

*Kampo*

**Financial Results & Corporate Strategy Meeting  
for the Six Months Ended September 30, 2018**

November 22, 2018

# Agenda

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<b>1</b>	<b>Management Strategy</b>	<b>P.2</b>
<b>2</b>	<b>Outline of Financial Results for the Six Months Ended September 30, 2018</b>	<b>P.8</b>
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**1**

# **Management Strategy**

# Points of Financial Results for the Six Months Ended September 30, 2018

- Net income reached a record high of ¥68.7 bn (+34.1% year on year) and 61.9% of the full-year forecast (on an revised basis), showing steady progress.
- Our efforts to focus on protection in sales resulted in record highs for both the value of new business and the new business margin(6.5%).
- We have revised our forecasts for ordinary profit (¥220.0 bn → ¥260.0 bn) and net income (¥88.0 bn → ¥111.0 bn) upward, based on the good progress on profits thus far.

		(¥bn)				
		6 months ended Sep-17	6 months ended Sep-18	Change	Achievement (Revised basis)	Revised FY2019/3 Forecasts
		A	B	B/A	B/C	
Earnings (Financial Accounting)	Ordinary Profit	168.8	161.6	(4.3) %	62.2 %	260.0
	Net Income	51.2	68.7	+ 34.1 %	61.9 %	111.0
Embedded Value (Economic Value)	EV	3,598.6	3,975.8	+ 10.5 %	—	
	Value of New Business	102.2	131.5	+ 28.6%	—	

## Reasons for Changes(year on year)

- **Ordinary Profit (¥ 7.2 )bn**  
Increase in core profit due to a decrease in expenses, etc. [+ ¥ 12.7 bn]  
Increase in hedging costs due to diversification of the investment portfolio [(¥ 19.1) bn]
- **Net Income + ¥ 17.4 bn**  
Increase in core profit<sup>1</sup> [+ ¥ 12.7 bn]  
Decrease in provision for reserve for policyholder dividends<sup>1</sup> [+ ¥ 5.3 bn]

<sup>1</sup> Pre-tax basis

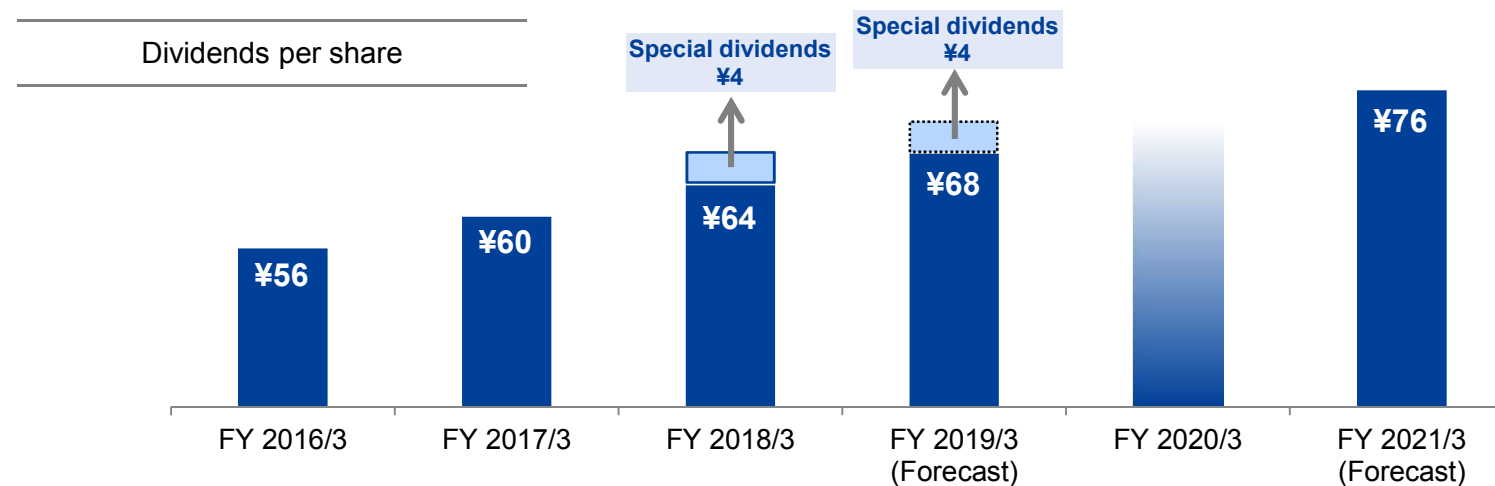
- **EV + ¥ 377.2 bn**  
Increase due to increase of the value of new business  
[Approx. + ¥ 260.0 bn]
- **Value of New Business + ¥ 29.2 bn**  
Change in policies mix  
[Approx. + ¥ 30.0 bn]

# Shareholder Return Policy

- We revised the dividend forecast to ¥72 per share for fiscal year ending March 31, 2019, adding a special dividend of ¥4, as a result of portfolio investment gains and good progress on profit during the first half.

## 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.

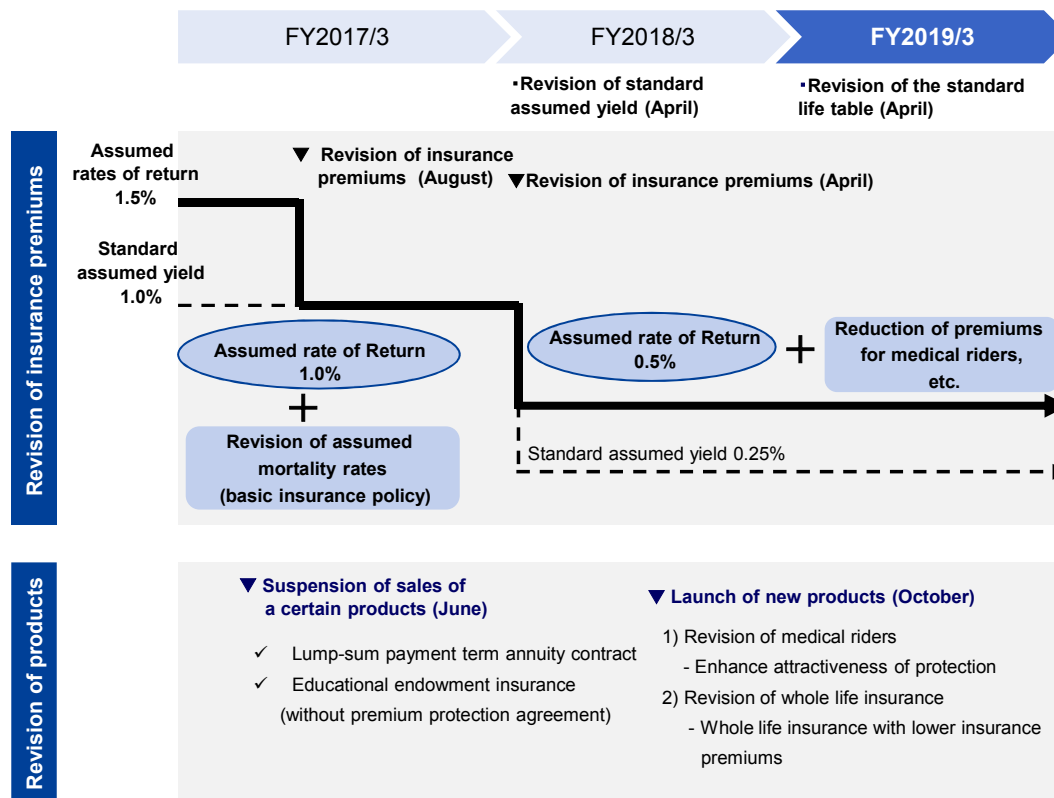


Total dividends (¥bn)	33.6	36.0	40.8	43.2	—	45.6
Dividend payout ratio	39.6%	40.6%	39.0%	38.9%	—	49.0%

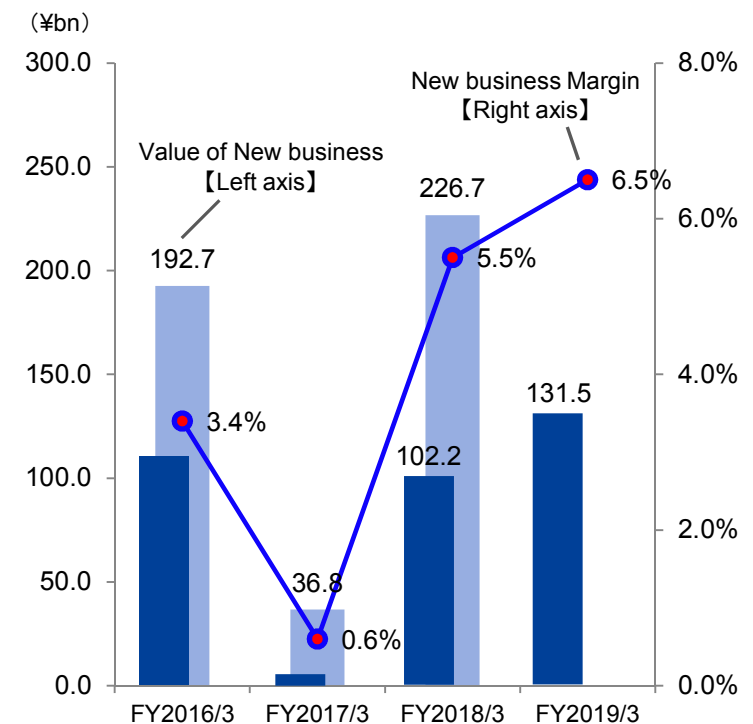
# Premium Revision under the Historical Low Interest Rates Environment

- We have revised insurance premiums in August 2016 and April 2017 to deal with the current low-interest rate environment after the BoJ's negative interest rate policy.
- The value of new business and new business margin have improved due to the improved product profitability.

## Revision of insurance premiums / Revision of products



## Value of New business and New business Margin



Note1. Left side of "Value of New business" shows the figures as of 1H, and right side of "Value of New business" shows the figures of whole fiscal years.  
 Note2. "New business Margin" shows the yearly basis figure, except that of FY2019/3 which is 1H basis.

# Sales Strategy

- Implement the various measures set forth in the Medium-Term Management Plan to improve sales promotion.

## Main Initiatives of Medium-Term Management Plan

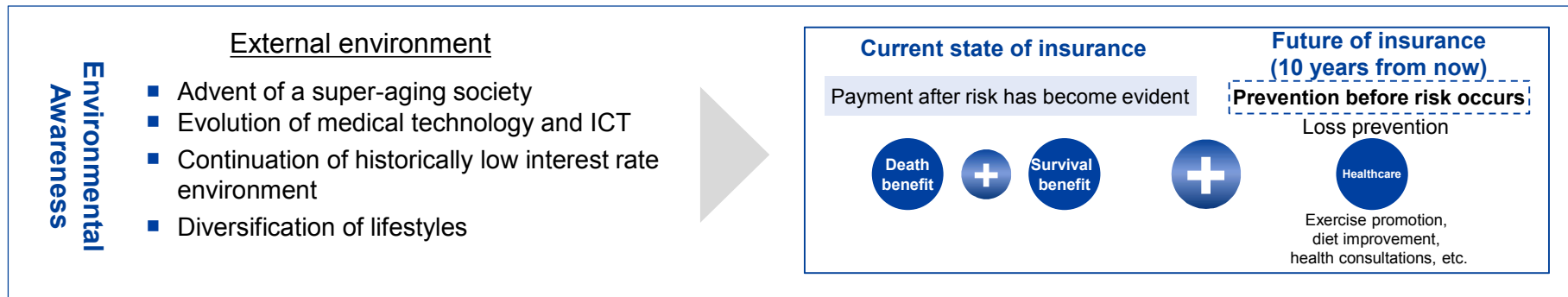
1	<b>Strengthening of sales activities focusing on protection needs</b>	<ul style="list-style-type: none"> <li>■ Training for post office offsite sales personnel and counter sales personnel</li> <li>■ Cooperation with other life insurance companies in products supply including commissioned sales, etc.</li> </ul>
2	<b>Improvement in solicitation quality</b>	<ul style="list-style-type: none"> <li>■ Ensuring that solicitation materials are easy to understand</li> <li>■ Comprehensive measures to improve solicitation quality(introduction of policy maintenance evaluation, etc.)</li> </ul>
3	<b>Cultivation of new customer base</b>	<ul style="list-style-type: none"> <li>■ Cultivate potential customers who are uninsured and young / Strengthen sales activities at worksite, etc</li> <li>■ Continue “Feel Secure with Kampo” activities / Launch of health promotion services</li> </ul>
4	<b>Development of new products</b>	<ul style="list-style-type: none"> <li>■ Development and diversification of protection-type products including third sector products (Annualized premiums from new policies(medical care): Up over 20% from 2018/3 (59.2 billion yen))</li> </ul>
5	<b>Establishment of sales foundation</b>	<ul style="list-style-type: none"> <li>■ Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing SNS, etc.</li> <li>■ Increase in offsite sales personnel at post office (Number of offsite sales personnel: around 18 thousands(FY2021/3))</li> </ul>

## Main Initiatives of Fiscal Year Ending March 31, 2019

- Improve skills by conducting problem-solving based training, utilizing cases of success, and taking other steps
- Begin commissioned sale of “Neo-de-Kigyo,” an accident protection type of term insurance with a fixed term offered by The Neo First Life Insurance Company, Limited (October 2018)
- Steadily implement comprehensive measures to improve the quality of solicitation
- Increase activity volume through follow-up on existing policyholders, family registration scheme, life plan consultation conferences, etc
- Provide a healthy-life promotion app(January 2019)
- Apply for approval of products with relaxed underwriting criteria and advanced medical riders. (Submitted applications in October 2018)
- Develop system, prepare training, and take other steps aimed at introduction of new mobile devices for sales
- Conduct a trial in post offices and worksites using the television system

# Product and Service Strategy

- Diversify the protection-type products we offer to enable response to various customer needs for protection amid the continuing historically low interest rate environment and an environment in which the assumption for human lifespan is 100 years of age.
- Launch a new healthy-life promotion service to follow the radio exercise that we began in 1928 and contribute to extending healthy life expectancy and improving the quality of life of our customers.



## Diversify Protection-Type Products

### Expand protection content

- Introduced comprehensive medical rider (October 2017)
- Created a new advanced medical rider (April 2019 or later on the assumption that approval will be obtained)

### Lower insurance premiums

- Created a new type with a low cash value (October 2017)

### Expand the scope of underwriting

- Created a new type with relaxed underwriting criteria (April 2019 or later on the assumption that approval will be obtained)

## Provide a New Healthy-Life Promotion Service

- Provide a new healthy-life promotion smartphone app (January 2019)
  - Use the app of Dai-ichi Life Group, with which we maintain an alliance
  - Support health-creating initiatives in diet, exercise, etc.

### Future Outlook

- Consider developing new products that utilize the data collected on health.
- Develop the healthy-life promotion service into a second radio exercise and evolve initiatives aimed at improving customer health.



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**2**

**Outline of Financial Results for  
the Six Months Ended September  
30, 2018**

# Overview of Consolidated Financial Statements

## Statement of Income

	6 months ended Sep-17	6 months ended Sep-18	Change	(Reference) Year ended Mar-18
Ordinary income	4,054.8	3,898.3	(156.5)	7,952.9
Insurance premiums and others	2,203.5	2,040.4	(163.1)	4,236.4
Investment income	640.9	618.0	(22.9)	1,284.5
Reversal of policy reserves	1,184.1	1,213.4	29.3	2,397.9
Ordinary expenses	3,885.9	3,736.7	(149.2)	7,643.7
Insurance claims and others	3,525.7	3,356.2	(169.5)	6,890.0
Investment expenses	34.3	65.4	31.0	106.0
Operating expenses	266.0	257.0	(9.0)	533.4
Ordinary profit	168.8	161.6	(7.2)	309.2
Extraordinary gains and losses	(27.9)	(2.0)	25.9	(44.3)
Provision for reserve for policyholder dividends	68.8	63.4	(5.3)	117.7
Income before income taxes	72.0	96.0	24.0	147.1
Total income taxes	20.7	27.3	6.5	42.6
Net income attributable to Japan Post Insurance	51.2	68.7	17.4	104.4
[Reference] Core profit (Non-consolidated)	194.4	207.1	12.7	386.1

## Balance Sheets

	Mar-18	Sep-18	Change
Total Assets	76,831.2	74,763.9	(2,067.3)
Cash and deposits	898.5	1,016.8	118.2
Money held in trust	2,814.8	3,022.0	207.2
Securities	60,130.9	58,869.0	(1,261.8)
Loans	7,627.1	7,180.7	(446.3)
Fixed assets	264.1	267.0	2.9
Deferred tax assets	954.0	999.8	45.7
Total Liabilities	74,828.1	72,729.7	(2,098.3)
Policy reserves	67,777.2	66,563.8	(1,213.4)
Reserve for price fluctuations	916.7	918.6	1.9
Net assets	2,003.1	2,034.1	31.0
Total shareholders' equity	1,595.4	1,623.3	27.9
Total accumulated other comprehensive income	407.7	410.7	3.0

Note: Only major line items are shown.

# 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)

	FY2016/3		FY2017/3		FY2018/3		FY2018/3 2Q		FY2019/3 2Q	
	New category	Postal Life Insurance category	New category	Postal Life Insurance category	New category	Postal Life Insurance category	New category	Postal Life Insurance category	New category	Postal Life Insurance category
Ordinary income <sup>1</sup>	4,431.7	8,039.6	4,464.2	6,889.2	3,938.8	5,489.2	2,030.2	3,106.5	1,961.1	2,165.5
Insurance premiums and others	4,091.5	1,322.3	40,39.0	1,002.8	3,481.2	755.2	1,803.4	400.1	1,729.4	310.9
Investment income	337.6	1,017.3	422.8	945.0	454.6	830.3	224.4	416.8	228.8	389.1
Other ordinary income <sup>1</sup>	2.5	5,700.0	2.3	4,941.3	3.0	3,903.7	2.3	2,289.6	2.7	1,465.4
Ordinary expenses <sup>1</sup>	4,276.8	7,781.6	4,370.1	6,704.0	3,767.1	5,352.2	1,935.2	3,032.8	1,865.0	2,100.0
Insurance claims and others	1,031.6	7,518.7	1,136.5	6,413.7	1,765.6	5,124.3	603.5	2,922.1	1,367.8	1,988.3
Provision for policy reserves and others <sup>1</sup>	2,865.7	-	2,694.0	-	1,474.7	-	1,081.6	-	228.2	-
Investment expenses	3.8	5.8	103.8	56.5	78.5	27.9	29.1	5.4	42.9	22.4
Operating expenses	318.0	219.0	366.5	193.6	372.8	159.9	182.2	83.6	186.0	70.4
Other ordinary expenses	57.4	37.9	69.0	40.0	75.2	39.8	38.6	21.6	39.9	18.7
Ordinary profit	154.9	258.0	94.0	185.2	171.7	137.0	94.9	73.6	96.0	65.5
Extraordinary gains and losses <sup>2</sup>	(62.4)	(8.9)	5.7	(12.6)	(27.2)	(17.0)	(19.8)	(8.1)	(3.9)	1.9
Provision for reserve for policyholder dividends	7.5	170.4	15.6	137.0	21.6	96.1	16.1	52.6	10.1	53.2
Income before income taxes	84.9	78.6	84.2	35.5	122.9	23.8	58.8	12.9	81.8	14.1
Total income taxes	31.4	45.7	21.7	9.5	35.4	6.9	16.8	3.7	22.9	4.2
Net income	53.4	32.8	62.4	26.0	87.4	16.8	41.9	9.2	58.9	9.8

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.: FY2019/3 2Q, ¥228.2 billion was added to "Reversal of policy reserves and other" under "Other ordinary income" and to "Provision for policy reserves and others," under "Ordinary expenses.")

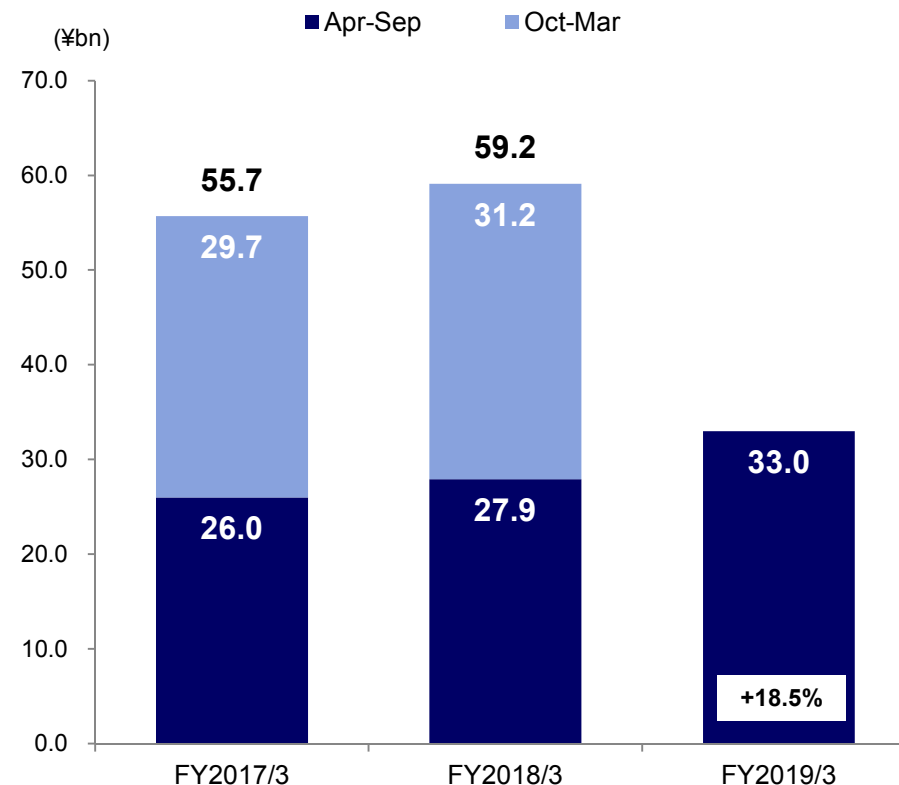
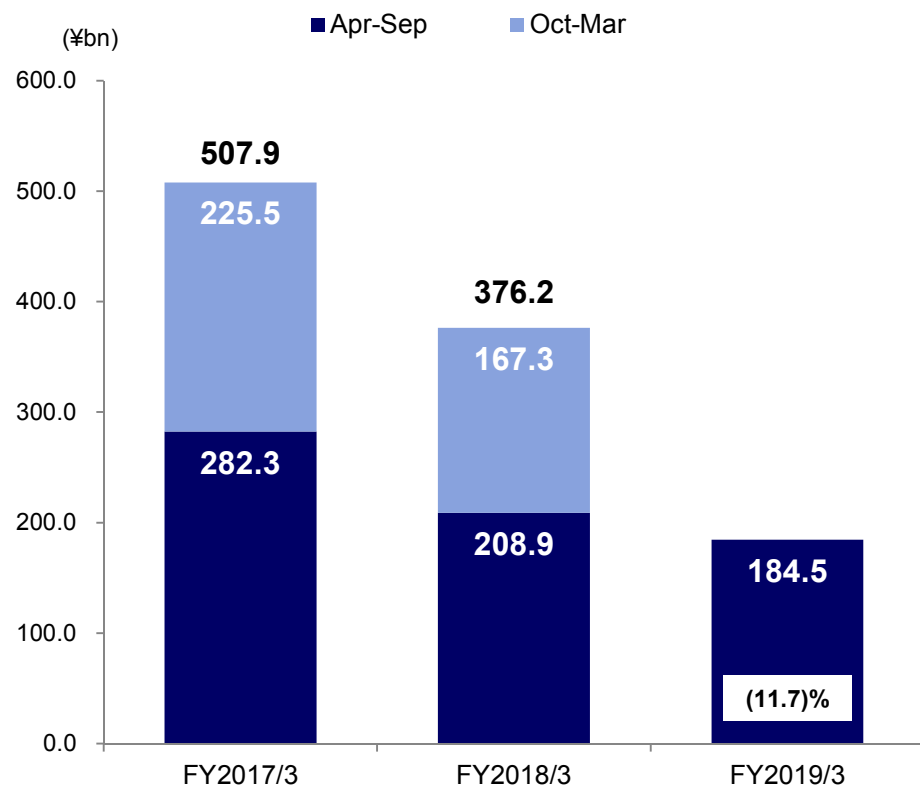
2. "Extraordinary gains and losses" includes "Price fluctuations reserve, provision" and "Price fluctuations reserve, reversal."

# Annualized Premiums from New Policies

- Annualized premiums from new policies for individual insurance were ¥184.5 billion, a 11.7% decrease year on year.
- Annualized premiums from new policies for medical care increased by 18.5% year on year to ¥33.0 billion, which was a historical high, due to shifting to protection-type products.

## Annualized Premiums from New Policies (Individual Insurance)

## Annualized Premiums from New Policies (Medical Care)



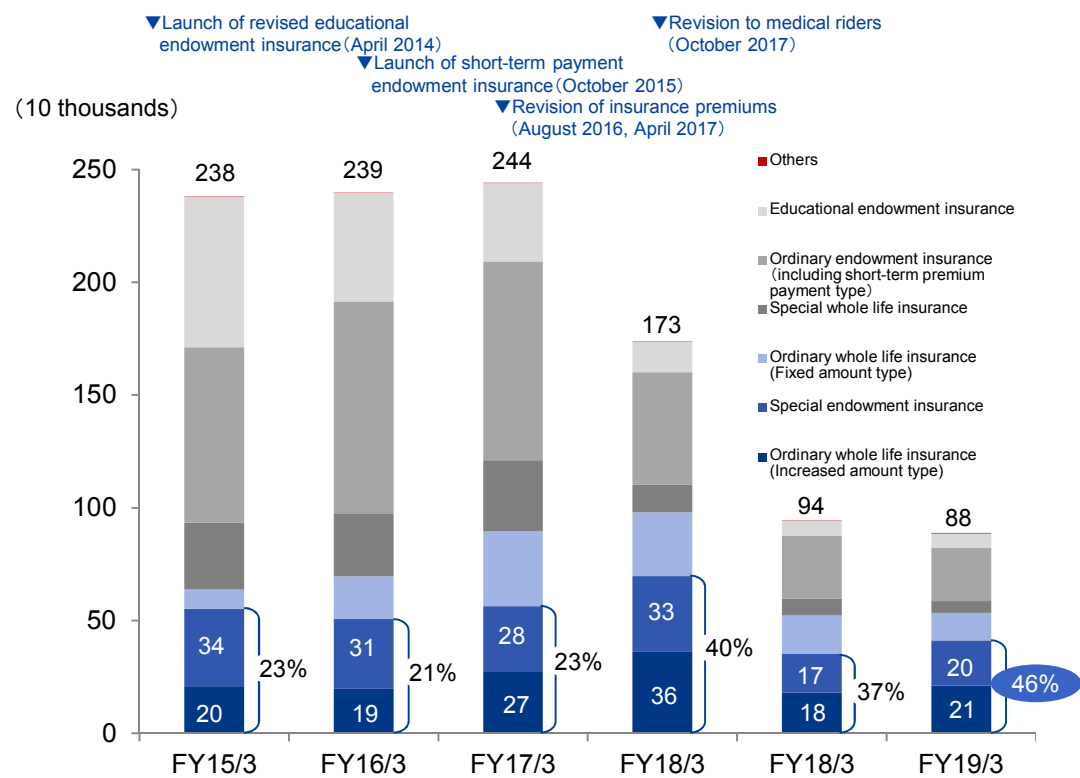
Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium 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 ¥3.0 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchases.

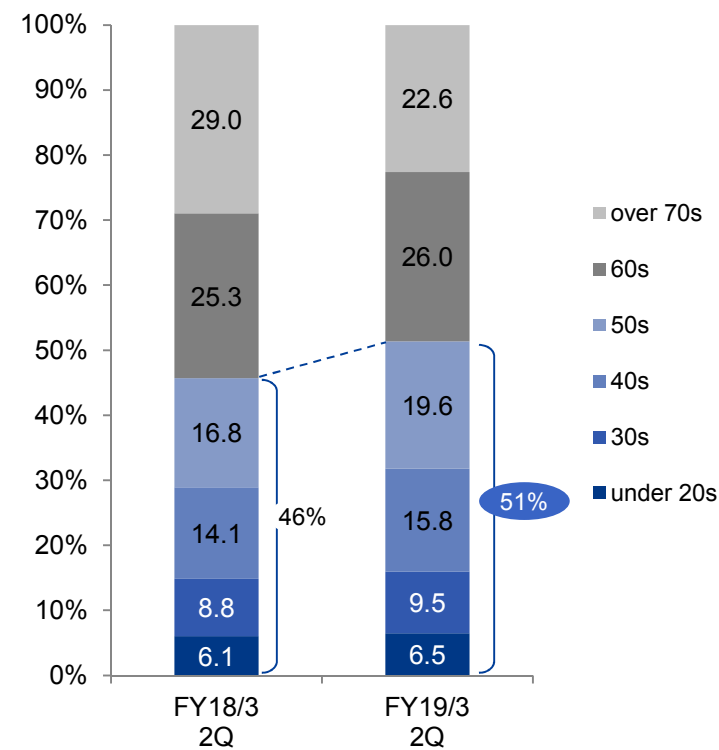
# Change in Products Portfolio and Age Composition of Policyholders

- Though the amount of sales has been trending downward, the rates of sales of death benefit products with term benefit, ordinary whole life insurance (increasing amount type) and special endowment insurance, have been increasing.
- As for the age composition of policyholders, the rate of under 50s increased, compared to the same period last year which is before the revision to medical riders.

### Change in products portfolio ( Number of new policy )



### Change in age composition of policyholders ( Number of new policy )

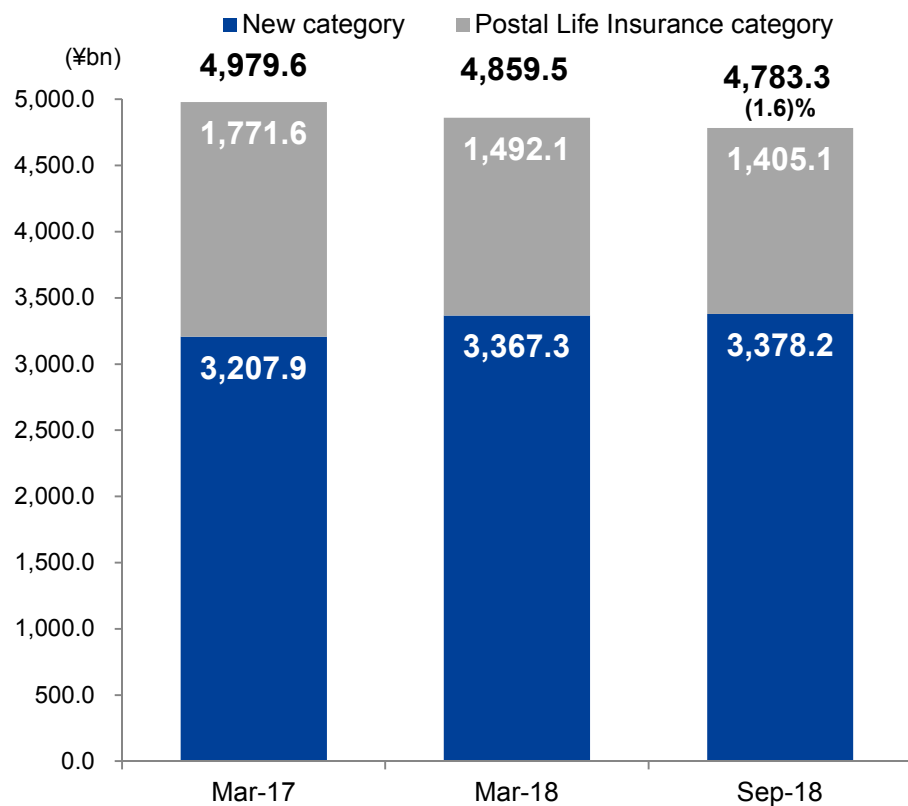


Value of new business	154.9	192.7	36.8	226.7	102.2	131.5	(¥bn)
New Business Margin	2.8%	3.4%	0.6%	5.5%	4.7%	6.5%	

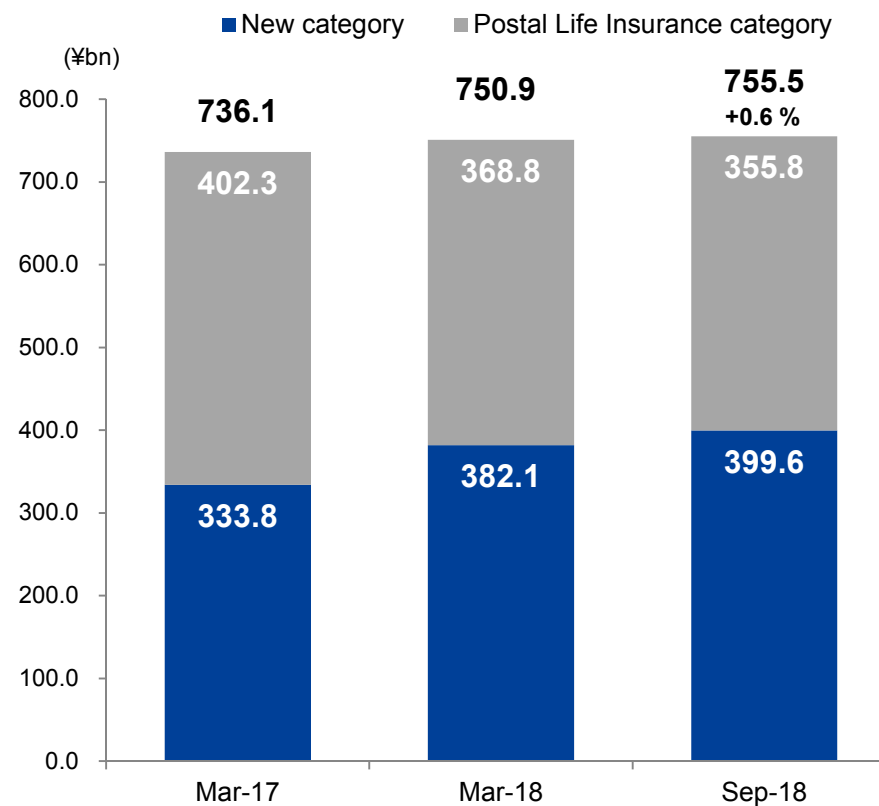
# Annualized Premiums from Policies in Force

- Although annualized premiums from policies in force for individual insurance represent a slight decrease from the end of the previous fiscal year, annualized premiums from policies in force for medical care reversed and increased by 0.6% from the end of the previous fiscal year.

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



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

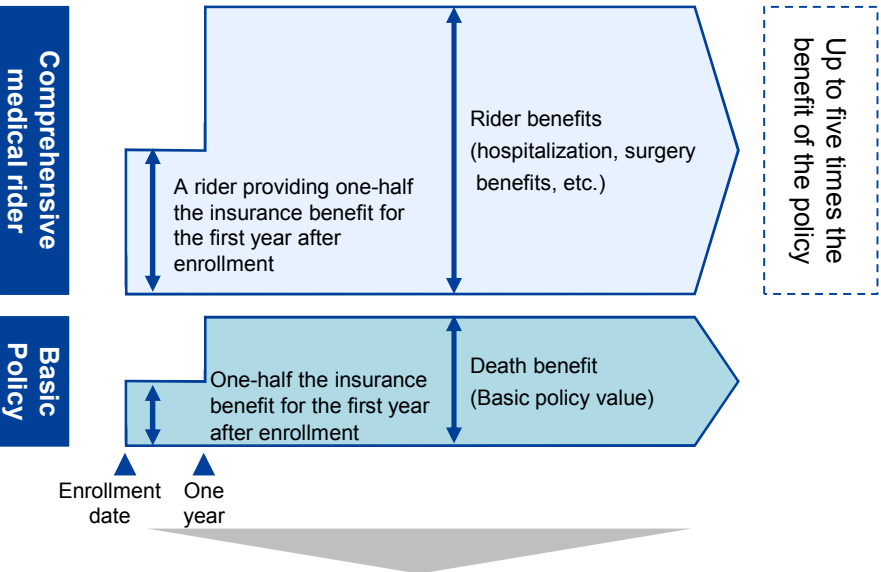


Note: "New category" shows individual insurance policies underwritten by Japan Post Insurance. The "Postal Life Insurance category" shows postal life insurance policies reinsured by Japan Post Insurance from the Management Organization for Postal Savings and Postal Life Insurance.

# New Product Development

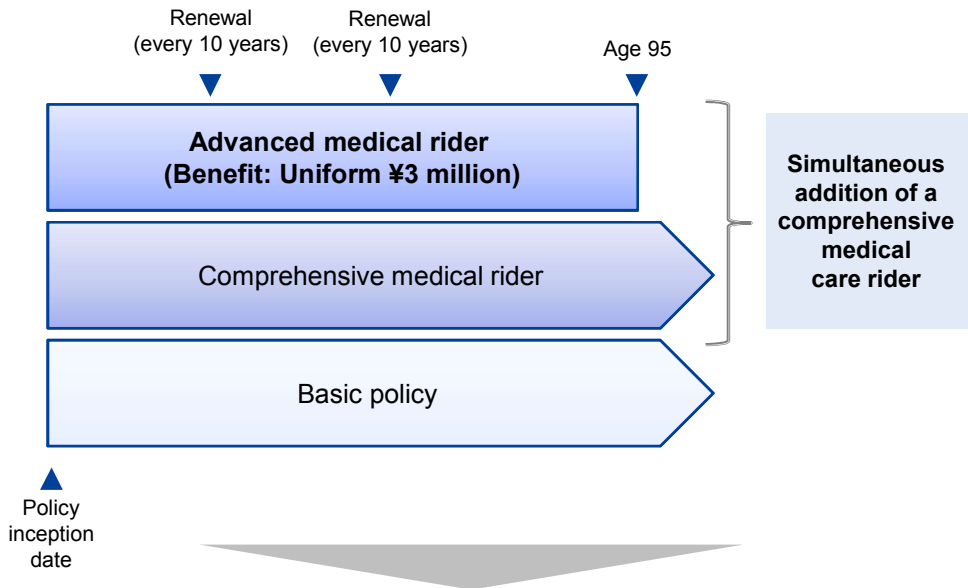
■ We have applied for approval for underwriting new insurance products (products with a relaxed underwriting criteria and advanced medical riders) to improve user convenience and stabilize management by securing revenue. (October 16, 2018)

## Products with a Relaxed Underwriting Criteria



- Possible to provide even to people who have previously been denied enrollment (endowment insurance, whole life insurance, comprehensive medical rider)
- Decline in complaints upon denial

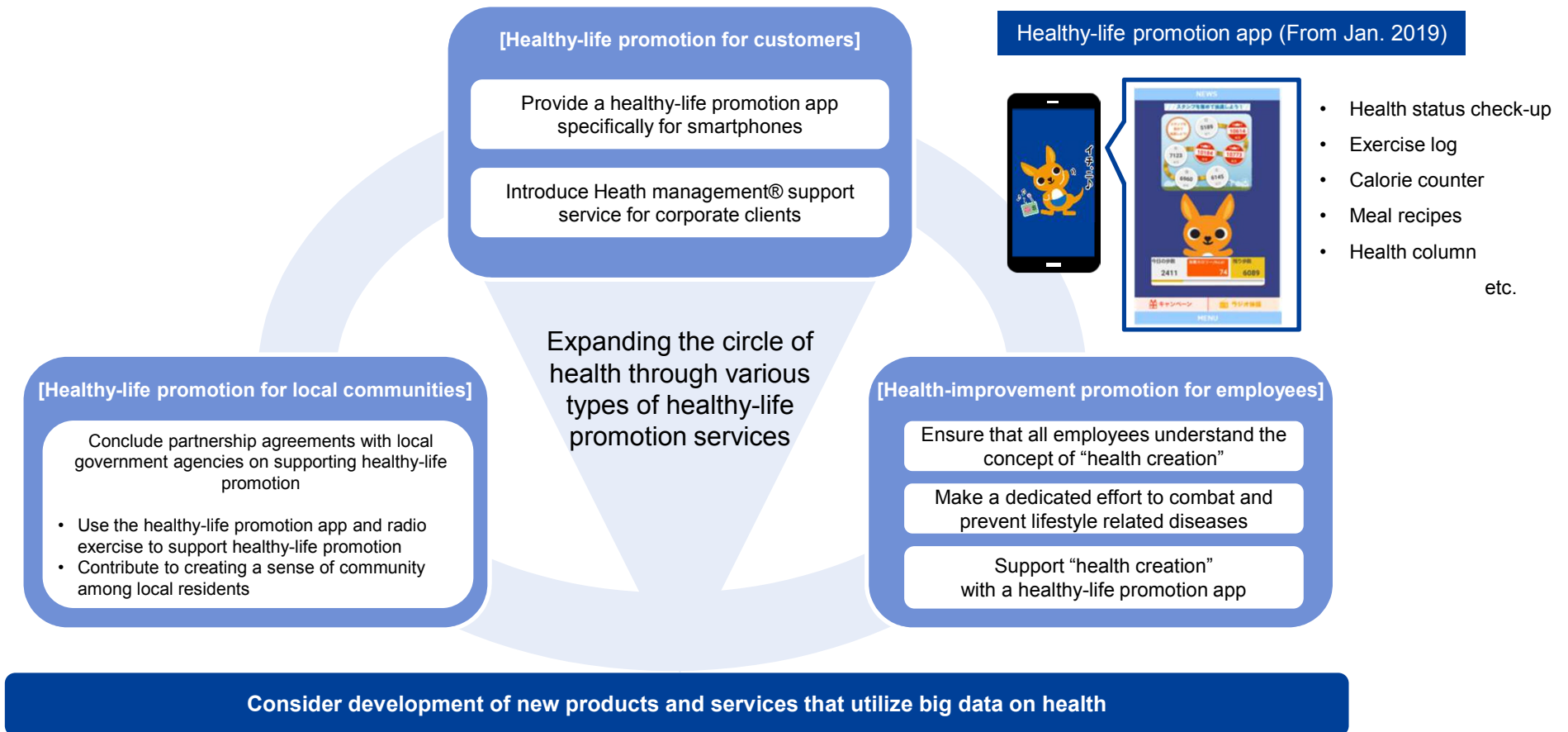
## Advanced Medical Rider



- Meets the needs of customers who want to prepare for the financial burden of charges for high-cost technology used in advanced medical care
- Expands the product line-up

# Healthy-Life Promotion Services

- Expand healthy-life promotion services aimed at the different stakeholder groups of customers, local communities, and employees.
- In the future, use health related big data to develop new products and services.



Note: Health management® is a registered trademark of the Workshop for the Management of Health on Company and Employee



# Investments Asset Portfolio

- Continue to expand investment in return seeking assets in light of the continued historically low interest rate environment.

## Asset Portfolio

(¥bn, %)

	Mar-18		Sep-18	
	Amount	Share	Amount	Share
Bonds	53,395.2	69.5	51,611.9	69.0
Japanese government bonds	39,589.8	51.5	38,032.9	50.9
Japanese local government bonds	8,513.5	11.1	8,128.5	10.9
Japanese corporate bonds	5,291.7	6.9	5,450.3	7.3
Return seeking assets <sup>1</sup>	9,450.4	12.3	10,177.5	13.6
Domestic stocks <sup>2</sup>	2,040.6	2.7	2,117.8	2.8
Foreign stocks <sup>2</sup>	342.5	0.4	372.9	0.5
Foreign bonds <sup>2</sup>	5,545.4	7.2	6,252.8	8.4
Other <sup>3</sup>	1,521.8	2.0	1,433.9	1.9
Loans	7,627.1	9.9	7,180.7	9.6
Others	6,358.3	8.3	5,793.7	7.7
Cash and deposits, call loans	1,163.5	1.5	1,286.8	1.7
Receivables under securities borrowing transactions	3,296.2	4.3	2,405.9	3.2
<b>Total assets</b>	<b>76,831.2</b>	<b>100.0</b>	<b>74,763.9</b>	<b>100.0</b>

## Investment Yield

(¥bn)

	6 months ended Sep-17	6 months ended Sep-18	(Reference) Year ended Mar-18
Positive spread	35.0	30.6	65.8
Average assumed rates of return <sup>1</sup>	1.71 %	1.70 %	1.71 %
Investment return on core profit <sup>2</sup>	1.82 %	1.80 %	1.81 %

Net capital gains (losses)	(2.4)	(30.2)	(19.1)
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	Sep-17	Sep-18	Mar-18
Interest rate (10Y JGB)	0.060 %	0.125 %	0.045 %
USD/JPY	¥ 112.73	¥ 113.57	¥ 106.24

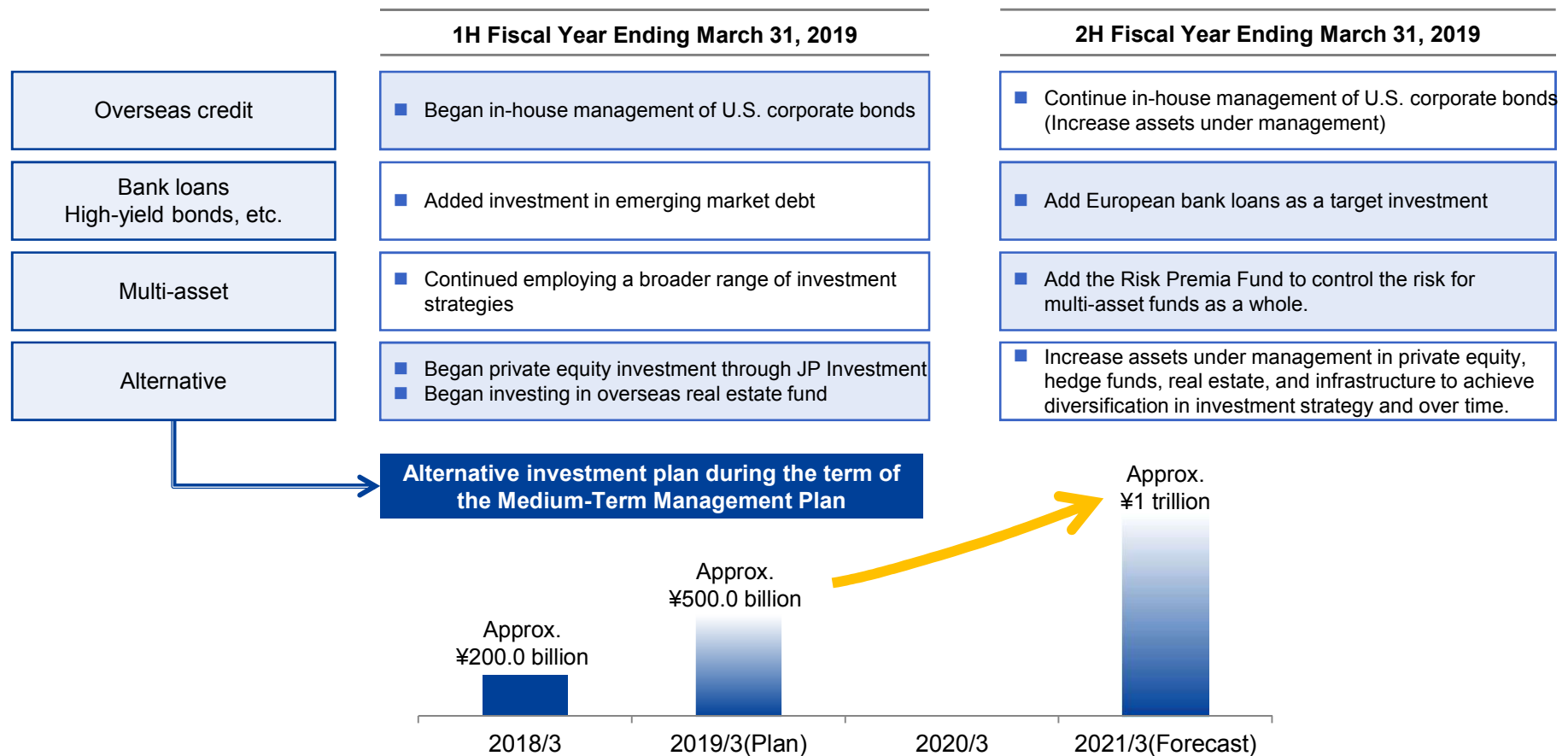
- Average assumed rates of return are the assumed return on general account policy reserves.
- Investment return on core profit is the return with respect to earned policy reserves.

- 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.

# Diversifying the Asset Portfolio

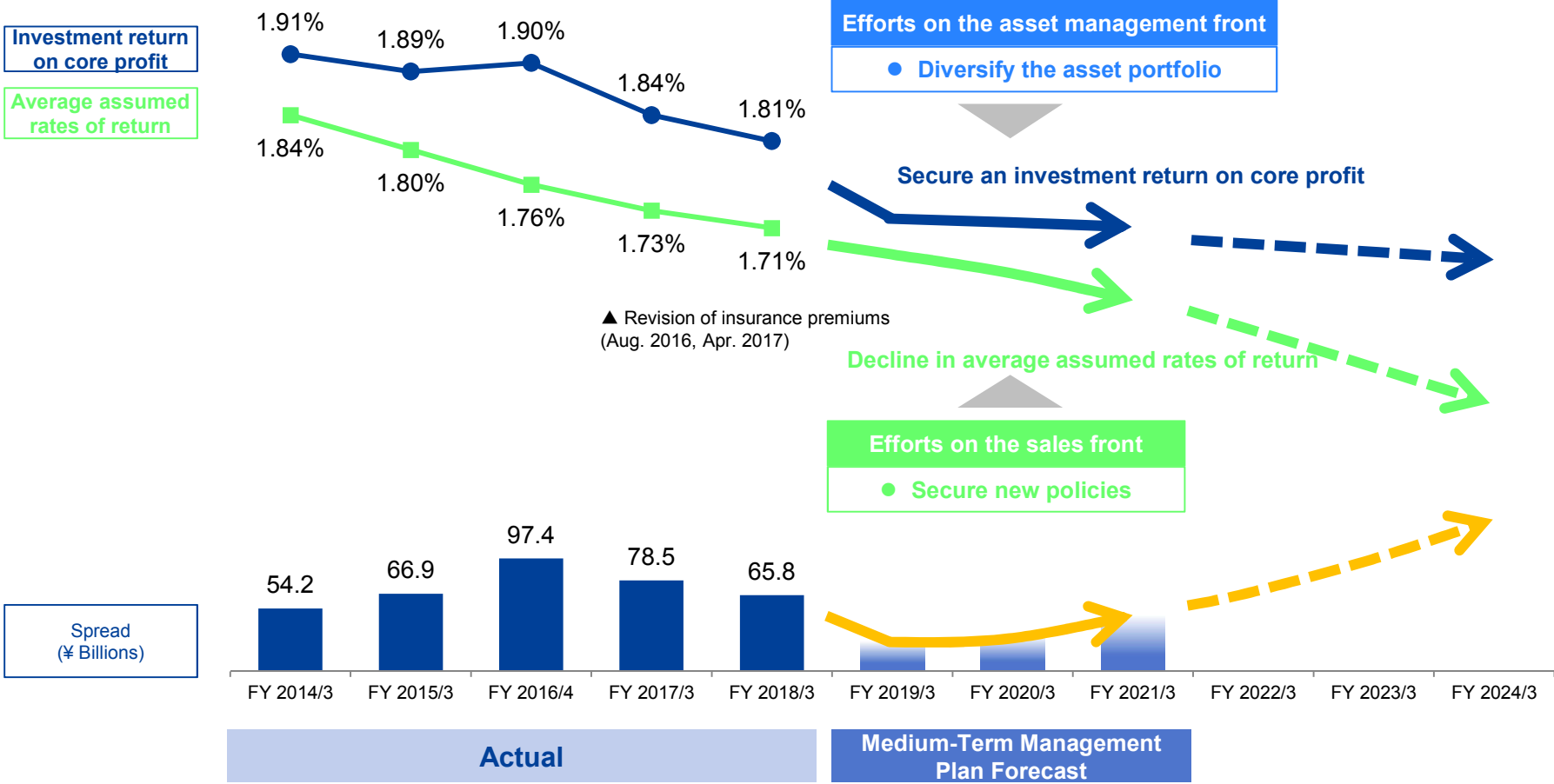
- During the first half, our efforts to diversify the asset portfolio through in-house management of U.S. corporate bonds and other means resulted in stable returns on our investments.
- During the second half, we will continue to diversify our asset portfolio and will also strive to expand investment targets within each asset class and employ a broader range of investment strategies.

## Diversifying the Asset Portfolio



# Projected Spread

- We anticipate a decline in the average assumed rate of return over the long-term as we steadily acquire new business due to a stronger focus on protection-type products in sales.
- We are also aiming to expand gains spread over the long-term by diversifying our asset portfolio to secure an investment return on core profit.



# Financial Soundness

- Our internal reserves—contingency reserve and price fluctuations reserve—amounted to ¥2,957.8 billion
- Solvency margin ratio, ESR, Credit ratings are sufficient level of soundness compared to competitors

## Internal Reserves

	Mar-18	Sep-18	(¥bn)
			Provisions in the period <sup>3</sup>
Contingency reserve	2,114.3	2,039.1	(75.1)
Postal Life Insurance category	1,665.0	1,577.8	(87.2)
New category	449.2	461.3	12.0
Price fluctuations reserve	916.7	918.6	1.9
Postal Life Insurance category	665.5	663.5	(1.9)
New category	251.2	255.0	3.8
Additional policy reserve	5,930.4	5,907.5	(22.8)
Postal Life Insurance Category <sup>1</sup>	5,913.3	5,892.3	(20.9)
New category <sup>2</sup>	17.0	15.2	(1.8)

## Solvency Margin Ratio (Consolidated)

	Mar-18	Sep-18
		(¥bn)
Solvency Margin Ratio (Consolidated)	1,131.8%	1,107.4%
(Reference) ESR	186 %	206 %

## Credit rating status

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

Note: Above ratings fall under insurance financing (rating on insurance benefit solvency)

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 Six Months Ended September 30, 2018, the amount of additional provision was ¥90.5 bn and the accumulated amount was ¥1,481.8 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 ¥7.4 bn exceeding the provision requirements for contingency reserve.

# Embedded Value

- EV increased by ¥232.5 billion over the end of last fiscal year to ¥3,975.8 billion due to new policies acquired and the favorable market environment.
- Premium revisions and the shift to protection-type products resulted in an increase of ¥29.2 billion year on year in the value of new business to ¥131.5 billion, and a new business margin of 6.5%.

## Breakdown of EV

(¥bn)

	Mar-18	Sep-18	Change
EV	3,743.3	3,975.8	232.5 (+ 6.2%)
Adjusted net worth	2,136.4	2,164.5	28.0 (+ 1.3%)
Value of in- force covered business	1,606.8	1,811.3	204.5 (+ 12.7%)

	6 months ended Sep-17 <sup>1</sup>	6 months ended Sep-18 <sup>2</sup>	Change (Year on Year)
Value of new business	102.2	131.5	29.2 (+ 28.6%)
New business margin <sup>3</sup>	4.7 %	6.5 %	1.8 pt

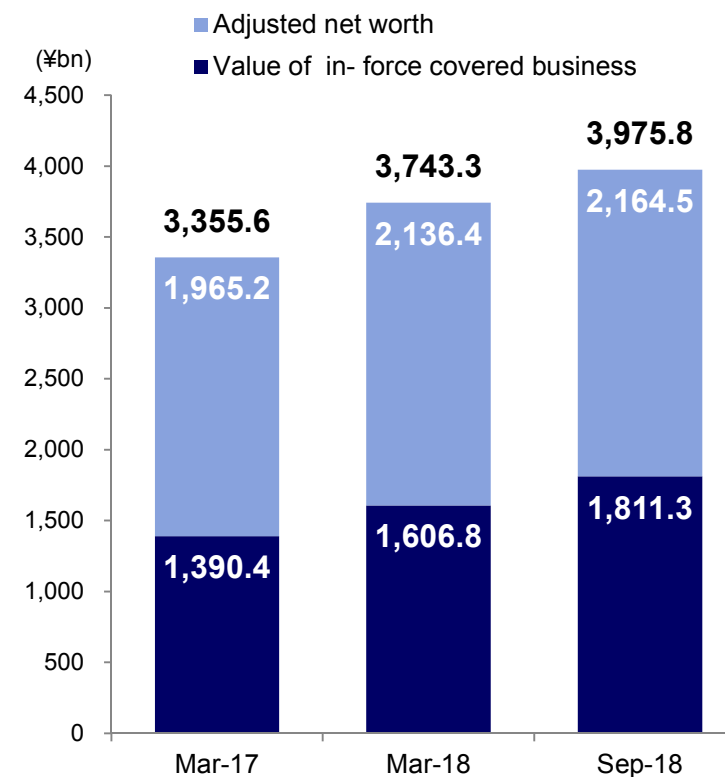
1. Using the same economic assumptions as for the value of new business for FY2017/9, based on the new policies written in the period from April to September 2017.

2. Using the economic assumptions as of the end of March 2018, based on the new policies written in the period from April to September 2018.

The value of new business includes an increase or decrease due to a switchover of riders.

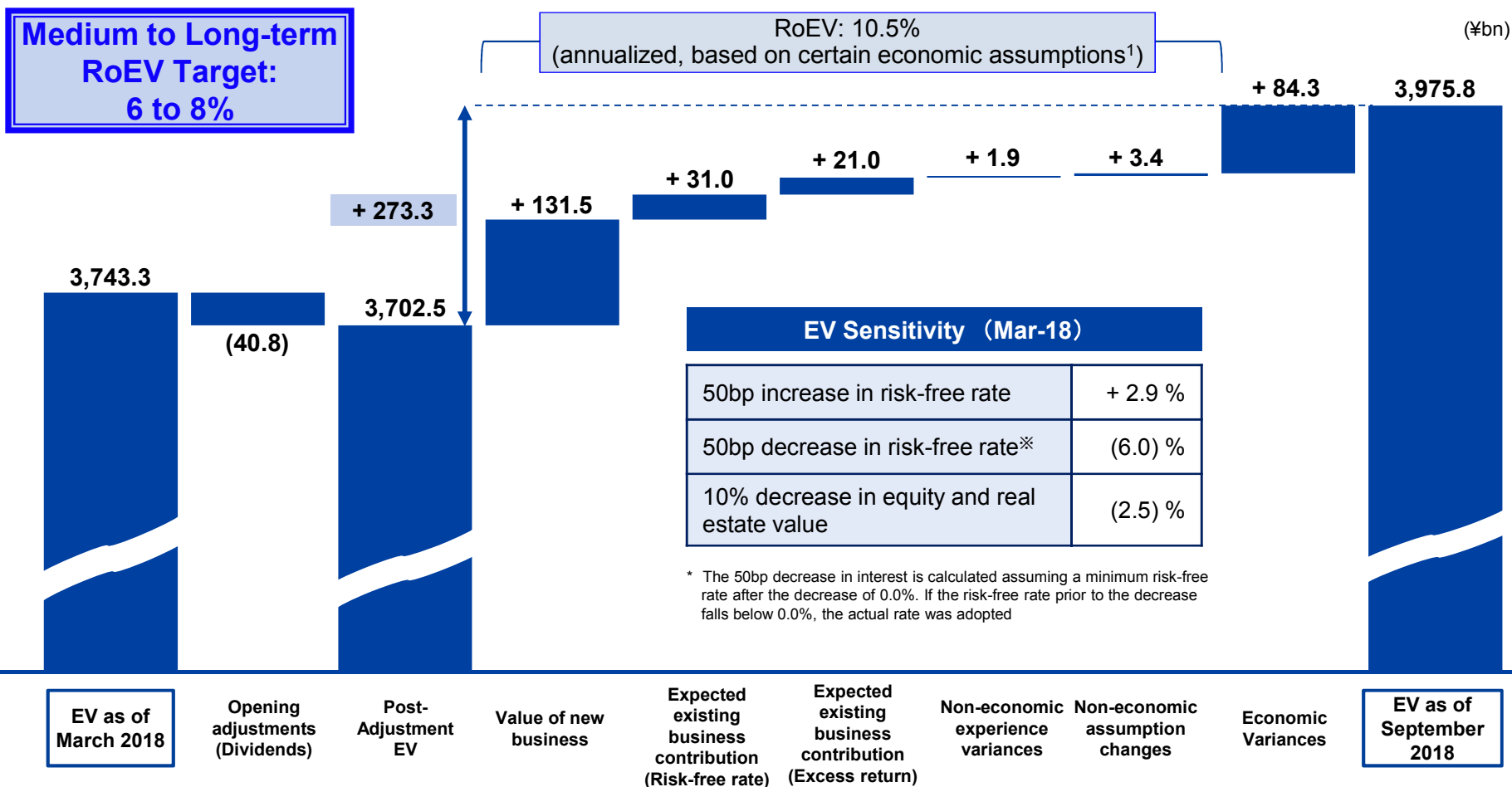
3. The value of new business divided by the present value of future premium income.

## EV



# Change in Embedded Value

- RoEV (annualized, based on certain economic assumptions) is now at 10.5% and our embedded value has been increasing steadily, which is a level higher than 6 to 8% as aimed for the medium- to long-term target.



1. Constant economic assumption rate excludes economic variance factor.

# Revisions to the Forecasts for Full-year Consolidated Financial Results and Dividends Per Share for the Year Ending March 31, 2019

## Revisions to the Full-year Consolidated Financial Results Forecasts

(¥bn)

	Year ended Mar-18 (Actual)	Year ending Mar-19 (Forecasts)	Year ending Mar-19 (Revised forecasts)
Ordinary income	7,952.9	7,580.0	7,660.0 [+ 80.0]
Ordinary profit	309.2	220.0	260.0 [+ 40.0]
Net income <sup>1</sup>	104.4	88.0	111.0 [+ 23.0]
Net income per share	¥174.21	¥146.71	¥ 185.06 [+ ¥ 38.35]

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.

## Revisions to the Forecasts for Dividends Per Share

(Payout Ratio)

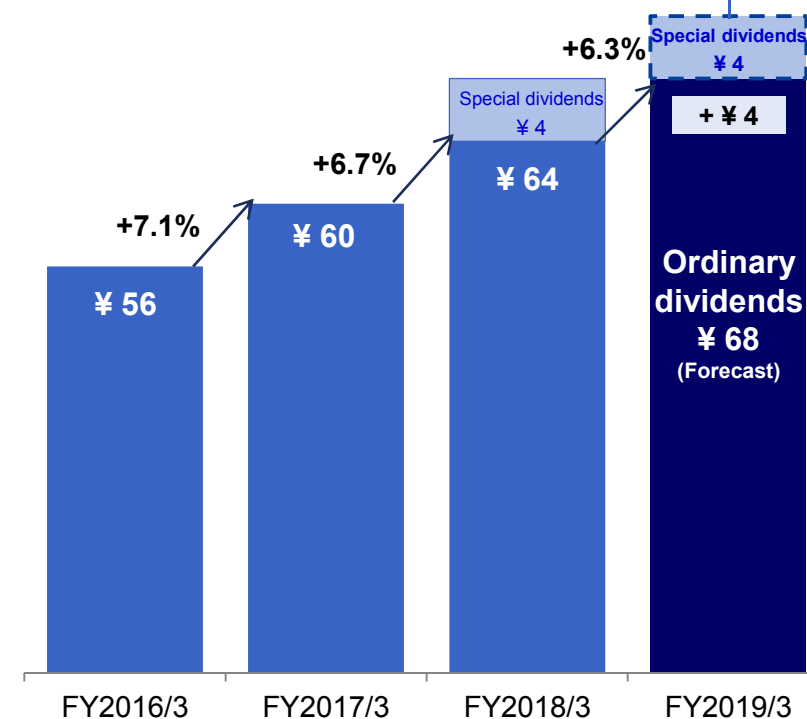
39.6 %

40.6 %

39.0 %

38.9 %

Year ending Mar-19 revised forecast  
⇒ ¥ 72 (ordinary dividends ¥ 68 + special dividends ¥ 4)



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**3**

**APPENDIX**



# History and Outline of Kampo

- Since Postal Life insurance service was established, we have transformed our entity in the following order: Ministry of Communications, the Ministry of Posts and Telecommunications, Postal Services Agency, Japan Post Corporation, and now the stock company through the framework of privatization.

## History

April 1871	Modern postal service established
May 1875	Postal savings service established
December 1885	Ministry of Communications established
October 1916	<u>Postal life insurance service established</u>
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Services Agency established as part of realignment of government ministries
April 2003	Japan Post Corporation( <i>nippon yusei kosha</i> ) established
October 2005	Postal Service Privatization Act was enacted
October 2007	Japan Post Group established with Japan Post Holdings Co., Ltd., Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.
April 2012	Act for Partial Revision of the Postal Service Privatization Act and others was enacted
October 2012	Japan Post Service and Japan Post Network merged, and Japan Post Co., Ltd. established
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange

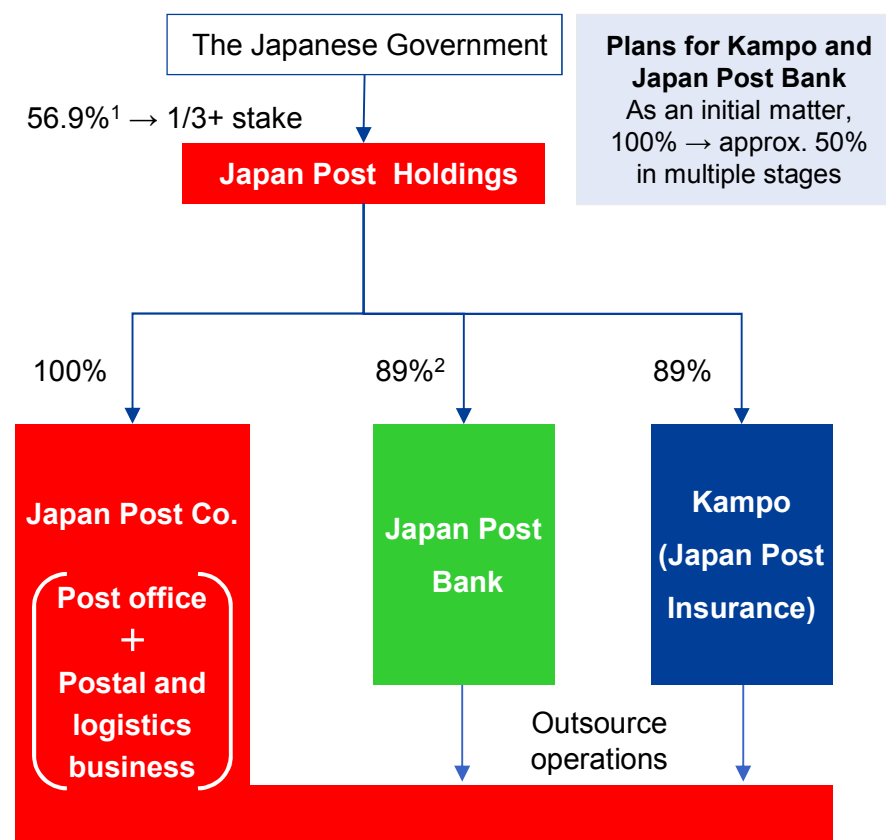
## Outline (FY2018/3)

• Insurance premiums and others (bn ¥)	4,236.4(Consolidated)
• Total Assets (bn ¥)	76,831.2(Consolidated)
• Number of policies in force(mn)	30.4 ※including Postal Life Insurance policies
• Paid-in Capital(bn ¥)	500.0
• Major Shareholder	Japan Post Holdings Co., Ltd (89.0%)
• Number of employees(persons)	7,490 ※As of March 31,2018
• Agency sales channel(offices)	20,627 ※As of March 31,2018 (Post Offices :20,047, Contracted Post Offices :580)
• Directly-managed wholesales channel(offices)	Head Office: Whole sales Department(1) Branch: Whole sales Divisions(76)

# 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. Shareholding ratio to the total number of issued and outstanding shares excluding treasury shares

## Postal Service Privatization Act

Category	Content
Universal service obligation	<ul style="list-style-type: none"> <li>■ Japan Post Holdings and Japan Post Co. are obligated to provide universal services including mail, banking and life insurance businesses</li> </ul>
Shareholdings	<ul style="list-style-type: none"> <li>■ Japan Post Holdings aims to dispose of its entire equity interest in the Kampo and Japan Post Bank as soon as possible</li> </ul>
Additional regulatory restrictions	<b>Limitation on new business</b> <ul style="list-style-type: none"> <li>■ Current: regulatory approval required</li> <li>■ After disposal of 50% or more of Japan Post Holdings' equity interest in us: regulatory prior notification required</li> </ul>
	<b>Limitation on coverage amount</b> <ul style="list-style-type: none"> <li>■ Prescribed in cabinet order</li> </ul>
	<b>Removal of restrictions</b> <ul style="list-style-type: none"> <li>■ 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</li> </ul>

# Additional Restrictions under the Postal Service Privatization Act

- Additional regulatory restrictions relating to new businesses under Postal Service Privatization Act will change from an approval system to a prior 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 in cabinet order, and any revision will require a hearing at the Postal Services Privatization Committee

Category	Contents
<p><b>New business</b></p>	<p>【Until Japan Post Holdings disposes of half or more of all the shares of Kampo】</p> <ul style="list-style-type: none"> <li>■ Approval by specified ministers<sup>1</sup> (a hearing at the Postal Service Privatization Committee is required)</li> </ul> <p>【After Japan Post Holdings disposes of a half or more of all the shares of Kampo until the designated date<sup>2</sup>】</p> <ul style="list-style-type: none"> <li>■ Prior notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required)</li> </ul> <p>【After designated date】</p> <ul style="list-style-type: none"> <li>■ No regulations under Postal Service Privatization Act (regulations under Insurance Business Act will continue)</li> </ul>
<p><b>Limit on coverage amount</b></p>	<ul style="list-style-type: none"> <li>■ Prescribed in cabinet order (a hearing at the Postal Service Privatization Committee is required to revise)               <ul style="list-style-type: none"> <li>— Limit on coverage amount: in principle, ¥10 mn, total of ¥13 mn after 4 years have elapsed since start of coverage (age 20-55)</li> </ul> </li> </ul> <p>【After designated date】</p> <ul style="list-style-type: none"> <li>■ No regulations based on Postal Service Privatization Act</li> </ul> <div data-bbox="1379 1177 2085 1283" style="border: 1px dashed blue; padding: 5px; margin-top: 10px;"> <p>April 1, 2016~ Increased to a total of ¥20 mn after 4 years have elapsed since start of coverage (age 20 – 55)</p> </div>

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

2. Designated date: 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

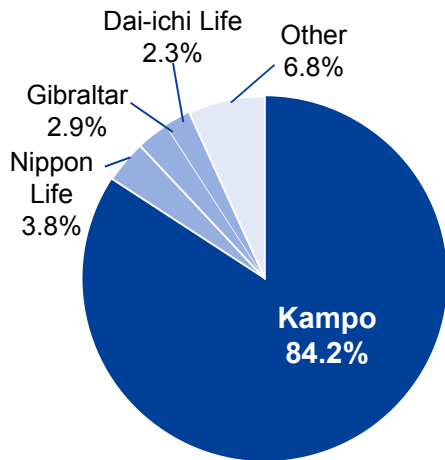
# Endowment and Whole Life with Medical Riders

- Kampo's core products hold top shares in respective product segments
- Our basic strategy is to sell universal service products with medical riders

## Market Share (Number of New Policies, FY2017/3)

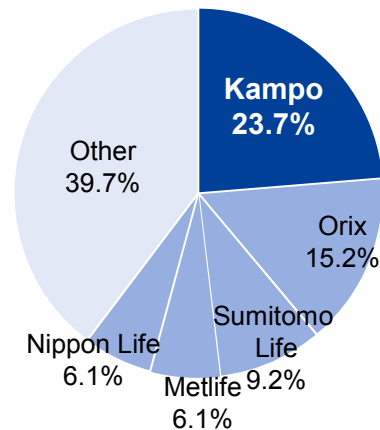
Endowment and Whole Life Insurance are Designated as Universal Service Products

### Endowment



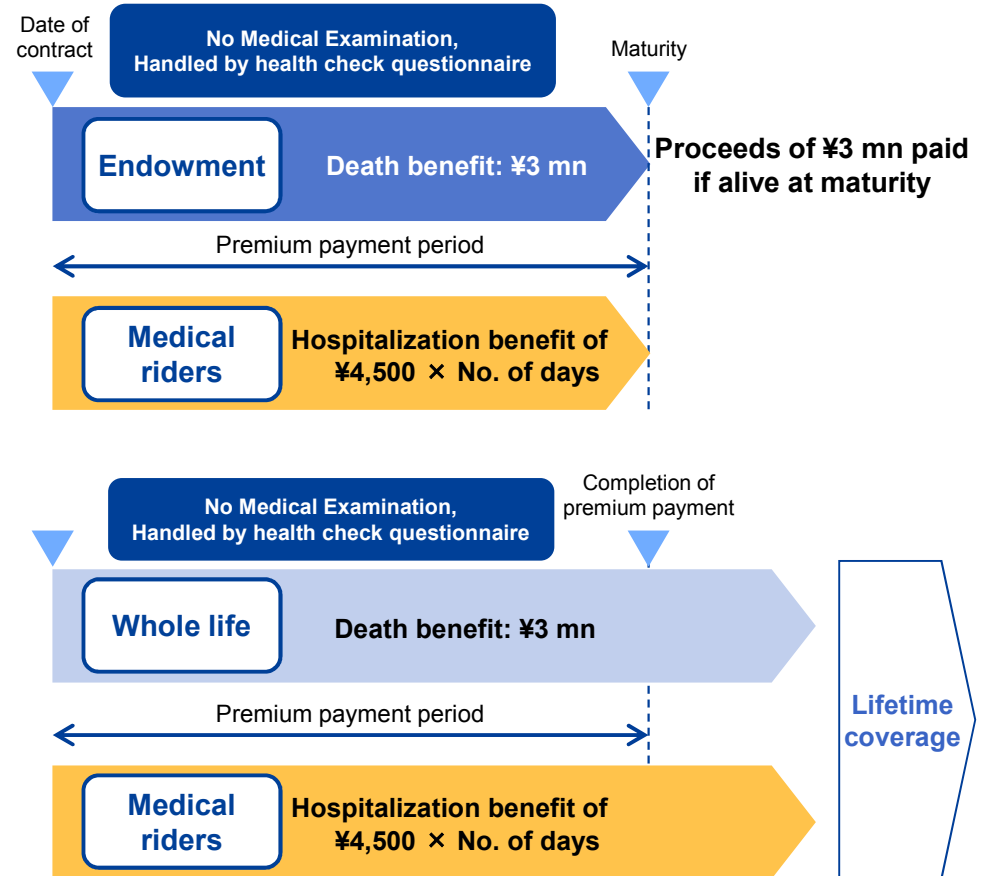
Total: 1.39mn policies

### Whole Life



Total: 3.89mn policies

## Typical Examples of Kampo's Products

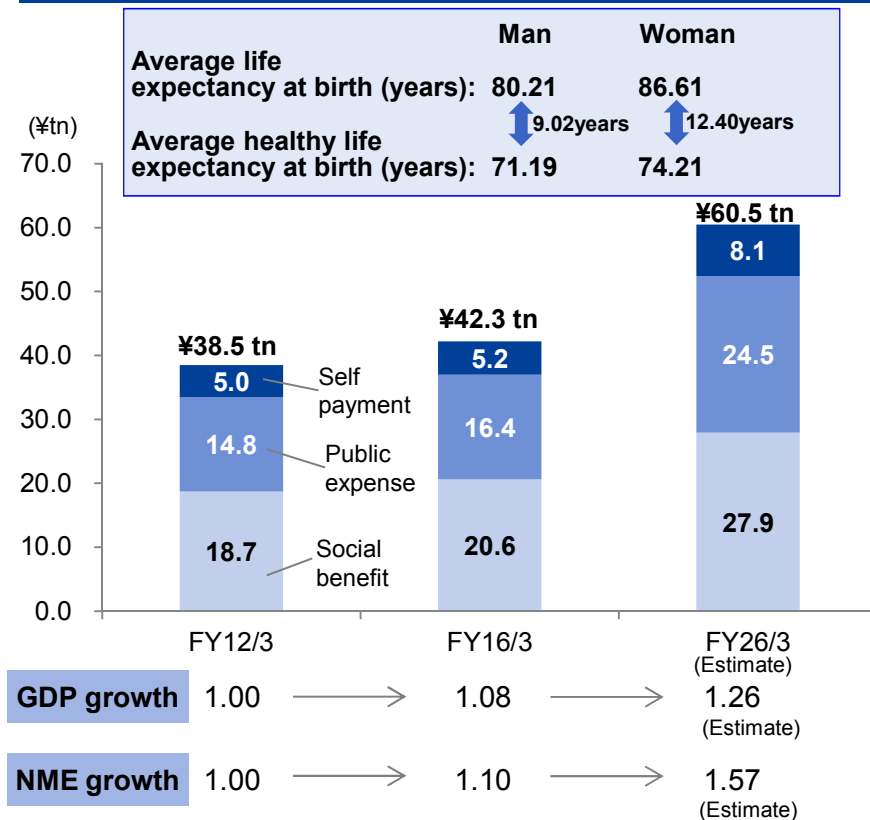


Source: Statistics of Life Insurance Business in Japan (2017)

# Growth of the Medical Care Insurance Market

- As national medical expenditures continue to increase due to the aging population, private-sector health insurance is playing a more important role to supplement self-pay medical cost
- As the cost of medical care increases, Japan's medical care insurance market continues to grow

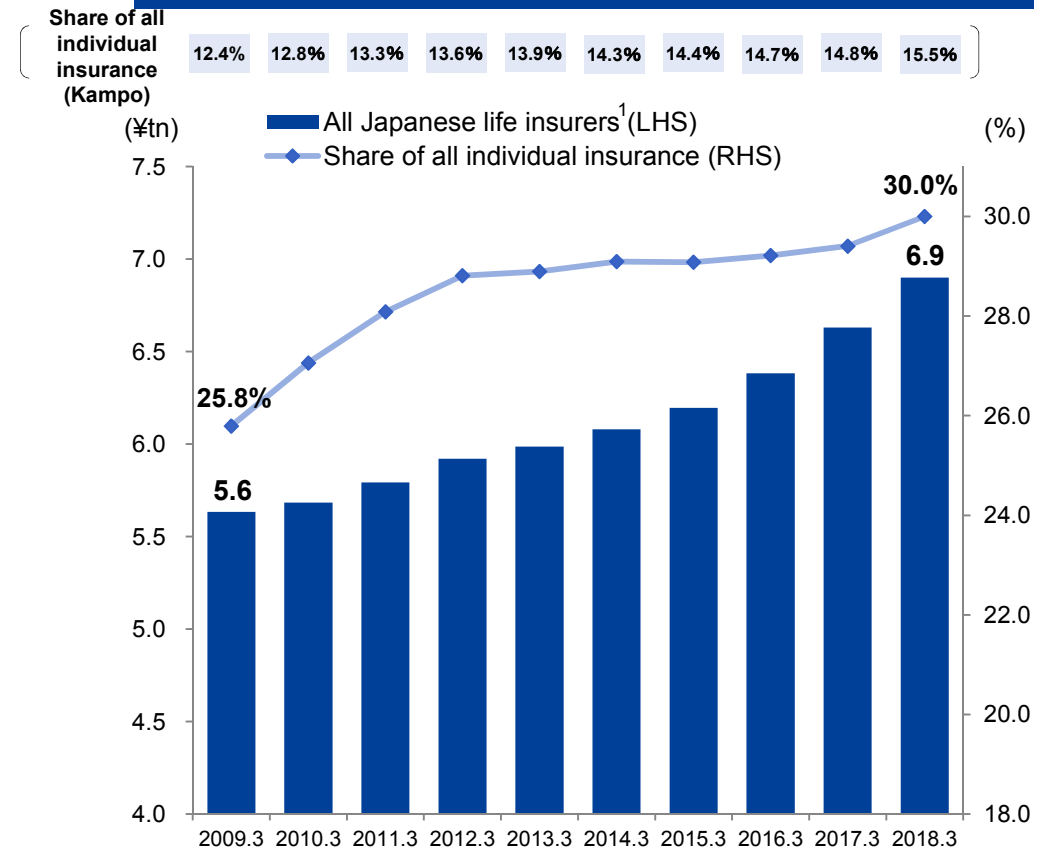
## The Rising National Medical Expenditure ("NME")



Source: Ministry of Health, Labour and Welfare ("MHLW"), Cabinet Office, "Overview of Interim Report of the Next Generation Health Care Industry Commission" (METI, June 5, 2014)

Note: Figures are estimated amount at official announcement.

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



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

# Performance of Our Medical Care Insurance as a Policy Rider

- Although we offer medical care insurance only in the form of rider, our market share exceeds 10%
- Our medical riders provide coverage for hospitalization, surgery and extended hospital stays for a variety of diseases

## Market Share of Medical Care

Rank	Company	Annualized Premiums from Policies in Force (¥bn)	Share (%)
1	Aflac	1,065.3	15.4
<b>2</b>	<b>Kampo</b>	<b>750.9</b>	<b>10.9</b>
3	Dai-ichi Life	647.9	9.4
4	Nippon Life	627.9	9.1
5	Sumitomo Life	546.7	7.9
6	Meiji Yasuda Life	402.0	5.8
7	MetLife	368.2	5.3
8	NN	305.2	4.4
9	Gibraltar	223.6	3.2
10	Axa	208.1	3.0
Life insurance total (41 companies)		6,900.5	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (2017)

Note: Figures for Kampo include reinsured postal life insurance policies

## Medical 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 Payment<sup>1</sup>

- ¥22,500 (5 times daily benefit<sup>2</sup>) for the first day in a hospital

#### Surgery Benefit

- Hospital surgery ¥90,000 (20 times daily benefit<sup>2</sup>)
- Outpatient surgery ¥22,500 (5 times daily benefit<sup>2</sup>)
- Radiology treatment ¥45,000 (10 times daily benefit<sup>2</sup>)

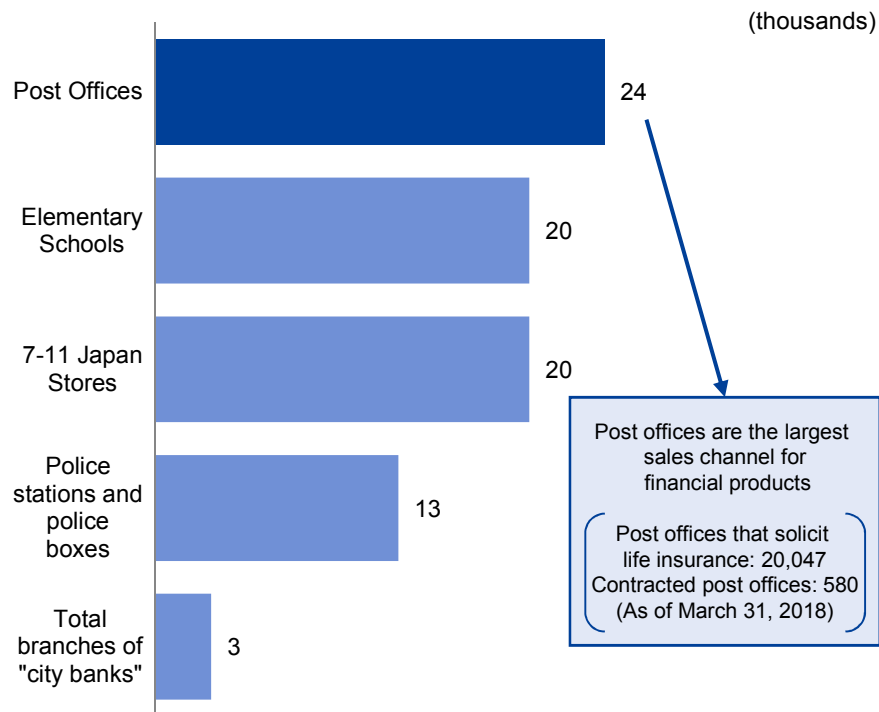
Coverage amount is determined and Kampo is not responsible for increases in the cost of medical care

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

# Expansive Nationwide Distribution Network

- Nationwide, comprehensive network of post offices is Kampo's core sales channel
- New policies are mainly acquired through post office offsite sales personnel and post office counters

Number of Locations



Source: Ministry of Education, Culture, Sports, Science and Technology / Statics Bureau, Ministry of Internal Affairs and Communications / Japanese Bankers Association / company disclosure

Breakdown of New Policy Sales<sup>1</sup> by Channel (FY2018/3)

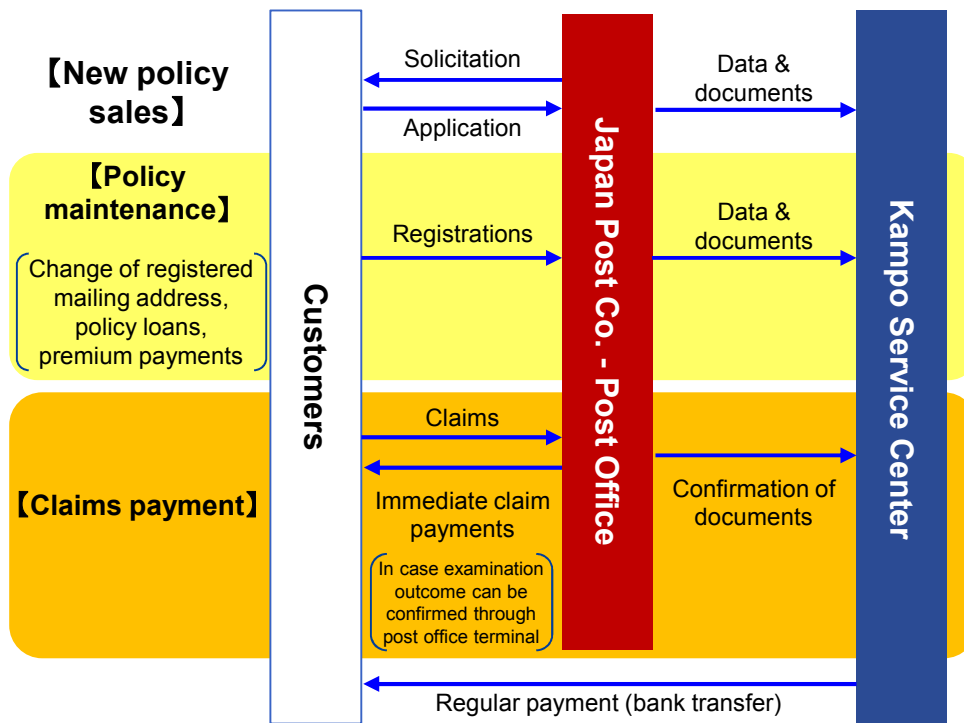


1. Calculated based on the contracted monthly insurance premiums of each policy sold in the FY2018/3.

# Strong Support for Highly Convenient Post Office Channel

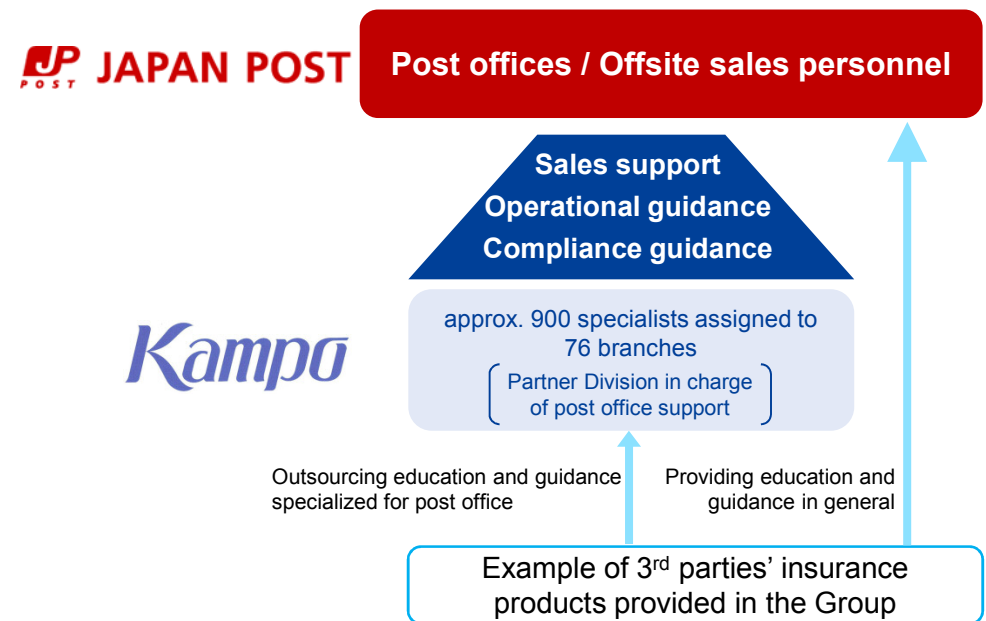
- High customer convenience as policy maintenance and claims payment procedures as well as new policy sales are handled by nationwide post offices
- Assign specialists across the county to support post offices and have established a closer partnership with post offices

## Cooperate with Post Offices



- Comprehensive infrastructure has been established between Kampo and post offices, including after service

## Competitive Advantage to Support Post Office



- Post office support arrangements for insurance companies outside the group
- For example, Aflac has developed a Japan Post Group dedicated cancer insurance product, with features that lessen competition with Kampo's medical care riders. As a result, achieved sales increases for both Kampo and Aflac

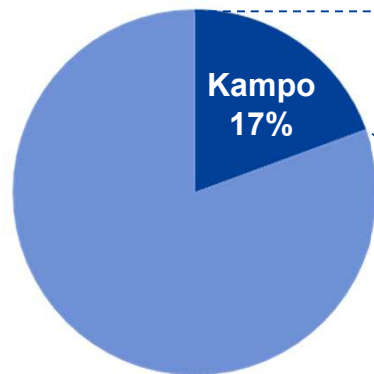


# Strength among Women, Middle–Aged and Older Adult Customers

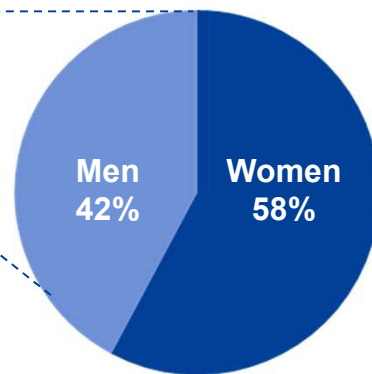
- We insure approx. 22 mn people, representing approx. 20% of the total population of Japan
- Approx. 60%<sup>1</sup> of our insured are women
- The middle–aged and older adult age groups (50 years and older) account for approx. 70%<sup>2</sup> of our policyholders

## Gender Composition of Insured (Number of Policies in Force, Mar-2018)

Insured as share of total population



Gender composition (Kampo)



	Number of people (mn)	(%)
Total population	126.50	100%
No. of insured by Kampo	22.13	<b>17%</b>

	Number of insured <sup>1</sup> (mn)	(%)
Women	12.88	<b>58%</b>
Men	9.24	42%

\*Gender composition of new policy for life insurers is about 50:50 (FY2018/3)

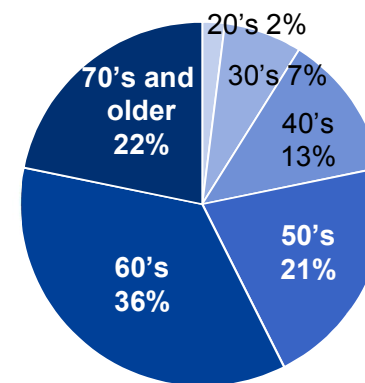
Sources: Ministry of Internal Affairs and Communications Statistics Bureau (as of April 1, 2018)

1. Based on number of policies in force as of March 31, 2018

2. Based on number of new policy sales in FY2018/3

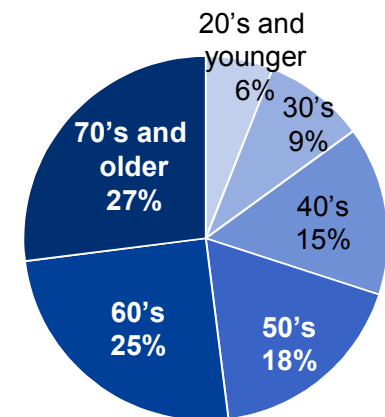
## Age Composition of Policyholders (Number of New Policies, FY2018/3)

Age composition of financial assets holders



■ People over 50 hold approx. 80% of individual financial assets in Japan

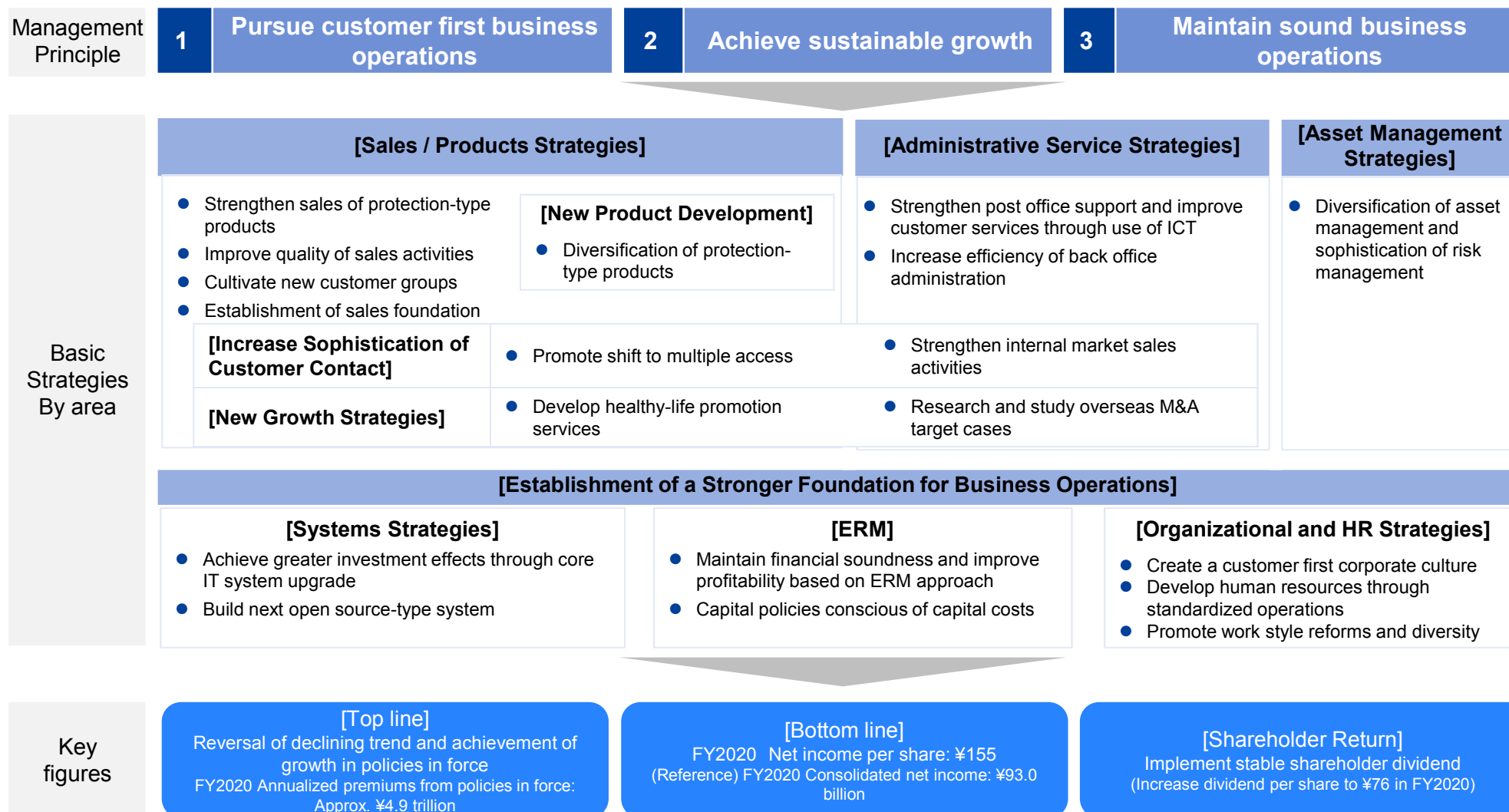
Age composition (Kampo)



■ Policyholders over 50 comprise approx. 70%<sup>2</sup>

Source: Bank of Japan, The Central Council for Financial Services Information (The public opinion survey on financial behavior of households 2017)

# Overview of Medium-term Management Plan



# Principal numerical target for Medium-term Management Plan

## Principal numerical target for Medium-term Management Plan (FY2020)

## Key points

**Top Line**

**Annualized premiums from  
policies in force(Individual Insurance):  
Approximately ¥4.9 trillion**

- Aim for growth in new policies while improving quality of sales activities and stronger policy retention

**reversing the declining trend  
and achieving growth based on policies  
in force**

**Bottom Line**

**Net income per share:  
¥155  
(Reference)  
Consolidated net income:  
¥93.0 billion**

- Change bottom line targets to net income per share to indicate our shareholder-focused approach, and aim to ensure stability of the bottom line through various efforts.

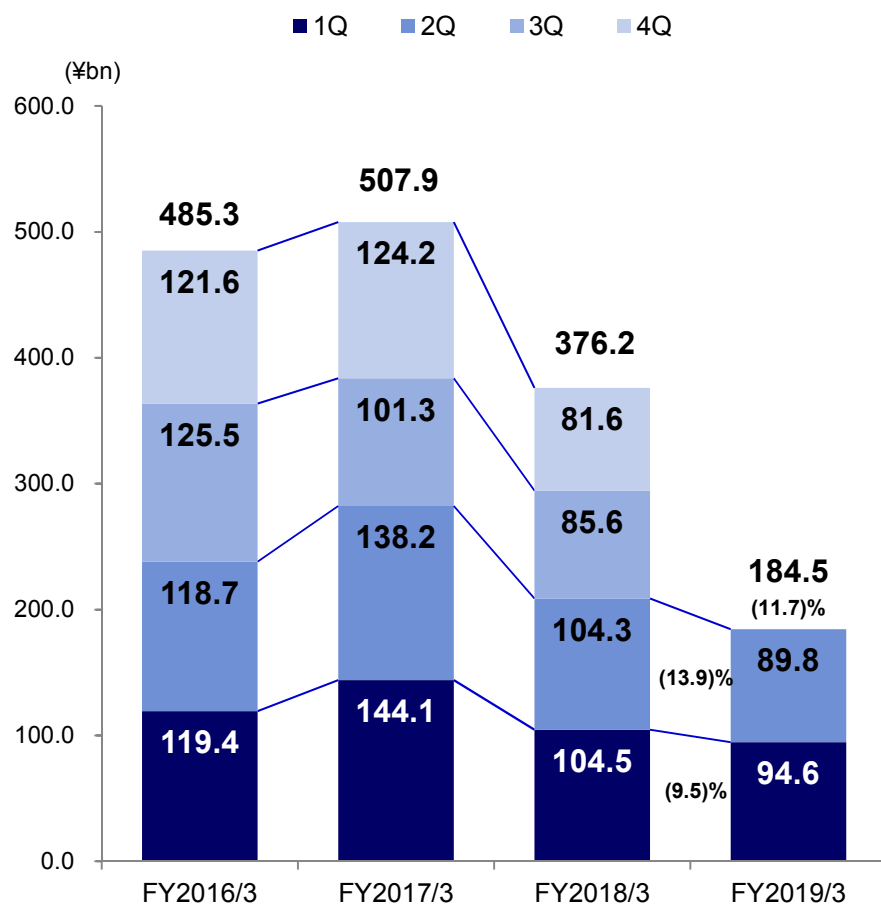
**Shareholder  
Return**

**Aim to increase the dividend per  
share to ¥76 while ensuring the  
soundness of operations**

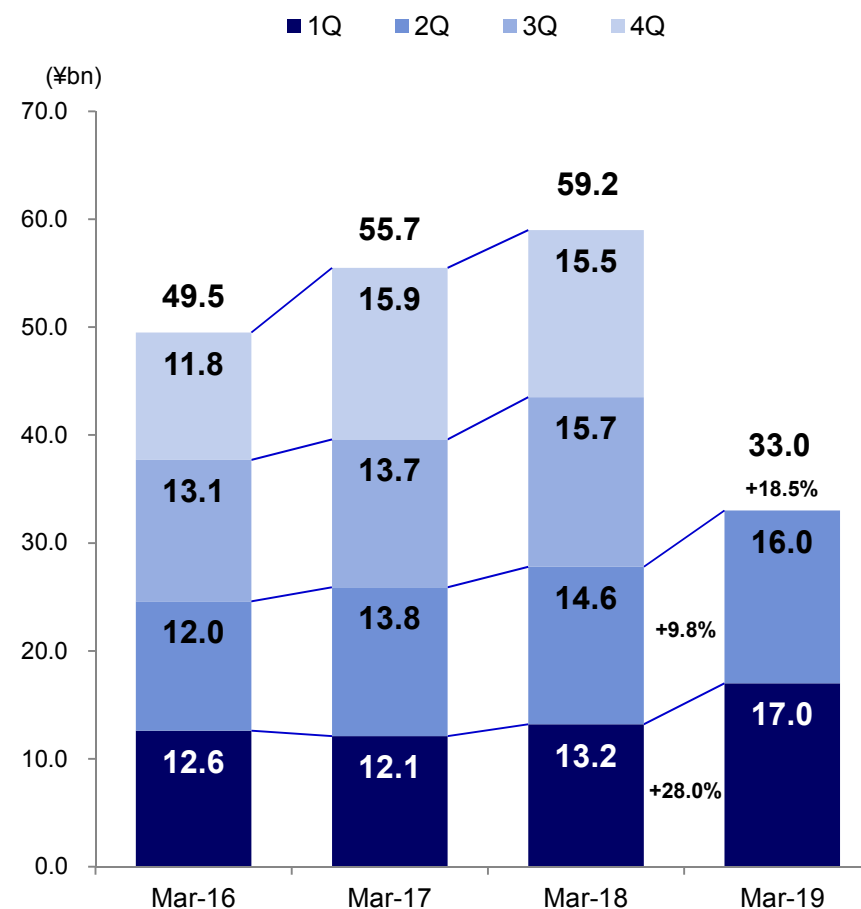
- Change shareholder return target to dividend per share, and implement a stable shareholder dividend regardless of level of bottom line.

# 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 ¥3.0 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.

# Rider Premiums as a Percentage of Total Premiums

## Model Scenarios

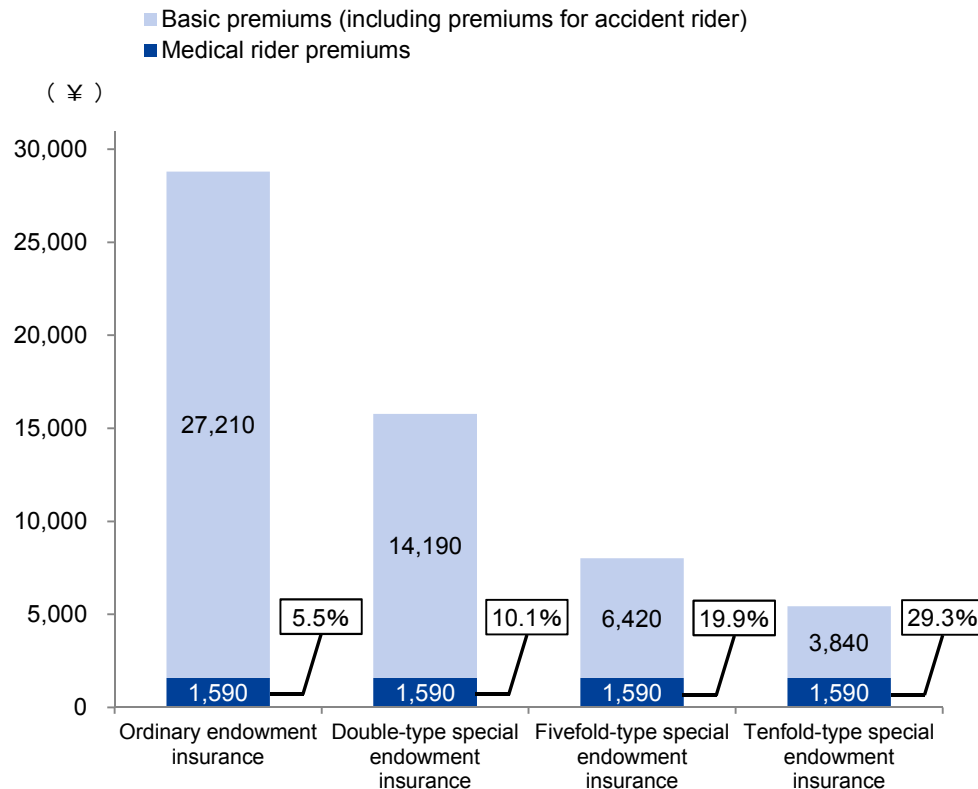
Insured: Female, age 50

Scenario 1: Enrolled in endowment insurance (with a 10-year term)

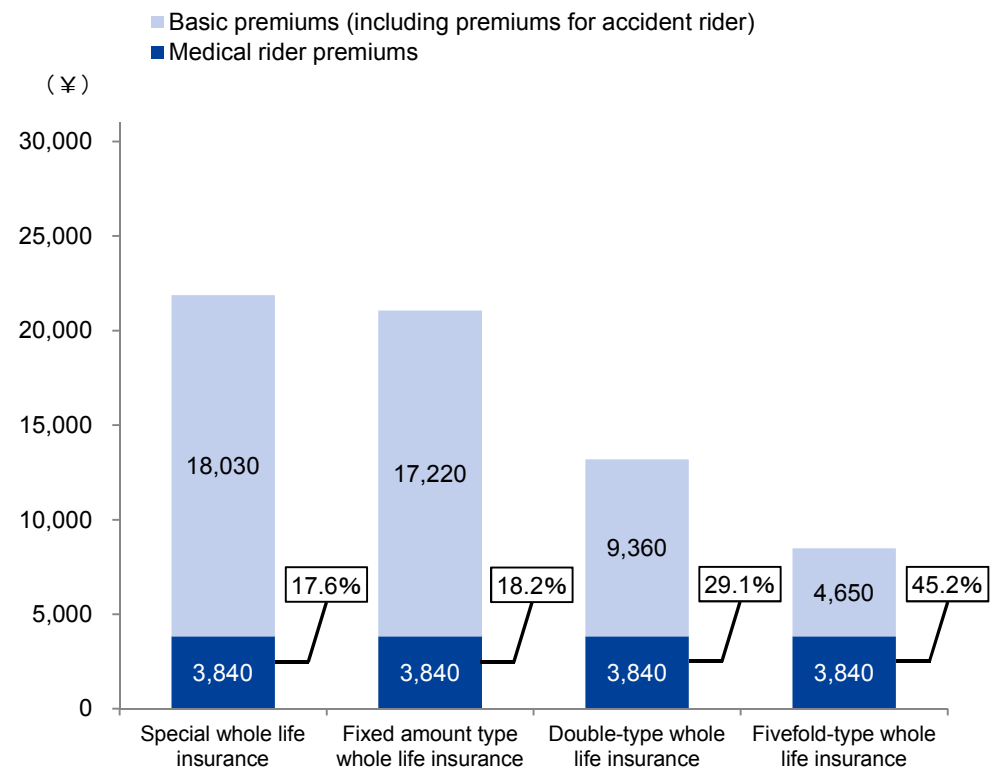
Scenario 2: Enrolled in whole life insurance (with basic premiums up to age 65 paid)

\* Shows the monthly premiums for Scenarios 1 and 2 (paid into the account) when enrolled in insurance with ¥3 million in benefits, with no surrender value, and Type I non-participating comprehensive medical rider (with no surrender value) (with rider premiums up to age 95 paid)

## Scenario 1: Endowment insurance



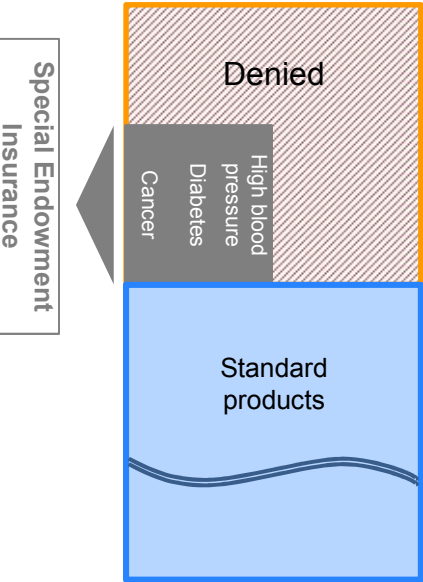
## Scenario 2: Whole life insurance



# Expanding the Scope of Underwriting

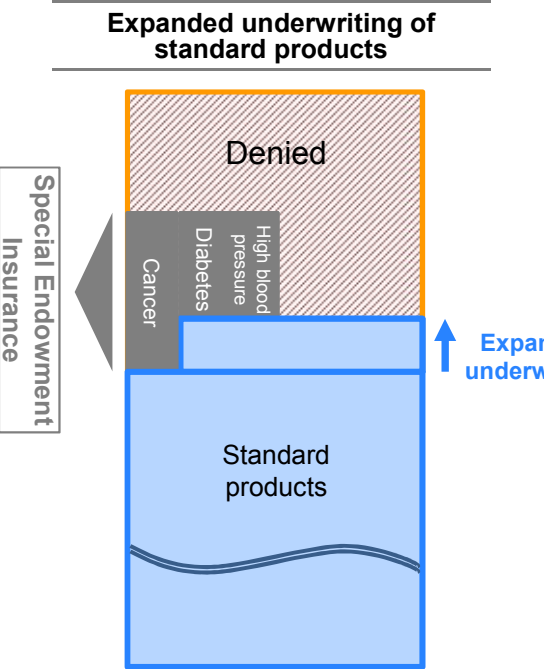
- Expand the scope of underwriting to provide broader protection to customers and improve customer convenience.

## October 2007 Onward



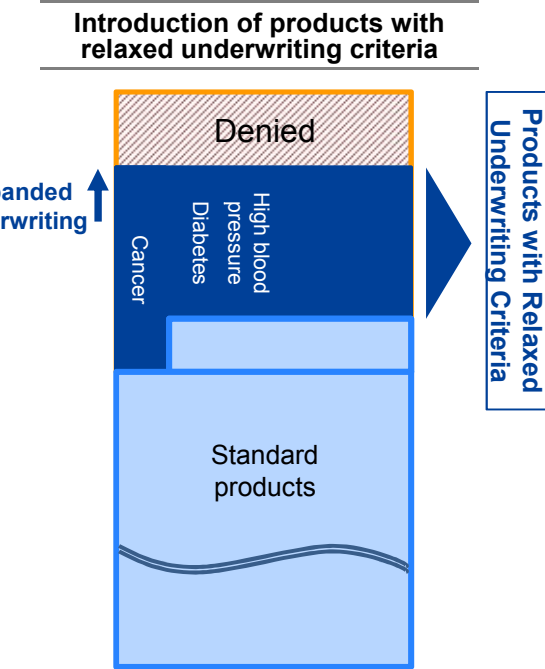
- Underwrite high-risk individuals with special endowment insurance
- Coverage limited to cancer, diabetes, and high blood pressure

## April 2013 Onward



- Expanded underwriting standards for standard products
- Underwrite part of the insurance previously underwritten with special endowment insurance (diabetes, high blood pressure) with standard products

## April 2019<sup>1</sup> Onward

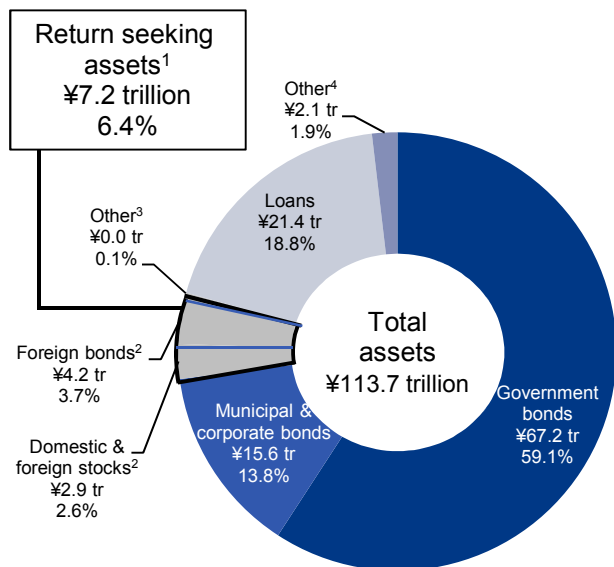


- Expand the scope of underwriting further with the introduction of products with relaxed underwriting criteria

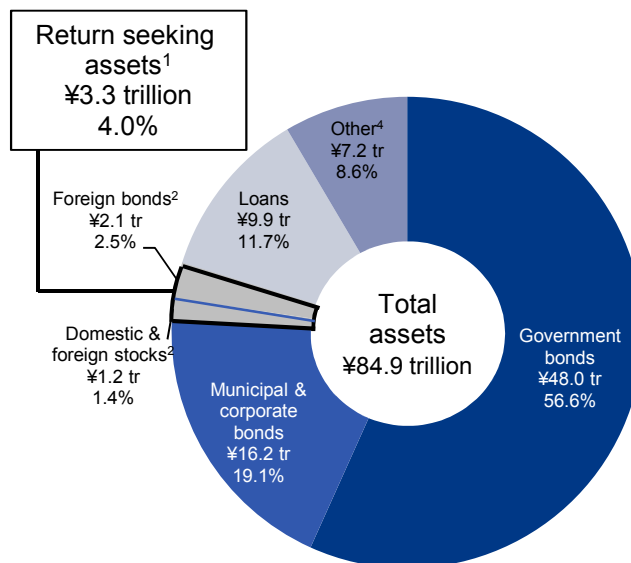
1. Assumes approval

# Asset Portfolio of Japan Post Insurance

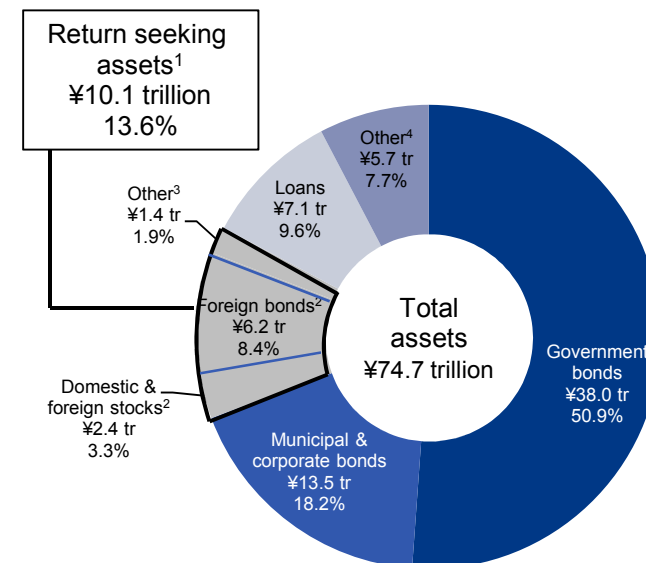
**October 1, 2007  
(at the time of privatization)**



**March 31, 2015**



**September 30, 2018**



**Government bonds**      **59.1% (¥67.2 trillion)**

**Return seeking assets**      **6.4% (¥7.2 trillion)**



**56.6% (¥48.0 trillion)**

**4.0% (¥3.3 trillion)**



**50.9% (¥38.0 trillion)**

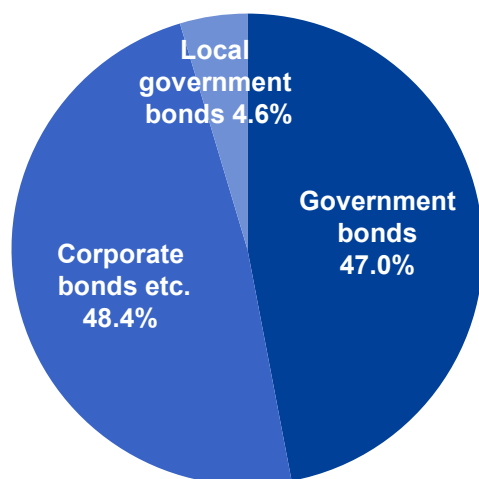
**13.6% (¥10.1 trillion)**

1. Return seeking assets indicate the domestic and foreign stocks, foreign-currency-denominated bonds, investment trusts, and other assets held as part of the asset portfolio, from among the assets posted in "Money held in trust" and "Securities" on the Balance Sheet.
2. Domestic stocks, foreign stocks, and foreign bonds include investment trusts dedicated specifically to investment in each of those asset types, in addition to the stocks and bonds of individual companies or entities.
3. Bank loans, multi-asset, real estate funds, etc.
4. Cash and deposits, call loans, etc.

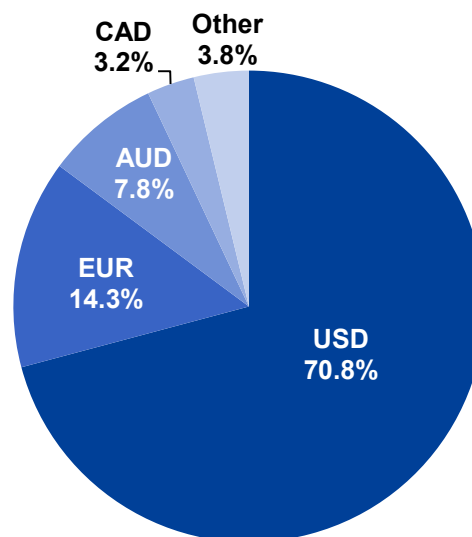
# Investment Status: Foreign-currency-denominated bonds (as of September 30, 2018)

Exposure to foreign-currency-denominated bonds: ¥4,499.4 billion

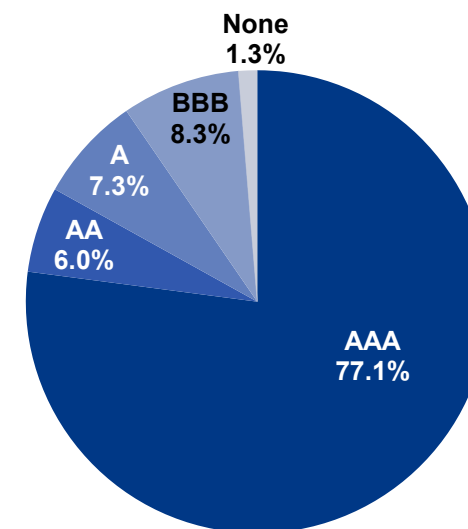
Breakdown of  
Foreign-currency-denominated Bonds



Exposure by Currency



Exposure by Rating Level



Notes:

1. Does not include ¥1,401.2 billion in assets managed in funds and ¥352.1 billion in yen-denominated bonds.
2. Shows the ratings assigned by Moody's



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

## Interest, Dividends and Other Income

(¥bn)

	6 months ended Sep-17	6 months ended Sep-18
Investment income	640.9	618.0
Interest, dividends and other income	587.9	553.9
Interest on deposits	0.0	0.0
Interest and dividends on securities	502.3	478.7
Interest on corporate and government bonds	441.3	402.4
Domestic stock dividends	1.2	3.0
Interest and dividends on foreign securities	50.3	65.2
Interest and dividends on other securities	9.4	8.0
Interest on loans	7.0	6.9
Interest on loans to the Management Organization	75.8	64.5
Rent revenue from real estate	-	-

## Breakdown of Capital gains(losses)

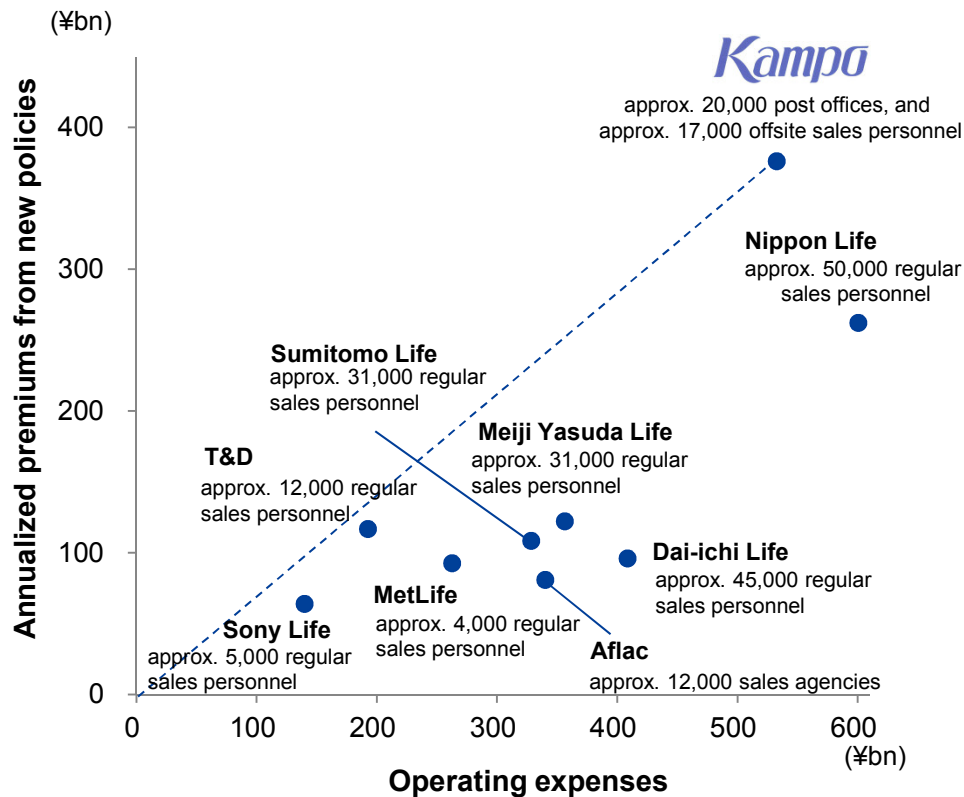
(¥bn)

	6 months ended Sep-17	6 months ended Sep-18
Capital gains	52.7	63.9
Gains on money held in trust	41.0	46.3
Gains on sales of securities	11.7	17.5
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Other capital gains	-	-
Capital losses	(55.2)	(94.1)
Losses on money held in trust	-	-
Losses on sales of securities	(18.3)	(30.4)
Losses on derivative financial instruments	(10.7)	(29.9)
Losses on foreign exchanges	(0.2)	(0.5)
Other capital losses <sup>1</sup>	(25.9)	(33.2)
Net Capital gains(losses)	(2.4)	(30.2)

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

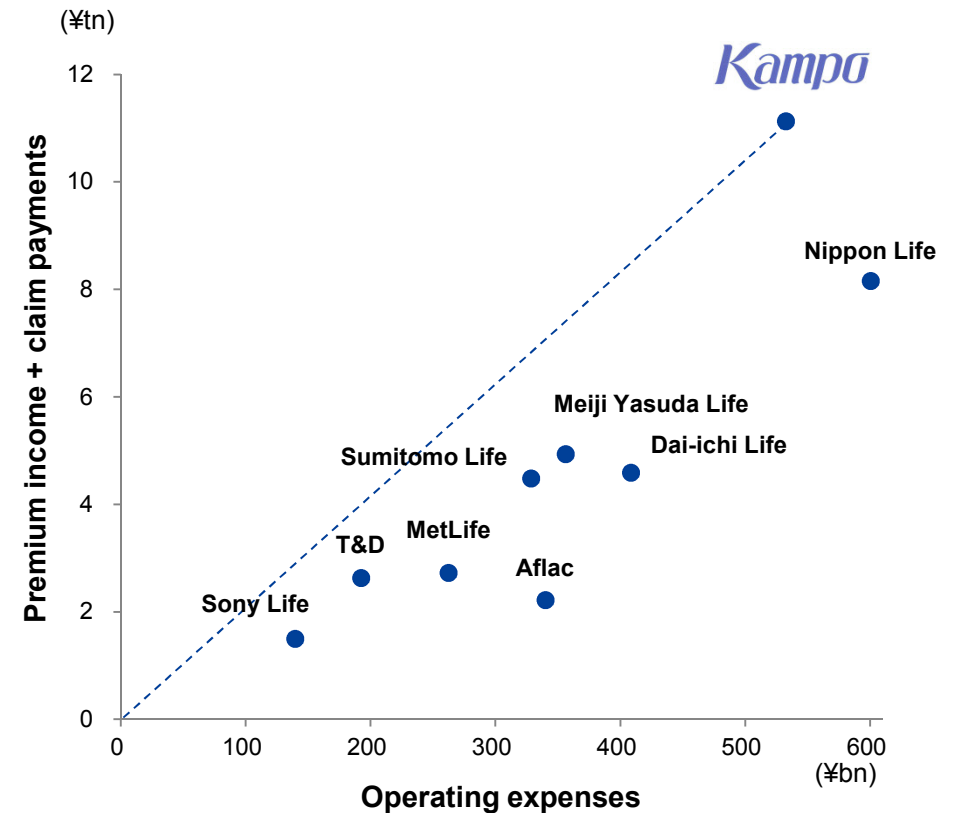
# Operating Expenses ①

Operating Expenses and Annualized Premiums from New Policies (Individual Insurance) (FY2018/3)



Source: Company disclosures  
 Note: Figures for T&D include life insurance subsidiaries within the groups.

Operating Expenses and “Premium Income + Claim Payments” (FY2018/3)

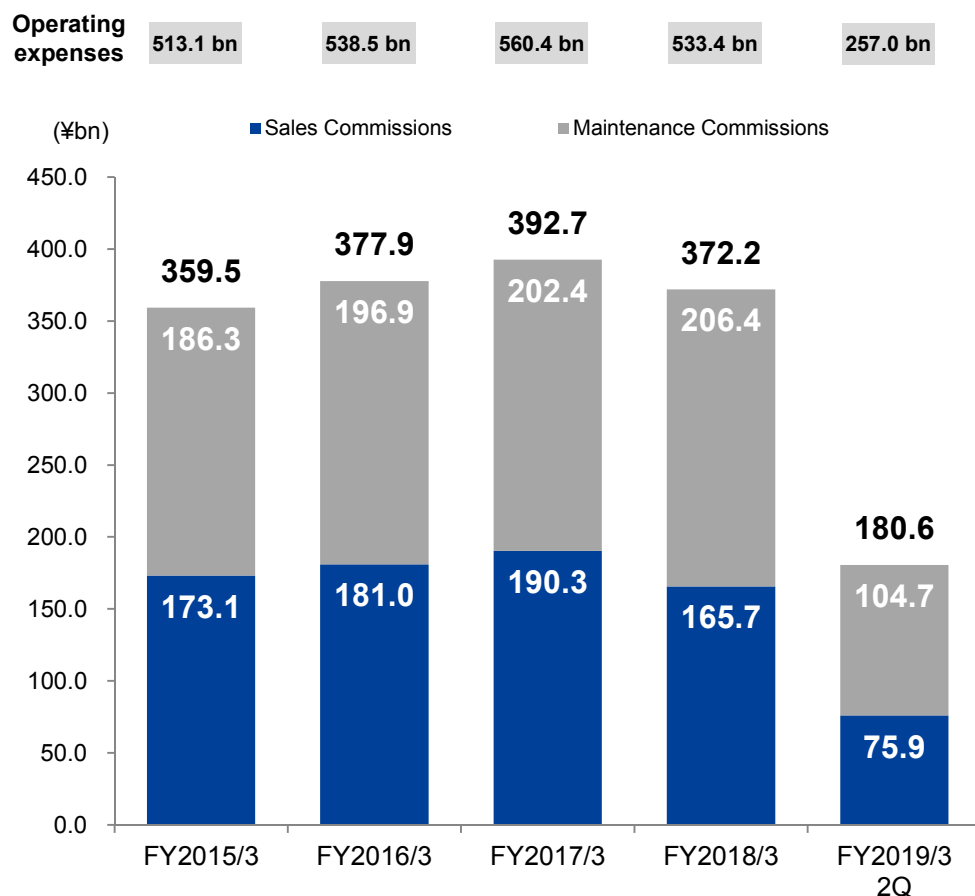


Source: Company disclosures  
 Note: Figures for T&D include life insurance subsidiaries within the groups.

# Operating Expenses ②

- Commissions to Japan Post Co. occupy approximately 70% of our operating expenses
- Strictly in accordance with the Insurance Business Act and other rules and regulations, calculations of commission must be made on a cost-benefit basis to ensure neither Kampo nor Japan Post Co. enjoys an advantage over the other

## Commissions to Japan Post Co.



## Commissions Structure

- Commissions paid to Japan Post Co. need to be determined on an arm's-length basis as required by the Insurance Business Act, as well as the inspection manual as stipulated by the FSA to prevent excessive favorable treatment of any specific agent

### Sales Commissions

- Linked mainly to new policy acquisition volume (paid in installments, typical in the industry)
- Incentive bonus is payable if targets are reached



### Maintenance Commissions

- For operations outsourced to Japan Post Co., rates are set based on the reasonable length of time needed to perform the operations at post offices
- A part of these commissions is calculated based on the number of policies in force and the after service activities. Another part is based primarily on the number of post offices

# Level of Commissions

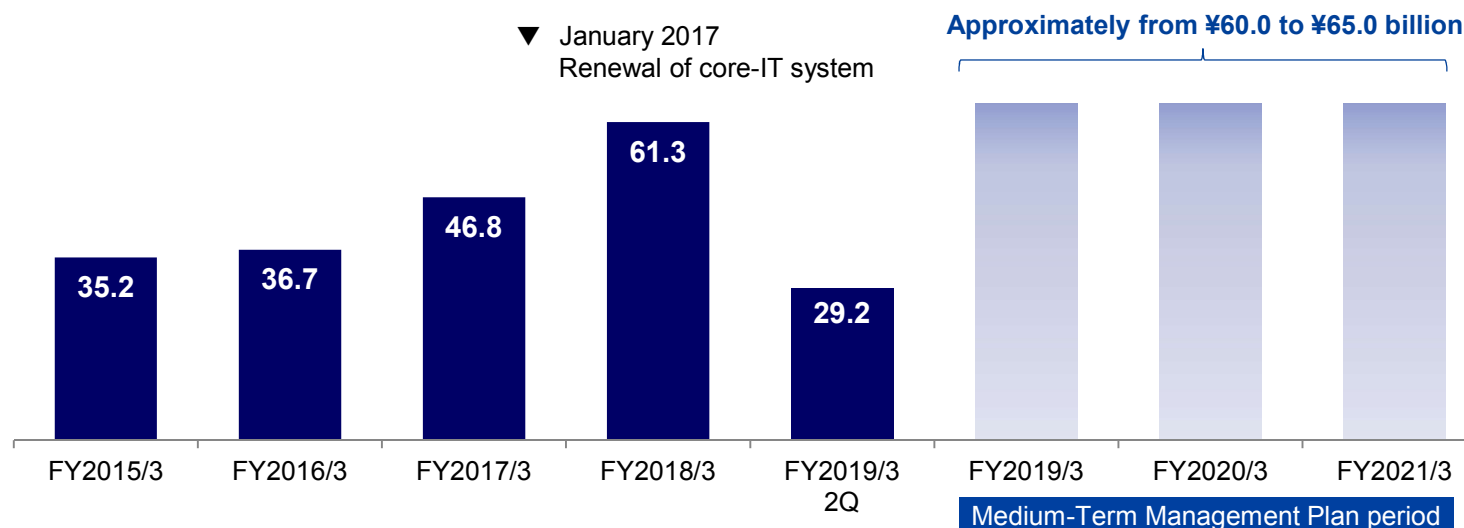
Examples			
Type of Insurance	Insurance Amount	Total Insurance Premiums	Sales Commission Rates <sup>1</sup>
Endowment Insurance [With medical rider]	<p><b>Ordinary endowment insurance</b> ¥2 mn</p> <p>Insured person: 40-year-old woman Insurance period: 10-year</p>	<p>¥2.27 mn</p>	<p>Approx. 3%</p>
Whole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

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 FY2018/3 actual results.) over insurance premium. The level of sales commission may vary as the incentive fee fluctuates.

# Depreciation and amortization

- Depreciation and amortization for FY2018/3 increased to around ¥60.0 billion due to the renewal of the core IT system in January of last year.
- We estimate that depreciation and amortization during Medium-Term Management Plan period will be approximately from ¥60.0 billion to ¥65.0 billion.

## Trend of depreciation and amortization



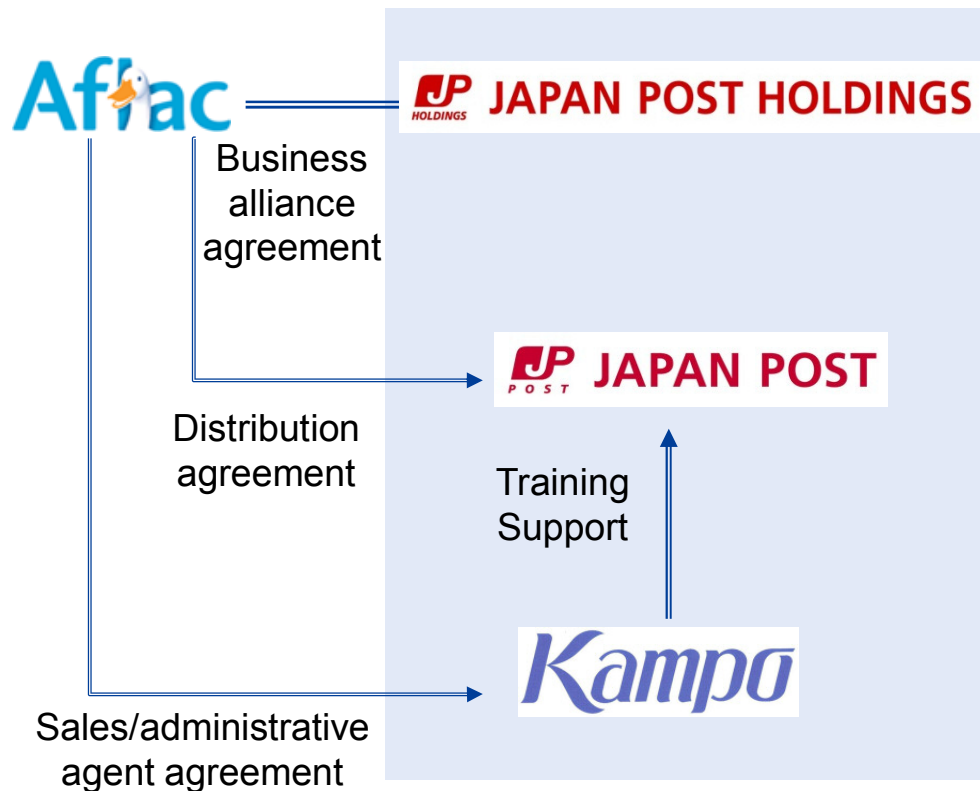
<Reference>Investment plan(primary investments out of the total investment amount of ¥150.0 billion)

Details of investment	Investment amount	Investment effect
Construction of next generation open system	¥49.0 billion	Improvement of system infrastructure for utilization of ICT
Development of core systems	¥41.0 billion	Improvements in customer convenience through providing new product and services, operation efficiency
Introduction of new mobile devices for sales	¥12.0 billion	Improvements in customer convenience, operation efficiency

# Business Alliance with Aflac

- In July 2013, Japan Post Group and Aflac entered into a business alliance agreement to provide cancer insurance
- We have established a win-win relationship with Aflac

## Business Alliance Structure



## Scope of Business Alliance

1

Offer Aflac's cancer insurance through the nationwide network of 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 provide supports to post office channels

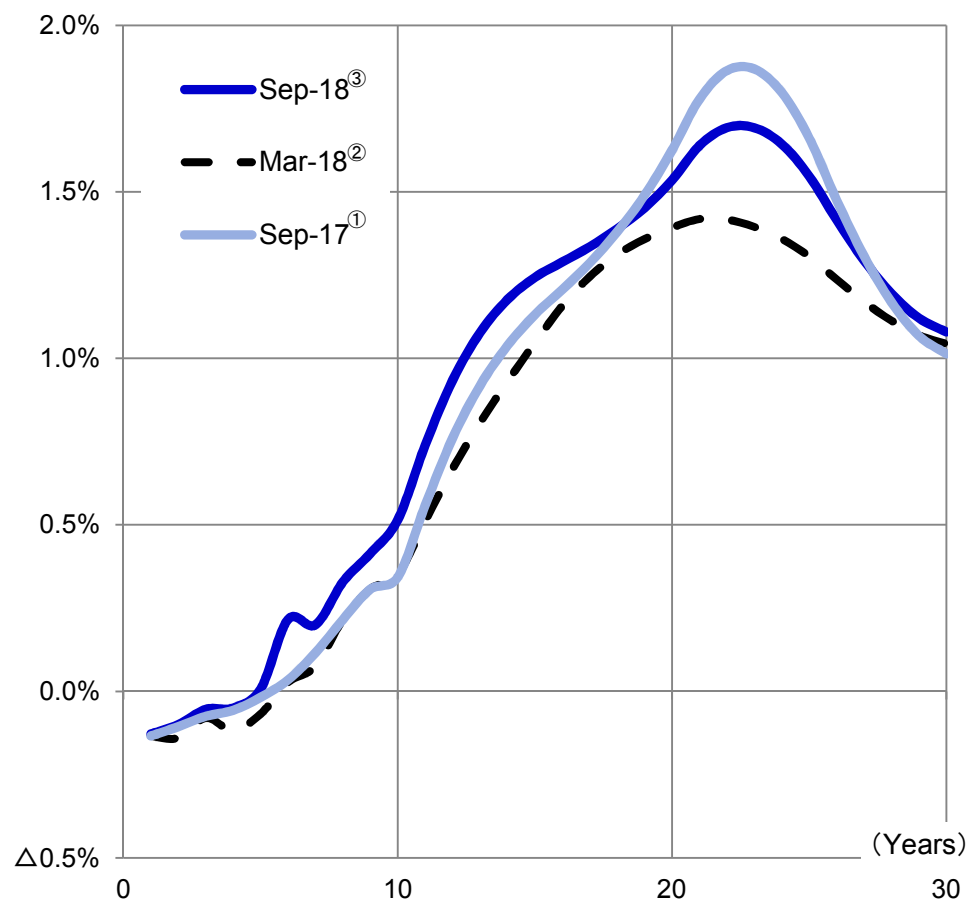
# Strategic Business Alliance with Dai-ichi Life Holdings

- Kampo and Dai-ichi Life Holdings have established a comprehensive strategic business alliance with the primary goals of leveraging its respective strengths to develop business and contribute to society【March 2016】
- Implementing various measures in three areas: overseas life insurance business, asset management business and joint research on domestic life insurance business

	Cooperation Measures	Outcomes of Business Alliance
<b>Overseas Life Insurance Business</b>	<ul style="list-style-type: none"> <li>■ Cooperation for developing life insurance operations in overseas</li> </ul>	<ul style="list-style-type: none"> <li>■ As supporting for the distribution of life insurance through Vietnam Post, we implemented a training session for the Post Office Managers of Vietnam Post. 【July 2017】</li> </ul>
<b>Asset Management Business</b>	<ul style="list-style-type: none"> <li>■ Cooperation for making asset management approach more diversified and sophisticated in a low interest rate environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Sharing of asset management administration platform by a joint investment in Trust &amp; Custody Services Bank. 【October 2016】</li> <li>■ Forming Investment Fund through utilizing Asset Management Company.</li> <li>■ Joint investments in mega-solar project in Japan.</li> </ul>
<b>Research on Domestic Life Insurance Business</b>	<ul style="list-style-type: none"> <li>■ Joint research for developing new products and information technology.</li> </ul>	<ul style="list-style-type: none"> <li>■ Commenced commissioned sales of Dai-ichi Life’s insurance product for Management and Officers such as Top Plan Exceed U(periodical fixed benefit for disability) 【June 2017】</li> <li>■ Holding a business contest among Japan Post Insurance, Dai-ichi Life and NTT DATA as advancing initiatives to create innovations in life insurance business. 【March 2017】</li> <li>■ Begin commissioned sale of “Neo-de-Kigyo,” an accident protection type of term insurance with a fixed term offered by The Neo First Life Insurance Company, Limited 【October 2018】</li> <li>■ Collaborated with QOLeap Co., Ltd. (a subsidiary of Dai-ichi Life Holdings, Inc.) on developing a health app to help improve our customers’ quality of life. Scheduled for public disclosure 【from January 2019 in stages】</li> </ul>

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

Forward Rate (Sep-17 to Sep-18)



Forward Rate

(%)	Sep-17 <sup>①</sup>	Mar-18 <sup>②</sup>	Sep-18 <sup>③</sup>
10 years	0.343	0.351	0.515
20 years	1.626	1.393	1.535
30 years	1.014	1.043	1.079

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

Value of new business for 2Q of FY2018/3 : ①

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

EV as of the end of September 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.



# ESG Initiatives

- We contribute to the creation of sustainable communities through the initiatives outlined in our corporate management strategy. We respond appropriately to ESG challenges from both the business operator and investor perspectives.

*Kampo*

## Business Operator Perspective

### **[Environmental]**

- Encourage going paperless through computerization of records
- Pursue energy savings (reduction in CO<sub>2</sub> emissions volume)

### **[Social]**

- Provide protection through universal service products (endowment insurance and whole life insurance) and other life insurance products
- Support health creation through radio exercise and health-life promotion services
- Promote work style reforms and diversity

### **[Governance]**

- Improve the level of governance by utilizing a “company with a nominating committee, etc.” format

## Investor Perspective

### **[Exercise of Voting Rights]**

#### **May 2014**

- Adopted the Japanese version of the Stewardship Code

#### **November 2016 onward**

- Began stakeholder engagement along with in-house equity management

#### **September 2017**

- Established the Responsible Investing Advisory Committee

#### **September 2017**

- Participated in organizational-level engagement through The Life Insurance Association of Japan

### **[Selection of Investment Targets]**

#### **October 2017**

- Signed onto the United Nations Principles for Responsible Investment (PRI)
  - Promoting the consideration of ESG elements in investment and lending

**Contribute to the Creation of Sustainable Communities by Responding Appropriately to ESG Challenges**

# ESG Initiatives – Environmental

- We actively contribute to environmental protection activities by encouraging going paperless and by donating to environmental organizations.
- We actively work to achieve energy savings and reduce CO<sub>2</sub> emissions substantially.

## Initiatives that Encourage Going Paperless and Environmental Protection

- Contributions to environmental organizations based on the number of customers who choose to use the online contract guidelines and policy conditions (contributions of ¥85.1 million since July 2015)
- Introduction of paperless application forms
- We support the Japan Post Forest for the Children Movement as a member of the Japan Post Group

### JP Children`s Tree Planting Campaign

We support hands-on forest-building activities for children in nursery schools, kindergartens, and daycare centers nationwide, in cooperation with the non-profit Children's Forest Promotion Network.

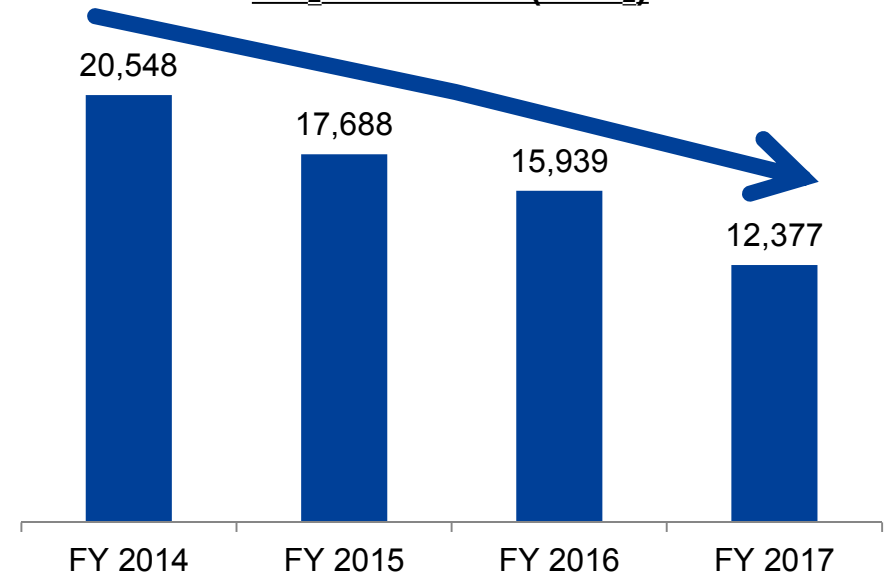


Year 1: Gather seeds in the forest → Year 2: Grow the seeds into saplings at the school → Year 3: Plant to the forest

## Energy-saving Initiatives

- We reduce CO<sub>2</sub> emissions from facilities by saving energy as one means of combatting global warming.

### CO<sub>2</sub> Emissions (t-CO<sub>2</sub>)



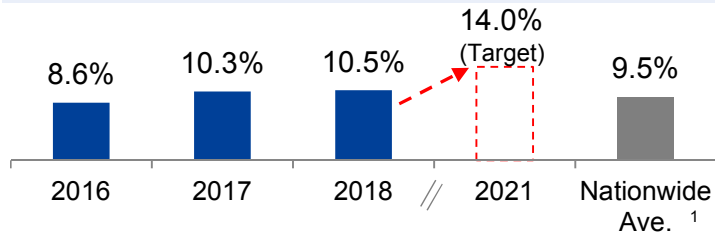
# ESG Initiatives – Social

■ We 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

- Hold seminars and training for women who are candidates for management positions
- Target a ratio of female managers of 14% or more by April 1, 2021

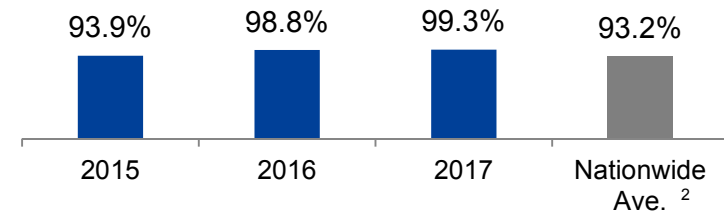


(Fiscal year beginning)

1. Ratio of female managers for companies with 5,000 employees or more (2017 Basic Survey of Gender Equality in Employment Management, MHLW)

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

- Support a smooth return to work by holding "Return to Work" seminars for employees on childcare leave.



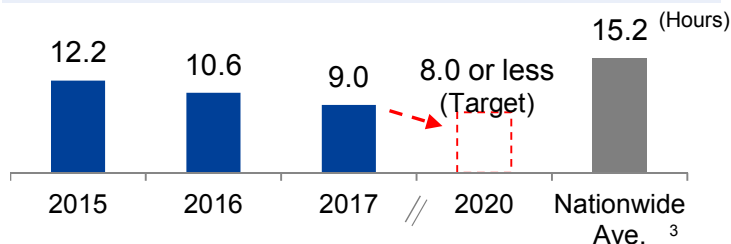
(Fiscal year)

2. Return-to-work rate of employees who took childcare leave (2015 Basic Survey of Gender Equality in Employment Management, MHLW)

## Work-Life Balance

### ■ Monthly average amount of overtime

- Promote initiatives in work style reform and target eight hours or less of average overtime per month/per employee by the end of FY 2020.

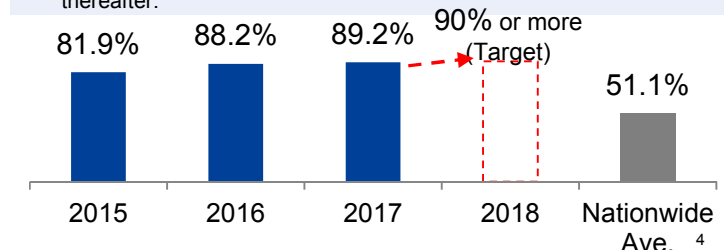


(Fiscal year)

3. Overtime work hours (excluding part-time work) (Monthly Labour Survey, Dec. 2017, MHLW)

### ■ Rate of taking paid leave

- Systematically grant paid vacation and encourage employees to take consecutive vacation days.
- Target 90% or more of employees taking vacation in FY 2018 and thereafter.






(Fiscal year)

4. Rate of taking paid leave (2017 General Survey on Working Conditions, MHLW)

# ESG Initiatives – Social

- Strive to be a company that employees find attractive because they are able to achieve self-actualization and job satisfaction, and be proactive in acquiring external ratings relating to diversity (certifications, awards, etc.)

	Description	Certifying Body	Basis
Childcare Support	<b>Kurumin</b> <b>Certified</b> A system under which the Minister of Health, Labour and Welfare awards certification as a company that supports childcare. The certification is available to companies that have formulated a plan for general employer conduct, have achieved the goals specified in the plan, and have met certain standards. 	Ministry of Health, Labor and Welfare	Act on Advancement of Measures to Support Raising Next-Generation Children
	<b>Platinum Kurumin</b> <b>Applied</b> The Minister of Health, Labour and Welfare awards the Platinum Kurumin mark to companies that have already acquired the Kurumin mark, have introduced and made progress on the significant use of support that enables employees to both work and raise children, have been recognized for the excellence of their initiatives, and have continued to promote these initiatives. 		
Promoting the Advancement of Women	<b>Nadeshiko Brand</b> <b>Applied</b> This is a system for selecting companies that demonstrate excellence in promoting the advancement of women from among companies listed on the Tokyo Stock Exchange.  	Ministry of Economy, Trade and Industry Tokyo Stock Exchange, Inc.	–
Health Management	<b>White 500</b> <b>Certified</b> A system for presenting awards to large companies and medium to small-sized companies that have demonstrated special excellence in health management, based on initiatives that promote better health in line with local health issues. 	Ministry of Economy, Trade and Industry	Company certification system for Health & Productivity
LGBT	<b>Gold</b> <b>Certified</b> Evaluates the efforts of companies and other organizations in regard to LGBT.  	work with Pride voluntary association	PRIDE indicator

# ESG Initiatives – Social

- We have been supporting the health of everyone through our radio exercise for 90 years, since we introduced the system in 1928.
- We offer healthy-life promotion services to stakeholders in the categories of customers, local communities, and employees.

## Promoting widespread use of radio exercise

- **Festival of 10 million People’s Radio Exercise and *Minna no Taiso* (“Exercise for Everyone”)**
  - Roughly 5,000 people participated in the event on the event field
  - NHK G television and NHK Radio 1 broadcast the event nationwide



August 5, 2018 in Kurashiki City, Okayama Prefecture



Radio exercise 90th anniversary logo

- **5<sup>th</sup> All Japan elementary school radio exercise competition**
  - Contributes to the physical fitness of elementary school children nationwide through radio exercise
  - Around 650 teams participated in the 5<sup>th</sup> competition in FY 2018



Hikonari Public Elementary School, Misato City, Saitama Prefecture (FY 2018 champions)

## Providing a healthy-life promotion app

We will launch service through a dedicated smartphone app that supports health creation for our customers (scheduled for a staged launch from mid-January 2019 onward).

### Screen image (proposed)



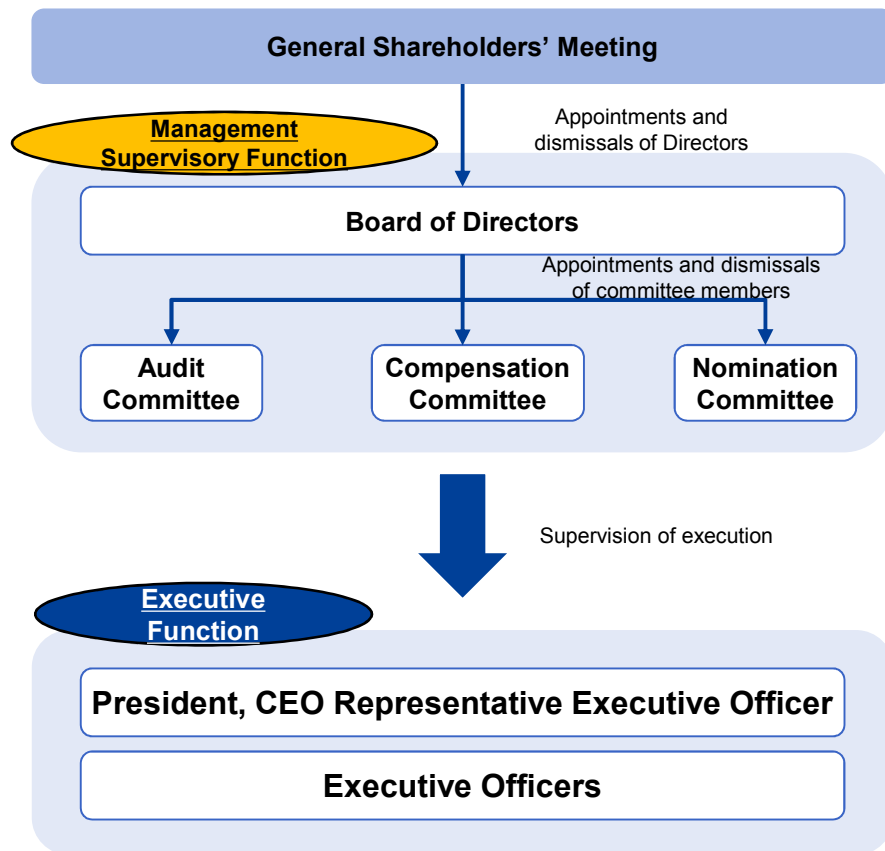
### Main app functions (Planned)

- Step logging and management and drawings for convenience store coupons
  - Provision of information on radio exercise
  - Notices from Japan Post Insurance
- \* We expect to gradually expand the functions.

# ESG Initiatives ESG – Governance

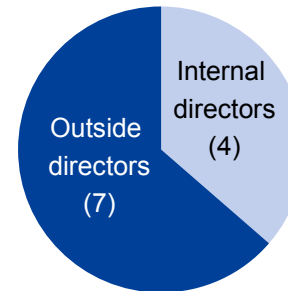
- We have strengthened corporate governance and enabled faster decision-making by adopting the corporate structure of a company with a Nomination Committee and other committees, and clearly separating the business execution and supervisory functions.
- The composition of the Board of Directors is diverse and has a high degree of independence. A majority of directors are outside directors and three directors are women.
- We have introduced a system of performance-linked compensation through a stock ownership investment trust for executive officers and executive officers are committed to the continued growth of the company.

## Corporate Governance System [Committee System]



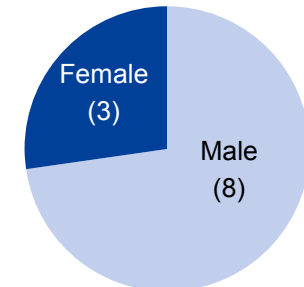
## Board of Directors Structure

### Board of Directors Composition



Outside directors: 64%

### Ratio of Female Directors



Female directors: 27%

## Introduction of performance-linked bonuses through a stock ownership investment trust

Sharing the risk of depreciation as well as the advantage of appreciation in the company's stock price with shareholders gives executive officers an even greater awareness of the importance of contributing to sustained growth of the company and long-term improvement in corporate value.

# ESG-based Investment and Lending

- Recognizing the need to contribute to the creation of sustainable communities, we became a signatory to the U.N. Principles for Responsible Investment and are actively engaged in ESG investment initiatives.
- We adhere to the Stewardship Code by contributing to growth of the Japanese economy through constructive dialog with the companies we invest in.

## ESG Investment Results

Timing	Investee	Size
June 2016	World Bank (International Bank for Reconstruction and Development) green bond	About ¥10 billion (USD100 million)
January 2017	Solar power generation project (project finance)	¥23.9 billion
March 2017	ESG equity fund in Japan (outsourced)	¥5.0 billion
June 2017	Japan International Cooperation Agency Social Bond	¥3.7 billion
May 2018	African Development Bank Feed Africa Bond	About ¥5.1 billion (CAD60 million)
May 2018	Asian Development Bank Gender Bond	About ¥5.2 billion (CAD60 million)
May 2018	World Bank (International Bank for Reconstruction and Development: IBRD) Sustainable Development Bond	About ¥5.2 billion (CAD60 million)
July 2018	BPCE (a large banking group in France)	¥10.9 billion
September 2018	Solar power generation (project financing)	¥6.1 billion







## Status of Compliance with the Stewardship Code

### ➤ Recent major activities

- **Established a Responsible Investing Advisory Committee**
  - The committee, which includes prominent outside individuals, helps reinforce governance with respect to exercising voting rights and manage conflicts of interest
- **Dialogues with investee companies (engagement)**
  - Building relationships with investee companies since the start of in-house investment in November 2016
  - For outsourced investments, engaging mainly with companies in actively managed portfolios, as well as with certain companies in passively managed portfolios, such as companies with a large market cap or a relatively low ROE

# Initiatives Aimed at Achieving SDGs

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

Priority issues	Future vision	Measures
<p>① Provision of universal services</p>  <p>(Together with society and local communities)</p> <p>② Promotion of healthy living</p> <p>③ Development of next generation</p> <p>④ Development and revitalization of regional society</p> 	<p>Provide products and services that are necessary for every stage of the lives of customers based on the post office network as an important infrastructure for society by prioritizing the lives of customers</p>	<ul style="list-style-type: none"> <li>• Provide protection through universal service products (endowment insurance and whole life insurance)</li> </ul>
<p>⑤ Reduction of greenhouse gas emissions</p>  <p>⑥ Effective use of resources and reduction of waste</p> 	<p>Actively contribute to society through corporate activities that take into consideration climate change and global warming</p>	<ul style="list-style-type: none"> <li>• Encourage going paperless through the digitalization of paper applications</li> <li>• Implementation of donations accompanying the provision of web version contract guidelines and policy conditions</li> </ul>
<p>(Together with people)</p> <p>⑦ Development of human resources</p> <p>⑧ Working style reforms</p> 	<p>Each and every employee are motivated and can actively demonstrate their full potential to empower themselves in the workplace</p>	<ul style="list-style-type: none"> <li>• Training in accordance with the career path</li> <li>• Promotion of the active participation of female employees (promotion of female employee to higher positions including management)</li> <li>• Promotion of the work style reforms and diversity</li> <li>• Encouraging physical and mental health maintenance and improvement for employees</li> </ul>
<p>⑨ Fair business practices</p> 	<p>Autonomously require transparent management, comply with regulations and contribute to the development of society and the local community</p>	<ul style="list-style-type: none"> <li>• Thoroughly ensuring compliance</li> <li>• Elimination of relationships with antisocial forces</li> </ul>



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

		FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2018/3 2Q	FY2019/3 2Q
<b>Total assets</b>	¥mn	84,911,946	81,543,623	80,336,414	76,832,508	78,640,910	74,765,583
Postal Life Insurance category		61,703,013	55,832,787	51,447,550	46,684,937	48,798,069	43,076,398
New category		23,208,932	25,710,836	28,888,864	30,147,570	29,842,840	31,689,184
<b>Number of policies in force</b>	(000)	33,489	32,323	31,562	30,405	31,020	29,840
Postal Life Insurance category (insurance)		19,949	16,972	14,411	12,484	13,271	11,788
New category (individual insurance)		13,539	15,350	17,150	17,921	17,749	18,051
<b>Insurance premiums and others</b>	¥mn	5,956,716	5,413,862	5,041,868	4,236,461	2,203,556	2,040,437
Postal Life Insurance category		1,697,140	1,322,308	1,002,816	755,221	400,111	310,944
New category		4,259,576	4,091,554	4,039,051	3,481,240	1,803,445	1,729,492
<b>Ordinary profit</b>	¥mn	493,169	413,023	279,347	308,845	168,674	161,529
Postal Life Insurance category		377,145	258,059	185,250	137,074	73,693	65,500
New category		116,024	154,963	94,097	171,771	94,980	96,029
<b>Net income</b>	¥mn	81,758	86,338	88,520	104,309	51,202	68,797
Postal Life Insurance category		36,969	32,850	26,044	16,878	9,207	9,896
New category		44,789	53,487	62,475	87,430	41,995	58,901
<b>Contingency reserve (reversal) provision</b>	¥mn	(90,087)	(123,864)	(120,819)	(139,678)	(67,642)	(75,150)
Postal Life Insurance category		(167,144)	(171,199)	(172,881)	(173,722)	(87,379)	(87,248)
New category		77,057	47,335	52,061	34,043	19,736	12,098
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	97,934	70,100	6,444	128,031	28,825	1,933
Postal Life Insurance category		72,126	8,957	12,625	17,090	8,102	(1,929)
New category		25,808	61,143	(6,181)	110,940	20,722	3,863
<b>Additional policy reserve (reversal) provision</b>	¥mn	(68,347)	(55,533)	(50,454)	(30,648)	(21,325)	(22,807)
Postal Life Insurance category		(68,347)	(55,533)	(50,454)	(47,674)	(21,325)	(20,989)
New category		-	-	-	17,025	-	(1,818)

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 (Consolidated)

(¥bn)

	FY2015/3	FY2016/3	FY2017/3	FY2018/3	FY2018/3 2Q	FY2019/3 2Q
Insurance premiums and others	5,956.7	5,413.8	5,041.8	4,236.4	2,203.5	2,040.4
Ordinary profit	492.6	411.5	279.7	309.2	168.8	161.6
Provision for reserve for policyholder dividends	200.7	178.0	152.6	117.7	68.8	63.4
Net income	81.3	84.8	88.5	104.4	51.2	68.7
Net assets	1,975.7	1,882.9	1,853.2	2,003.1	2,025.5	2,034.1
Total assets	84,915.0	81,545.1	80,336.7	76,831.2	78,639.3	74,763.9
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	194.4	207.1
Core profit attributable to life insurance activities	448.4	366.8	311.4	320.3	159.3	176.5
Spread (positive/negative spread)	66.9	97.4	78.5	65.8	35.0	30.6

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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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