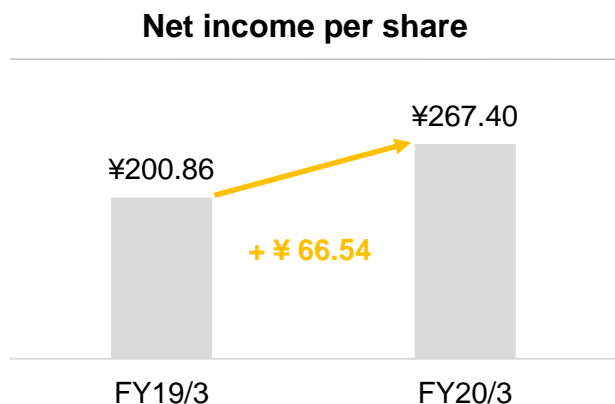
Summary of the Fiscal Year Ended March 31, 2020

Summary of the Fiscal Year Ended March 31, 2020

- To address the solicitation quality issues, we have been engaged in the policy investigation and improvement measures as top priorities by refraining/suspending sales activities since July 2019, and aimed to regain our customers' trust in an early stage.
- Net income per share for FY20/3 increased to ¥267.40 year on year due to the decrease in expenses for sales and underwriting as a result of decreased new policies sales, and positive spread in investments. The dividend for FY20/3 was ¥76.00 per share.



Financial highlights



Changes in Business Environment and Their Impact

- In an effort to regain customers' trust in an early stage, which has been diminished due to the solicitation quality issues, as soon as possible, we have been engaged in the policy investigation and improvement measures as a top priority since June 2019, and continuing these efforts in FY21/3.
- Since the outset of 2020, our business environment has been changing drastically caused by the global outbreak of COVID-19 and resultant deterioration of the market environment. However, no problems can be seen in the FY20/3 results and financial soundness indicators. We forecast stable earnings generation in FY21/3 (net income: ¥ 124.0bn).

Changes in Business Environment

Response by Japan Post Insurance

Drop in Customers' Trust due to the Solicitation Quality Issues

- To restore customers' trust in an early stage, we have been engaged in the policy investigations and improvement measures as a top priority since June 2019, and committed ourselves to continuing these efforts in FY21/3.
- Responses to customers, disciplinary action against sales personnel and the establishment of a checking system etc. are progressing well.

Spread of COVID-19

- Given the status of the COVID-19 epidemic in Japan as of May 15, 2020, the impact that an increase in insurance benefit have on our financial conditions will be limited.
- We reserved ¥ 1,797.3bn of contingency reserve as of the end of FY20/3. A stress test shows that the financial soundness will not be impaired even under a pandemic situation.

Changes in/Deterioration of Market Environment

- As the concern for COVID-19 pandemic led sharp decline in both domestic and foreign stock prices, we recognized an impairment and a decrease in unrealized gains of some stocks. However, most of the return-seeking assets are hedged foreign bonds. Net unrealized gains on available-for-sale securities for FY20/3 amounted to ¥370.1 billion.
- We remain a high level of financial soundness with a solvency margin ratio of 1,070.9% in FY20/3.

2

Financial Results for the Fiscal Year Ended March 31, 2020 and Status of EV and ESR as of March 31, 2020

Overview of Financial Results for the Fiscal Year Ended March 31, 2020

- Net income increased by ¥30.2 billion year on year due to a decrease in expenses for sales and underwriting as a result of decreased new policies sales, and positive spread in investments.
- EV and the value of new business declined year on year, due to changes to non-economic assumptions, as well as deterioration of economic variances adversely affected by the spread of the COVID-19 infection, refraining from proactive sales proposal and business suspension.

		FY 19/3	FY 20/3	Change	Achievement (Revised basis)	Revised FY20/3 Forecasts
		A	B	B/A	B/C	C
Earnings (Financial Accounting)	Net Income	120.4	150.6	+ 25.1 %	112.5 %	134.0
	Net Income per share (EPS)	¥ 200.86	¥ 267.40	+ 33.1 %	112.5 %	¥ 237.79
Embedded Value (Economic Value)	EV	3,925.7	3,324.2	(15.3) %	—	
	Value of new business	223.8	60.6	(72.9) %	—	
Shareholder Return	Dividend per share (DPS)	¥ 72 (Ordinary Dividend ¥ 68 + Special Dividend ¥ 4)	¥ 76 (Interim Dividend ¥ 38 + Year-end Dividend ¥ 38)	+ ¥ 4	± ¥ 0	¥ 76 (Interim Dividend ¥ 38 + Year-end Dividend ¥ 38)

(¥ bn)

[Factors of year-on-year changes]

■ Net income: + ¥30.2 bn

- Decrease in expenses for sales and underwriting as a result of decreased new policies sales
- Positive spread in investments

■ EV: ¥ (601.5) bn

■ Value of new business: ¥ (163.1) bn

- Changes in non-economic assumptions (expenses, surrender, etc.)
- Deterioration of economic variances
- Decrease in new policy sales due to refraining from proactive sales proposal and business suspension

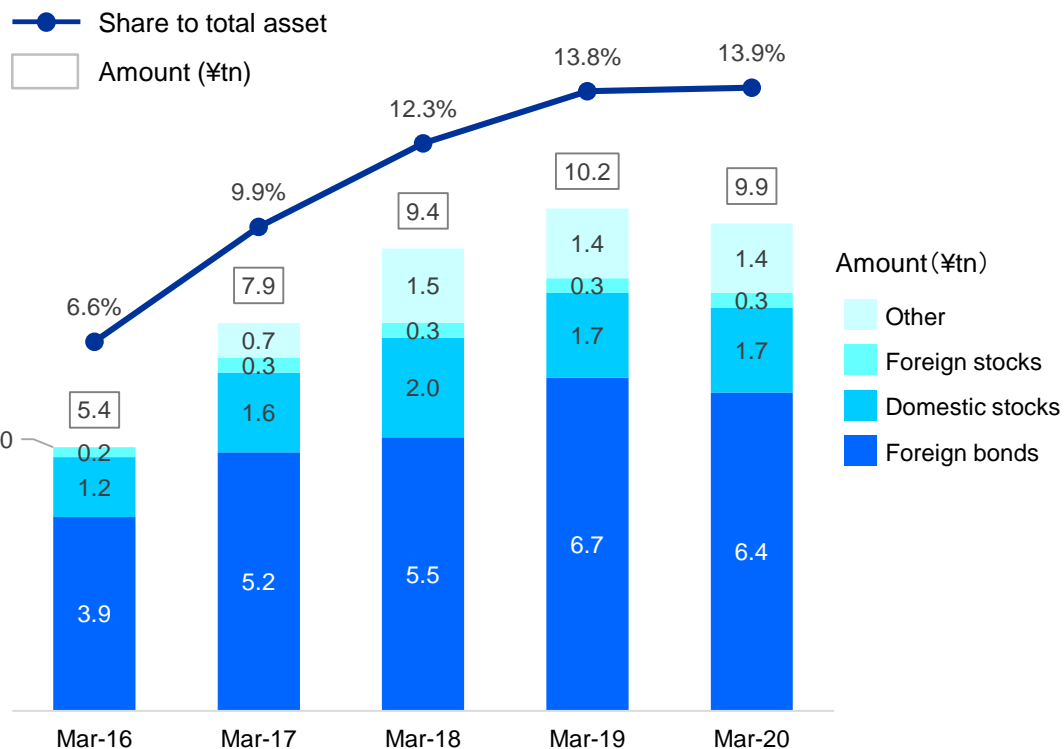
■ Dividend per share: + ¥4

- Achieved a target of the Medium-Term Management Plan ahead of schedule and pay a dividend of ¥76 per share

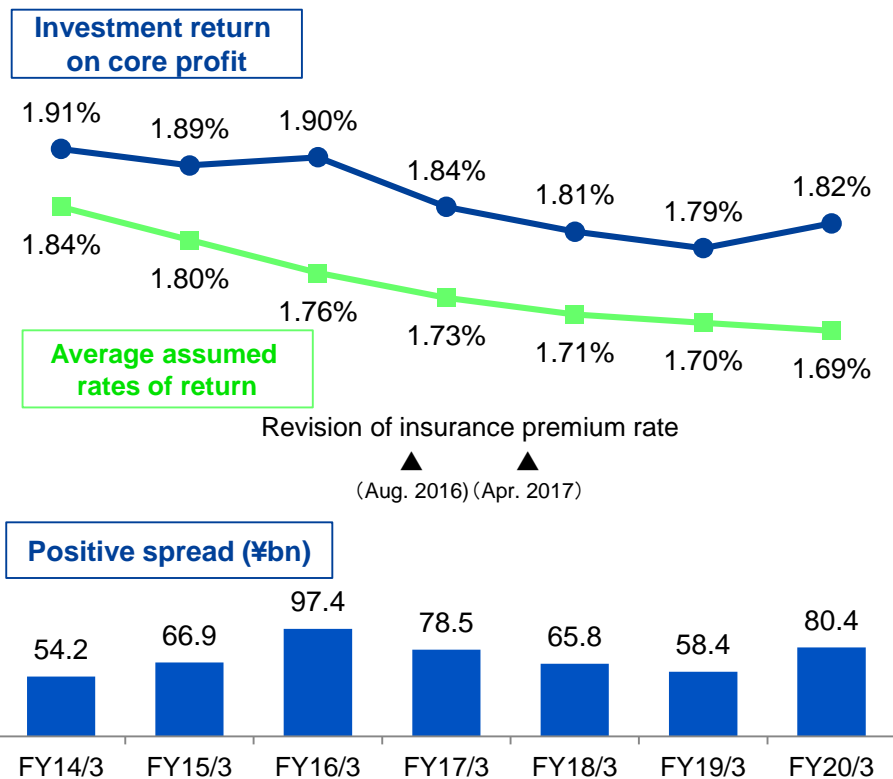
Asset Management

- For the fiscal year ended March 31, 2020, we secured a positive spread of ¥80.4 billion, which reflects among other factors such as the effect of asset portfolio diversification we have been pursuing, despite the drastic changes in the market environment due to COVID-19 from February 2020.

Return Seeking Assets



Positive Spread



Financial Soundness

Internal Reserves

(¥bn)

	Mar-19	Mar-20	Provisions in the period
Contingency reserve	1,962.7	1,797.3	(165.3)
Postal Life Insurance category	1,491.4	1,320.6	(170.8)
New category	471.2	476.6	5.4
Price fluctuations reserve	897.4	858.3	(39.1)
Postal Life Insurance category	661.8	631.9	(29.8)
New category	235.6	226.3	(9.3)
Additional policy reserve	5,880.1	5,830.3	(49.7)
Postal Life Insurance ¹ Category	5,866.6	5,820.2	(46.3)
New category ²	13.4	10.0	(3.3)

Note : "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 year ended March 31, 2020, the amount of additional provision was ¥ 176.7bn and the accumulated amount was ¥ 1,747.9bn).
2. The amount accumulated in the year ended March 31, 2018 for single-payment annuity policies among the individual annuities underwritten by Japan Post Insurance.

Solvency Margin Ratio

(¥bn)

	Mar-19	Mar-20
Solvency Margin Ratio	1,189.8 %	1,070.9 %
Total amount of solvency margin	5,647.8	5,161.6
Total amount of risk	949.3	963.8
Real net assets	13,535.7	12,350.9

Embedded Value

Breakdown of EV

(¥bn)

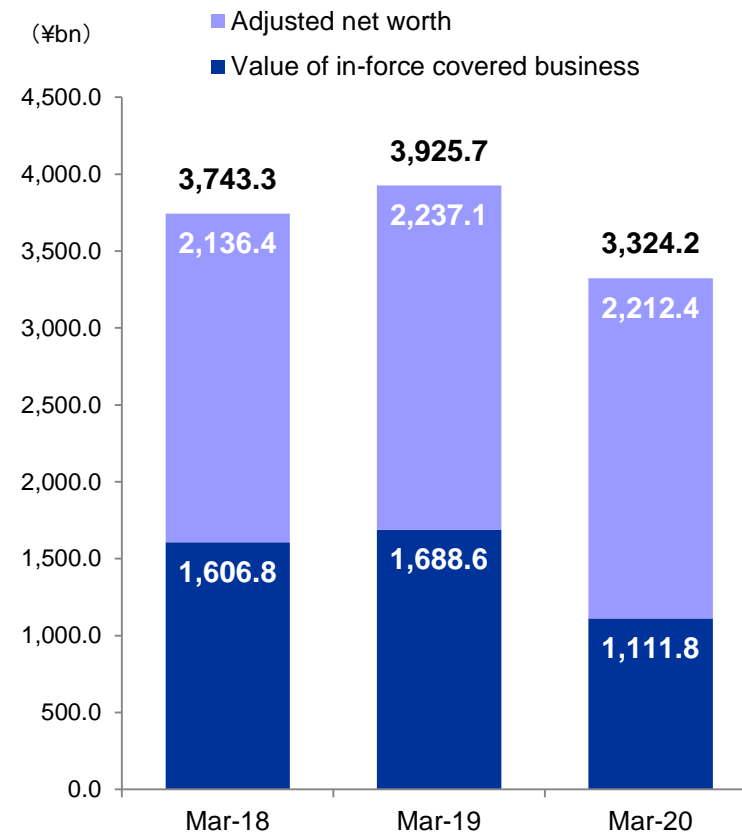
	Mar-19	Mar-20	Change
EV	3,925.7	3,324.2	(601.5) ((15.3) %)
Adjusted net worth	2,237.1	2,212.4	(24.7) ((1.1) %)
Value of in-force covered business	1,688.6	1,111.8	(576.7) ((34.2) %)

	Year ended Mar-19 ¹	Year ended Mar-20 ²	Change (Year on Year)
Value of new business ³	223.8	60.6	(163.1) ((72.9) %)
New business margin ⁴	5.9 %	4.1 %	(1.8) points

1. Using the economic assumptions as of December 31, 2018, based on the new policies written in the period from April 2018 to March 2019.
2. Using the economic assumptions as of December 31, 2019, based on the new policies written in the period from April 2019 to March 2020.
3. The value of new business includes an increase or decrease due to a switchover of riders.
4. The value of new business divided by the present value of future premium income.
5. Ultimate forward rates were assumed at 3.5% for FY2018 and the years before FY2018, and 3.8% for FY2019.

EV

(¥bn)



Movement Analysis of EV

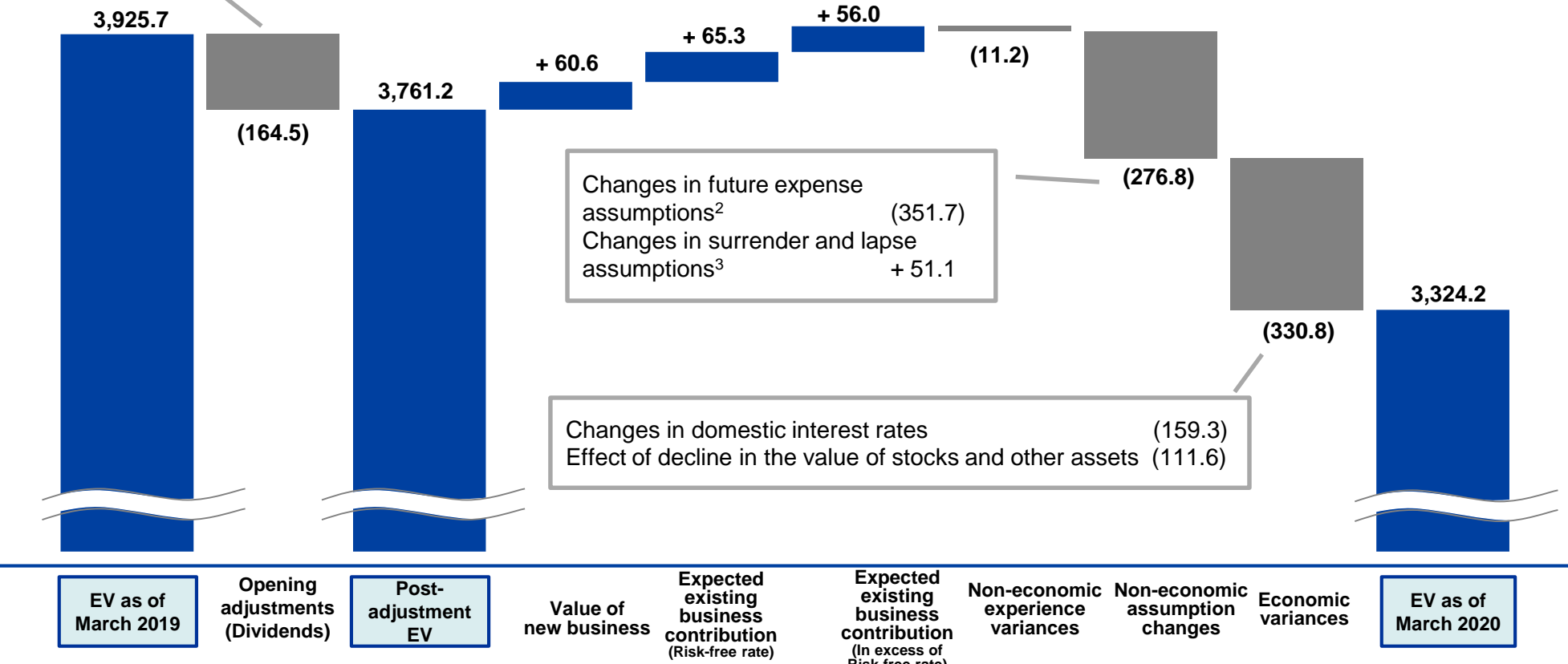
Medium to Long-term
RoEV¹ Target: 6 to 8%

Share repurchase (99.9)
Shareholder dividends (64.5)

RoEV¹ : (2.8)%

RoEV¹ (except non-economic assumption changes) : 4.5%

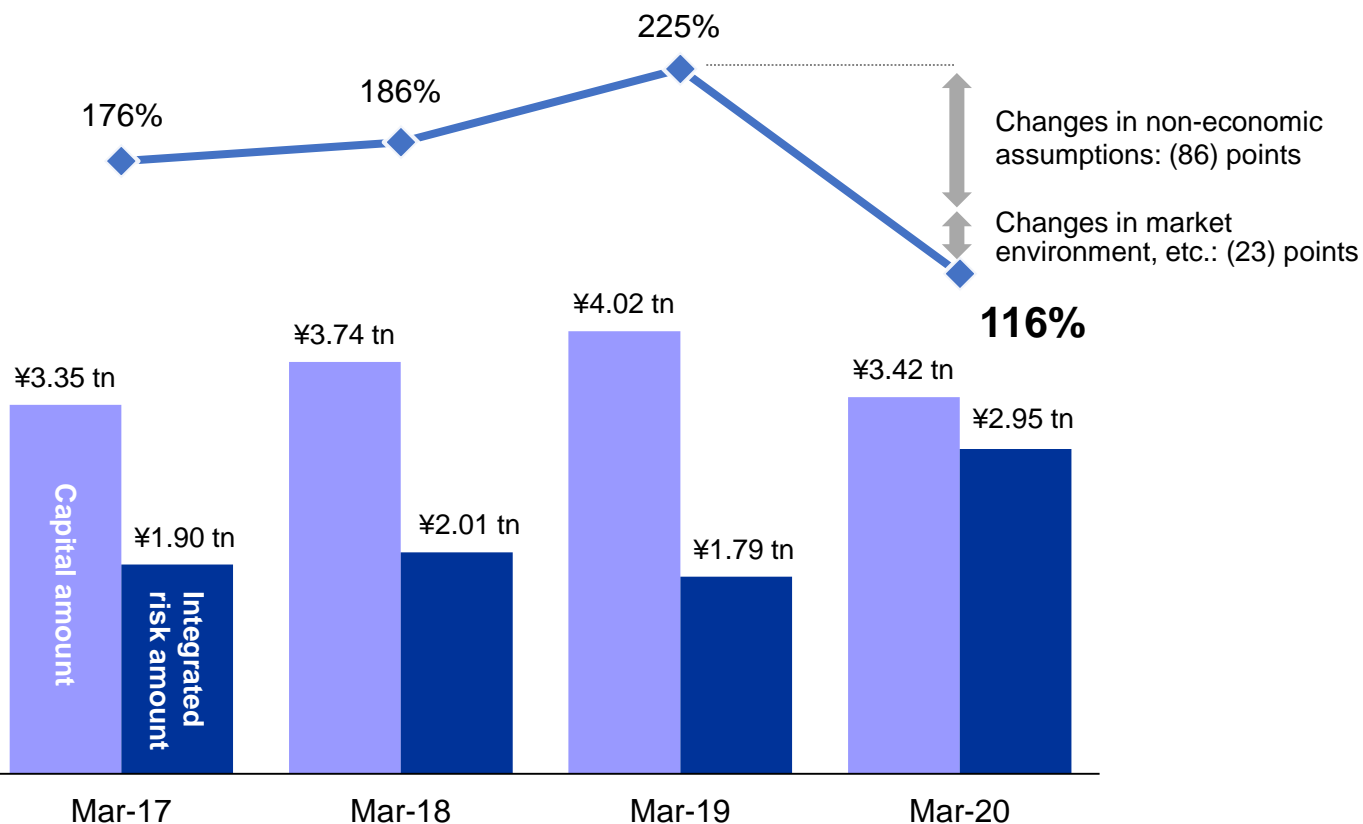
(¥bn)



1. Calculated by excluding economic variance factors.
2. The expense assumptions were set based on the most recent experience and an allowance was made for future increases in expenses to reflect the decreasing trend in the volume of in-force policies (including Postal Life Insurance policies). In the calculation of the EV as of March 31, 2019, the future trend of in-force volume was estimated based on historical experience. However, in the calculation of the EV as of March 31, 2020, the future trend of in-force volume was estimated under consideration of the issues related solicitation quality at the valuation date. This reduced the estimate of the volume of future in-force policies, in turn increasing the expense assumptions.
3. EV as of March 31, 2019 was calculated based on the surrender and lapse rate that included the effects of rewritings. On the other hand, EV as of March 31, 2020 was calculated based on the surrender and lapse rate that excluded the same effects as the following actions are planned to be taken under the Business Improvement Plan: 1) implementing policy rewriting measures; 2) introducing a conditional cancellation system and policy conversion system; and 3) assessing net increase only for the volume of new business obtained by using the aforementioned systems. This resulted in a decrease in the underlying surrender and lapse rate.

ESR (Economic Solvency Ratio)

- ESR as of March 31, 2020 decreased to 116%, as a result of a reduction in the capital amount caused by changes in non-economic assumptions and changes in market environment, etc., as well as an increase in the integrated risk amount.
- ESR is positioned as an indicator to be referred to and responded to on a medium- to long-term basis, as it fluctuates greatly depending on the assumptions made at the time.



ESR Sensitivity (As of March 31, 2020)

50bp increase in risk-free rate	+ 46 points
50bp decrease in risk-free rate (parallel shift without zero floor)	(31) points
10% decrease in equity and real estate value	(5) points

Future volume of policies in force is 105% of the level*	+ 8 points
Future volume of policies in force: 95% of the level*	(8) points

* Assumed in the calculation of EV as of March 31, 2020

ESR (As of September 30, 2019)

ESR	128 %
Capital amount	¥3.57 tn
Integrated risk amount	¥2.80 tn

Notes: The capital amount, the numerator of ESR, was calculated by adding the amount of subordinated bonds issued by the company to EV.
The integrated risk amount, the denominator of ESR, was calculated based on an internal model (holding period: 1 year, confidence level: 99.5%), recognizing fluctuations in the capital amount as risk.
Changes in non-economic assumptions correspond to the identical item used in the EV movement analysis.

3

The Forecasts for the Year Ending March 31, 2021

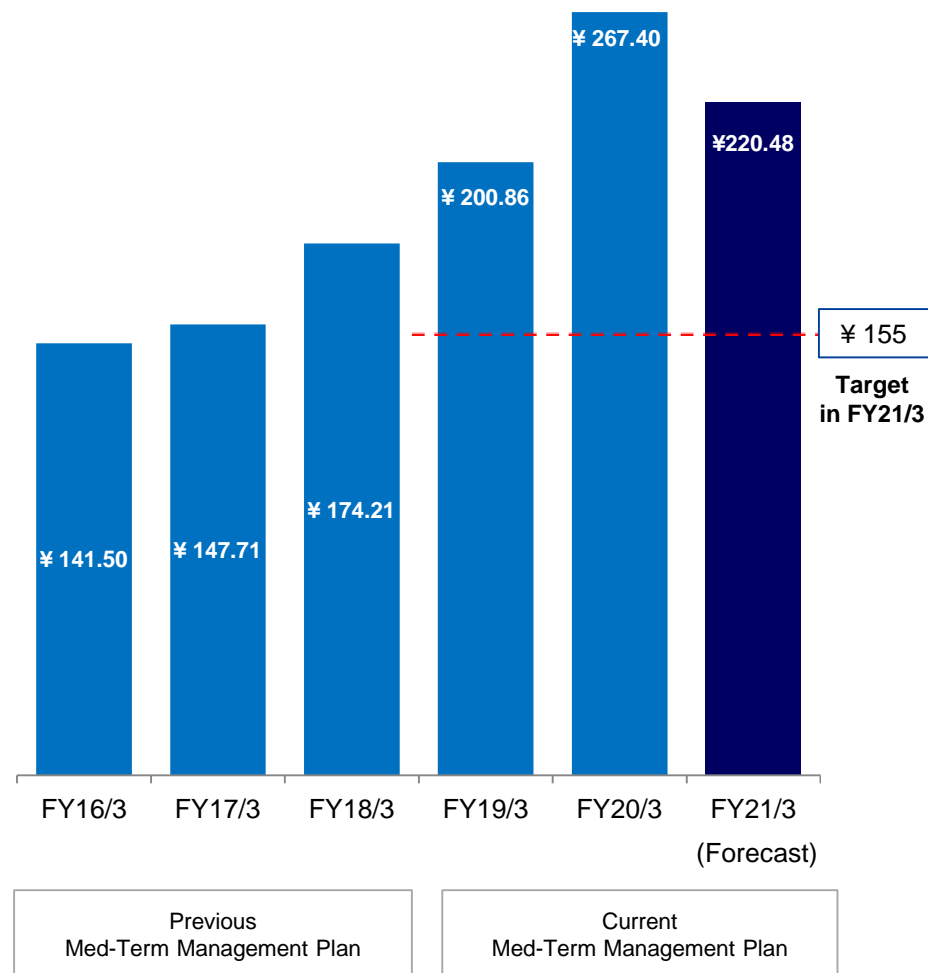
The Forecasts for Full-year Financial Results for the Year Ending March 31, 2021

Full-year Financial Results Forecast ¹

(¥bn)

	Year ended Mar-20 (Actual)	Year ending Mar-21 (Forecasts)
Ordinary income	7,211.4	6,850.0
Ordinary profit	286.6	200.0
Net income ²	150.6	124.0
Net income per share	¥ 267.40	¥ 220.48

Earnings Per Share



1. With respect to the negative impact of the spread of COVID-19, the Company is considering a decrease in investment income and an increase in investment expenses, in view of the global economic downturn, in addition to the "Special Handling Associated with the Spread of the Impact of COVID-19" (reduction or exemption of interest rates on ordinary policyholder loans, etc.) dated March 19, 2020 and the "Handling of Double Indemnity of Insurance Claims Associated with the Spread of the Impact of COVID-19" dated April 15, 2020, as announced on the Company website. Going forward, the Company will promptly make announcements when new disclosures become necessary.

2. Net income attributable to Japan Post Insurance

Shareholder Return

Shareholder Return Policy

- We recognize that the distribution of profit to shareholders is an important policy of management
- Aim for a steady dividends per share while considering earning prospects and financial soundness

Shareholder Return for the Year Ended March 31, 2020

- Increase the ordinary dividend by ¥ 8 per share to ¥ 76
- Pay dividends from surplus twice a year; an interim and a year-end dividends
- Canceled treasury stock (37.4 million shares)

Shareholder Return for the Year Ending March 31, 2021¹

- The ordinary dividend per share is ¥ 76 (Forecast)
- Only the year-end dividend is scheduled to be paid, as it is necessary to carefully identify the impact of the spread of COVID-19

1. Going forward, we will promptly make announcements when new disclosures become necessary due to the impact of the spread of COVID-19 and other developments.

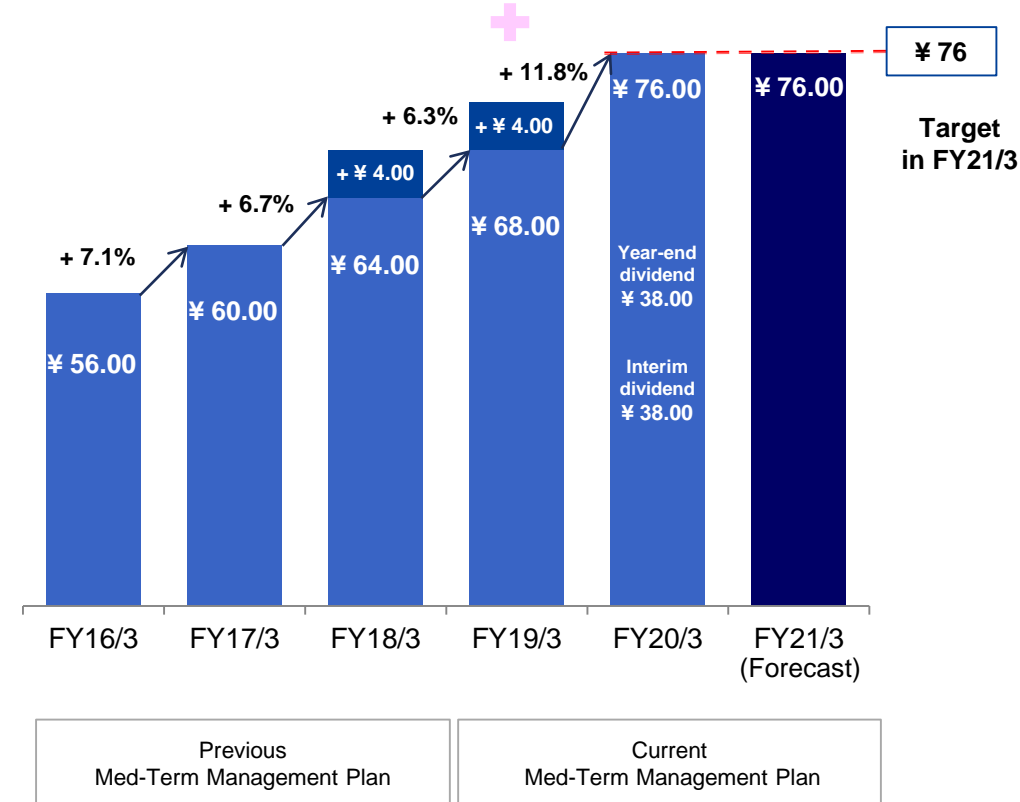
Shareholder Return

(Total Return Ratio)

39.6 % 40.6 % 39.0 % 118.9 %³ 28.4 % 34.5 %

Share
repurchase²
(Approx.
¥ 100.0bn)

{ forecast }



2. Share repurchase on April 2019

3. Total return ratio including share repurchase as mentioned in Note 2

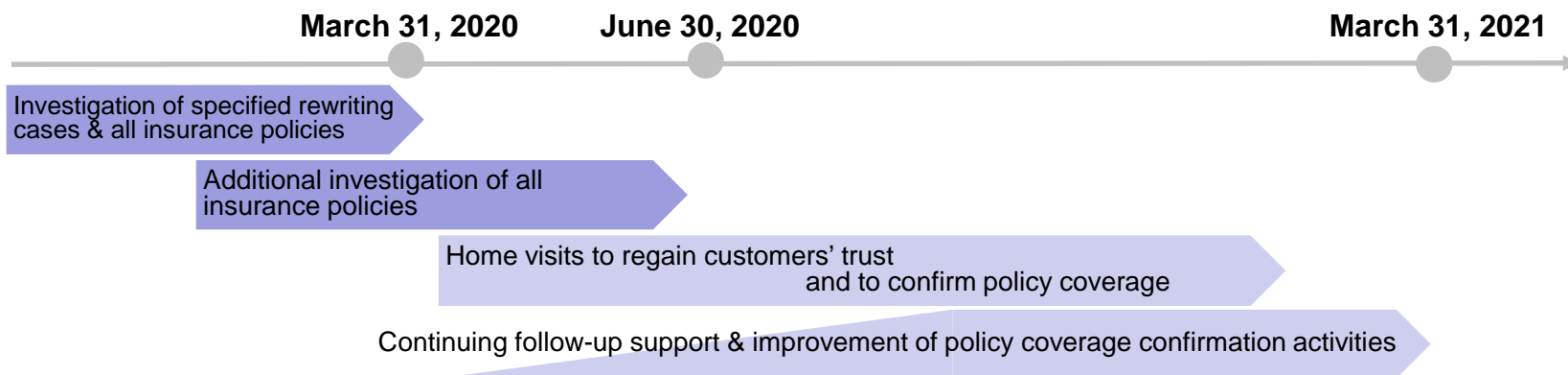
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Future Initiatives

Initiatives in the Fiscal Year Ending March 31, 2021

- Aim to implement the Business Improvement Plan consistently while completing the response to customers associated with the policy investigations as well as the sales personnel investigations in FY21/3.
- Strengthen our business foundation and pursue sustainable development of Japan Post Insurance as well as Japan Post Group as a whole.

Policy investigation & Follow-up activities



Key new measures In Business Improvement Plan

	Previously	Key new measures (incl. already-implemented)
Corporate culture	<ul style="list-style-type: none"> ● Rule-based business operation 	<ul style="list-style-type: none"> ● Set and Infiltrate a code of conduct and standard model of Japan Post Insurance products
Sales promotion scheme	<ul style="list-style-type: none"> ● Target management with excessive focus on new sales amounts ● Japan Post Co., had the sole authority to allocate sales targets to post offices 	<ul style="list-style-type: none"> ● Introduce targets that equally evaluate both new policies sales and policies in force ● Japan Post Insurance should also check sales target allocation to post offices
Solicitation quality control scheme	<ul style="list-style-type: none"> ● A lack of sufficient scheme for ensuring the operational appropriateness at the frontline of post offices. 	<ul style="list-style-type: none"> ● Multi-layered check system by Japan Post Insurance's call centers, etc. ● Strengthening of organizations for investigating solicitation activities in post offices and giving guidance towards appropriate scheme
Governance	<ul style="list-style-type: none"> ● Insubstantial understanding of the actual status of solicitation activities at the frontline of post offices 	<ul style="list-style-type: none"> ● Strengthen the investigation of circumstances of the solicitation process and thoroughly implement the PDCA cycle

Measures in Response to the Spread of COVID-19

- The spread of COVID-19 has become a global issue and it causes significant impact on individual life and corporate management in Japan.
- Implement our social mission and role stably as Life Insurance Company under this state of emergency .

Actions Taken

Overview

Support for customers

- Implemented emergency measures such as: 1) extension of grace period for premium payments; 2) policy loan at a reduced interest rate (0%); and 3) omission of some of the necessary documents.
- Apply “Double payment of insurance benefits” if an insured dies of COVID-19 infections.
- The insured will be entitled to hospitalization benefits even if he/she receives medical treatment at an accommodation facility offered by prefectural governments or at home, subject to the submission of an evidential document, such as a medical certificate prepared by a physician.

Appropriate business operation in an emergency

- Appropriately conducted important operations that should be continued such as the policy investigation and the payment of insurance claims while paying due attention to the health and safety of our employees.
- Regarding the asset management, watch the financial market carefully and aim to secure positive spread while maintaining financial soundness.

Correspondence to changes in lifestyle

- In light of the spread of non-face-to-face service usage, further utilize digital technologies to create an environment where insurance services can be provided without constraints of time and place.

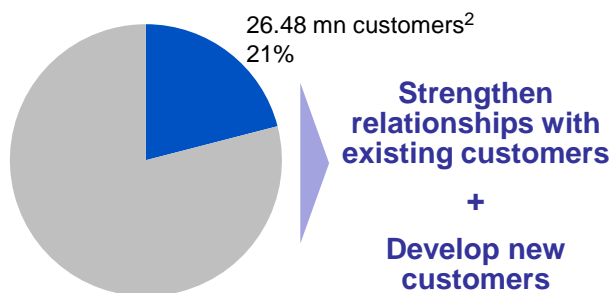
Future Direction of our Growth Strategy

- Maintain the existing customer base, a strength of Japan Post Insurance, by regaining customers' trust through home-visit activities and follow-up support.
- Rebuild a sustainable business model by taking measures, including revitalizing the post office channel, developing a new customer base and offering new products and services.

Customer Base

- Strengthen relationships with existing customers that represents approx. 20% of Japan's total population, while developing new customers

Customers as share of total population¹



Channel

- Reconstruct existing channels aiming for secure sales force with appropriate solicitation quality and utilize digital technologies

Post office channel

- Restore management system
- Secure sales force with appropriate solicitation quality

Digital channel

- Necessity for non-face-to-face interface with customers
- Integrate the method of face-to-face and digital interface for each solicitation process

Reconstruction of existing channel

+
Use of digital technologies

Products

- Strengthen our lineup of protection-type products, a category whose market expands with strong customer needs

Market Share of Our Current Products (Number of new policies, FY19/3)

Endowment Insurance	78%
Whole Life Insurance	26%
Educational Endowment Insurance	44%

+
Medical Rider

Appeal of Current Products' Attractiveness

+
Expansion of Product Lineup

Rebuild sustainable business model

1. 126.23 million people (provisional estimates as of April 1, 2019 from "Population Estimates" (Statistic Bureau, Ministry of Internal Affairs and Communications))

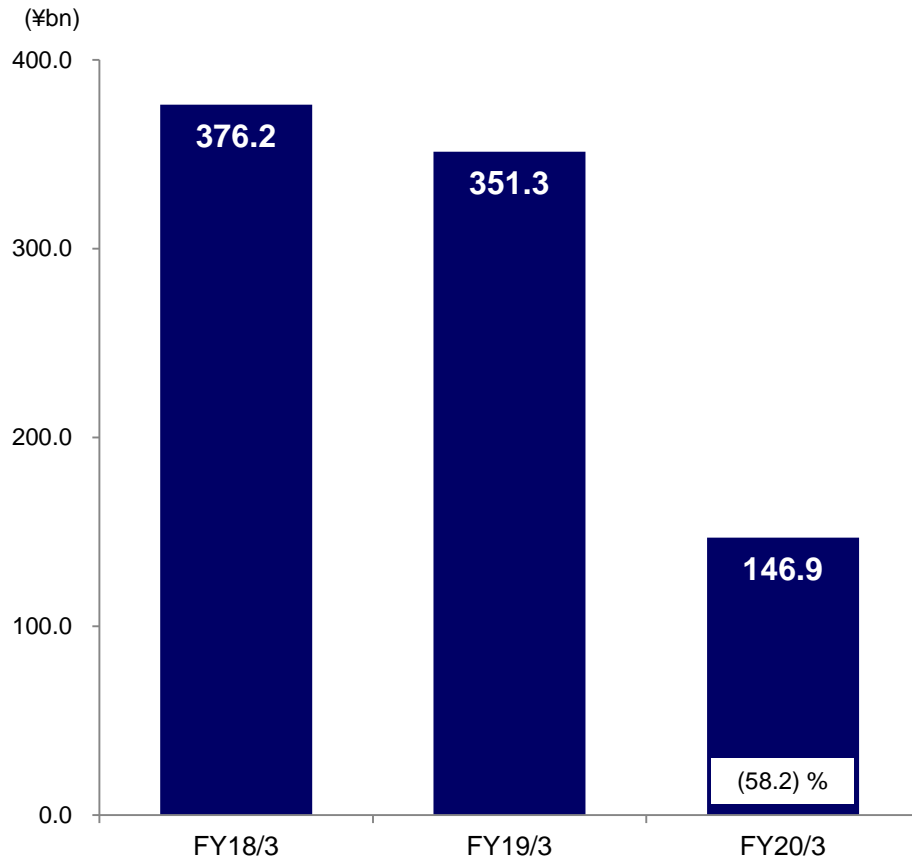
2. As of March 31, 2019: The sum of policyholders and insured(including individual insurance and individual annuities as well as Postal Life insurance reinsured by us under commission from the Postal Management and Support Organization.)

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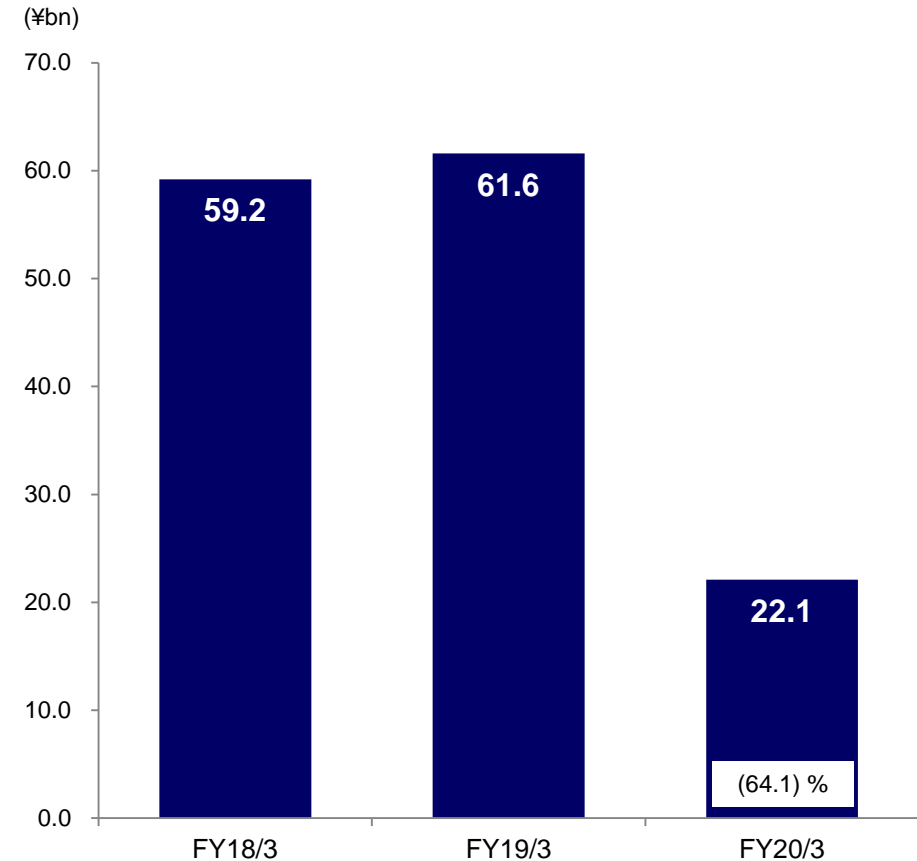
Appendix

Annualized Premiums from New Policies

Annualized Premiums from New Policies (Individual Insurance)



Annualized Premiums from New Policies (Medical Care)

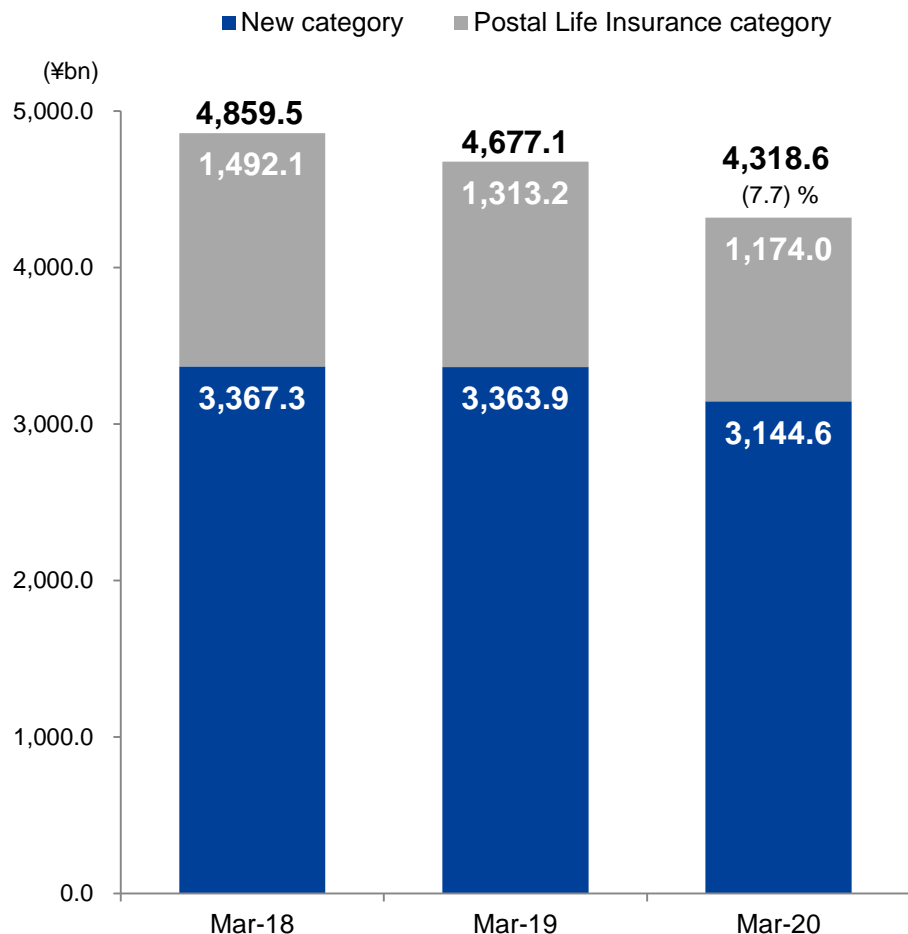


Note1 : Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. (For lump-sum payments, annualized premiums are calculated by dividing the total premium 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.

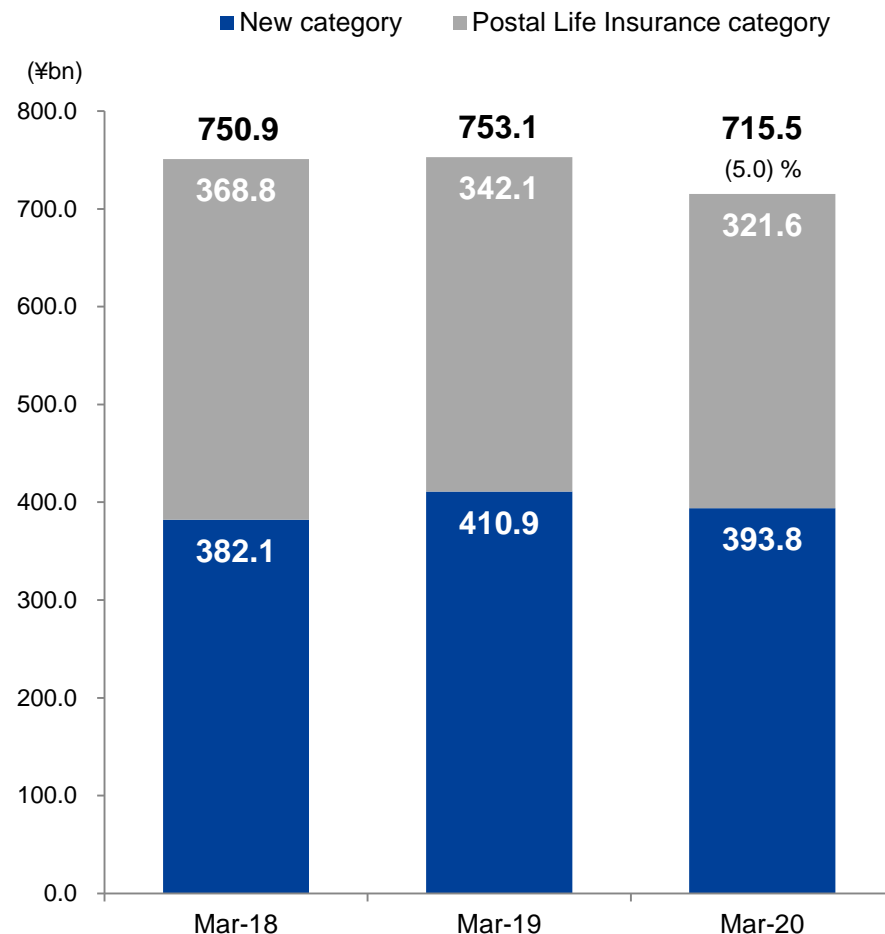
Note2 : The figures for the year ended March 31, 2020 include the influence by refraining from proactive sales proposal from mid-July 2019 and business suspension from January 2020.

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. The "Postal Life Insurance category" shows postal life insurance policies reinsured by Japan Post Insurance from the Postal Management and Support Organization.

Investment

Asset Portfolio

(¥bn)

		Mar-19		Mar-20	
		Amount	Share	Amount	Share
Bonds		50,960.1	69.0 %	48,830.6	68.1 %
Japanese government bonds		38,041.4	51.5 %	36,730.7	51.3 %
Japanese local government bonds		7,515.9	10.2 %	6,728.7	9.4 %
Japanese corporate bonds		5,402.7	7.3 %	5,371.1	7.5 %
Return seeking assets ¹		10,217.7	13.8 %	9,938.6	13.9 %
Domestic stocks ²		1,756.0	2.4 %	1,765.1	2.5 %
Foreign stocks ²		345.5	0.5 %	323.5	0.5 %
Foreign bonds ²		6,708.7	9.1 %	6,445.1	9.0 %
Other ³		1,407.3	1.9 %	1,404.8	2.0 %
Loans		6,786.0	9.2 %	5,662.7	7.9 %
Others		5,940.9	8.0 %	7,232.7	10.1 %
Cash and deposits, call loans		1,067.7	1.4 %	1,790.2	2.5 %
Receivables under securities borrowing transactions		2,792.2	3.8 %	3,191.7	4.5 %
Total assets		73,905.0	100.0 %	71,664.7	100.0 %

- Return seeking assets include 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.
- "Domestic stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds, as well as investment trusts that invest only in the specified assets.
- "Bank loans," "multi-asset" and "real estate fund" etc.

Spread and Investment Yield

(¥bn)

	Year ended Mar-19	Year ended Mar-20
Positive spread	58.4	80.4
Average assumed rates of return ¹	1.70 %	1.69 %
Investment return on core profit ²	1.79 %	1.82 %

Net capital gains (losses)	(83.7)	(102.4)
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	Mar-19	Mar-20
Interest rate (10Y JGB)	(0.095) %	0.005 %
USD/JPY	¥ 110.99	¥ 108.83

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

Diversifying the Asset Portfolio

- Expand investments in return seeking assets within the scope of risk buffer under a risk appetite policy principally based on ALM.
- As low interest rate environment continues in Japan, in light of growing uncertainties over the market outlook, we will closely monitoring the market environment and ensuring cautious risk taking more than ever. In FY21/3, we will continue to diversify our asset portfolio, including development of framework to invest directly in alternative assets.

Return seeking assets

(¥bn)

	Mar-16		Mar-17		Mar-18		Mar-19		Mar-20		Mar-21
	Amount	Share ¹	Amount	Share ¹	Amount	Share ¹	Amount	Share ¹	Amount	Share ¹	Plan
Return seeking assets ²	5,401.6	6.6 %	7,963.7	9.9 %	9,450.4	12.3 %	10,217.7	13.8 %	9,938.6	13.9%	Approx. 15%
Foreign bonds ³	3,919.8	4.8 %	5,267.9	6.6 %	5,545.4	7.2 %	6,708.7	9.1 %	6,445.1	9.0 %	(Hedged) Increase (Open)Keep flat
Japanese stocks ³	1,202.5	1.5 %	1,626.0	2.0 %	2,040.6	2.7 %	1,756.0	2.4 %	1,765.1	2.5 %	Increase
Foreign stocks ³	229.4	0.3 %	309.0	0.4 %	342.5	0.4 %	345.5	0.5 %	323.5	0.5 %	Keep flat
Other ⁴	49.9	0.1 %	760.6	0.9 %	1,521.8	2.0 %	1,407.3	1.9 %	1,404.8	2.0 %	Increase

Main initiatives on return seeking assets

[Foreign bonds]

- Expand the amount of investments in hedged foreign bonds

[Stocks]

- Commenced smart beta investments

[Other]

- Start investing in multi-asset funds

[Foreign bonds]

- Expand the amount of investments in hedged foreign bonds

[Stocks]

- Launch in-house invest management

[Other]

- Start investing in U.S. Bank Loans

[Foreign bonds]

- Start investing in EM bonds

[Stocks]

- Expand the amount of in-house investment management

[Other]

- Start alternative investments (HF and PE, among others)

[Foreign bonds]

- Launch in-house investment management for U.S. corporate bonds

[Stocks]

- Start investing focused on corporate growth

[Other]

- Start investing in overseas real estate funds

[Foreign bonds]

- Expand target currencies

[Stocks]

- Expand the amount of in-house investment management

[Other]

- Expand the amount of alternative investment

[Foreign bonds]

- Expand the amount of in-house investment management for U.S. corporate bonds

[Stocks]

- Expand the amount of in-house investment management

[Other]

- Expand the amount of alternative investment

1. The percentage to total assets is shown.

2. Return seeking assets include 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.

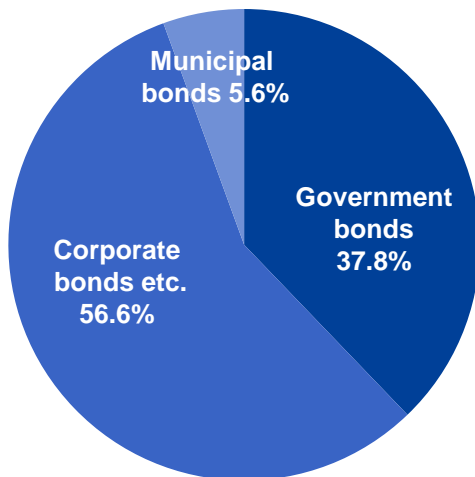
3. "Japanese stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds, as well as investment trusts that invest only in the specified assets.

4. "Bank loans," "multi-asset" and "real estate fund" etc.

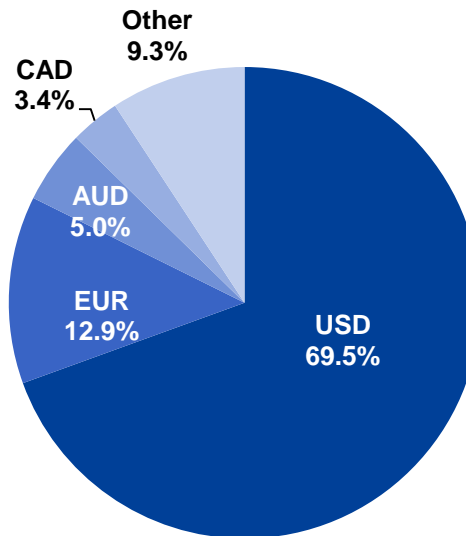
Exposure to Foreign-currency-denominated Bonds (as of March 31, 2020)

- As low interest rate environment continues in Japan, we have been increasing investment in foreign-currency-denominated bonds, especially spread products such as municipal and corporate bonds, and promote diversifying our asset portfolio including expansion of our target currencies into non-USD.
- In principle, we choose investment-grade bonds (rated “BBB” or above) for our in-house investment. Over 80% of the bonds we invest in are rated “A” or above.

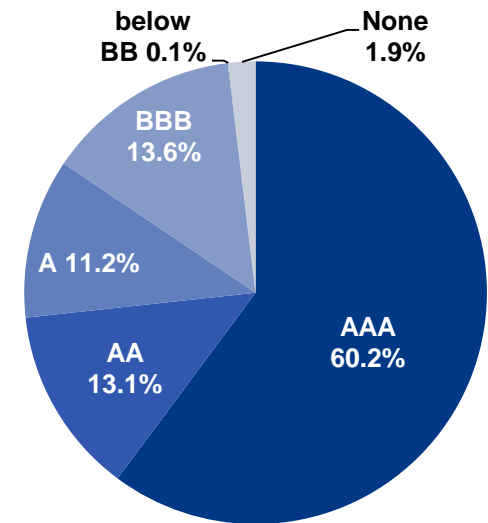
Breakdown of Foreign-currency-denominated Bonds



Exposure by Currency



Exposure by Rating Level



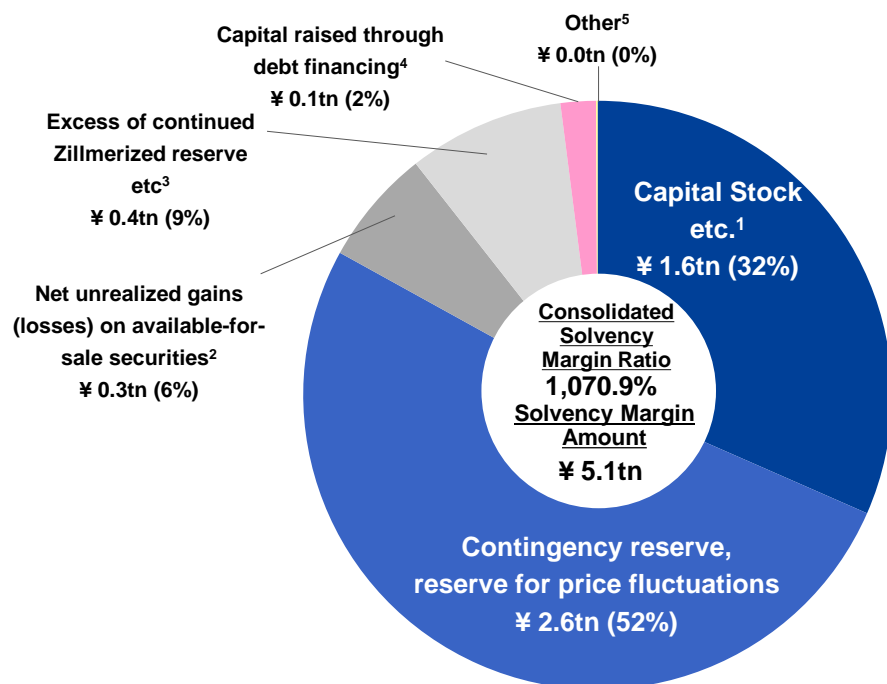
Note 1: Only foreign-currency-denominated-bonds issued by foreign entities are included in the calculation

Note 2: Issuer Ratings by Moody's are indicated.

High-quality Capital Structure

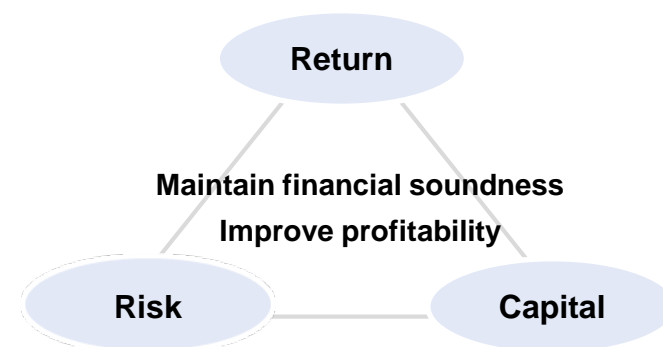
- Secure the solvency margin ratio in adequate level, maintaining a high level of soundness. The high proportion of capital stock and internal reserve results in high capital quality.
- Continuously focus on ensuring financial soundness and improving profitability under an ERM framework in our Medium-Term Management Plan.

Breakdown of Consolidated Solvency



1. Subtracted deduction item values from capital stock
2. Net unrealized gains and losses on available-for-sale securities and land
3. Subtracted values not included in the margin, among an excess of continued Zillmerized reserve and capital raised through debt financing, from an excess of continued Zillmerized reserve
4. Issued subordinated bonds in January 2019 (issued amount: ¥100.0bn)
5. Combined the total amount, among others, of general reserve for possible loan losses, sum of unrecognized actuarial differences and unrecognized prior service cost

ERM framework



Credit Ratings¹

As of October 17, 2019

	S&P	R&I	JCR
Kampo	A (Stable)	AA- (Stable)	AA (Negative)
(Reference) Japanese government	A+ (Positive)	AA+ (Stable)	AAA (Stable)

1. Kampo's ratings fall under insurance financing (rating on insurance benefit solvency)

Overview of Financial Statements

Statement of Income

	(¥bn)		
	Year ended Mar-19	Year ended Mar-20	Change
Ordinary income	7,916.6	7,211.4	(705.2)
Insurance premiums and others	3,959.9	3,245.5	(714.3)
Investment income	1,204.4	1,137.7	(66.6)
Reversal of policy reserves	2,716.7	2,767.3	50.6
Ordinary expenses	7,651.7	6,924.8	(726.9)
Insurance claims and others	6,868.8	6,191.3	(677.5)
Investment expenses	146.0	124.0	(22.0)
Operating expenses etc ¹	636.8	609.4	(27.4)
Ordinary profit	264.8	286.6	21.7
Extraordinary gains and losses	17.5	39.2	21.7
Provision for reserve for policyholder dividends	111.8	109.2	(2.5)
Income before income taxes	170.6	216.6	46.0
Total income taxes	50.1	65.9	15.7
Net income attributable to Japan Post Insurance	120.4	150.6	30.2
Core profit (Non-consolidated)	377.1	400.6	23.4

Balance Sheets

	(¥bn)		
	Mar-19	Mar-20	Change
Total Assets	73,905.0	71,664.7	(2,240.2)
Cash and deposits	917.7	1,410.2	492.5
Money held in trust	2,787.5	3,056.0	268.5
Securities	58,451.5	55,870.5	(2,581.0)
Loans	6,786.0	5,662.7	(1,123.3)
Fixed assets ²	261.6	245.2	(16.4)
Deferred tax assets	1,022.0	1,173.7	151.6
Total Liabilities	71,769.8	69,736.4	(2,033.4)
Policy reserves	65,060.5	62,293.1	(2,767.3)
Reserve for price fluctuations	897.4	858.3	(39.1)
Net assets	2,135.1	1,928.3	(206.7)
Total shareholders' equity	1,675.1	1,661.2	(13.8)
Total accumulated other comprehensive income	460.0	267.0	(192.9)

Note: Only major line items are shown.

1. Sum of Operating expenses and Other ordinary expenses

2. Sum of Tangible fixed assets and Intangible fixed assets

Sensitivity Analysis of EV

Sensitivity to Economic Assumptions

(¥bn)

Assumptions	EV	Change (%)
50bp increase in risk-free rate	3,677.7	+ 353.4 (+ 10.6 %)
50bp decrease in risk-free rate	2,930.8	(393.4) ((11.8) %)
50bp decrease in risk-free rate (parallel shift without zero floor)	2,769.6	(554.5) ((16.7) %)
10% decrease in equity and real estate value	3,205.0	(119.2) ((3.6) %)

Sensitivity to Non-economic Assumptions

(¥bn)

Assumptions	EV	Change (%)
Future volume of policies in force is 105% of the level assumed in the calculation of EV as of March 31, 2020 ¹	3,410.5	+ 862 (+ 2.6 %)
Future volume of policies in force is 95% of the level assumed in the calculation of EV as of March 31, 2020 ¹	3,226.5	(977) ((2.9) %)
10% decrease in maintenance expenses	3,587.1	+ 262.9 (+ 7.9 %)

1. Provisional calculations that have not been verified by a third party.

(Reference) EVs as of the Ends of Jun., Sep., and Dec. 2019

- Below are EVs as of June 30, 2019, September 30, 2019, and December 31, 2019 (calculated based on the same non-economic assumptions as those as of March 31, 2020):

(¥bn)

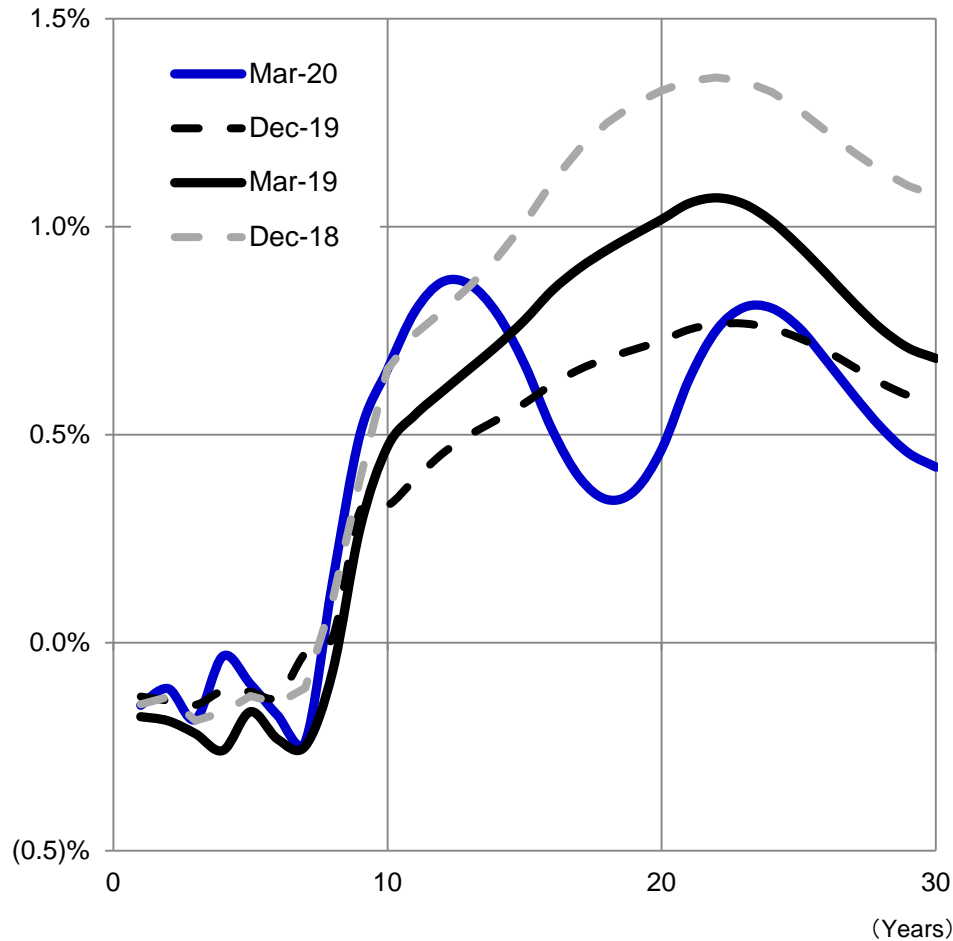
	Jun-19 ¹	Sep-19 ¹	Dec-19 ¹
EV	3,420.1	3,478.9	3,585.3
Adjusted net worth	2,135.4	2,186.5	2,193.3
Value of in-force covered business	1,284.6	1,292.4	1,391.9

	3 months ended Jun-19 ^{1,2}	6 months ended Sep-19 ^{1,3}	9 months ended Dec-19 ^{1,4}
Value of new business ⁵	64.6	66.7	63.8
New business margin ⁶	6.6 %	4.9 %	4.4 %

- Provisional calculations that have not been verified by a third party. The assumed ultimate forward rate is 3.8%.
- The economic assumptions as of March 31, 2019 are used, based on the new policies written in the period from April to June 2019.
- The economic assumptions as of June 30, 2019 are used, based on the new policies written in the period from April to September 2019.
- The economic assumptions as of December 31, 2019 are used, based on the new policies written in the period from April to December 2019.
- The value of new business includes an increase or decrease due to a switchover of riders.
- The value of new business divided by the present value of future premium income.

(Reference) Fluctuations of Interest Rates (EV Assumptions)¹

Forward Rate (Dec-18 to Mar-20)



Forward Rate

(%)	Dec-18 ^①	Mar-19 ^②	Dec-19 ^③	Mar-20 ^④
10 years	0.657	0.471	0.329	0.657
20 years	1.327	1.017	0.726	0.466
30 years	1.074	0.683	0.578	0.422

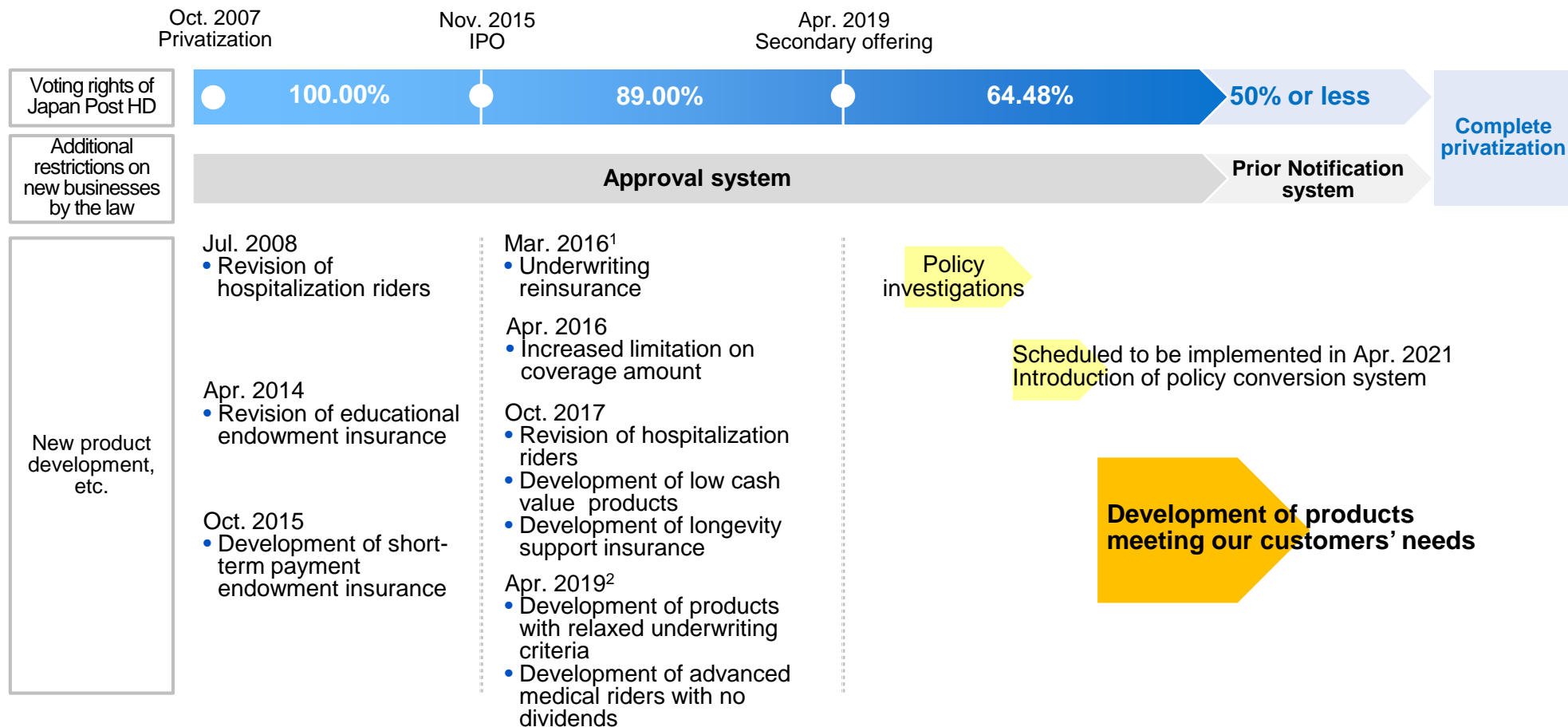
*The economic assumptions used for the calculation of EV and the value of new business are as follows:

- Value of new business for FY19/3... ①
- EV as of March 31, 2019... ②
- Value of new business for FY20/3... ③
- EV as of March 31, 2020... ④

1. Interest rates used herein (assumptions for EV) are forward rates calculated based on the market yields on JGBs announced by the Ministry of Finance, Japan.

Status of Product Development

- We have developed and marketed products and services that flexibly respond to customers' needs, despite additional regulatory restrictions under the Postal Service Privatization Act.
- Going forward, we will aim to develop new products more closely meeting the insurance needs of our customers.



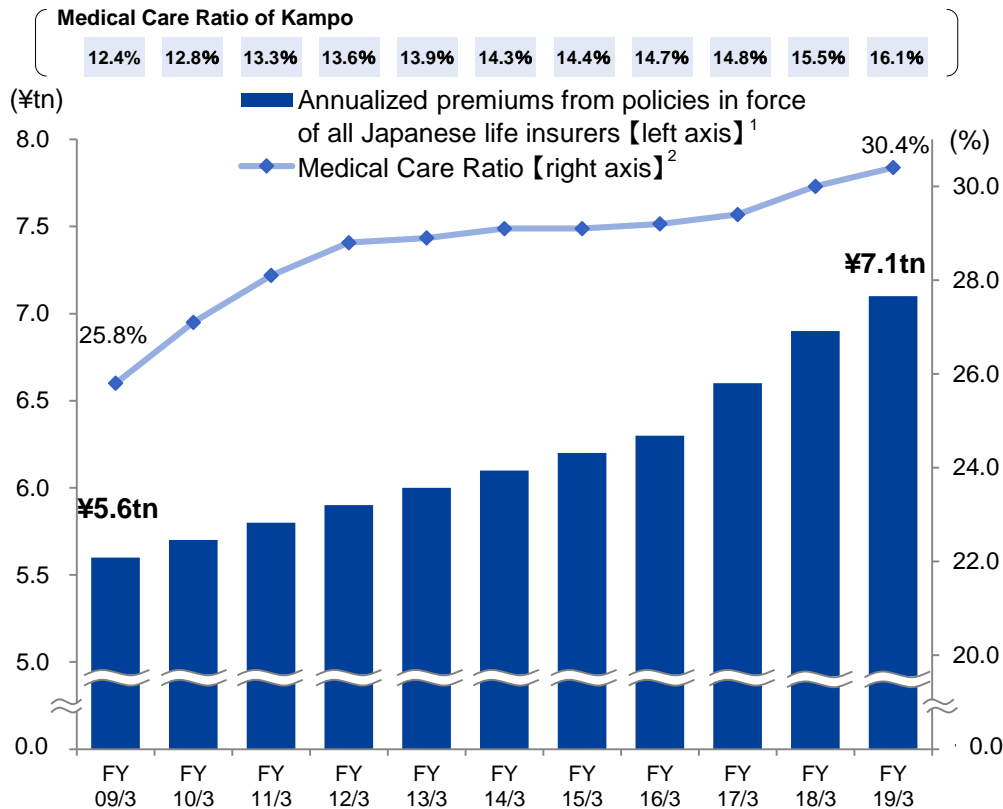
1. Represents when we obtained the approval

2. Acquisition of approval was in December 2018, and the ratio of voting rights at that time was 89.00%

Development of Products that Meet Customers' Needs

- In order to solve issues related to solicitation quality, developing products that meet customers' needs at Japan Post Insurance and providing them to Japan Post Co. will be necessary.
- The domestic market for medical care is expanding and customer needs have shifted to protection-type products. Japan Post Insurance will reconstruct its business model by providing products that meet customers' needs.

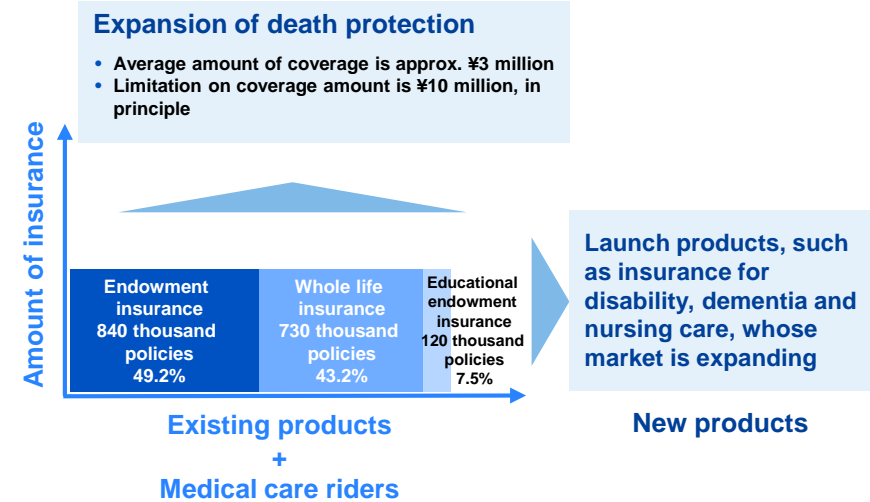
Annualized Premiums from Policies in Force (Medical Care) and Medical Care Ratio



Source: The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan
 1. Japanese life insurers include Management Organization for Postal Savings and Postal Life Insurance
 2. Ratio of the annualized premiums from policies in force (medical care) to the annualized premiums from policies in force of individual life insurance

Future product deployment

- Strengthen our lineup of protection-type products, a category whose market expands with strong customer needs
- The limitation on coverage amount increased, which enables us to meet further needs for death protection

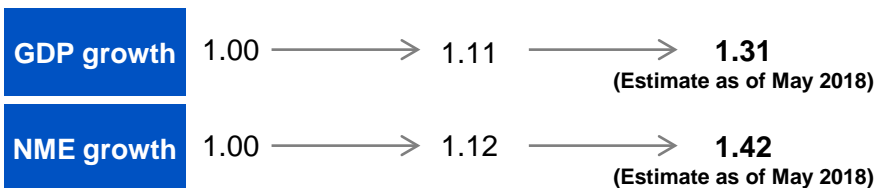
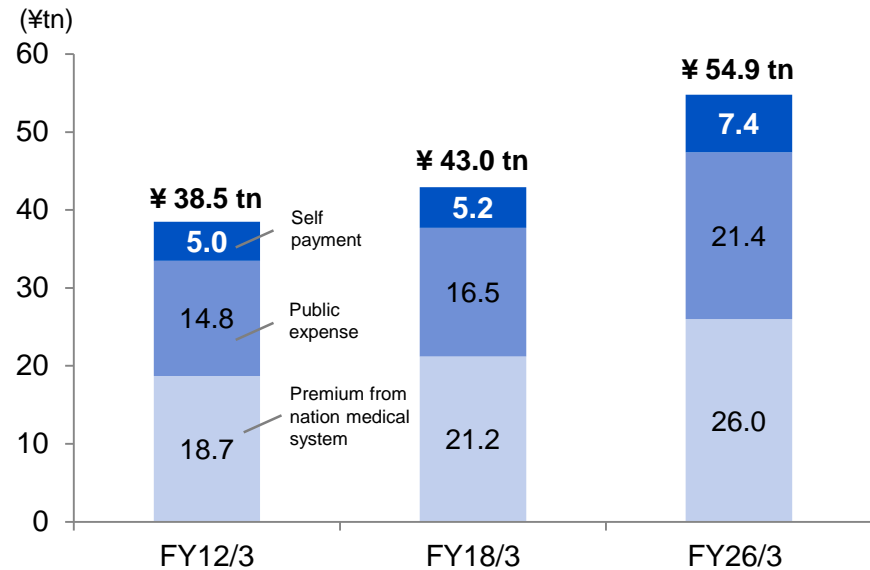


* The number under each product name denotes the number and share of new policies by product category (1.71million policies for the fiscal year ended March 31, 2019)

Business Environment in the Japanese Life Insurance Industry

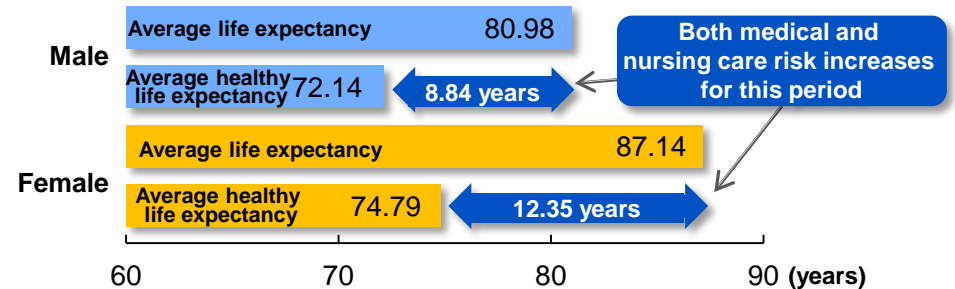
- As social security cost such as medical expenditures are expected to increase going forward, the necessity of self-help effort for the risk of living expenses, injuries, diseases and nursing care has been increasing.
- Detecting a disease at an early stage before it gets serious and taking measures to prevent or delay the onset of serious illness have been becoming more important in Japan.

Increase in National Medical Expenditure(NME)



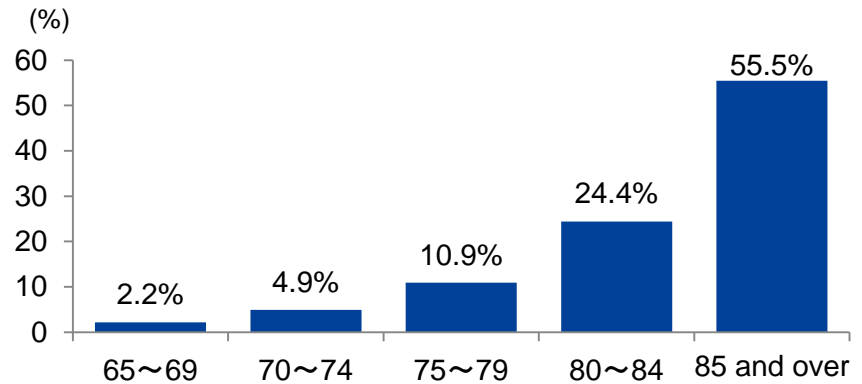
Sources: Cabinet Secretariat, Cabinet Office, Ministry of Finance, Ministry of Health, Labor and Welfare (May 21, 2018)
 Note: Figures at FY26/3 are estimated amount at official announcement. GDP growth and NME growth are rates in comparison to FY12/3

Difference between Average Life Expectancy at Birth (years) and Average Healthy Life Expectancy at Birth (years)



Source: Ministry of Health, Labor and Welfare, 11th meeting of Health Japan 21 (the 2nd term), material No. 1-1

Dementia Patients ratio by Age(2012)



Source: "Study on future estimates on elderly population of dementia in Japan" (Special Scientific Research Fund Subsidy Project on Health, Labor and Welfare in 2014)

ESG Initiatives – Environmental

- Expressed support for the proposal of the Task Force on Climate-related Financial Disclosures (TCFD) on April 22, 2019.
- Strive to save energy actively to lower carbon dioxide emissions markedly.

Expressed support for the TCFD

- In Japan Post Group CSR Basic Policy, we declared that “we shall strive to undertake business operations adapted to the impact of climate change and actively promote business and environmental conservation activities with consideration toward reducing our burden on the environment.”
- Analyze more deeply the impact of climate change on each companies’ operations in light of the TCFD proposal and work on further information disclosures.

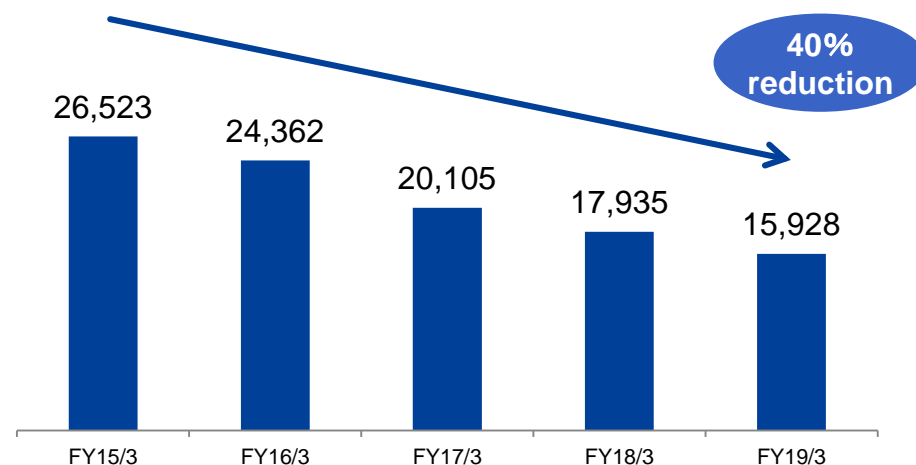
Investment related to TCFD

- Made investments in solar power generation projects.
- Invest in “Climate Awareness Bonds (bonds to raise awareness of climate change)” issued by European Investment Bank in May 2019.

Energy-saving Initiatives

- Target reduced CO₂ emissions from our facilities by saving energy as one means of combatting global warming.
- Reviewing operations of lighting and air-conditioning equipment at large-scale facilities and promoting the shift towards hybrid and other ecologically friendly cars.

CO₂ Emissions (t-CO₂)



Note: Emissions from the Company’s large facilities and all our vehicles

ESG Initiatives – Social

- Assist promoting health and forming a diversity society as a contribution to local communities and society.

Popularize radio exercise

- Assist local community-society citizens in promoting health, by popularizing radio exercise.
- Approx. 2,300 persons participated in the 58th 10 million People's Radio Exercise and *Minna-no Taiso* ("Exercise for Everyone") festival.



July 28, 2019 in Setagaya-ku, Tokyo

Sponsorship of the Japan Wheelchair Tennis Association (JWTA)

- Promoting popularity and growth of wheelchair tennis through our sponsorship of the Japan Wheelchair Tennis Association (JWTA) as a top partner.
- Welcomed Momoko Otani, a wheelchair tennis player with whom we had had an affiliate contract, as an employee of Japan Post Insurance in April 2020. Will provide her with further support and seek to help develop a society respecting diversity.



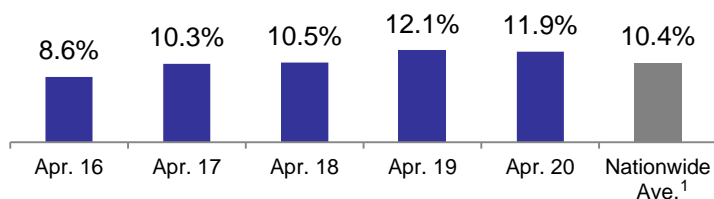
ESG Initiatives – Social

- Promote diversity management, mainly in the areas of promoting expanding roles for female employees and work-life balance.

Expanding Roles for Female Employees

■ Ratio of female Managers

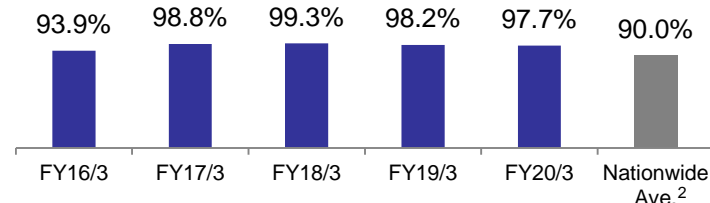
- Support expansion of roles for female employees with career design seminars held for them



1. Ratio of female managers for companies with 5,000 employees or more (2018 Basic Survey of Gender Equality in Employment Management, MHLW)

■ Return-to-work rate of employees who took childcare leave

- Provide ongoing support for employees who have taken childcare leave with enhanced childcare leave systems and return-to-work programs

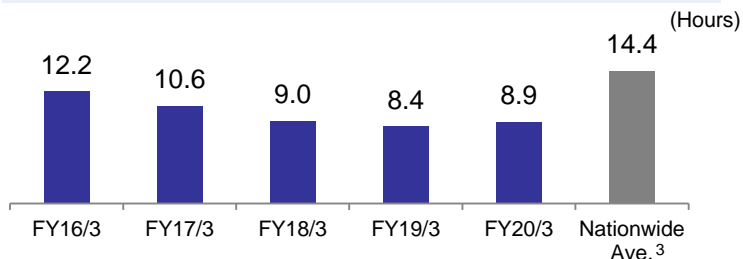


2. Return-to-work rate of employees who took childcare leave (2018 Basic Survey of Gender Equality in Employment Management, MHLW)

Work-Life Balance

■ Monthly average amount of overtime

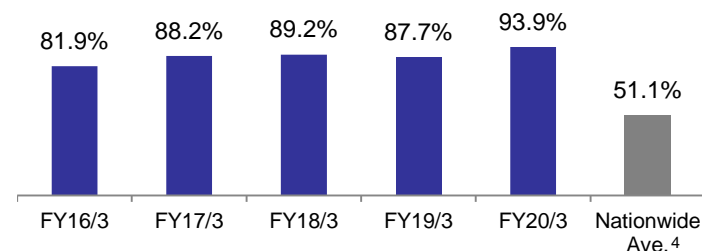
- Promote initiatives in work style reform and decrease the average overtime per month/per employee



3. Overtime work hours (excluding part-time work) (Monthly Labour Survey, 2018, MHLW)

■ Rate of taking paid leave

- Encourage employees, including managers, to take paid vacations as they planned and consecutive vacation

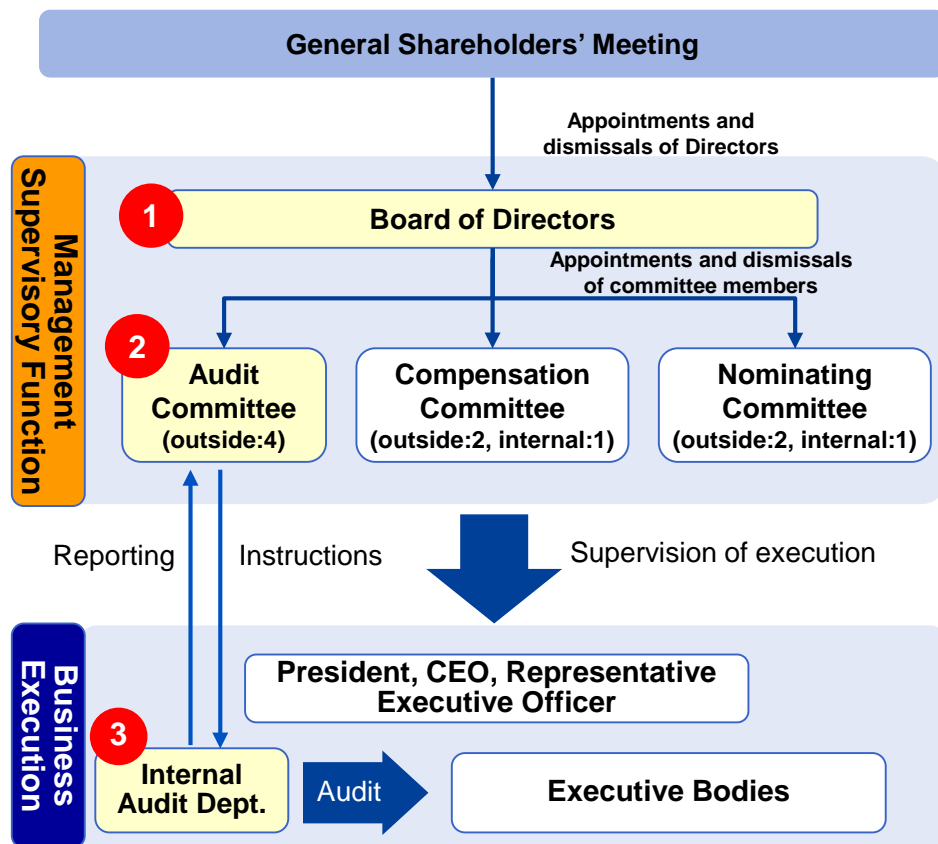


4. Rate of taking paid leave (2018 General Survey on Working Conditions, MHLW)

ESG Initiatives – Governance

- Strengthened corporate governance and enabled faster decision-making by adopting the corporate structure of a company with a Nominating Committee and other committees, and clearly separate the business execution and supervisory functions.
- Consistently implement the Business Improvement Plan submitted on January 31, 2020 and strengthen the governance functions of the Board of Directors, the Audit Committee, and the Internal Audit Department.

Corporate Governance System [Committee System]



Note: As of March 1, 2020

Strengthen the governance functions based on the Business Improvement Plan

1

Board of Directors

- Establish a new “deliberation” within the Board of Directors to leverage the expertise of the Outside Directors from the resolution drafting stage.
- Review the range of matters to be resolved.
- Actively hold extraordinary meetings and informal meetings of the Board of Directors to promote exchange of opinions.

2

Audit Committee

- The internal audit department is required the advance agreement of the Audit Committee for the decision and amendment of the internal audit plan and the important personnel appointments (Executive officers in charge and General Managers).

3

Internal Audit Department

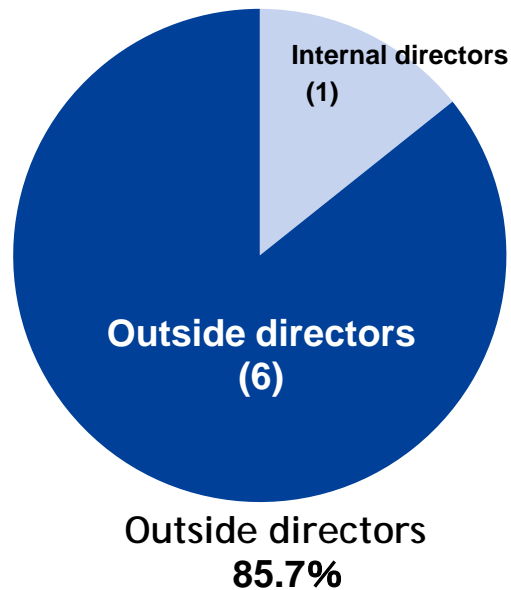
- In addition to reinforcing human resources and organizational structure for internal audit, improve the efficacy of audits by, for example, strengthening risk assessment.

ESG Initiatives – Governance

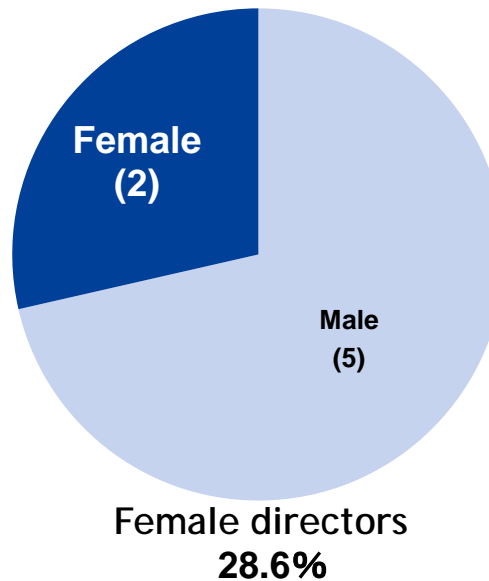
- Majority of directors in our Board of Directors are outside directors, and that includes two female directors. We achieve diversification and high independence in our Board.

Board of Directors Structure (As of March 1, 2020)

Board of Directors Composition



Ratio of Female Directors



Outside Directors Composition

Female Masako Suzuki	Executive Advisor of Pasona Group Inc.
Tamotsu Saito	Chairman of the Board of IHI Corporation
Michiaki Ozaki	Attorney-at-law Of Counsel of URYU & ITOGA
Female Meyumi Yamada	Director of istyle Inc.
Kazuyuki Harada	President and Representative Director of Keikyu Corporation
Akira Satake	Standing Audit Committee Member

Comply with ESG Investment and Stewardship Code

- Actively implement ESG investment complying with the ESG Investment Policy and contribute to forming a sustainable society.
- Actively promote stewardship activities centering on purposeful dialog with investee companies.

ESG Investment Policy (excerpt)

- From the perspective of fulfilling our social responsibilities to all stakeholders, we are promoting initiatives to solve environmental, social and governance (ESG) issues facing society, and actively taking on challenges toward the sustainable growth of corporate value and social development.
- In asset management, we will consider various factors of ESG in making investment decisions, in order to realize a sustainable society, improve investment results and reduce risks in the long-term.

ESG investment results

■ ESG theme investments¹

Item	Size ³
Green bonds and social bonds	¥ 117.7 bn
Solar power generation (project financing)	¥ 34.5 bn
Supporting COVID-19 measures (Sustainability Awareness Bond) (purchased in May 2020)	Approx. ¥ 48.0 bn (purchase amount)

■ ESG integration²

Item	Size ³
Japanese stocks (in-house investment)	¥ 250.1 bn
Japanese stock ESG fund (external mandate)	¥ 5.6 bn

1. Investments in assets that have specific themes leading to resolution of social challenges

2. Investments made in a manner in which ESG factors are incorporated in the investment decision making process

3. Market value balance as of March 31, 2020

Our Policies on Japan's Stewardship Code (excerpt)

- For our in-house investments in Japanese stocks, we will invest in stocks from a medium- to long-term viewpoint, thereby we fulfill stewardship to promote the medium- to long-term enhancement of corporate value of investee companies through understanding their circumstances, engaging purposeful dialogue with them, and exercise of voting rights.
- We expect an asset management institution to accept the code and request any institution failing to do so to provide sufficient explanation about the reason.

Status of Compliance with the Stewardship Code

■ Dialogue with investee companies (engagement)

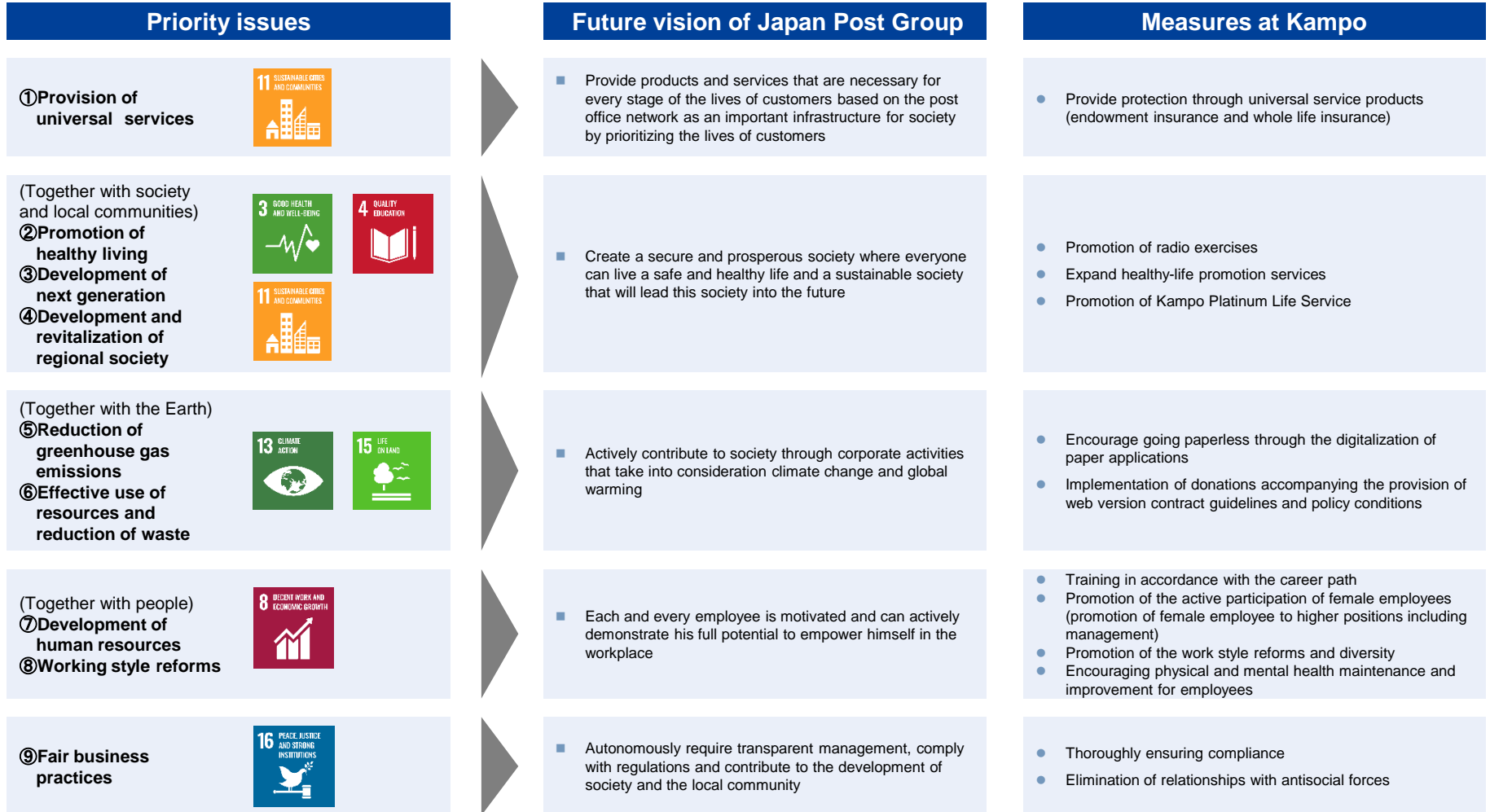
- For in-house investment in Japanese stocks, appropriately conduct a constructive dialogue based on sustainability with an effort to build relationships with investee companies.
- For outsourced investment in Japanese stocks, engage mainly with companies in active management as well as certain companies in passive management such as companies with a large market cap or a relatively low ROE.
- For investment in domestic bonds, plan to conduct dialogue based on sustainability.

■ Verification of conflicts of interest

- Discussed matters which affect the exercise of voting rights, including conflicts of interest etc. with prominent outside individuals at the Responsible Investment Advisory Committee.

Initiatives Aimed at Achieving SDGs

- We engage in activities that contribute to the creation of sustainable society and the achievement of SDGs (Sustainable Development Goals).



Provision of health promotion apps

- Starting from January 15, 2019, we began to provide health promotion app “Sukoyakanpo” free of charge.
- Starting from April 15, 2019, we began to provide premium menu items to our policyholders, insured and policyholder-family members.
- Starting from July 3, 2019, we began to provide Radio exercise card.

From January 2019

Provide step logging and management function and incentive



Counting steps with pedometer in your smartphone

When you achieve your target steps, you can apply for weekly lottery

From April 2019

Below are main menu items. We also provide contents such as a column on health, and a physical exercise management function, among others.

“My Checkup Advice”



Provide advice in accordance with the user's health condition

When you scan checkup result information with a smartphone, it shows the user's health age and type, in addition to advice

“My Recipe”



Support the user's dietary life

App provides a recipe and video supervised by a nutritionist

From July 2019

Radio Exercise Card



Days of participation in radio exercises are recorded in a calendar

Radio exercise videos



Listen to the sound and watch videos of radio exercises

Illness risk check



Shows future illness probability

The app shows your risk of diseases in comparison with the risk range of people of the same age and gender

“My Calorie Check”



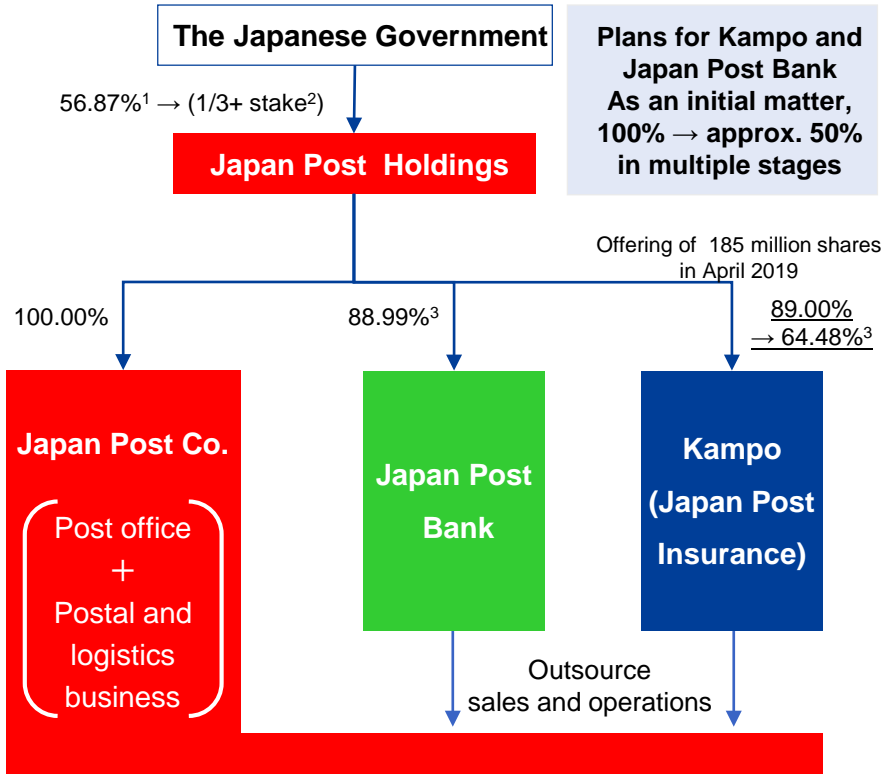
Shows calorie intake

Photographing meal with smartphone quickly calculates calorie intake and nutrients

Position within Japan Post Group

- Life insurance business is one of the three main businesses of Japan Post Group.
- Japan Post Co. has a strong contact with household market.
- Once Japan Post Holdings disposes of 50% or more of its equity interest in us, the regulatory approval requirement for new businesses will be lifted and only regulatory prior notification will be required.

Structure of Japan Post Group and Privatization Plans



1. Shareholding ratio to the total number of issued shares

2. As required by the Postal Service Privatization Act, the Japanese government must retain an equity interest in Japan Post Holdings that exceeds one-third of its total equity interest and dispose of the remainder within the earliest possible timeframe

3. Shareholding ratio to the total number of issued and outstanding shares

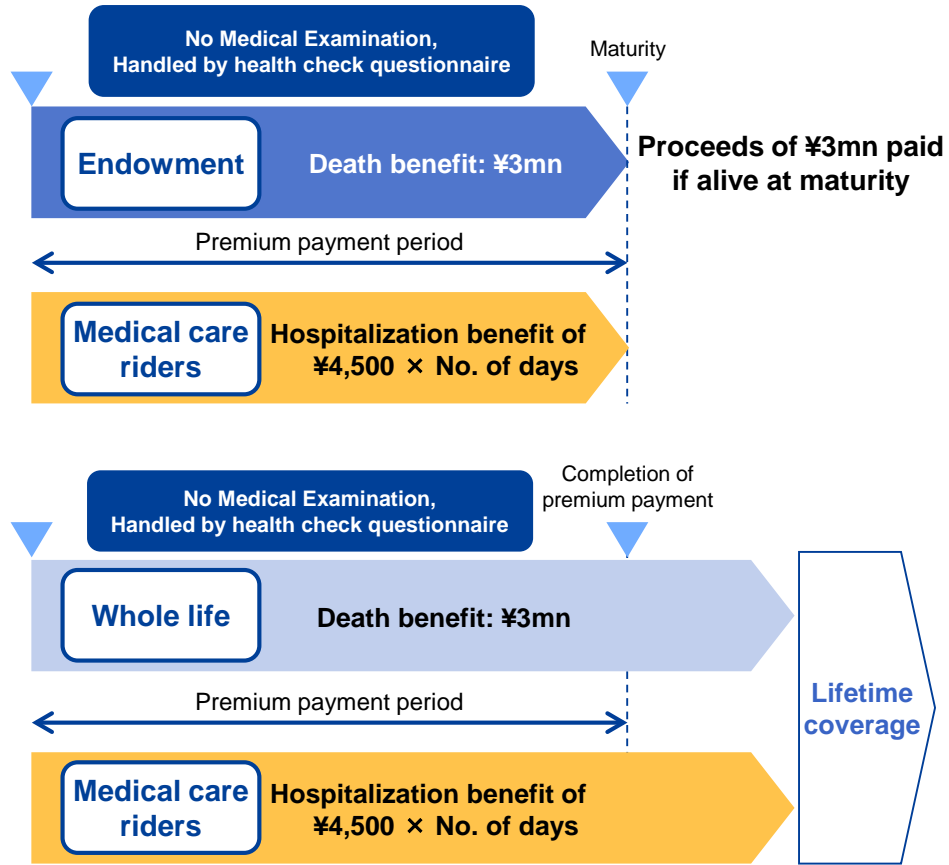
Postal Service Privatization Act

Category	Content
Universal service obligation	<ul style="list-style-type: none"> ■ Japan Post Holdings and Japan Post Co. are obligated to provide universal services including mail, banking and life insurance businesses
Shareholdings	<ul style="list-style-type: none"> ■ Japan Post Holdings aims to dispose of its entire equity interest in the Kampo and Japan Post Bank as soon as possible
Additional regulatory restrictions	<p>Limitation on new business</p> <ul style="list-style-type: none"> ■ Current: regulatory approval required ■ After disposal of 50% or more of Japan Post Holdings' equity interest in us: regulatory prior notification required
	<p>Limitation on coverage amount</p> <ul style="list-style-type: none"> ■ Prescribed in cabinet order
	<p>Removal of restrictions</p> <ul style="list-style-type: none"> ■ After 100% disposal of Japan Post Holdings' equity interest in the two financial companies, the restrictions on their business will be removed, while after 50% or more disposal, the Prime Minister and Minister of Internal Affairs and Communications will consider lifting the said regulations

Major Products

- Our basic strategy is to provide universal service products (endowment insurance and whole life insurance) with medical care riders.
- Provide guarantee for hospitalization and surgery in wide range of diseases and injuries by medical care rider.

Typical Examples of Our Products



Medical Care Rider Coverage

Example for Standard Benefit of ¥3 million

Hospitalization Benefit

- ¥4,500 / day
- Up to 120 days (¥540,000) for each hospital stay

Initial Payment¹

- ¥22,500 (5 times daily benefit) for the first day in a hospital

Surgery Benefit

- Hospital surgery ¥90,000 (20 times daily benefit²)
- Outpatient surgery ¥22,500 (5 times daily benefit²)
- Radiology treatment ¥45,000 (10 times daily benefit²)

Coverage is limited and Kampo is not responsible for increases in the cost of medical care

1. Optional (Type I policies have initial payment on the first day, Type II policies have no initial payment on the first day)
2. Multiple of the daily hospitalization benefit

Additional Restrictions under the Postal Service Privatization Act

- Additional regulatory restrictions relating to new businesses under the Postal Service Privatization Act will change from an approval system to a notification system upon disposal of half or more of Kampo's shares by Japan Post Holdings, although regulations imposed under the Insurance Business Act will continue to be applicable.
- The limit on the coverage amount is prescribed by a cabinet order, and any revision will require a hearing at the Postal Services Privatization Committee.

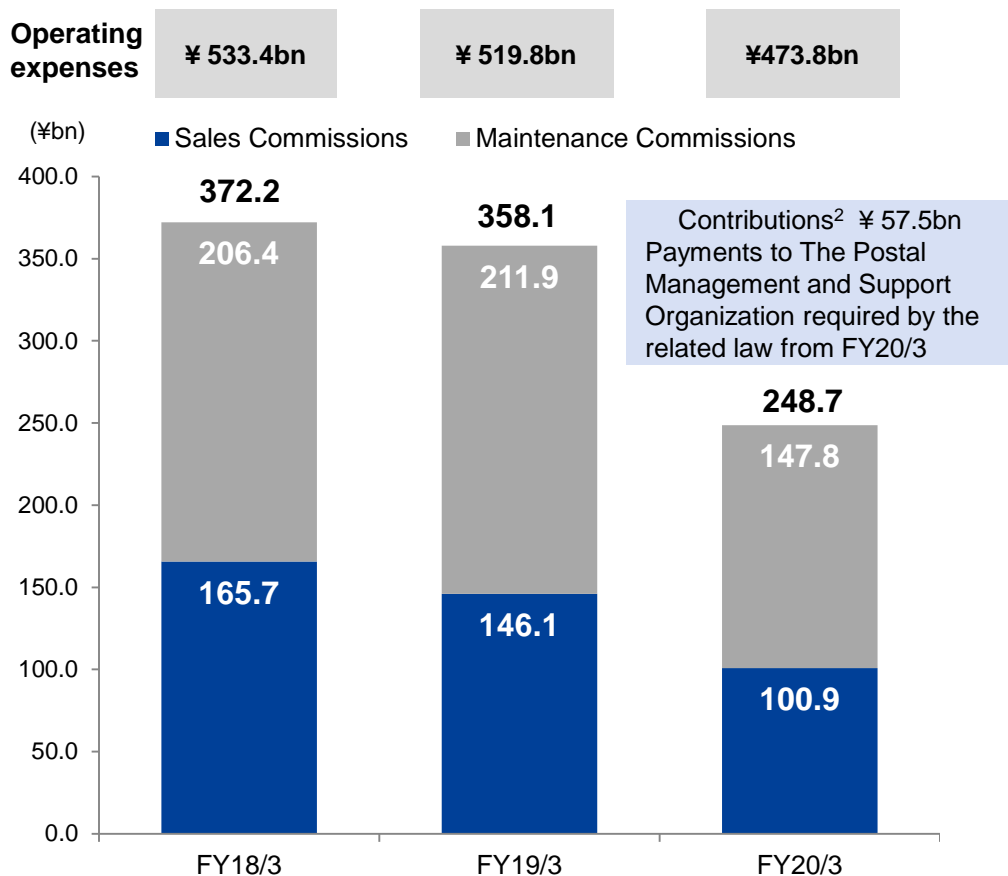
Item	Content
<p>New business</p>	<p>【Until Japan Post Holdings disposes of half or more of all the shares of Kampo】</p> <ul style="list-style-type: none"> ■ Approval by specified ministers¹ (a hearing at the Postal Service Privatization Committee is required) <p>【After Japan Post Holdings disposes of a half or more of all the shares of Kampo until the designated date²】</p> <ul style="list-style-type: none"> ■ Notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required) <p>【After designated date²】</p> <ul style="list-style-type: none"> ■ No regulations under Postal Service Privatization Act (regulations under Insurance Business Act will continue)
<p>Limit on coverage amount</p>	<ul style="list-style-type: none"> ■ Prescribed in a cabinet order (a hearing at the Postal Service Privatization Committee is required to revise) <ul style="list-style-type: none"> — Limit on coverage amount: in principle, ¥10 mn, total of ¥20 mn after 4 years have elapsed since start of coverage (age 20-55) <p>【After designated date²】</p> <ul style="list-style-type: none"> ■ No regulations based on Postal Service Privatization Act
<p>Subsidiary</p>	<ul style="list-style-type: none"> ■ Prohibited from acquiring or holding as a subsidiary or merging with any insurance company <ul style="list-style-type: none"> — no specific statutory rules applicable to our minority investments, which is acquiring voting rights below 50% <p>【After designated date²】</p> <ul style="list-style-type: none"> ■ No regulations based on Postal Service Privatization Act

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

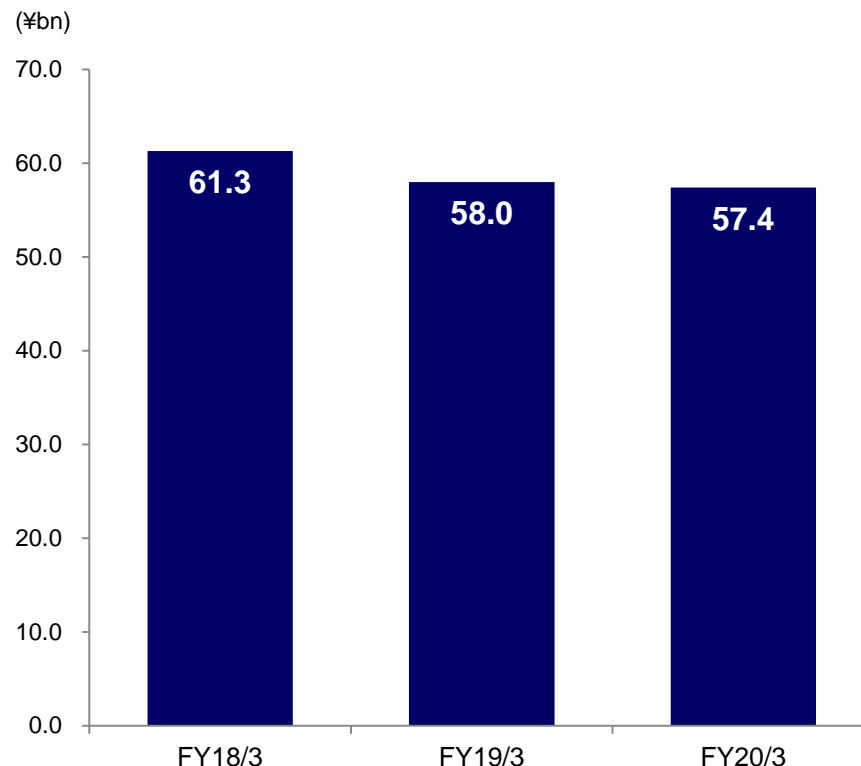
2. Designated date: The earlier of (i) the disposal of 50% or more of Japan Post Holdings' equity interest in Kampo and the determination by the Prime Minister and the Minister for Internal Affairs and Communications that the additional restriction can be lifted and (ii) the disposal of Japan Post Holdings' entire equity interest in Kampo

Expenses

Operating Expenses (Commissions¹ etc.)



Depreciation and amortization



Note: The sales commissions of ¥ 100.9billion for new policies for FY20/3 were ¥ 15.0billion for those acquired in the current fiscal year (a decrease of ¥ 30.4billion year on year) and ¥ 85.8billion for those acquired in prior years (a decrease of ¥ 14.7billion year on year).
The maintenance commissions of ¥ 147.8billion were basic commissions of ¥ 116.1billion (a decrease of ¥ 55.3billion year on year) and incentive commissions of ¥ 31.7billion (a decrease of ¥ 8.7billion year on year).

1. Commissions paid to Japan Post Co.
2. Contributions paid to The Postal Management and Support Organization based on the related law.

Commissions

Sales Commissions

- Commissions are calculated based on a formula generally used in the life insurance industry, which is mainly linked to new policy sales results.
- Commissions are paid in installments over several years, and they include those paid for policies in force acquired in the period between 84 months earlier and 13 months earlier.

Comparison of FY19/3 and FY20/3

Commission for new policies acquired in the fiscal year (¥45.5bn⇒¥15.0bn)

- In FY20/3, commissions for new policies acquired in the fiscal year decreased significantly because we refrained from proactive sales proposal from mid-July 2019 and suspended business from January 2020.
- Since the commissions paid for policies in the first 12 months¹ carry greater weight, the decrease in new policies in FY20/3 will also influence the commissions in FY21/3.

Commission for new policies acquired in the period between 84 months earlier and 13 months earlier (¥100.6bn⇒¥85.8bn)

- While the commissions are paid in installments over seven years in principle, commissions are on a decreasing trend due to the decrease in the number of new policies from FY18/3.

1. From FY21/3, in order to focus on the continuation of policies, the payment for the first 12 months will be reduced while it will increase in the second year onward (the total amount of sales commissions will remain the same level).

Note: For FY21/3, the amount of commissions is expected to be ¥ 197.2billion (a decrease of ¥ 51.5billion year on year). The expected breakdown of the decrease is: 1) ¥ 49.1billion from the impact of a decrease in policy amount; 2) ¥ 0.7billion from the impact of reviewing sales commissions; and 3) ¥ 1.7billion from the impact of an increase in outsourced services for maintenance commissions, and reviewing of incentive commissions.

Maintenance Commissions

- For services outsourced to Japan Post Co., the unit price is set based on the time spent on processing, etc. assuming that the service was properly conducted at the post office.
- Comprises commission that is proportionate to the number of policies in force, the number of post offices, and other factors (basic commission), and the commission based on results (incentive commission) to encourage the achievement of targets for maintaining policies in force and follow-up activities.

Comparison of FY19/3 and FY20/3

Basic commission (¥171.4bn⇒¥116.1bn)

- In FY20/3, basic commission declined in conjunction with the launch of the contribution system (¥57.5bn).

Incentive commission² (¥40.4bn⇒¥31.7bn)

- In FY20/3, an incentive commission had been set to focus on maintaining policies in force and to thoroughly encourage follow-up activities, but incentive commissions declined because we refrained from proactive sales proposal from mid-July 2019 and suspended business from January 2020.

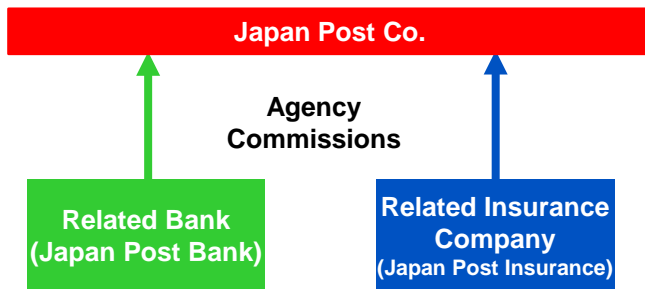
2. For FY21/3, we examined the concept and effects of incentive commissions. Some of them are abolished and others are integrated into the commission for the maintenance of policies in force.

Overview of Funds and Contributions

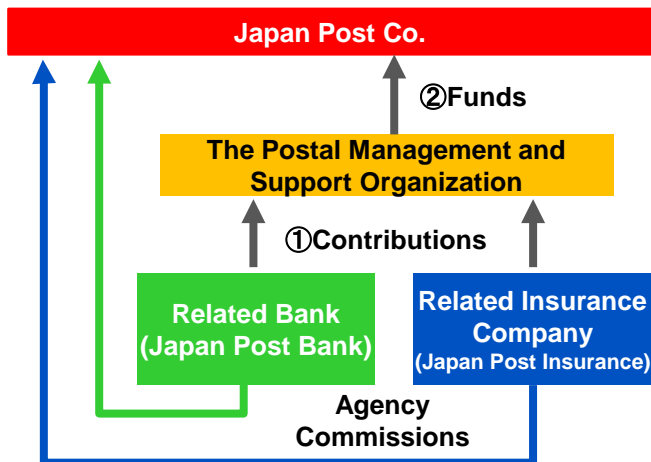
- Amendments to the Act on the Management Organization for Postal Savings and Postal Life Insurance have taken effect since December 1, 2018.
- From April 2019, we and Japan Post Bank are required to contribute to The Postal Management and Support Organization which will pay the fundamental necessary expenses for Japan Post Co. to maintain its post office network.

System of Funds and Contributions

【Until March 2019】



【From April 2019】



Calculation for contributions

* pursuant to an ordinance of the MIC

- The amount of contribution is calculated as follows,
 - Calculate and sum necessary expenses for post office network and administrative expenses of the Organization
 - Allot expenses above in proportion to the degree of use of the post office network by mail counter work, bank counter work and insurance counter work

[Example of distribution : usage volume]



Regarded as usage volume, which is main element for distribution

Commissions and contributions

- Along with the establishment of the system of funds and contributions, we revised the structure of agency commissions

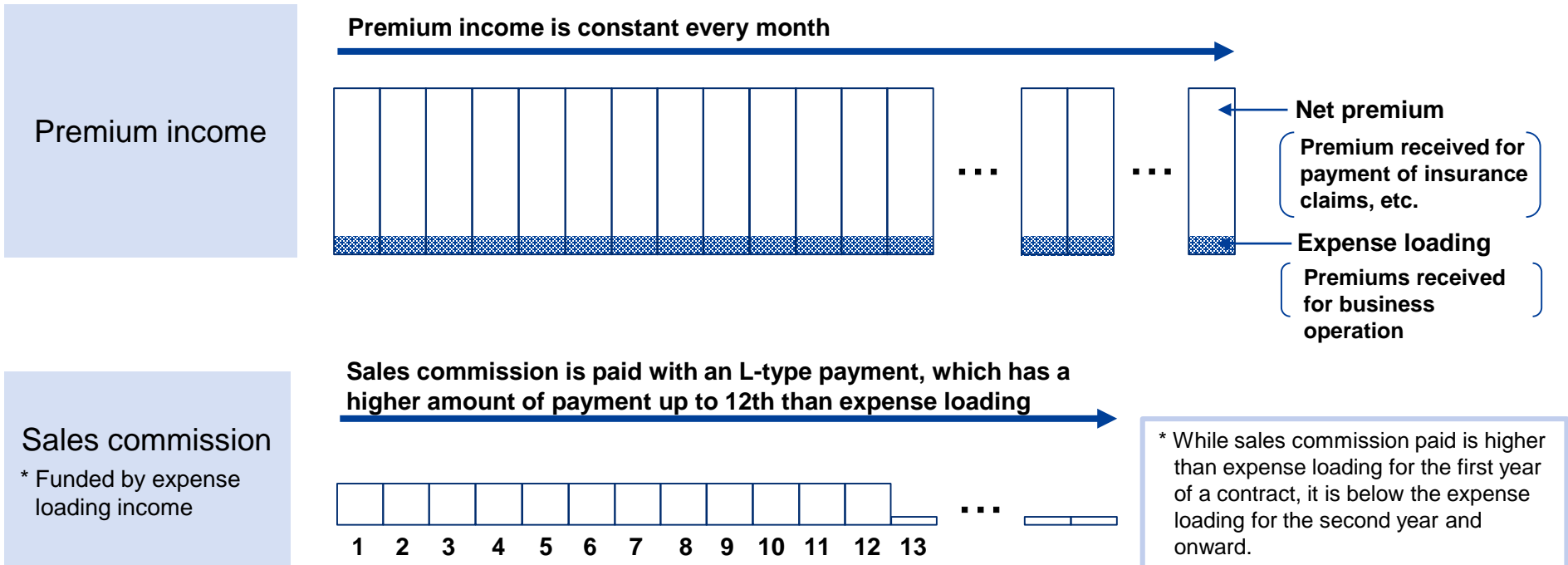
(¥bn)

	FY19/3	FY20/3	FY21/3 (forecast)
Commissions	358.1	248.7	197.2
Contributions	—	57.5	56.0
Total	358.1	306.3	253.3

Impact on Profit Due to Decline in New Policy Sales

- Of the premiums received from customers, Japan Post Insurance receives a fixed amount of expense loading every month in order to operate its business. Using this expense loading as funds, Japan Post Insurance pays sales commissions monthly to Japan Post Co. However, the payment method is an L-type payment, which has a higher amount of payment up to the 12th than expense loading, and therefore profit for the first year of Japan Post Insurance worsen as the number of new policies increase.
- One of the factors for the increase in Japan Post Insurance's profit for the FY20/3 was a decrease in operating expenses, etc. resulting from a significant decrease in new policy sales. However, this effect only for a short term, and from a medium- to long-term perspective, the decrease in new policies will have a negative impact on profit of Japan Post Insurance.

<Model of receipt of premiums and payment of sales commissions (model for one contract)>



Level of Commissions

- Pay sales commissions, including incentive bonuses, out of the assumed policy acquisition expenses included in the insurance premiums.

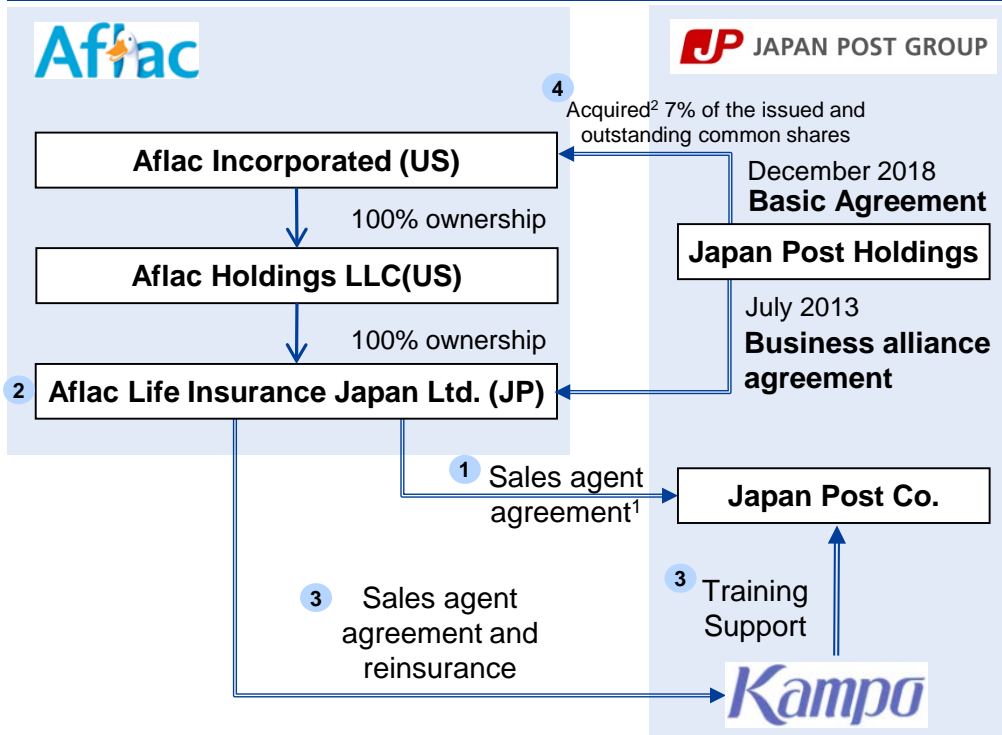
Type of Insurance	Insurance Amount	Total Insurance Premiums	Sales Commission Rates ¹
Endowment Insurance [With medical rider]	Ordinary endowment insurance ¥2 mn Insured person: 40-year-old woman Insurance period: 10-year	¥ 2.27 mn	Approx. 3 %
Whole Life Insurance [With medical rider]	Ordinary whole life insurance ¥2 mn Insured person: 40-year-old woman Payment period: 20-year	¥ 3.68 mn	Approx. 2 %
Educational Endowment Insurance [With medical rider]	Educational endowment insurance ¥2 mn Policyholder: 30-year-old man Insured person: 0 years old Payment period: 18-year	¥ 2.26 mn	Approx. 2 %

1. Sales commission rates are the ratio of sales commissions ((1) applicable sales commission rate for the type of policy and (2) incentive bonuses, which are payable if Japan Post Co. meets certain sales targets, divided by number of new policies acquired (Based on FY20/3 actual results).) over insurance premium. The level of sales commission may vary as the incentive fee fluctuates.

Overview of the alliance between Aflac and Japan Post Group

- In July 2013, Japan Post Holdings and Aflac Life Insurance Japan Ltd. entered into a business alliance agreement to provide cancer insurance through the nationwide post offices and Kampo's directly managed offices. Those policies are reinsured by Kampo and risk profits are shared.
- In December 2018, Japan Post Holdings and Aflac Incorporated entered into a basic agreement regarding a strategic alliance based on a capital relationship to increase corporate value in each of Japan Post Group companies, including Kampo.
- New products to be considered for development are confirmed not to affect the field of products which Kampo plans to launch or sell independently and Kampo's corporate value is not expected to be impaired.

Business Alliance Structure



1. Commenced selling of Aflac cancer insurance at some part of post offices from October 2008 (October 2008: 300 post offices, July 2009: 1,000 post offices)

2. The Articles of Incorporation of Aflac Incorporated, in principle, stipulate each share is entitled to ten votes after continuous holding of Aflac Incorporated common shares for 48 months by the same beneficial owners, which is expected to result in at least 20% voting rights four years after acquisition of shares (February 2020) and application of the equity method of accounting

Scope of Business Alliance

【From July 2013—】

- 1 Offer Aflac's cancer insurance through the nationwide network of approx. 20,000 post offices.
- 2 Aflac to design distinct cancer insurance products that are dedicated to Japan Post Group, which supplements coverage of our medical riders.
- 3 Kampo's directly managed offices to offer Aflac cancer insurance and reinsurance of cancer insurance sold at post offices and directly managed offices.



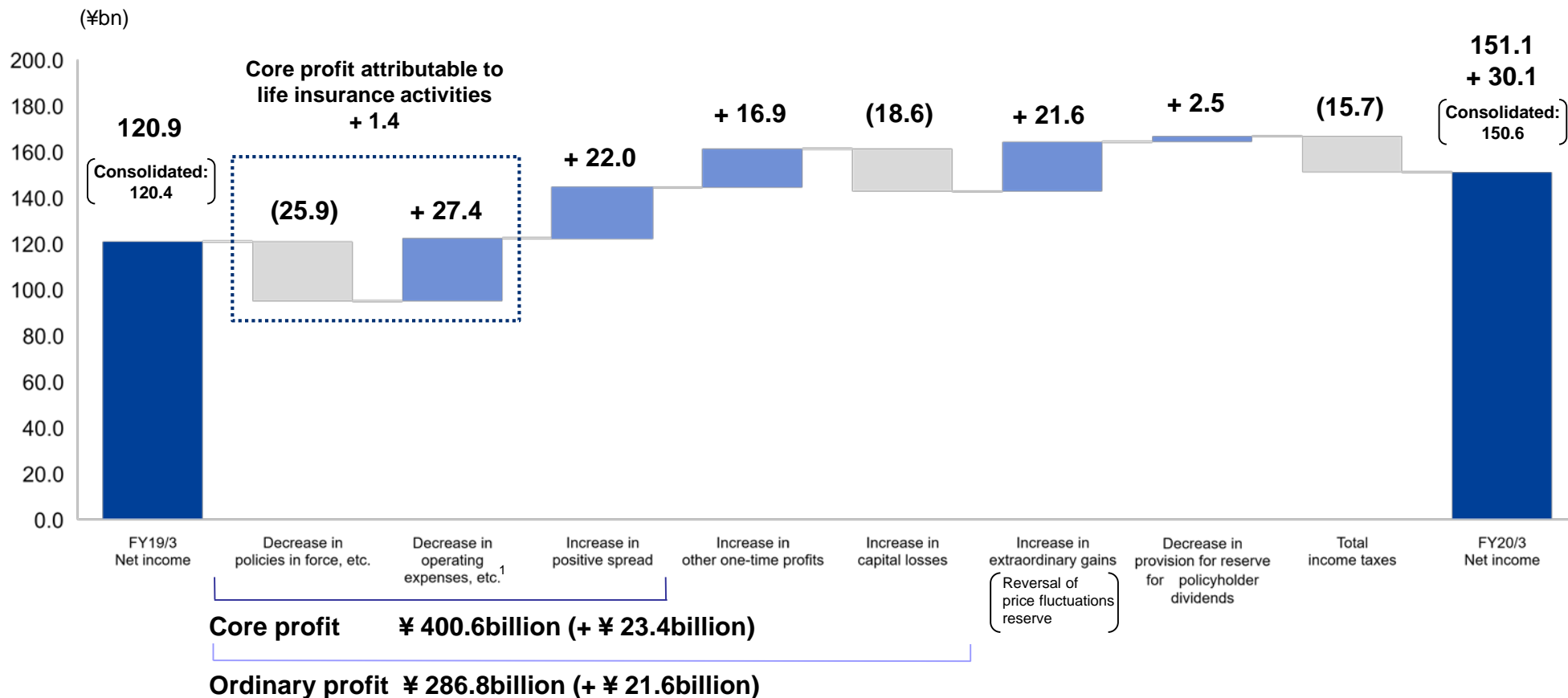
【From December 2018—】

Japan Post Holdings will invest in Aflac Incorporated by 7%
Consideration of new initiatives for cooperation.

- ① Leveraging digital technology
- ② Cooperation in new product development
- ③ Cooperation in domestic and/or overseas business expansion and joint investment in third-party entities
- ④ Cooperation regarding asset management

Factors for Year on Year Changes (Non-Consolidated)

- Core profit increased from the previous fiscal year to ¥ 400.6billion thanks to a positive spread in investments in addition to core profit attributable to life insurance activities maintaining levels nearly on par as the previous fiscal year due to the decrease in operating expenses, etc., mainly as a result of the decreased new policy sales, despite the effects of the decrease in policies in force, etc.
- We continued to adopt accounting treatments to neutralize capital gains (losses) using the reserve for price fluctuations. Net income increased from the previous fiscal year to ¥ 151.1billion due to an increase in ordinary profit.



1. "Decrease in operating expenses, etc." shows the difference of figures between the year ended March 31, 2019, and the year ended March 31, 2020. This figure is calculated by adding up "Operating expenses" and "Other ordinary expenses".

New and Postal Life Insurance Category in the Statement of Income (Non-consolidated)

New and Postal Life Insurance Category in the Statement of Income (Non-consolidated)

(¥bn)

	FY16/3		FY17/3		FY18/3		FY19/3		FY20/3	
	New	Postal Life	New	Postal Life	New	Postal Life	New	Postal Life	New	Postal Life
Ordinary income ¹	4,431.7	8,039.6	4,464.2	6,889.2	3,938.8	5,489.2	3,814.7	4,374.4	3,582.6	3,658.6
Insurance premiums and others	4,091.5	1,322.3	4,039.0	1,002.8	3,481.2	755.2	3,369.5	590.3	2,786.3	459.1
Investment income ¹	337.6	1,017.3	422.8	945.0	454.6	830.3	440.1	764.3	441.2	696.5
Other ordinary income ¹	2.5	5,700.0	2.3	4,941.3	3.0	3,903.7	4.9	3,019.8	354.9	2,503.0
Ordinary expenses ¹	4,276.8	7,781.6	4,370.1	6,704.0	3,767.1	5,352.2	3,663.5	4,260.4	3,388.2	3,566.1
Insurance claims and others	1,031.6	7,518.7	1,136.5	6,413.7	1,765.6	5,124.3	2,837.9	4,030.9	2,842.0	3,349.3
Provision for policy reserves and others ¹	2,865.7	-	2,694.0	-	1,474.7	-	272.5	-	29.9	-
Investment expenses ¹	3.8	5.8	103.8	56.5	78.5	27.9	99.1	46.8	85.7	38.2
Operating expenses	318.0	219.0	366.5	193.6	372.8	159.9	376.2	142.1	336.3	135.8
Other ordinary expenses	57.4	37.9	69.0	40.0	75.2	39.8	77.7	40.4	94.2	42.7
Ordinary profit	154.9	258.0	94.0	185.2	171.7	137.0	151.1	113.9	194.3	92.4
Extraordinary gains and losses ²	(62.4)	(8.9)	5.7	(12.6)	(27.2)	(17.0)	13.8	3.6	9.3	29.8
Provision for reserve for policyholder dividends	7.5	170.4	15.6	137.0	21.6	96.1	19.6	92.1	15.4	93.7
Income before income taxes	84.9	78.6	84.2	35.5	122.9	23.8	145.3	25.5	188.2	28.5
Total income taxes	31.4	45.7	21.7	9.5	35.4	6.9	41.1	8.7	54.9	10.7
Net income	53.4	32.8	62.4	26.0	87.4	16.8	104.1	16.7	133.3	17.8

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.

1. Adjusted if the resulting number for the new category is negative when the Postal Life Insurance category is subtracted from Japan Post Insurance as a whole.

(E.g.: FY20/3, ¥ 29.9billion was added to "Reversal of reserve for outstanding claims," under "Other ordinary income," and to "Provision for policy reserves and others," under "Ordinary expenses")

2. "Extraordinary gains and losses" includes "Price fluctuations reserve, provision" and "Price fluctuations reserve, reversal."

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

		FY16/3	FY17/3	FY18/3	FY19/3	FY20/3
Total assets	¥mn	81,543,623	80,336,414	76,832,508	73,904,576	71,667,398
Postal Life Insurance category		55,832,787	51,447,550	46,684,937	41,354,076	39,225,493
New category		25,710,836	28,888,864	30,147,570	32,550,500	32,441,904
Number of policies in force	(000)	32,323	31,562	30,405	29,143	27,070
Postal Life Insurance category (insurance)		16,972	14,411	12,484	11,048	9,907
New category (individual insurance)		15,350	17,150	17,921	18,095	17,163
Insurance premiums and others	¥mn	5,413,862	5,041,868	4,236,461	3,959,928	3,245,541
Postal Life Insurance category		1,322,308	1,002,816	755,221	590,340	459,151
New category		4,091,554	4,039,051	3,481,240	3,369,588	2,786,389
Ordinary profit	¥mn	413,023	279,347	308,845	265,143	286,829
Postal Life Insurance category		258,059	185,250	137,074	113,981	92,490
New category		154,963	94,097	171,771	151,162	194,338
Net income	¥mn	86,338	88,520	104,309	120,958	151,132
Postal Life Insurance category		32,850	26,044	16,878	16,763	17,806
New category		53,487	62,475	87,430	104,195	133,325
Contingency reserve (reversal) provision	¥mn	(123,864)	(120,819)	(139,678)	(151,592)	(165,388)
Postal Life Insurance category		(171,199)	(172,881)	(173,722)	(173,590)	(170,814)
New category		47,335	52,061	34,043	21,997	5,425
Price fluctuations reserve (reversal) provision	¥mn	70,100	6,444	128,031	(19,251)	(39,152)
Postal Life Insurance category		8,957	12,625	17,090	(3,686)	(29,845)
New category		61,143	(6,181)	110,940	(15,564)	(9,306)
Additional policy reserve (reversal) provision	¥mn	(55,533)	(50,454)	(30,648)	(50,292)	(49,750)
Postal Life Insurance category		(55,533)	(50,454)	(47,674)	(46,698)	(46,396)
New category		-	-	17,025	(3,594)	(3,354)

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.

Key Financial Indicators

(¥bn)

	FY16/3	FY17/3	FY18/3	FY19/3	FY20/3
Insurance premiums and others	5,413.8	5,041.8	4,236.4	3,959.9	3,245.5
Ordinary profit	411.5	279.7	309.2	264.8	286.6
Provision for reserve for policyholder dividends	178.0	152.6	117.7	111.8	109.2
Net income	84.8	88.5	104.4	120.4	150.6
Net assets	1,882.9	1,853.2	2,003.1	2,135.1	1,928.3
Total assets	81,545.1	80,336.7	76,831.2	73,905.0	71,664.7
Return on equity	4.4 %	4.7 %	5.4 %	5.8 %	7.4 %
Return on shareholders' equity	5.9 %	5.9 %	6.7 %	7.4 %	9.0 %
Dividends to shareholders	33.6	36.0	40.8	43.2	42.7
Total Return Ratio ¹	39.6 %	40.6 %	39.0 %	118.9 %	28.4%
Core profit (Non-consolidated)	464.2	390.0	386.1	377.1	400.6
Core profit attributable to life insurance activities	366.8	311.4	320.3	318.7	320.1
Spread (positive/negative spread)	97.4	78.5	65.8	58.4	80.4

1. The figure for FY19/3 represents the total return ratio including share repurchase (approximately ¥ 100.0billion) in April 2019.

<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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