

Kampo

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

November 20, 2017

 **JAPAN POST INSURANCE**

1

Management Strategy

CEO Profile



**Director and President, CEO,
Representative Executive
Officer**

Mitsuhiko Uehira

[Date of birth: February 19, 1956]

[Career Summary]

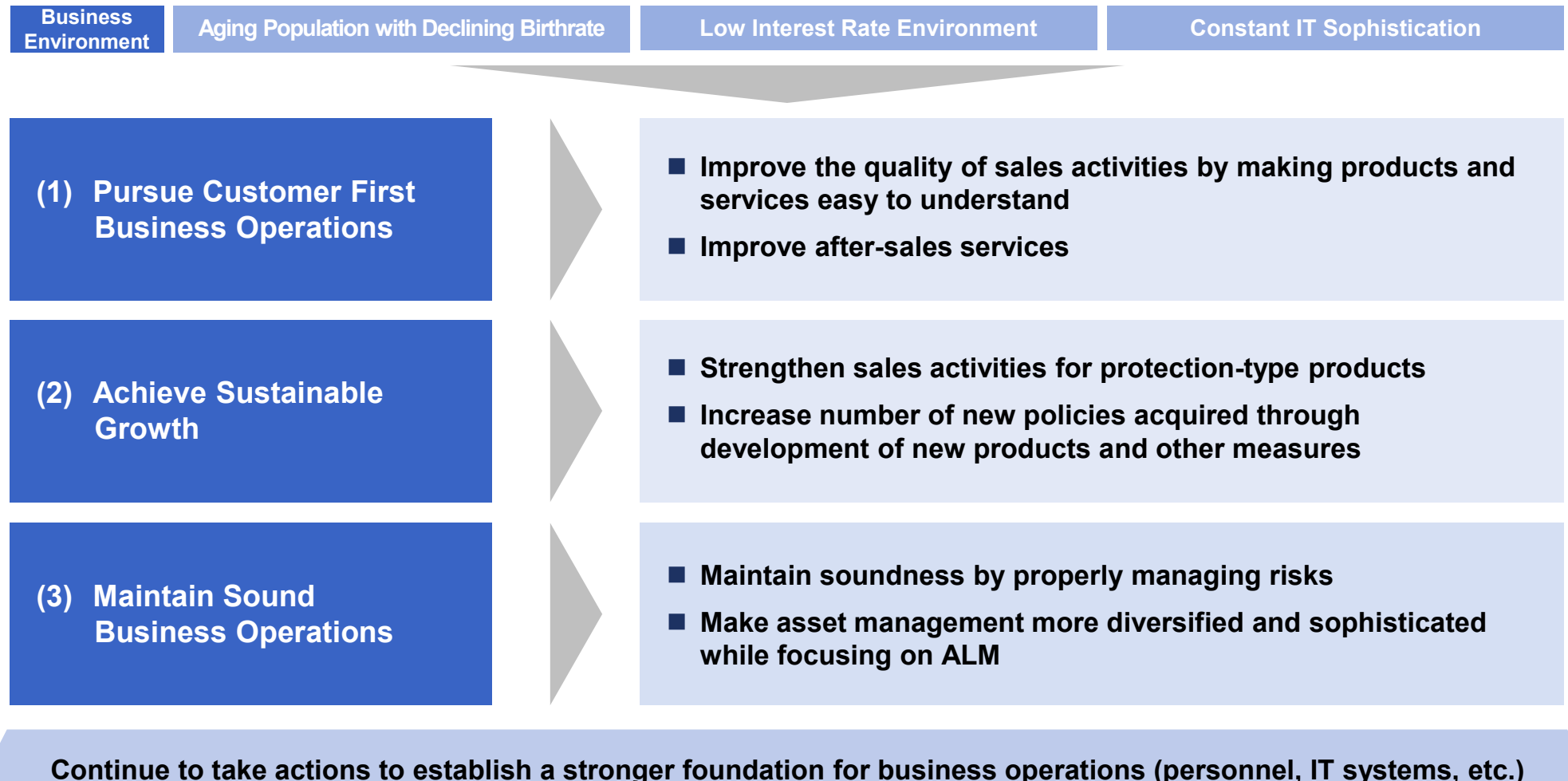
- Apr. 1979 Joined The Tokio Marine & Fire Insurance Co., Ltd.
- Aug. 2007 Miyazaki Branch Manager of The Tokio Marine & Nichido Fire Insurance Co., Ltd.
- Jun. 2012 Executive Officer and General Manager of Domestic Business Development Department of Tokio Marine Holdings, Inc.
- Jun. 2013 Managing Executive Officer of JAPAN POST INSURANCE Co., Ltd. (“the Company”)
- Jul. 2013 Managing Executive Officer and Senior General Manager of Sales Planning Department of the Company
- Apr. 2014 Managing Executive Officer of the Company (in charge of Service Development Department and Sales Planning Department)
- Jun. 2015 Senior Managing Executive Officer of the Company (in charge of Product Planning Department and Sales Planning Department)
- Jun. 2017 Director and President, CEO, Representative Executive Officer of the Company (current position)

[Significant concurrent position]

Director of Japan Post Holdings Co., Ltd.

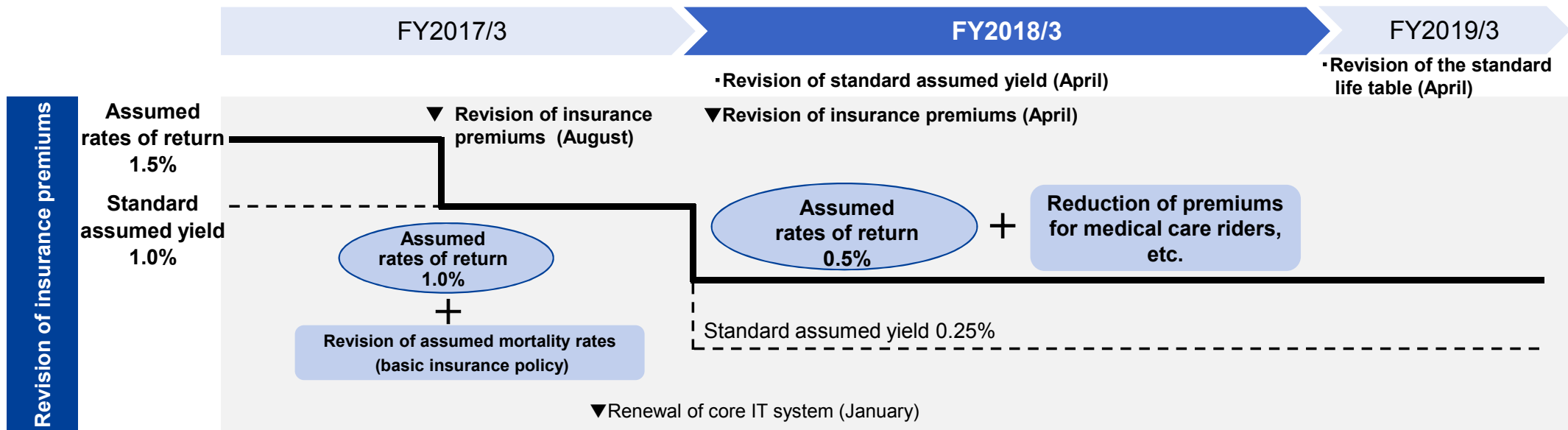
Key Strategic Initiatives

- We aim to increase our enterprise value by expanding policies in force and net income through the three key strategic initiatives: (1) Pursue customer first business operations; (2) Achieve sustainable growth; (3) Maintain sound business operations



Product Strategy to Cope with a Low-interest Rate Environment

- We have revised insurance premiums in August 2016 and April 2017 to deal with the current low-interest rate environment
- Under the low-interest rate environment, we launched three new products responding to the change of customer needs (October 2017)



Revision of products

▼ Suspension of sales of a certain products (June)

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

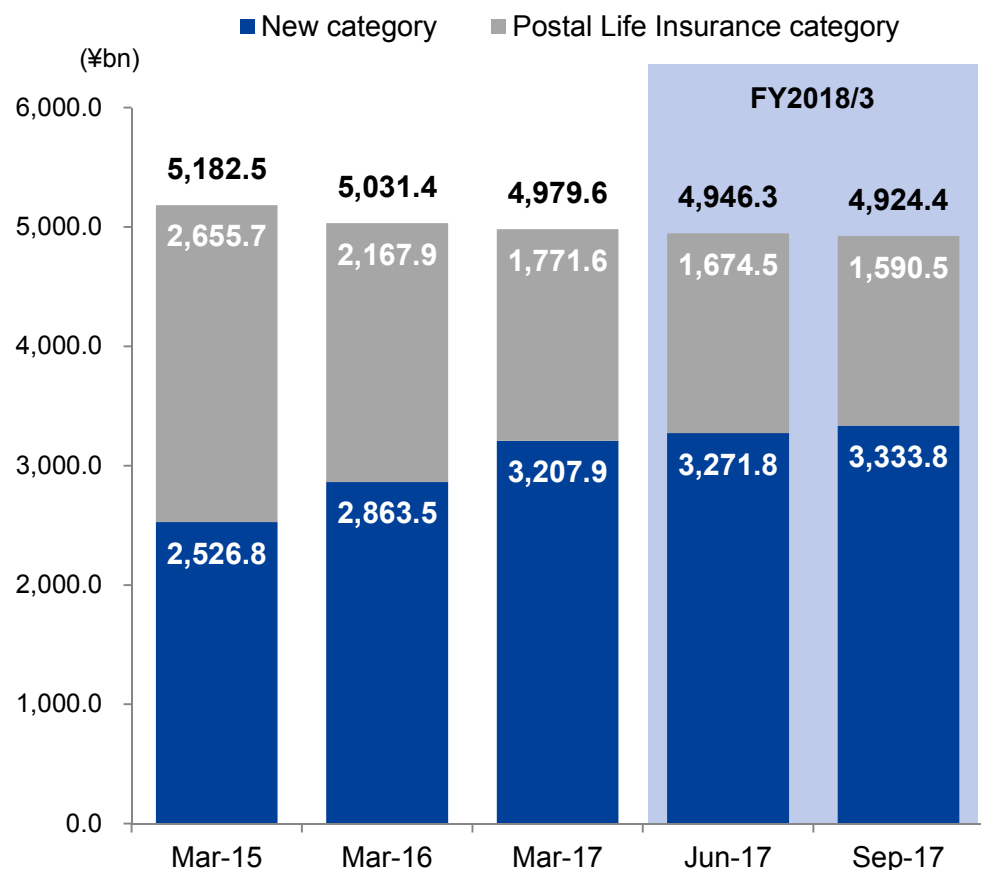
▼ Launch of new products (October)

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

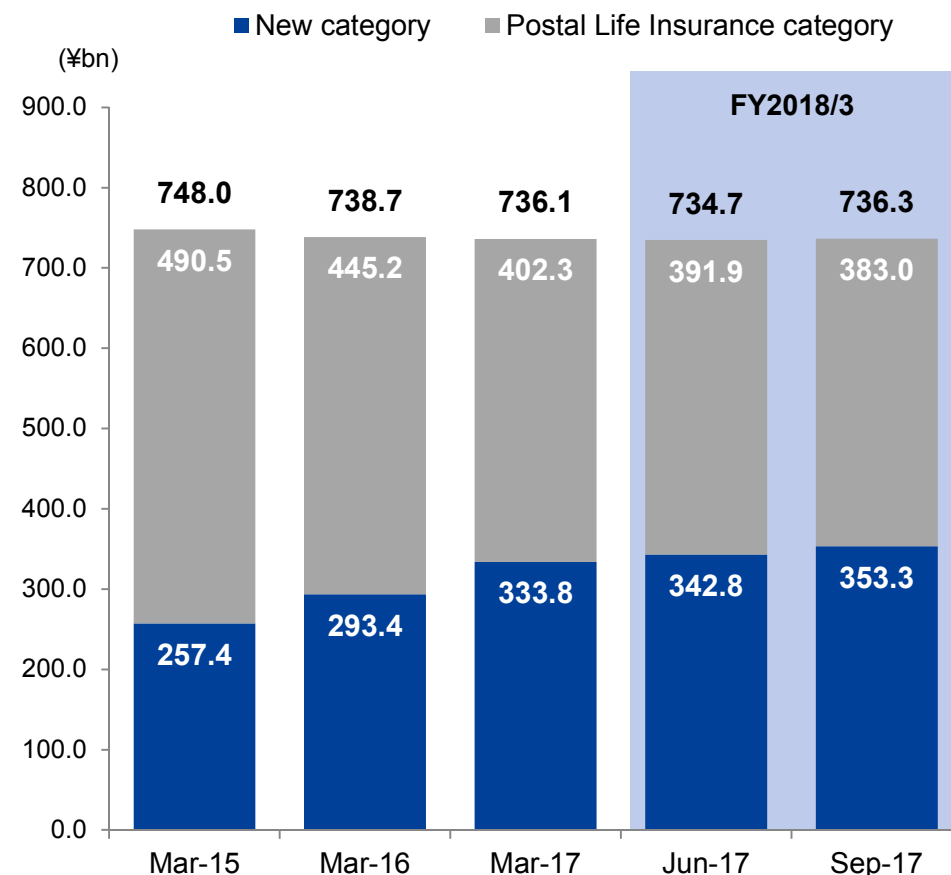
Annualized Premiums from Policies in Force

- While annualized premiums from individual policies in force have been declining gradually, medical care riders remained stable
- We aim to reverse the declining trend of policies in force while focusing on sales of protection-type products in order to keep high-quality policy mix

Annualized Premiums from Policies in Force (Individual Insurance)



Annualized Premiums from Policies in Force (Medical Care)



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

Financial Highlights for the First Half of FY3/2018

- Net income was ¥51.2 billion (+20.6% year on year) for the 1st half of FY3/2018 which achieved solid progress of 59.6% of the full year forecast
- We have revised insurance premiums in a timely manner in response to the changes in business environment. As a result, value of new business has improved

		(¥bn)				
		FY3/2017 1 st Half	FY3/2018 1 st Half	Change	FY3/2018 Forecast (Full Year)	Progress
Earnings (Financial Accounting)	Ordinary Profit	107.8	168.8	+56.6 %	250.0	67.5 %
	Net Income	42.5	51.2	+20.6 %	86.0	59.6 %
Embedded Value (Economic Value)	EV	2,993.6	3,598.6	+20.2 %		
	Value of New Business	5.7	102.2	+1,684.0 %		

Reasons for Changes

- **Ordinary Profit +¥61.0 bn**
Higher capital gains due to market stability
【+¥54.3 bn】
- **Net Income +¥8.7 bn**
Decrease in provision for reserve for policyholder dividends due to increase in policy riders without dividend
【+¥9.1 bn】
- **Embedded Value +¥605.0 bn**
Value of in-force covered business rose mainly due to increased interest rates
【+¥514.7 bn】
- **Value of New Business +¥96.5 bn**
Attributable mainly to revision of insurance premiums and associated changes in the policies mix
【Approx. +¥70.0 bn】

2

Financial Results

Overview of Financial Statements (Consolidated)

Statement of Income

(¥bn)

	6 months ended Sep-16	6 months ended Sep-17	Change	(Reference) Year ended Mar-17
Ordinary income	4,333.8	4,054.8	(279.0)	8,659.4
Insurance premiums and others	2,812.5	2,203.5	(608.9)	5,041.8
Investment income	678.3	640.9	(37.3)	1,367.9
Reversal of policy reserves	805.2	1,184.1	378.9	2,187.2
Ordinary expenses	4,226.0	3,885.9	(340.0)	8,379.6
Insurance claims and others	3,793.1	3,525.7	(267.4)	7,550.3
Investment expenses	105.2	34.3	(70.9)	160.4
Operating expenses	278.0	266.0	(11.9)	560.4
Ordinary profit	107.8	168.8	61.0	279.7
Extraordinary profit and loss	29.5	(27.9)	(57.5)	(6.8)
Provision for reserve for policyholder dividends	77.9	68.8	(9.1)	152.6
Income before income taxes	59.4	72.0	12.6	120.1
Total income taxes	16.9	20.7	3.8	31.5
Net income attributable to Japan Post Insurance	42.5	51.2	8.7	88.5

Balance Sheets

(¥bn)

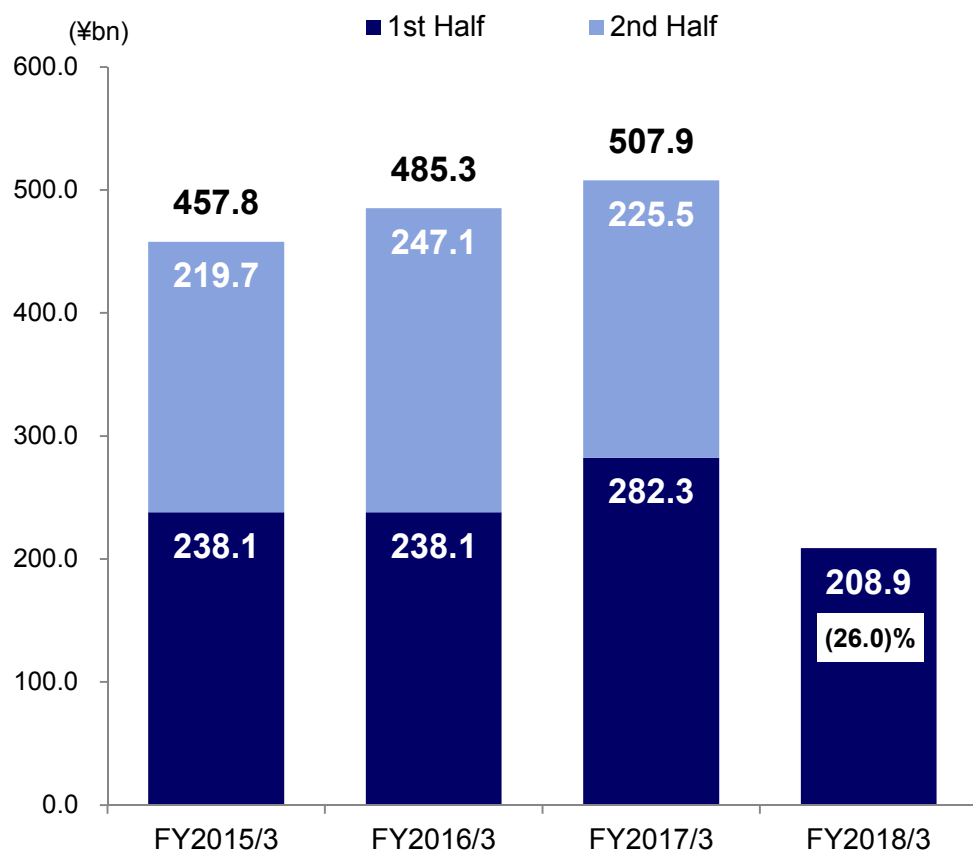
	Mar-17	Sep-17	Change
Assets	80,336.7	78,639.3	(1,697.4)
Cash and deposits	1,366.0	722.5	(643.5)
Money held in trust	2,127.0	2,546.4	419.3
Securities	63,485.2	62,069.9	(1,415.3)
Loans	8,060.9	8,040.3	(20.5)
Fixed assets	322.7	302.1	(20.6)
Deferred tax assets	851.9	847.6	(4.3)
Liabilities	78,483.5	76,613.8	(1,869.7)
Policy reserves	70,175.2	68,991.1	(1,184.1)
Reserve for price fluctuations	788.7	817.5	28.8
Net assets	1,853.2	2,025.5	172.3
Total shareholders' equity	1,526.8	1,542.1	15.3
Total accumulated other comprehensive income	326.3	483.3	157.0

Note: Only major line items are shown.

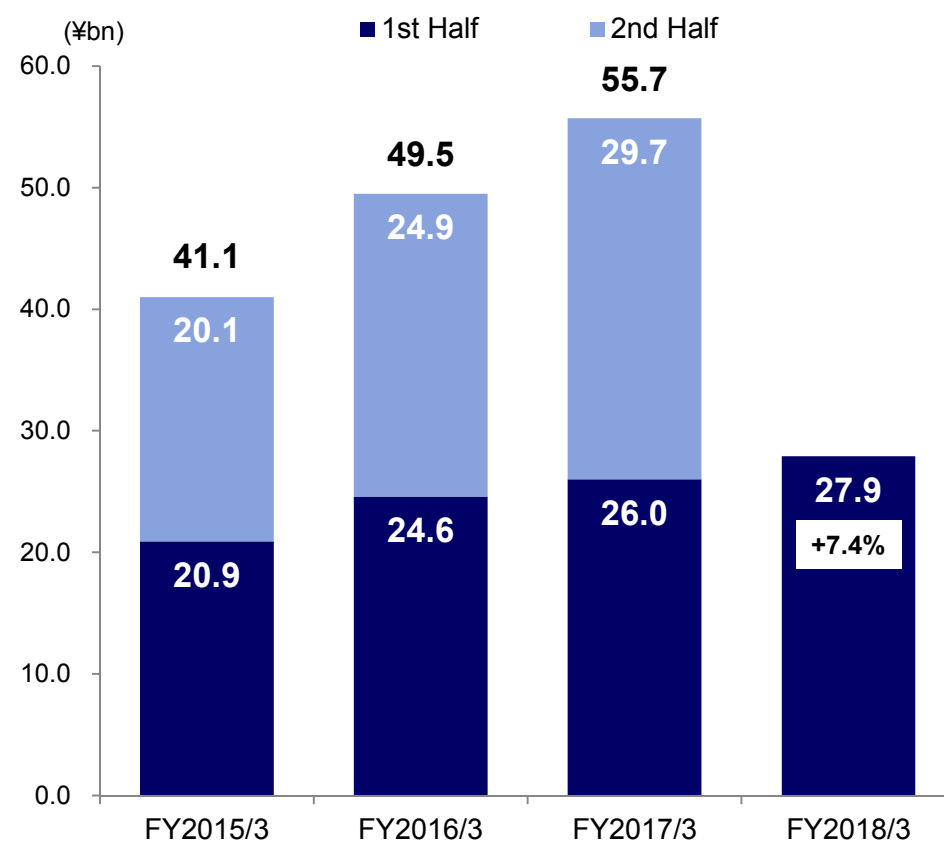
Annualized Premiums from New Policies

- Annualized premiums from new policies for individual insurance amounted to ¥208.9 billion, a 26.0% decrease year on year
- Annualized premiums from new policies for medical care amounted to ¥27.9 billion, a 7.4% increase year on year, as a result of sales activities with an emphasis on customer protection

Annualized Premiums from New Policies (Individual Insurance)



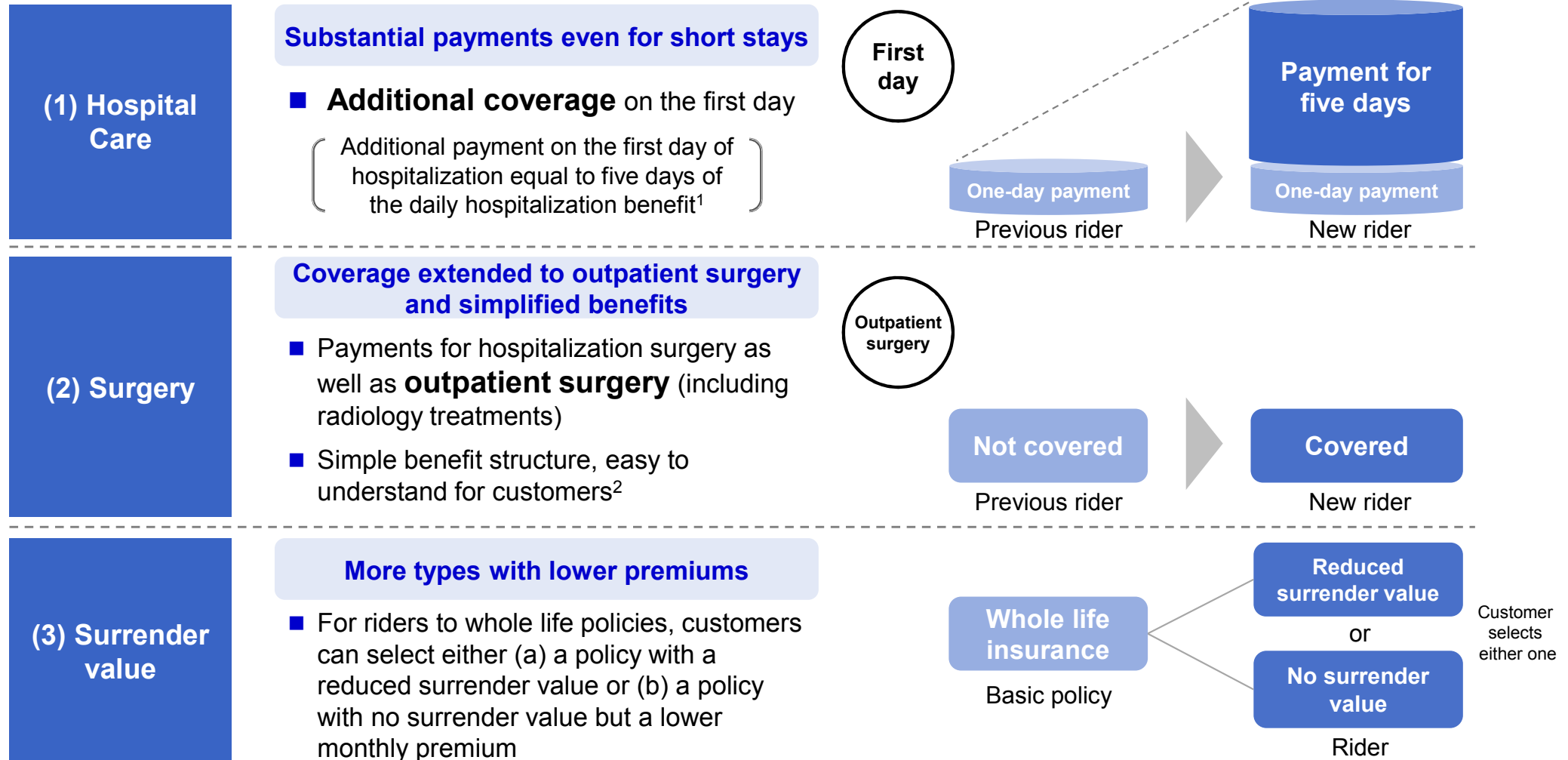
Annualized Premiums from New Policies (Medical Care)



Note: 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.

Revisions to Medical Care Riders

- To reflect the trend of shortening hospital stays in Japan, sales of a new medical care rider started in October 2017 to provide better benefits even for short hospital stays as well as to cover for outpatient surgery



1. Optional (Type II policies have no additional payment on the first day)

2. Based on the daily hospitalization benefit, the payment is 20 times for hospitalization surgery, 5 times for outpatient surgery and 10 times for a radiology procedure, regardless of the type of surgery or radiology procedure

Introduction of Whole Life Insurance (Reduced Surrender Value) and Longevity support Insurance

- Introduced a new whole life policy with a reduced surrender value and lower insurance premiums compared to a conventional whole life policy
- Introduced a longevity support insurance policy with a higher annuity payment when a policyholder lives longer, which provides protection against the longevity risk

Whole Life Insurance

Challenge

- Whole life insurance premiums have been increased twice (August 2016 and April 2017) due to continuing low interest rate environment. This has increased customer's burden of premium payments

Introduction of Whole Life Insurance (Reduced Surrender Value)

- 1 Added a new lineup of whole life insurance**
Started selling a low surrender value policy in addition to a conventional whole life policy
- 2 Reduced the premiums**
Reducing the surrender value made it possible to lower the premiums below that of a conventional whole life policy without altering the policy's benefits

Annuity

Challenge

- As average life expectancy increases, there are **growing needs to be financially prepared for the retirement**
- As we currently don't sell any annuity products due to continuing low interest rate environment, **a product to approach the annuity market was needed**

Created the Longevity Support Insurance

- 1 A new lineup of annuity products responding to a long life society**
- 2 Giving importance to protection against the longevity risk**
Extend annuity payments periods to 30 years (or 20 Years).
Reducing the surrender value made it possible to higher annuity payment when policyholders live longer

Customers First Business Operations

- Executed initiatives aimed at further improvement and sophistication in compliance with our “Basic Policy for Customer First Business Operations” announced in April 2017
- Executed and complied to all seven principles¹ set forth in FSA’s “Principles for Customer-Oriented Business Conduct”

Basic Policy for Customer First Business Operations (Announced on April 7, 2017)

Action	Description	Applicable Principles ¹
Commitment of top management	<ul style="list-style-type: none"> ■ Continuous improvements based on customer feedback with the oversight of top management ■ Joint efforts with Japan Post Co. to drive customer first business operations 	Principles 2, 6, 7
Development of corporate culture	<ul style="list-style-type: none"> ■ Maintain organizational structure to operate in the best interests of customers ■ Foster awareness of customer first through “Comprehensive and Heartfelt Services” 	Principle 2
Product proposals based on customers’ needs	<ul style="list-style-type: none"> ■ Propose products that appropriately reflect customers’ needs ■ Set premiums and commissions at a reasonable level 	Principles 3, 4, 5, 6
Enrichment of information provision and interactive information exchange	<ul style="list-style-type: none"> ■ Ongoing initiatives to promote customers’ understanding of their contractual coverage ■ Enhance the framework for collecting customers’ feedback and two-way information sharing 	Principle 6
Simple, prompt and accurate payments of claims	<ul style="list-style-type: none"> ■ Establish the most advanced insurance claims payment management system ■ Introduce the state-of-the-art technology and simplified administrative procedures 	Principle 2
Development of human resources and business review	<ul style="list-style-type: none"> ■ Encourage employees to pursue basic policy for customer first business operations 	Principles 6, 7
Confirmation of implementation status	<ul style="list-style-type: none"> ■ Regularly confirm and announce the status of initiatives, and revise them to reflect changes in society and the business environment 	Principle 1

Recent Initiatives

- Considering a reexamination of sales processes in order to improve the ease of customers understanding
- Strengthen sales explanations for families with age of 80 and older
- Conducting multilayered confirmation to ensure compatibility
- Established a Responsible Investing Advisory Committee that includes prominent individuals from outside

1. Principles for Customer-Oriented Business Conduct: (1) Establish and make public a policy for customer first business operations; (2) Operate in the best interests of customers; (3) Properly manage conflicts of interest; (4) Clearly set fees and commissions; (5) Provide important information that is easily understandable to customers is easy to understand; (6) Provide services suitable for customers; and (7) Maintain a framework that properly motivates employees

Asset Portfolio

- Under the continued low interest rate environment, we increased investments in risk assets to ¥9,034.1 billion (11.5% of total assets). We expect the share of risk assets to reach around 12% by the end of March 2018
- The positive spread of ¥35.0 billion was achieved as the result of the investment return on core profit remaining at the same level as the previous fiscal year

Asset Portfolio

(¥bn, %)		Mar-17		Sep-17	
		Amount	Share	Amount	Share
Bonds		57,581.2	71.7	55,492.3	70.6
Japanese government bonds		42,732.3	53.2	40,979.4	52.1
Japanese local government bonds		9,226.8	11.5	8,995.2	11.4
Japanese corporate bonds ²		5,622.0	7.0	5,517.6	7.0
Risk assets		7,963.7	9.9	9,034.1	11.5
Domestic stocks ¹		1,626.0	2.0	1,882.7	2.4
Foreign stocks ¹		309.0	0.4	340.7	0.4
Foreign bonds etc. ^{1,2}		6,028.6	7.5	6,803.1	8.7
Loans		8,060.9	10.0	8,040.3	10.2
Others		6,730.9	8.4	6,072.5	7.7
Cash and deposits, call loans		1,516.0	1.9	842.5	1.1
Receivables under securities borrowing transactions		3,520.7	4.4	3,430.9	4.4
Total assets		80,336.7	100.0	78,639.3	100.0

1. Risk assets include assets invested in money held in trust.
2. Foreign bonds etc. include foreign-currency-denominated bonds and investment trusts recorded under Japanese corporate bonds and other securities, respectively, on the balance sheet.

Investment Yield

(¥bn)	6 months ended Sep-16	6 months ended Sep-17	(Reference) Year ended Mar-17
Positive spread	29.9	35.0	78.5
Average assumed rates of return ¹	1.73 %	1.71 %	1.73 %
Investment return on core profit ²	1.82 %	1.82 %	1.84 %

Net capital gains (losses)	(56.7)	(2.4)	(51.1)
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	Sep-16	Sep-17	Mar-17
Interest rate (10Y JGB)	(0.085) %	0.060 %	0.065 %
USD/JPY	¥ 101.12	¥ 112.73	¥ 112.19

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

Diversification of Investment Assets

- Plan to raise alternative investments to about 1% of total assets over the next three to five years
- To improve asset management capabilities, asset management department will be strengthened by forming business alliances and recruiting experts

Status of Alternative Investments

	FY3/2018 1H	FY3/2018 2H (plan)
Hedge Funds	<ul style="list-style-type: none"> Started investing in hedge funds Investments diversified among multiple strategies 	<ul style="list-style-type: none"> Adjust allocations and consider additional investments Diversify geographic and strategic portfolio
Real Estate	<ul style="list-style-type: none"> Started real estate investments Japan real estate funds and private REITs 	<ul style="list-style-type: none"> Additional investments in Japanese real estate Consider investments in overseas real estate
Private Equity	<ul style="list-style-type: none"> Started to establish organizational structure for these equity investments 	<ul style="list-style-type: none"> Start investing in domestic and overseas funds
Infrastructure Equity		<ul style="list-style-type: none"> Start investing in domestic and overseas funds (domestic will come first)

Reinforcing Our Asset Management

Initiatives for Sophisticated Asset Management

- Enhance the foundation of derivative transactions aiming for sophisticated asset management methods
- Further reinforcement of quants analysts
- Further promotion of our business alliance with Dai-ichi Life Holdings
 - Continue joint investment in growing sectors and joint activities for outsourcing

Recruiting Experts from Outside

- As was the case in previous fiscal year, continue to recruit outside experts
- In FY3/2018, plan to recruit mainly junior to mid-career staffs for the planning and execution departments

Asset management personnel: 147 (at 4/2017)

(Planning department/executing department: 109
Risk department (in charge of asset management risk): 38)

Expanding into an organization of around 160-170 persons (at 3/2018)

Embedded Value

- EV increased by ¥242.9billion from the end of the previous fiscal year to ¥3,598.6 billion. The value of new business was ¥102.2billion (a ¥96.5 billion increase year on year)

Breakdown of EV

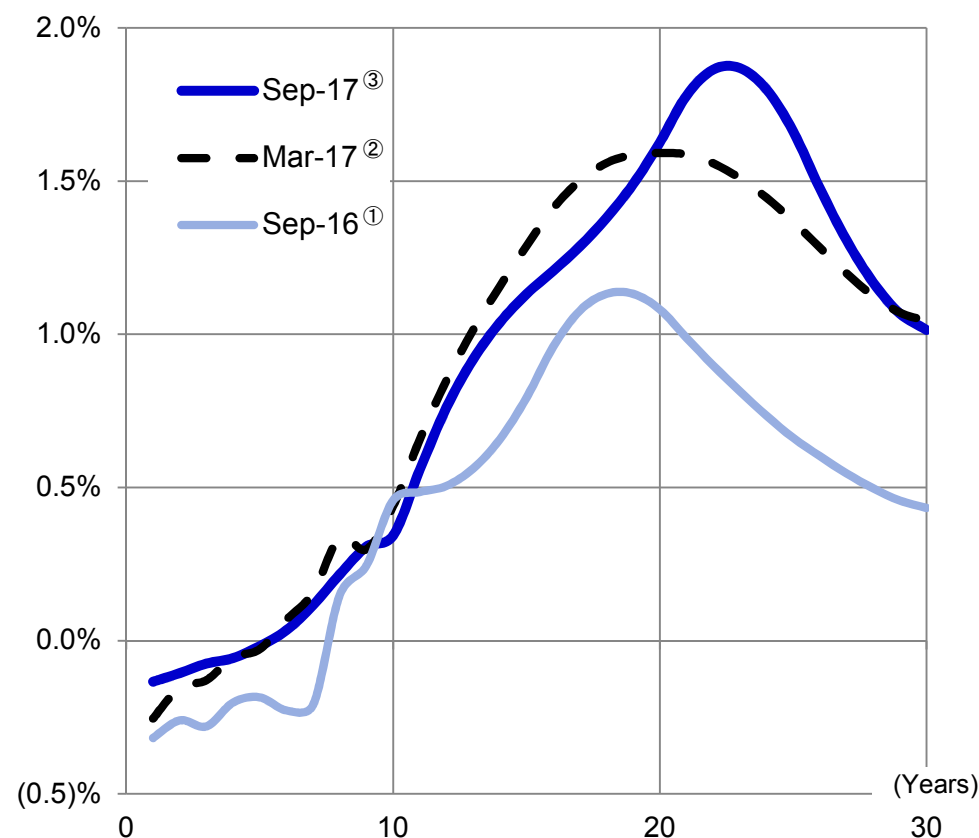
(¥bn)

	Mar-17	Sep-17	Change
EV	3,355.6	3,598.6	242.9
Adjusted net worth	1,965.2	2,009.9	44.6
Value of in- force covered business	1,390.4	1,588.7	198.3

	6 months ended Sep-16 ^①	6 months ended Sep-17 ^②	Change
Value of new business	5.7	102.2	96.5

- Using the same economic assumptions as for the value of new business for FY2017/3, based on the new policies written in the period from April to September 2016
- Using the economic assumptions as of the end of September 2017, based on the new policies written in the period from April to September 2017

Forward Rate (Sep-16 to Sep-17)



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

Value of new business for FY2017/3: ①

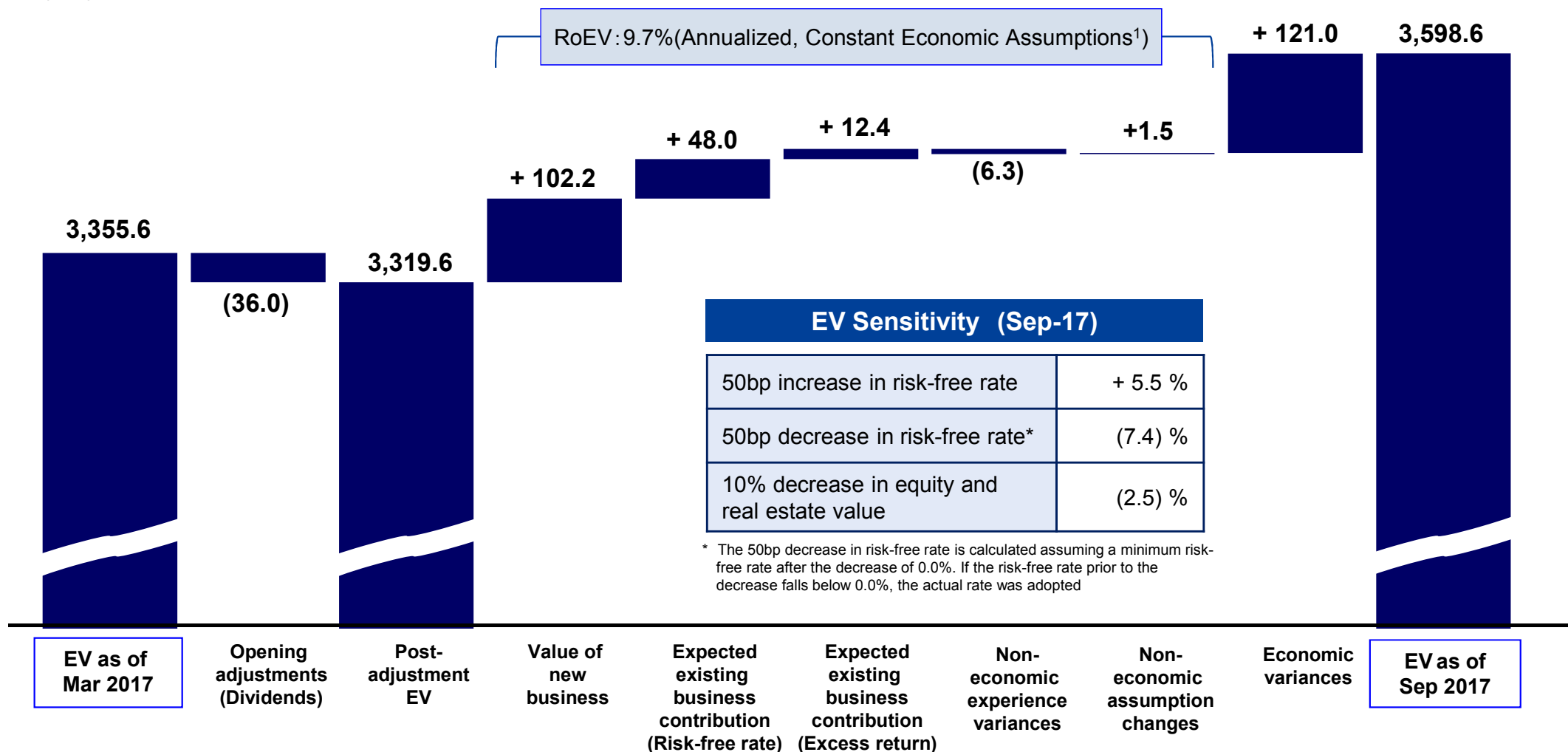
EV as of the end of March 2017: ②

EV as of the end of September 2017 and the value of new business for 2Q of FY2018/3: ③

Change in Embedded Value

- RoEV (constant economic assumptions) is now at 9.7% and our embedded value has been increasing steadily
- New business margin was 4.7%, having recovered to more than the level prior to the start of negative interest rate policy (3.4% in FY3/2016)

(¥bn)



1.Constant economic assumption rate excludes economic variance factor.

Financial Soundness

- Our internal reserves—contingency reserve and price fluctuations reserve—amounted to ¥3,003.9 billion
- Solvency margin ratio, ESR, Credit ratings are sufficient level of soundness compared to competitors

Internal Reserves

	Mar-17	Sep-17	(¥bn)
Contingency reserve	2,254.0	2,186.3	(67.6)
Postal Life Insurance Category	1,838.8	1,751.4	(87.3)
New Category	415.2	434.9	19.7
Price fluctuations reserve	788.7	817.5	28.8
Postal Life Insurance Category	648.4	656.5	8.1
New Category	140.2	161.0	20.7
Additional policy reserve ¹	5,961.0	5,939.7	(21.3)
Postal Life Insurance Category	5,961.0	5,939.7	(21.3)
New Category	-	-	-

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. Additional policy reserve includes the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for reinsured annuity assumed from the Management Organization for Postal Savings and Postal Life Insurance (for the six months ended September 30, 2017, the amount of additional provision was ¥90.9bn and the accumulated amount was ¥1,301.3bn).
2. Provisions in the period includes the excess provision of ¥34.0bn exceeding the provision requirements for contingency reserve and price fluctuations reserve.

Solvency Margin Ratio (Consolidated)

	Mar-17	Sep-17
Solvency Margin Ratio (Consolidated)	1,290.6 %	1,207.7 %
(Reference) ESR	176 %	186 %

Credit rating status

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

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

Financial Results Forecasts for the Year Ending March 31, 2018 (Consolidated)

Financial Results Forecasts (Consolidated)

(¥bn)

	Year ended Mar-17 (Actual)	Year ending Mar-18 (Forecast)
Ordinary income	8,659.4	7,690.0
Ordinary profit	279.7	250.0
Net income ^{1,2}	88.5	86.0

1. Net income attributable to Japan Post Insurance
 2. With regard to "Net income", an approximate increase of ¥30.0 billion is expected due to the impact of fixed asset transfers. However, starting from the second quarter of the fiscal year ending March 31, 2018, reserve for price fluctuations is to be increased to provide for any loss resulting from price fluctuations in shares, securities, etc. As a result, there are no changes to the consolidated financial results forecast for the fiscal year ending March 31, 2018.

Shareholder Return Policy

Stable growth in dividends

- Determine the shareholder dividends considering earning prospects, financial soundness and the balance between shareholder and policyholder dividends.
- Aim for a steady increase in dividends per share through the year ending March 31, 2018, while maintaining a dividend payout ratio within the range of roughly 30 to 50% of our consolidated net income.

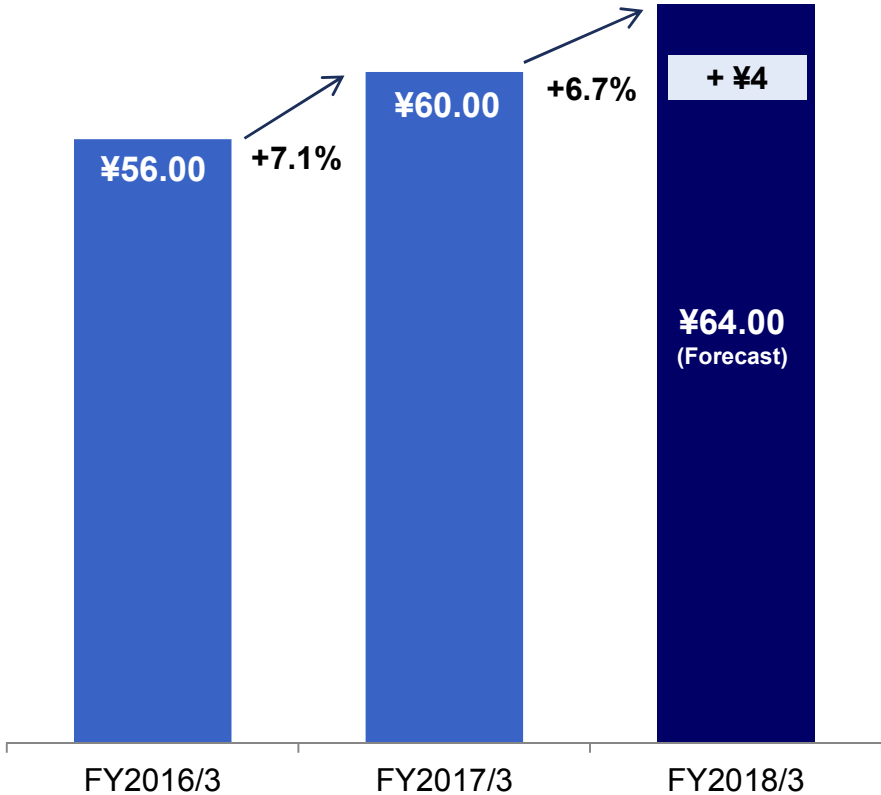
Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %



APPENDIX

Initiatives for ESG – Environmental

- We actively contribute to environmental protection activities through donation to environmental organizations and investments in ESG themes

Promoting Environment Conservation Activities

- Contributions to environmental organizations based on the number of customers who choose to use the online versions of the contract guidelines and policy conditions (contributions of ¥52.1 million since July 2015)
- Reduction of CO₂ emission through energy savings (CO₂ emissions cut by 23% from 32,000 tons in FY2014 to 24,000 tons in FY2016)
- Participating in the JP forest campaign (planting and growing trees) as a member of the Japan Post Group

(Reference) Japan Post Insurance Co., Ltd.

Basic Environmental Declaration

Basic Principles

Japan Post Insurance Co., Ltd. is looking towards the future with its customers and taking social responsibility in providing peace of mind by protecting the earth and the local environment as “Japan’s most familiar and trusted insurance company.” We are taking active and sustainable initiatives in environmental conservation activities.

ESG Investments

- Investments in green bonds which dedicates to support funding of global warming countermeasures and environmental project activities
- As part of our renewable energy investments and loans, invested in mega-solar projects in Japan
- Outsourced investments in Japan Equity ESG funds (also performing ESG-themed analysis for our direct investments)
- Signed the U.N. Principles for Responsible Investment (October 2017)

ESG Investments

June 2016	World Bank (International Bank for Reconstruction and Development) green bond	About ¥10 billion (US\$100 million)
Since January 2017	Solar power generation project (project finance)	¥13.5 billion
March 2017	ESG equity fund in Japan (outsourced)	¥5.0 billion
June 2017	Japan International Cooperation Agency social bond	¥3.7 billion

Initiatives for ESG – Social (Social and Community Contributions)

- Social and community contributions by selling endowment and whole life insurance products at post offices, promoting radio exercise participation, and offering Kampo Platinum Life Services

➤ Provision of Universal Service Products

- Supply endowment and whole life insurance products to approx. 20,000 post offices in Japan as part of the universal service products
- There is an insurance counter sales contract¹ with Japan Post Co.

1. This contract stipulates sales activities, and benefit and other payment procedures by Japan Post Co. for endowment and whole life insurance policies, which are universal service products



➤ Promoting Radio Exercises

- During the summer, radio exercise events were held at 43 locations in all areas of Japan
- A radio exercise competition was held at elementary schools nationwide



➤ Promoting Kampo Platinum Life Services

- Extended the upper age limit of our endowment and whole life insurance
- Publishing of an information magazine for elderly customers
- Free telephone consultation service for policyholders

**かんぽ
プラチナライフサービス**

**Contribute to health promotion, and the development of local communities and society,
building a business model that is friendly to older customers**

Initiatives for ESG – Social (Diversity Management)

- Promoting diversity in four fields: “Promotion of expanding roles for female employees”, “Promoting employment of persons with disabilities”, “Work-life balance” and “LGBT friendly”

Expanding Roles for Female Employees

- Ratio of female directors/executives **17.1%**
Avg. for all listed companies in Japan is 2.8%¹
- Ratio of female managers² **10.5 %**³
Increased by 4 points from 6.4%⁴


1. According to “Yakuin Shikiho” of Toyo Keizai Inc. (2017)
2. The goal is 14% by April 1, 2021
3. As of October 1, 2017
4. As of April 1, 2015

Employment of Persons with Disabilities

- Established administrative support team
- There are **2.25%**¹ of employees with disability


1. As of September 30, 2017

Work-Life Balance

- Avg. overtime per month **10.6 hours**¹
Down by 30%² thanks to work style reforms
- Paid vacation used was at **88.2%**
- Implemented minimum interval between end and start of work 
- Received “Kurumin” certification³

1. FY3/2017 actual data
2. Percentage decreased compared to FY3/2015 (15.7 hours)
3. Certification for companies that provide support for raising children based on the “Act on Advancement of Measures to Support Raising Next-Generation Children” by the Ministry of Health, Labour and Welfare

LGBT Friendly

- Received the Pride Indicator of **Gold Award** from the work with Pride¹ association 
- Established LGBT consultation service

1. An association formed to promote diversity management concerning the LGBT

Initiatives for ESG – Governance

- We employ the committee system and outside directors represent the majority of the board. This strengthens corporate governance as well as expedites decision making
- Adopt Corporate Governance Code appropriately, and aim for sustainable growth and increasing corporate value through transparent management

Corporate Governance “Committee System”

General Shareholders’ Meeting

Appointments and dismissals of Directors

Board of Directors
 [12 directors, including 8 outside directors]

Appointments and dismissals of committee members

Audit Committee

Compensation Committee

Nomination Committee

Outside Directors

Independent Shinji Hattori Chairman & Group CEO of Seiko Holdings Corporation	Independent Female Michiko Matsuda Adviser of IHI Enviro Corporation	Independent Nobuhiro Endo Chairman of the Board (Representative Director) of NEC Corporation	Independent Female Masako Suzuki Director, Vice President of Benefit One Inc.
Independent Tamotsu Saito Chairman of the Board of IHI Corporation	Independent Michiaki Ozaki Attorney-at-law Of Counsel of URYU & ITOGA	Independent Female Meyumi Yamada Executive Director of istyle Inc.	Female Yoshie Komuro President of Work-Life Balance Co., Ltd

Adaptation for Corporate Governance Code

1 Enacted
 “Basic Principles as to Corporate Governance Code”
 (October 28, 2015)

- ✓ Aim for transparent management with focus on dialogues with stakeholders such as customers and shareholders
- ✓ A swift and decisive decision-making, under the supervision from the Board of Director

Note: We compliment all Principles of the Corporate Governance Code.

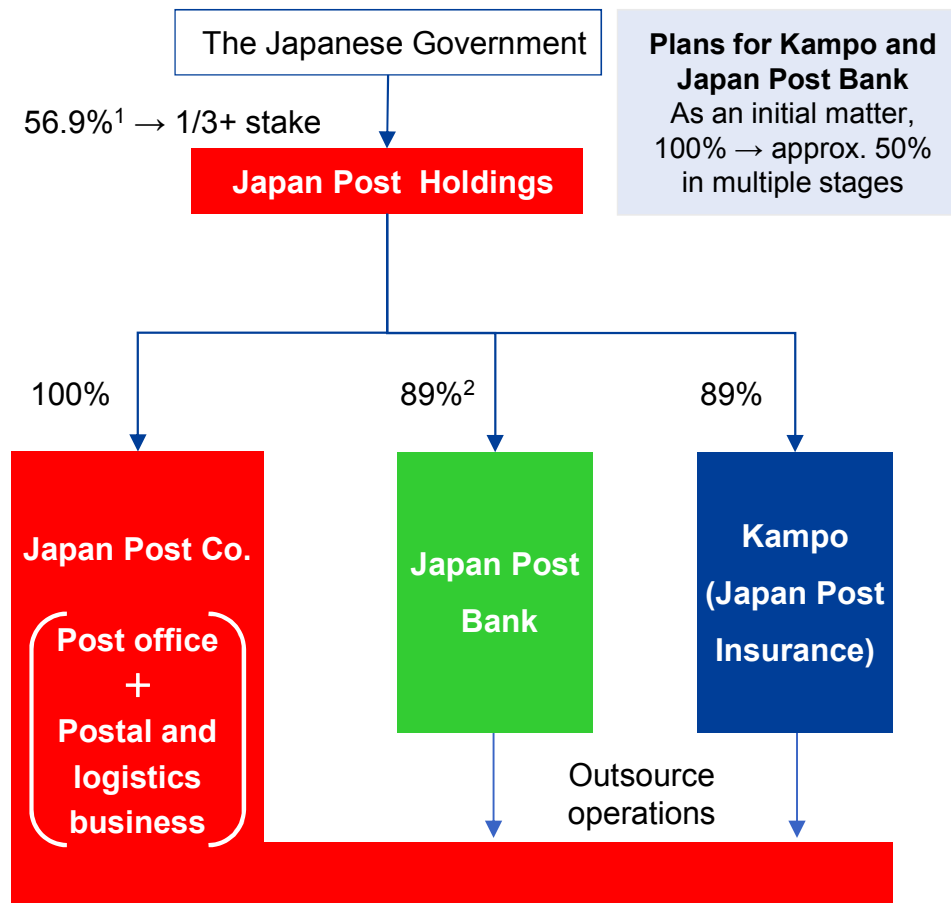
2 Introduction of a Performance-Linked Stock Compensation System (December 22, 2015)

Establish a mechanism that can enhance corporate value by introducing an incentive plan that clarifies the linkage between the Executive Officers’ compensation and share value of the Company

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"> ■ 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	Limitation on new business <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
	Limitation on coverage amount <ul style="list-style-type: none"> ■ Prescribed in cabinet order
	Removal of restrictions <ul style="list-style-type: none"> ■ After disposal of 50% or more of Japan Post Holdings' equity interest in us, the Prime Minister and Minister of Internal Affairs and Communications will consider lifting the current additional regulatory restrictions on our business

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>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"> ■ Prior notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required) <p>【After designated date】</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 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 ¥13 mn after 4 years have elapsed since start of coverage (age 20-55) <p>【After designated date】</p> <ul style="list-style-type: none"> ■ No regulations based on Postal Service Privatization Act <div data-bbox="1400 1204 2161 1324" style="border: 1px dashed black; 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>

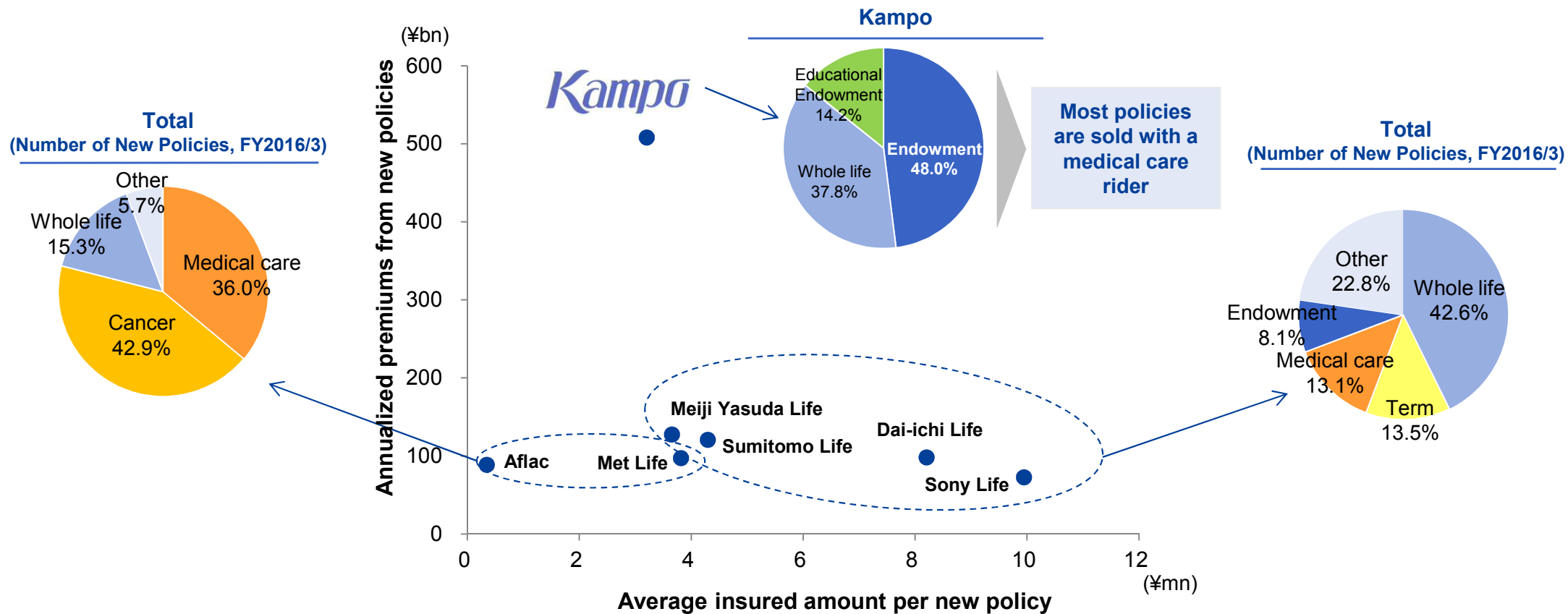
1. Specified ministers: Prime Minister (Commissioner of the Financial Services Agency) and Minister of Internal Affairs and Communications

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

Differentiated Product Mix

- Kampo has a differentiated product mix by focusing on endowment and whole life insurance with relatively small amounts of death benefits

Mapping of the Product Mix in Japanese Life Insurance Market(New Policies, FY2017/3)



Source: Statistics of Life Insurance Business in Japan (2016)
 Note: Product Mix(Pie Chart) is based on number of new policies.

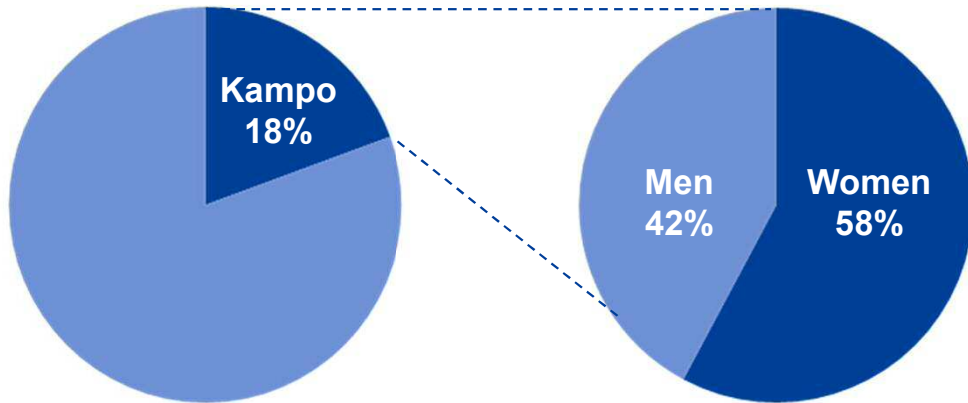
Strength among Women, Middle–Aged and Older Adult Customers

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

Gender Composition of Insured (Number of Policies in Force, Mar-2017)

Insured as share of total population

Gender composition (Kampo)



	Number of people (mn)	(%)
Total population	126.79	100%
No. of insured by Kampo	22.56	18%

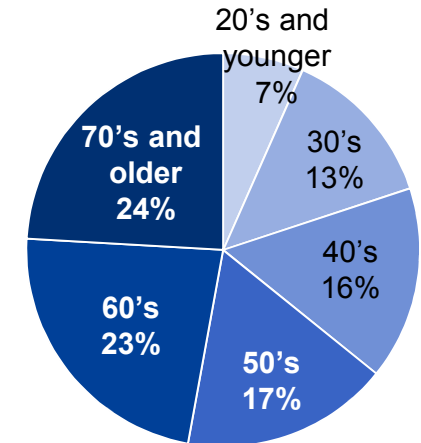
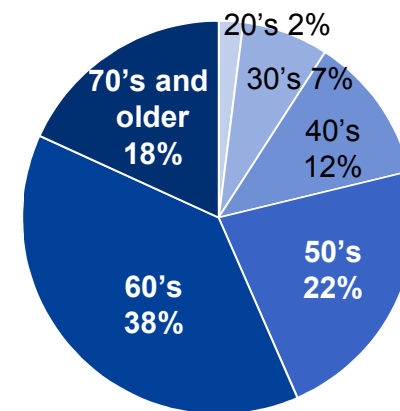
	Number of insured ¹ (mn)	(%)
Women	13.06	58%
Men	9.50	42%

*Gender composition of new policy for other life insurers is about 50:50 (FY2017/3)

Age Composition of Policyholders (Number of New Policies, FY2017/3)

Age composition of financial assets holders

Age composition (Kampo)



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

■ Policyholders over 50 comprise approx. 60%²

Sources: Ministry of Internal Affairs and Communications Statistics Bureau (as of April 1, 2017)

1. Based on number of policies in force as of March 31, 2017

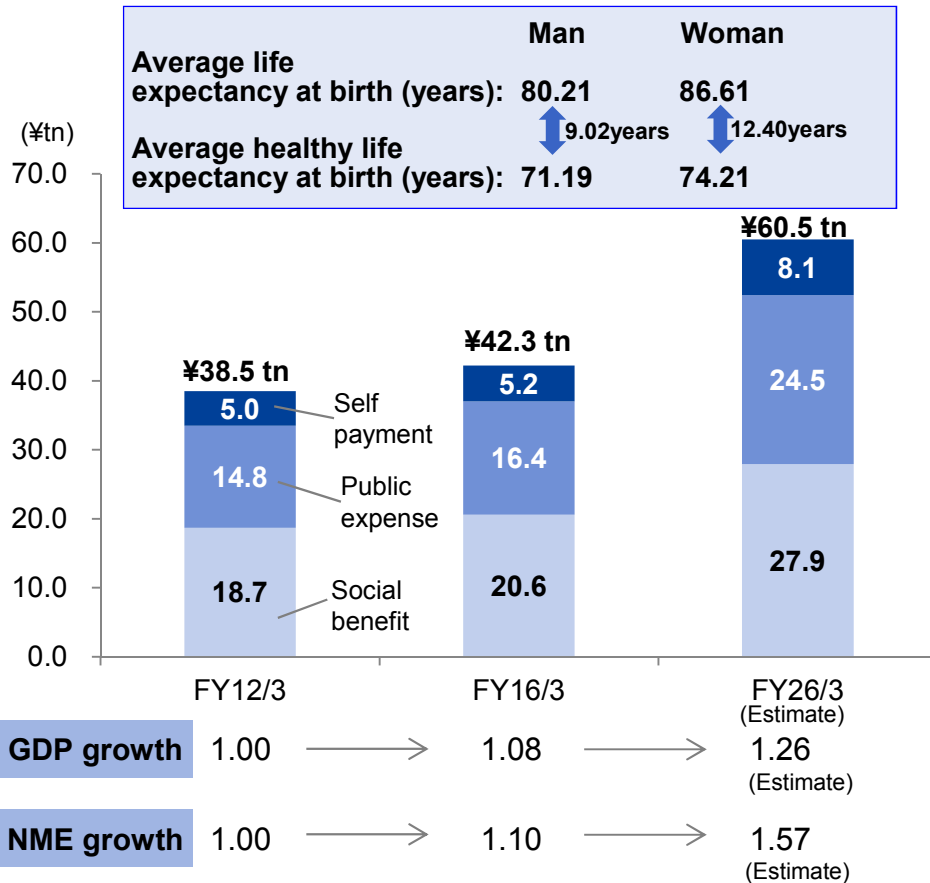
2. Based on number of new policy sales in FY2017/3

Source: Bank of Japan, The Central Council for Financial Services Information (The public opinion survey on financial behavior of households 2016)

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

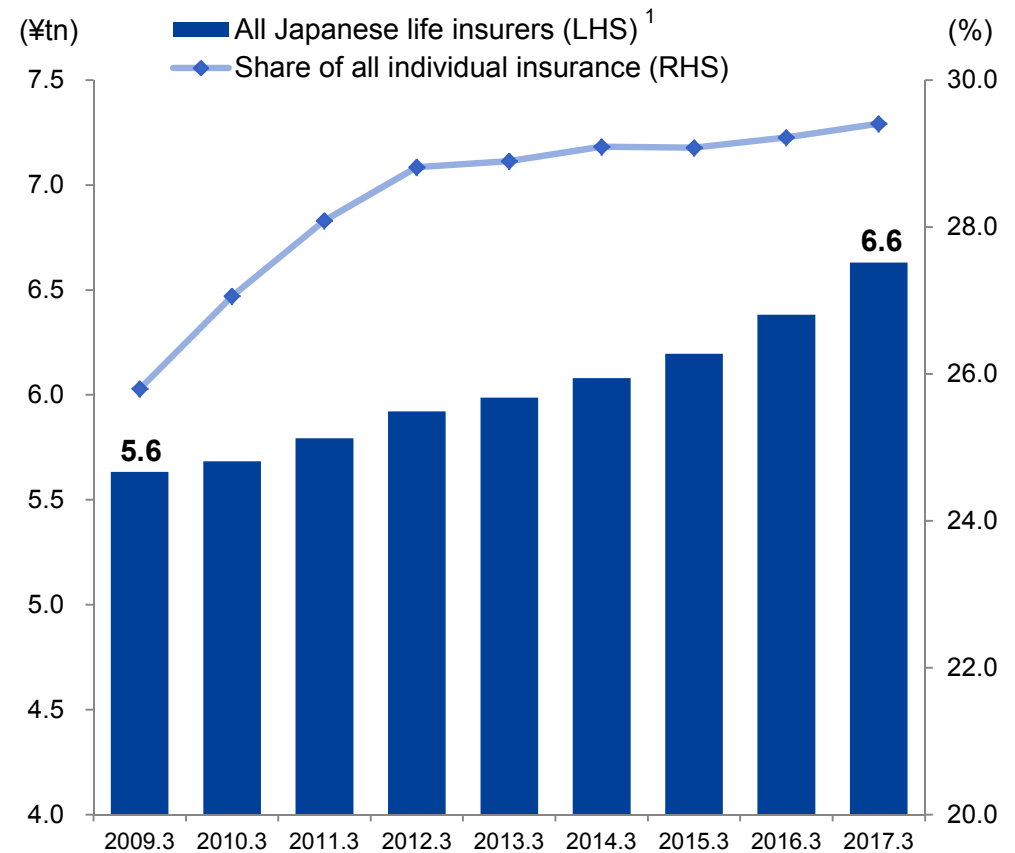
The Rising National Medical Expenditure ("NME")



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 care 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	1,054.7	15.9
2	Kampo	736.1	11.1
3	Nippon Life	622.3	9.4
4	Dai-ichi Life	606.3	9.1
5	Sumitomo Life	532.6	8.0
6	Meiji Yasuda Life	382.2	5.8
7	MetLife	364.5	5.5
8	NN	269.5	4.1
9	Gibraltar	218.2	3.3
10	Axa	206.3	3.1
Life insurance total (41 companies)		6,630.9	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (2016)

Note: Figures for Kampo include reinsured postal life insurance policies

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 benefit²) for the first day in a hospital

Surgery Benefit

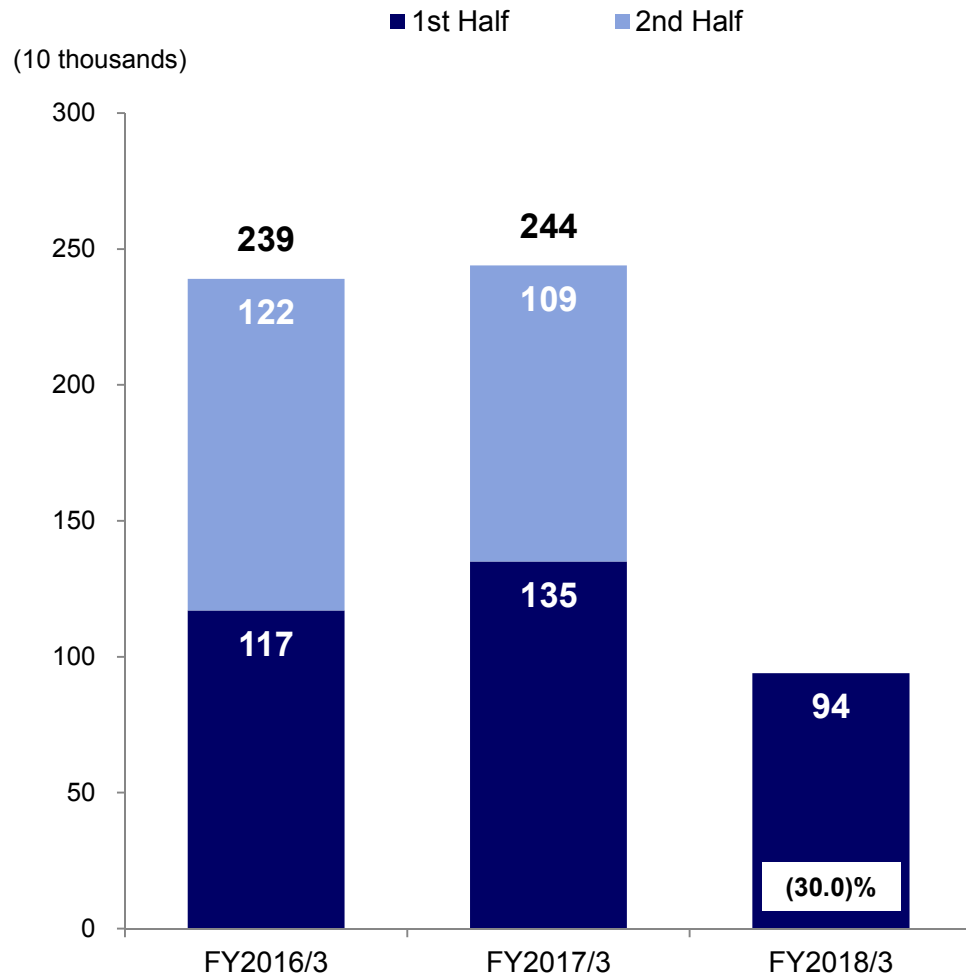
- Hospital surgery ¥90,000 (20 times daily benefit²)
- Outpatient surgery ¥22,500 (5 times daily benefit²)
- Radiology treatment ¥45,000 (10 times daily benefit²)

Coverage 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

Number of New Policies

Number of New Policies (Individual Insurance)



Breakdown of New Policies

(10 thousands)

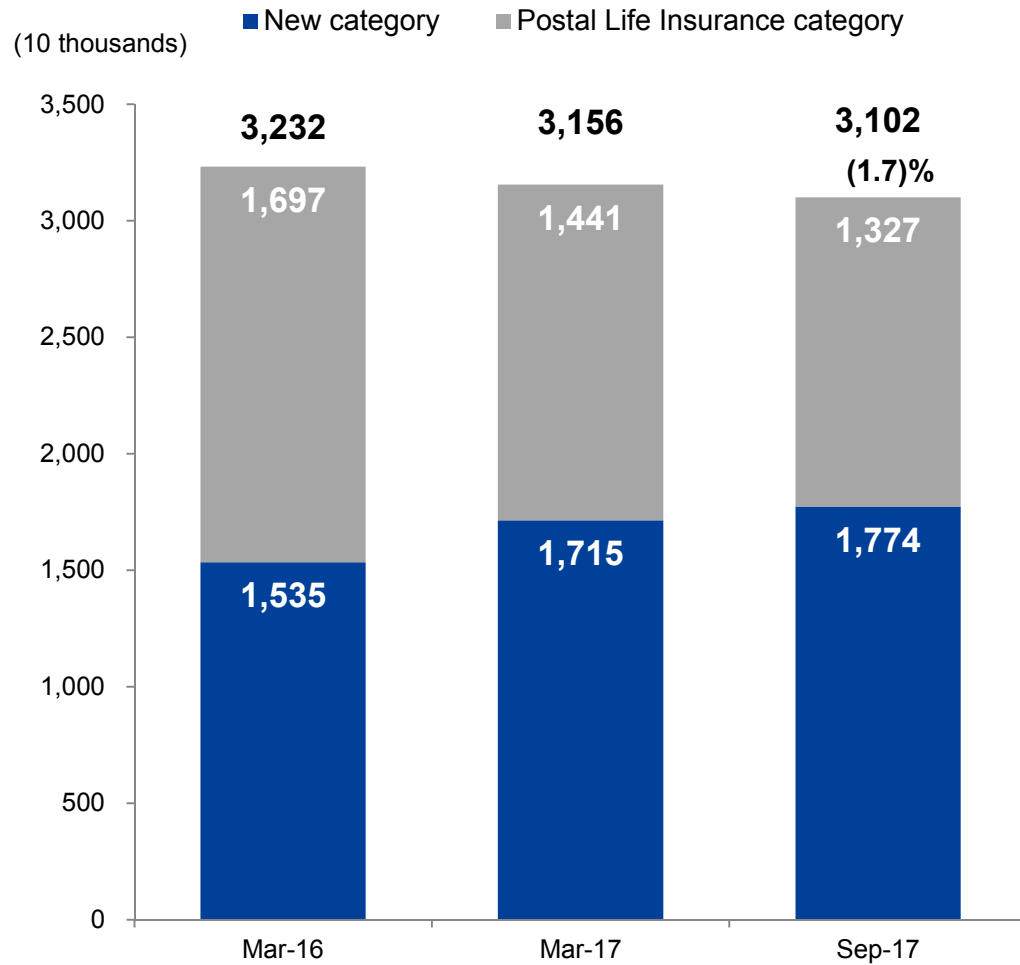
	6 months ended Sep-16		6 months ended Sep-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	135	100.0 %	94	100.0 %
Endowment insurance	72	53.8 %	45	48.0 %
Ordinary endowment insurance	58	43.5 %	27	29.6 %
Special endowment insurance ¹	13	10.3 %	17	18.4 %
Whole life insurance	41	30.8 %	42	44.7 %
Ordinary whole life insurance (Fixed amount type)	14	10.7 %	16	17.8 %
Ordinary whole life insurance (Increased amount type)	12	9.0 %	18	19.1 %
Special whole life insurance	15	11.1 %	7	7.8 %
Educational endowment insurance	20	15.4 %	6	7.3 %
Other insurance	0	0.0 %	0	0.0 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

Number of Policies in Force

Number of Policies in Force (Individual Insurance)



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

Breakdown of Policies in Force

(10 thousands)

	Mar-17		Sep-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,156	100.0 %	3,102	100.0 %
Endowment insurance	1,349	42.8 %	1,298	41.9 %
Ordinary endowment insurance	846	26.8 %	822	26.5 %
Special endowment insurance ¹	482	15.3 %	457	14.8 %
Whole life insurance	1,279	40.6 %	1,294	41.7 %
Ordinary whole life insurance (Fixed amount type)	406	12.9 %	413	13.3 %
Ordinary whole life insurance (Increased amount type)	239	7.6 %	251	8.1 %
Special whole life insurance	633	20.1 %	629	20.3 %
Educational endowment insurance	512	16.2 %	494	15.9 %
Other insurance	14	0.5 %	14	0.5 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

Fair Value Information of Securities

Fair Value Information of Securities

(¥bn)

	Mar-17			Sep-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	64,349.2	72,064.9	7,715.7
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,593.7	45,544.4	5,950.6
Policy-reserve-matching bonds	12,517.3	13,697.4	1,180.0	11,387.0	12,490.2	1,103.1
Available-for-sale securities	12,582.7	13,026.4	443.6	13,368.3	14,030.3	661.9
Securities etc.	10,836.4	10,899.3	62.9	11,314.6	11,491.6	176.9
Bonds	4,758.4	4,796.8	38.4	4,690.8	4,725.2	34.4
Domestic stocks	50.2	54.0	3.8	100.5	109.2	8.6
Foreign securities	4,224.6	4,253.7	29.1	4,414.5	4,534.5	120.0
Other securities	1,428.0	1,417.1	(10.8)	1,704.2	1,715.8	11.6
Deposits etc.	375.1	377.5	2.4	404.5	406.7	2.2
Money held in trust ¹	1,746.3	2,127.0	380.7	2,053.6	2,538.6	484.9
Domestic stocks	1,252.1	1,571.9	319.8	1,382.5	1,773.5	390.9
Foreign stocks	267.1	309.0	41.9	270.1	340.7	70.5
Foreign bonds	166.9	185.9	18.9	319.9	343.3	23.4

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

1.Total money held in trust includes cash and deposits and others.

Compliance with the Stewardship Code

- Committed to contribute the growth of Japan's economy by adhering to the Stewardship Code and conducting constructive engagement with investee companies
- Based on our policy for exercising voting rights, we vote in a manner that contributes to the sustained growth of investee companies

Compliance with the Stewardship Code

➤ Major activities of the past year

■ 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

■ Disclosure of voting results

- Disclosure of voting results by each specific proposal (results combined for both stocks managed in-house and by third party)

■ 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

Results of Voting Activities

➤ Results by category of proposals¹

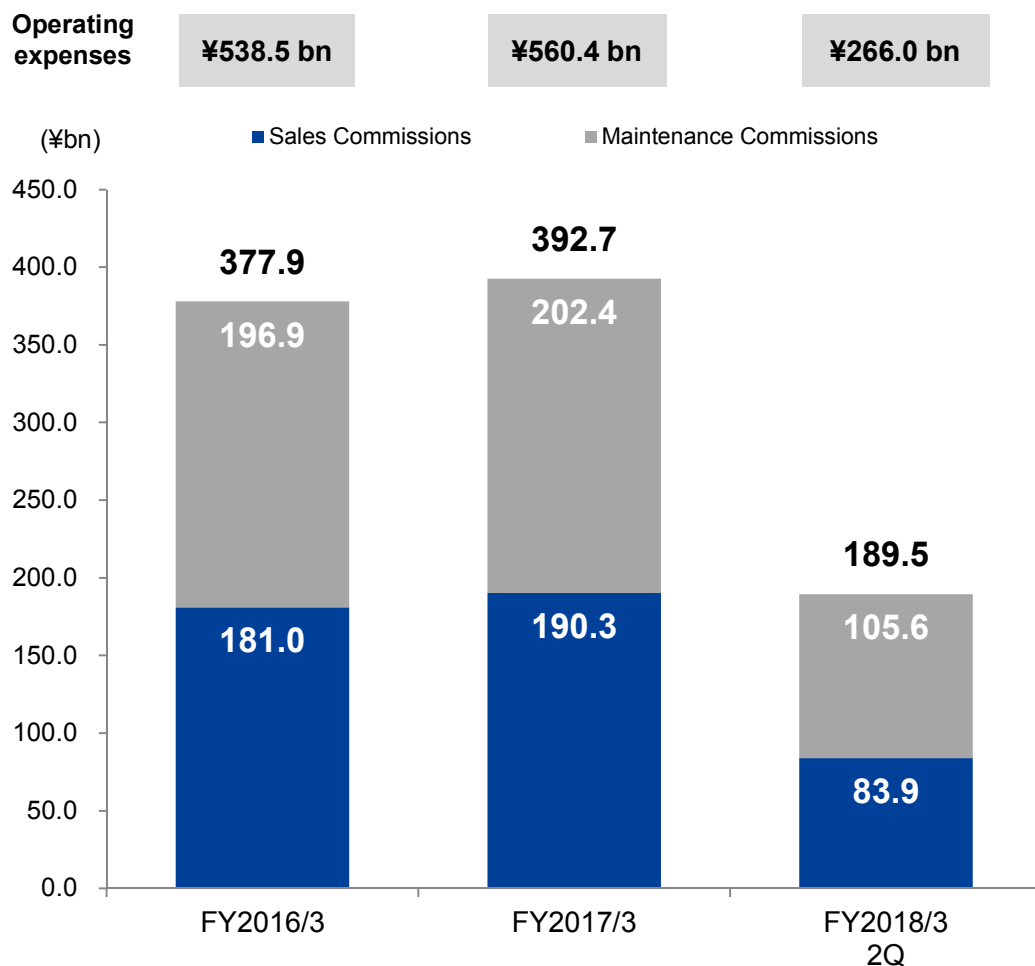
Proposal	Votes	For	Against	Abstain	Against %
A. Company proposals	170	161	9	0	5.3 %
1. Appropriation of surplus	37	37	0	0	0.0 %
2. Election of directors	50	44	6	0	12.0 %
3. Election of statutory auditors	35	33	2	0	5.7 %
4. Amendment of articles of incorporation	9	9	0	0	0.0 %
5. Retirement payment	0	0	0	0	0.0 %
6. Revise compensation for directors/auditors	26	26	0	0	0.0 %
7. Issue of stock options	7	7	0	0	0.0 %
8. Selection of independent auditor	0	0	0	0	0.0 %
9. Corporate reorganizations	0	0	0	0	0.0 %
10. Other company proposals	6	5	1	0	16.7 %
(including takeover defense)	1	0	1	0	100.0 %
B. Shareholder proposals	21	3	18	0	85.7 %
Total for A. and B.	191	164	27	0	14.1 %

1. Voting results for shareholder's meetings held by Japanese listed companies during the period from July 2016 to June 2017 (only in-house investments)

Operating Expenses

- 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

Use of IBM's Watson

- We have successfully introduced Watson in call center operations (April 2017), by applying knowledge and experience gained from the implementation of Watson in the benefit payment operations

Use of Watson for the Benefit Payment Operations

➤ Challenges with Benefit Payment Process



➤ Limit of Operations by Human

Requires Advanced Knowledge and Experience of Evaluators

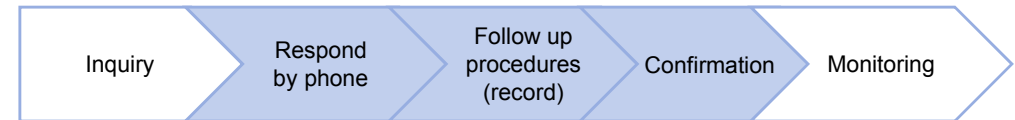
- Requires knowledge of terms of various types of policies, details of medical treatment and relevant laws etc.
- Requires about 10 years of experience for the case of complex claims

➤ Use of IBM's Watson

- Provides past similar claims and relevant information for decision making
- Proposes next action

Use of Watson for Call Center Operations

➤ Operational Flow



Pre-Watson

- ✓ Manually search FAQ, etc. relevant to the inquiry
- ✓ Manually record phone conversation
- ✓ Reconfirm recorded telephone conversation

Post-Watson

- ✓ Watson automatically displays relevant FAQ, etc.
- ✓ Watson automatically convert voice record to text
- ✓ No reconfirmation of recorded conversation is required

➤ Effect of Watson

- Time per operation for responding to customers and keeping the record is going to decrease to roughly three-fourths.
- Significant reduction of training period for operators

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

		FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 2Q	FY2018/3 2Q
Total assets	¥mn	87,088,626	84,911,946	81,543,623	80,336,414	80,492,247	78,640,910
Postal Life Insurance category		67,560,915	61,703,013	55,832,787	51,447,550	52,827,292	48,798,069
New category		19,527,711	23,208,932	25,710,836	28,888,864	27,664,955	29,842,840
Number of policies in force	(000)	34,864	33,489	32,323	31,562	32,067	31,020
Postal Life Insurance category (insurance)		23,195	19,949	16,972	14,411	15,678	13,271
New category (individual insurance)		11,668	13,539	15,350	17,150	16,388	17,749
Insurance premiums and others	¥mn	5,911,643	5,956,716	5,413,862	5,041,868	2,812,554	2,203,556
Postal Life Insurance category		2,155,398	1,697,140	1,322,308	1,002,816	534,645	400,111
New category		3,756,245	4,259,576	4,091,554	4,039,051	2,277,909	1,803,445
Ordinary profit	¥mn	463,506	493,169	413,023	279,347	107,711	168,674
Postal Life Insurance category		382,325	377,145	258,059	185,250	73,545	73,693
New category		81,181	116,024	154,963	94,097	34,165	94,980
Net income	¥mn	63,428	81,758	86,338	88,520	42,604	51,202
Postal Life Insurance category		43,689	36,969	32,850	26,044	14,361	9,207
New category		19,739	44,789	53,487	62,475	28,242	41,995
Contingency reserve (reversal) provision	¥mn	(94,807)	(90,087)	(123,864)	(120,819)	(60,602)	(67,642)
Postal Life Insurance category		(164,732)	(167,144)	(171,199)	(172,881)	(86,548)	(87,379)
New category		69,924	77,057	47,335	52,061	25,945	19,736
Price fluctuations reserve (reversal) provision	¥mn	91,360	97,934	70,100	6,444	(29,627)	28,825
Postal Life Insurance category		73,857	72,126	8,957	12,625	(22,711)	8,102
New category		17,502	25,808	61,143	(6,181)	(6,915)	20,722
Additional policy reserve (reversal) provision	¥mn	(77,134)	(68,347)	(55,533)	(50,454)	(22,650)	(21,325)
Postal Life Insurance category		(77,134)	(68,347)	(55,533)	(50,454)	(22,650)	(21,325)
New category		-	-	-	-	-	-

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

Major Financial Results (Consolidated)

(¥bn)

	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 2Q	FY2018/3 2Q
Insurance premiums and others	5,911.6	5,956.7	5,413.8	5,041.8	2,812.5	2,203.5
Ordinary profit	462.7	492.6	411.5	279.7	107.8	168.8
Provision for reserve for policyholder dividends	242.1	200.7	178.0	152.6	77.9	68.8
Net income	62.8	81.3	84.8	88.5	42.5	51.2
Net assets	1,538.1	1,975.7	1,882.9	1,853.2	1,782.5	2,025.5
Total assets	87,092.8	84,915.0	81,545.1	80,336.7	80,492.2	78,639.3
Return on equity	4.2 %	4.6 %	4.4 %	4.7 %	-	-
Return on shareholders' equity	4.7 %	5.9 %	5.9 %	5.9 %	-	-
Dividends to shareholders	16.8	24.5	33.6	36.0	-	-
Payout ratio	26.8 %	30.2 %	39.6 %	40.6 %	-	-
[Reference] Core profit (Non-consolidated)	482.0	515.4	464.2	390.0	194.4	194.4

<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.