

Kampo

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

November 14, 2017

 **JAPAN POST INSURANCE**

- I am Susumu Miyamoto of Japan Post Insurance.
- Thank you for joining our conference call for “Financial Results for the Six Months Ended September 30, 2017.”
- I will first begin with a summary of the financial results in line with the presentation materials prepared for this meeting, followed by a question and answer session.
- Please look at page 1.

Summary of Financial Results

- Net income was ¥51.2billion (a 20.6% increase year on year) that represented 59.6% towards the full-year financial results forecasts.
- Annualized premiums from new policies for individual insurance were ¥208.9billion, a 26.0% decrease year on year. Annualized premiums from new policies for medical care were ¥27.9 billion, a 7.4% increase year on year.
- Annualized premiums from policies in force for individual insurance were ¥4,924.4 billion, a 1.1% decrease from the end of the previous fiscal year. Annualized premiums from policies in force for medical care were ¥736.3 billion, nearly the same level as the end of the previous fiscal year.
- Under the continued low interest rate environment, we increased investments in risk assets (foreign securities and domestic stocks) to ¥9,034.1 billion (11.5% of total assets).
- 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).

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- The financial results can be summed up in five points.
- Firstly, net income for the current period was ¥51.2 billion, which was a 20.6% increase year on year and represented steady progress of 59.6% towards our full-year financial results forecasts.
- Secondly, although annualized premiums from new policies for individual insurance decreased to ¥208.9 billion, annualized premiums from new policies for medical care were ¥27.9 billion, a 7.4% increase year on year as a result of sales activities with an emphasis on customer protection.
- Thirdly, although annualized premiums from policies in force for individual insurance decreased slightly to ¥4,924.4 billion, annualized premiums from policies in force for medical care were ¥736.3 billion, maintaining the same level as the end of the previous fiscal year.
- On to the fourth point, in view of the continuing current low interest rate environment, while keeping a focus on ALM, we increased investment in risk assets such as stocks and foreign bonds, and accordingly, increased the exposure of risk assets to 11.5% of total assets.
- Lastly, the fifth point; EV increased by ¥242.9 billion from the end of the previous fiscal year to ¥3,598.6 billion. The value of new business increased by ¥96.5 billion to ¥102.2 billion.
- Please look at page 2.

Financial Highlights

Financial Highlights			
	(¥bn)		
	6 months ended Sep-16	6 months ended Sep-17	Year on year
Ordinary income	4,333.8	4,054.8	(6.4) %
Ordinary profit	107.8	168.8	56.6 %
Net income ¹	42.5	51.2	20.6 %

Financial Results Forecasts	
	(¥bn)
Year ending Mar-18 (Full-year forecasts)	Progress
7,690.0	52.7 %
250.0	67.5 %
86.0	59.6 %

(¥bn)			
	Mar-17	Sep-17	Change
Total assets	80,336.7	78,639.3	(2.1) %
Net assets	1,853.2	2,025.5	9.3 %
Total shareholders' equity	1,526.8	1,542.1	1.0 %

1. Net income attributable to Japan Post Insurance

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- Next, I would like to explain the financial highlights.
- For the current period, ordinary income decreased slightly to ¥4,054.8 billion. However, we achieved steady progress towards our full-year financial results forecasts, securing increases respectively to ¥168.8 billion in ordinary profit, and ¥51.2 billion in net income.
- Furthermore, total assets were ¥78,639.3 billion and net assets were ¥2,025.5 billion.
- Please look at page 3.

Overview of Financial Statements (Consolidated)

Statement of Income				Balance Sheets				
	6 months ended Sep-16	6 months ended Sep-17	Change	(Reference) Year ended Mar-17	Mar-17	Sep-17	Change	
Ordinary income	4,333.8	4,054.8	(279.0)	8,659.4	80,336.7	78,639.3	(1,697.4)	
Insurance premiums and others	2,812.5	2,203.5	(608.9)	5,041.8	Cash and deposits	1,366.0	722.5	(643.5)
Investment income	678.3	640.9	(37.3)	1,367.9	Money held in trust	2,127.0	2,546.4	419.3
Reversal of policy reserves	805.2	1,184.1	378.9	2,187.2	Securities	63,485.2	62,069.9	(1,415.3)
Ordinary expenses	4,226.0	3,885.9	(340.0)	8,379.6	Loans	8,060.9	8,040.3	(20.5)
Insurance claims and others	3,793.1	3,525.7	(267.4)	7,550.3	Fixed assets	322.7	302.1	(20.6)
Investment expenses	105.2	34.3	(70.9)	160.4	Deferred tax assets	851.9	847.6	(4.3)
Operating expenses	278.0	266.0	(11.9)	560.4	Liabilities	78,483.5	76,613.8	(1,869.7)
Ordinary profit	107.8	168.8	61.0	279.7	Policy reserves	70,175.2	68,991.1	(1,184.1)
Extraordinary profit and loss	29.5	(27.9)	(57.5)	(6.8)	Reserve for price fluctuations	788.7	817.5	28.8
Provision for reserve for policyholder dividends	77.9	68.8	(9.1)	152.6	Net assets	1,853.2	2,025.5	172.3
Income before income taxes	59.4	72.0	12.6	120.1	Total shareholders' equity	1,526.8	1,542.1	15.3
Total income taxes	16.9	20.7	3.8	31.5	Total accumulated other comprehensive income	326.3	483.3	157.0
Net income attributable to Japan Post Insurance	42.5	51.2	8.7	88.5				

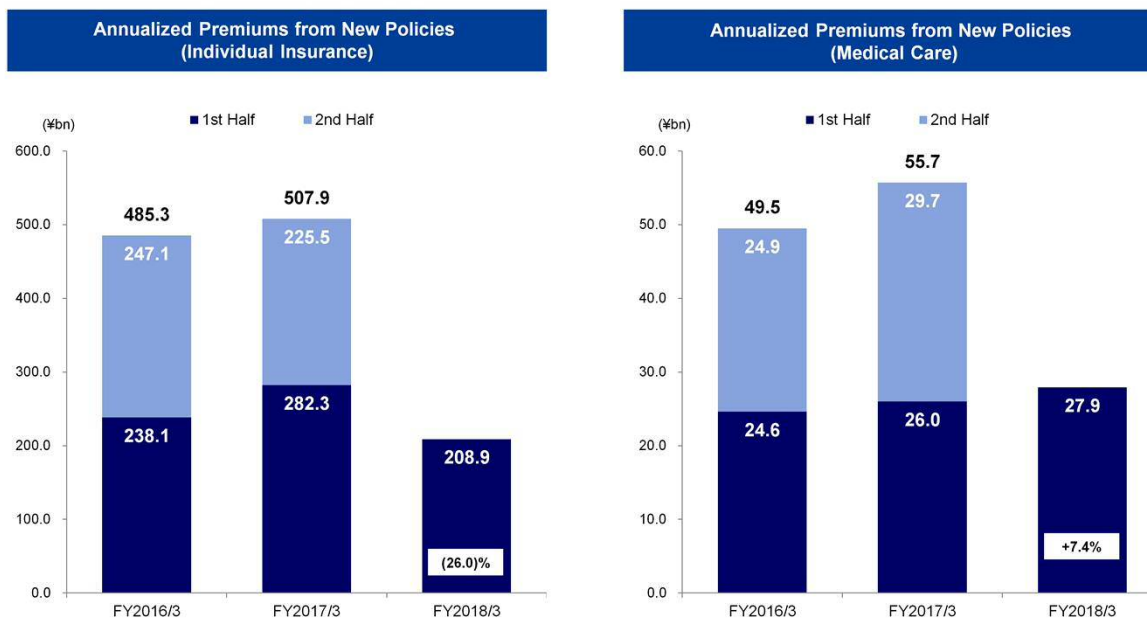
Note: Only major line items are shown.

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3

- This is an overview of our financial statements.
- For more information, please refer to the document on financial results.
- Please look at page 4.

Policy Sales (1) Annualized Premiums from New Policies

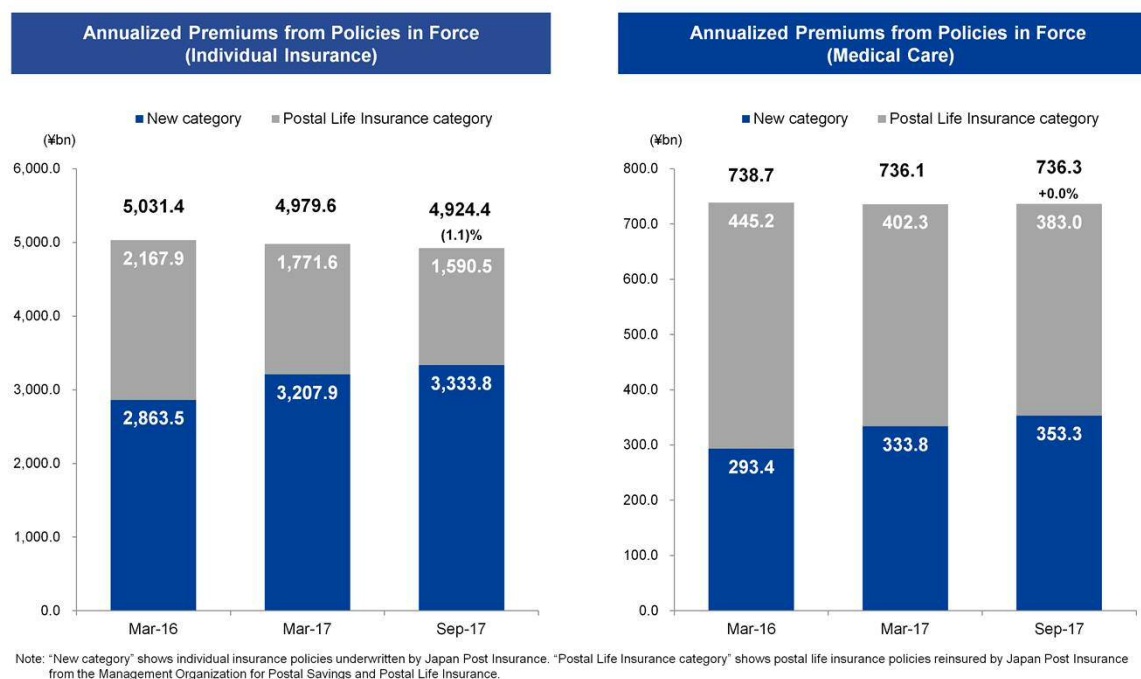


Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

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- From here, I would like to explain our policy sales.
- Annualized premiums from new policies for individual insurance decreased by ¥73.4 billion year on year to ¥208.9 billion, mainly due to the factors including the impact of the insurance premium revision in April 2017.
- Meanwhile, annualized premiums from new policies for medical care increased by ¥1.9 billion year on year to ¥27.9 billion, which was the highest figure we have recorded for a first half period.
- We will continue to collaborate with Japan Post Co. and strive to conduct consistent sales activities with an emphasis on customer protection.
- Please look at page 5.

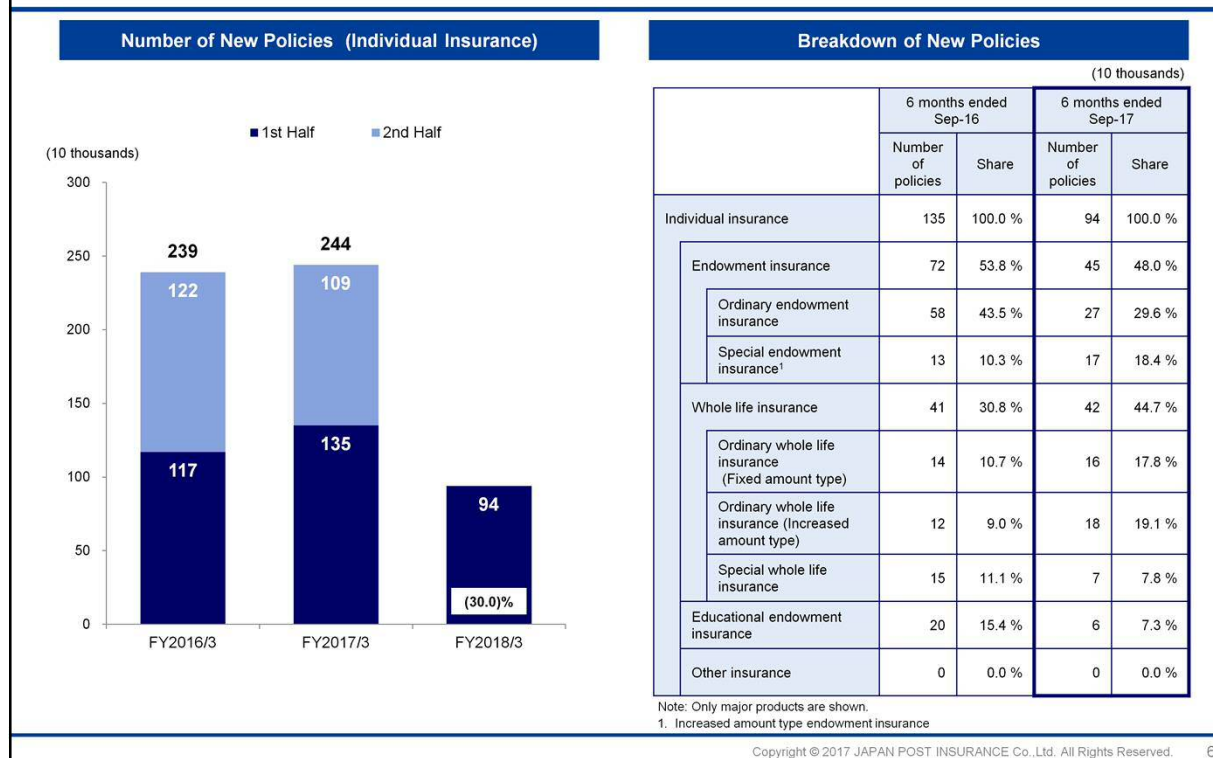
Policy Sales (2) Annualized Premiums from Policies in Force



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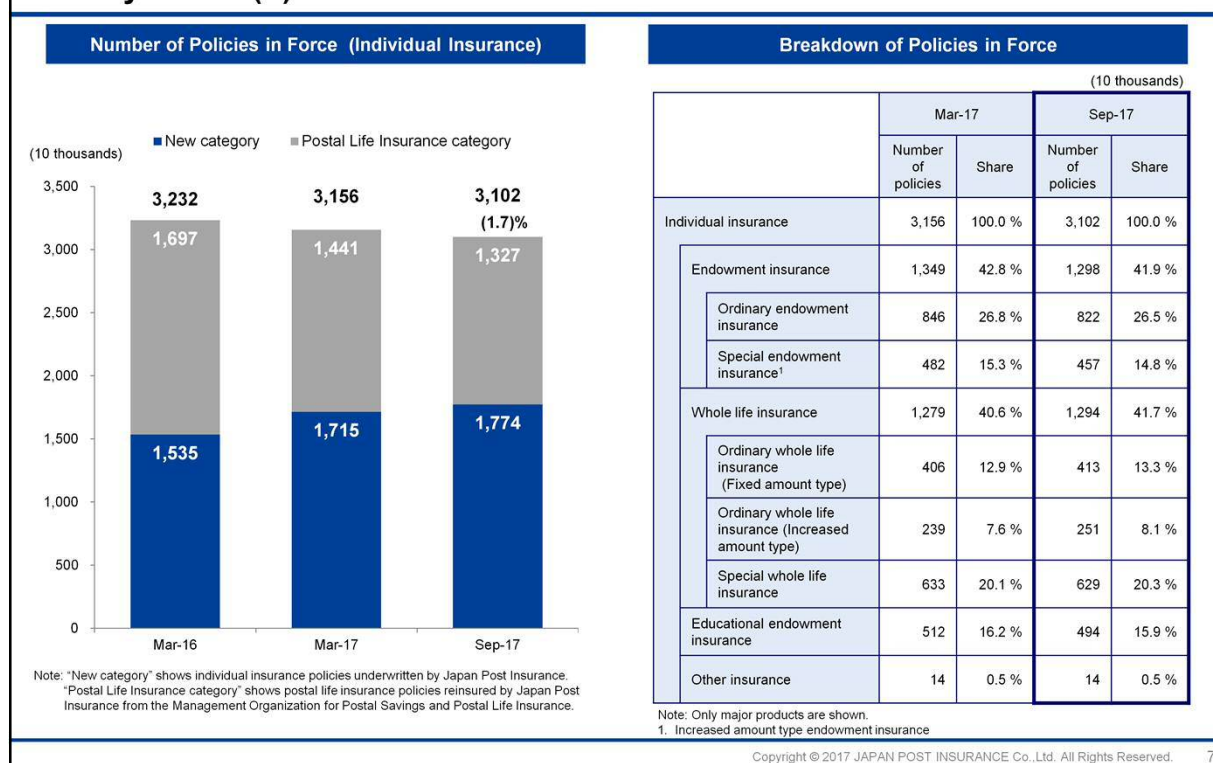
- Annualized premiums from policies in force are shown in “Postal Life Insurance category” and “New category.”
- As shown in the chart on the left, annualized premiums from policies in force for individual insurance were ¥4,924.4 billion, representing a slight decrease from the end of the previous fiscal year.
- Annualized premiums from policies in force for medical care were ¥736.3 billion, maintaining the same level as the end of the previous fiscal year.
- Please look at page 6.

Policy Sales (3) Number of New Policies



- The chart on the left shows changes in the number of new policies, with a breakdown by product on the right.
- The number of new policies acquired during the current period decreased by approximately 400 thousand year on year to approximately 940 thousand.
- By product, the ratio of savings-featured product such as ordinary endowment insurance, special whole life insurance and educational endowment insurance decreased due to the impact of the revision of insurance premiums. On the other hand, the ratio of special endowment insurance, ordinary whole life insurance (fixed amount type) and ordinary whole life insurance (increased amount type) increased as a result of sales promotion activities to capture protection needs.
- Please look at page 7.

Policy Sales (4) Number of Policies in Force



- Changes in the number of policies in force and its breakdown are presented on this page.
- The number of policies in force, which is the total of “New category” and “Postal Life Insurance category,” decreased by approximately 540 thousand from the end of the previous fiscal year to 31.02 million.
- The breakdown of the number of policies in force by product is shown in the chart on the right.
- Due to the increasing number of policies of whole life insurance, the ratios of endowment insurance and whole life insurance became almost the same level.
- Please look at page 8.

Investments (1) Asset Portfolio

Asset Portfolio					Investment Yield			
					(#bn)			
	Mar-17		Sep-17			6 months ended Sep-16	6 months ended Sep-17	(Reference) Year ended Mar-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	Positive spread	29.9	35.0	78.5
Japanese local government bonds	9,226.8	11.5	8,995.2	11.4	Average assumed rates of return ¹	1.73 %	1.71 %	1.73 %
Japanese corporate bonds ²	5,622.0	7.0	5,517.6	7.0	Investment return on core profit ²	1.82 %	1.82 %	1.84 %
Risk assets	7,963.7	9.9	9,034.1	11.5	Net capital gains (losses)	(56.7)	(2.4)	(51.1)
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	Interest rate (10Y JGB)	(0.085) %	0.060 %	0.065 %
Receivables under securities borrowing transactions	3,520.7	4.4	3,430.9	4.4	USD/JPY	¥ 101.12	¥ 112.73	¥ 112.19
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.

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.

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- I would like to move on to the results of investments.
- As shown on the left, we mainly invest in bonds from the standpoint of ALM to match yen-denominated interest-bearing assets with yen-denominated interest-bearing liabilities.
- Due to our efforts to diversify our investment assets under the current low interest rate environment, the amount and proportion of risk assets such as stocks and foreign bonds reached ¥9.0 trillion, which accounts for 11.5% of total assets at the end of the current period.
- Regarding the proportion of risk assets to total assets, we intend to continue investing in risk assets with a close watch on the market environment going forward. We expect this proportion to reach around 12% by the end of March 2018.
- As shown in the chart on the right, 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, despite a continued drop in the average assumed rates of return.
- Capital loss was ¥2.4 billion, which still demonstrates an improvement from the previous fiscal year when we suffered the impact of market fluctuations.
- Please look at page 9.

Investments (2) Fair Value Information of Securities

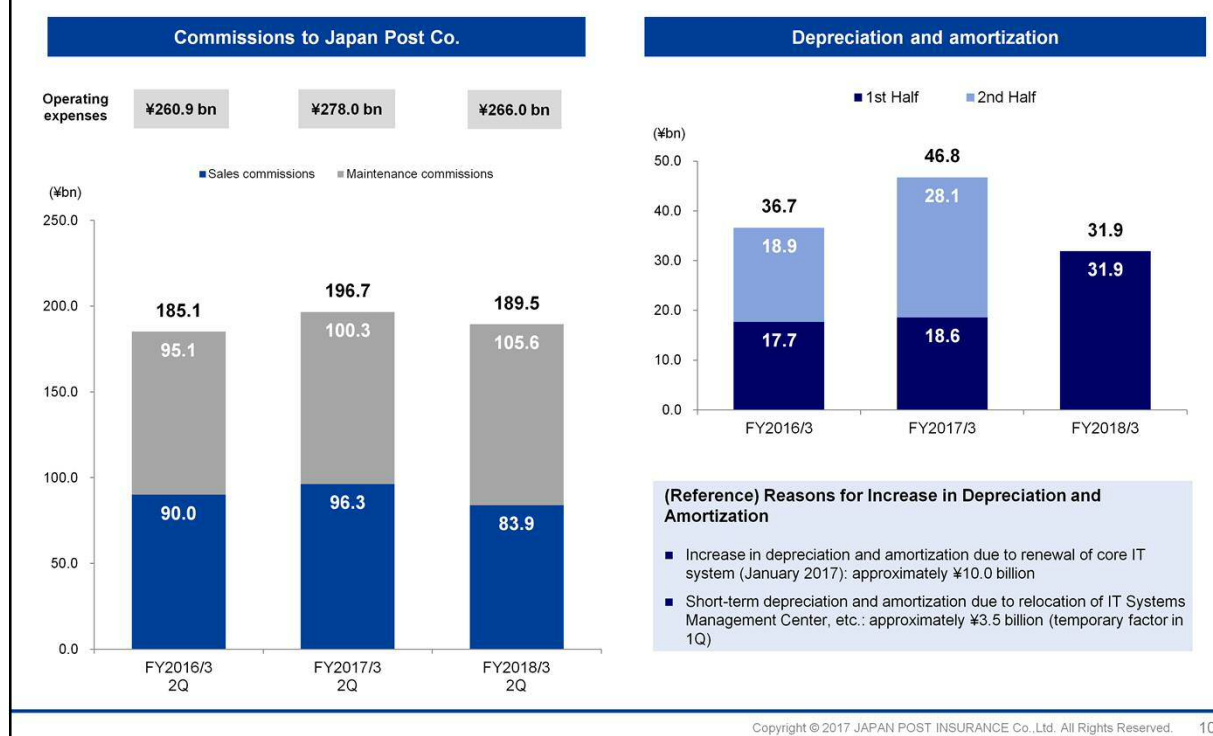
Fair Value Information of Securities						
	Mar-17			Sep-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	64,349.2	72,064.9	7,715.7
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,593.7	45,544.4	5,950.6
Policy-reserve-matching 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.

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- This slide shows the fair value of securities and net unrealized gains or losses.
- Net unrealized gains on held-to-maturity bonds and policy-reserve-matching bonds decreased slightly year on year to ¥7,053.8 billion mainly due to the decrease in total assets.
- Net unrealized gains on available-for-sale securities increased from the end of the previous fiscal year to ¥661.9 billion as a result of an increase in net unrealized gains on foreign securities and money held in trust due to a drop in the interest rates in the United States and a rise in the stock markets.
- In total, net unrealized gains on securities were ¥7,715.7 billion, almost the same level as at the end of the previous fiscal year.
- Please look at page 10.

Expenses



- Expenses for the period are presented on this page.
- Operating expenses for the current period were ¥266.0 billion, of which approximately 70% consists of commissions paid to Japan Post Co.
- Approximately half of the commissions are sales commissions corresponding to actual sales of new policies, and the remaining half are maintenance commissions paid for outsourced operations of maintenance and payment services.
- Commissions for the current period decreased by ¥7.1 billion year on year to ¥189.5 billion due to a decline in new policies.
- As shown in the chart on the upper right, depreciation and amortization for the current period increased by ¥13.2 billion year on year to ¥31.9 billion. This was, as explained in the presentation of financial results for the first quarter, the result of an increase in depreciation and amortization due to the renewal of the core IT system (approximately ¥10.0 billion), and due to the relocation of the IT Systems Management Center, which was a temporary factor recorded for the first quarter (approximately ¥3.5 billion).
- Depreciation and amortization for the full term is expected to continue to remain in the mid-¥60.0 billion range.
- Please look at page 11.

Embedded Value

Breakdown of EV

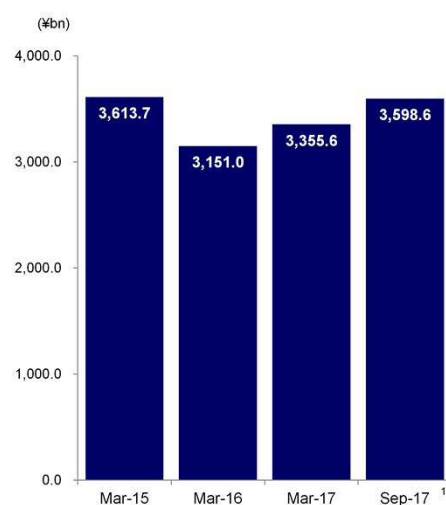
(¥bn)

	Mar-17	Sep-17 ¹	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 ²	6 months ended Sep-17 ^{1,3}	Change
Value of new business	5.7	102.2	96.5

1. Provisional calculations have not been verified by a third party. For details on EV verified by a third party, please refer to "Disclosure of European Embedded Value as of September 30, 2017" to be announced on November 17
2. 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
3. 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

EV



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- I would like to talk about the current status of EV.
- EV at the end of the current period was ¥3,598.6 billion, up ¥242.9 billion from the end of the previous fiscal year.
- Adjusted net worth increased by ¥44.6 billion from the end of the previous fiscal year to ¥2,009.9 billion due to increases in net income and retained earnings.
- Value of in-force covered business increased by ¥198.3 billion from the end of the previous fiscal year to ¥1,588.7 billion, due to favorable market conditions and an increase of new policies.
- The value of new business for the current period is calculated based on economic assumption as of the end of September 2017, which is close to the average interest rates from April to September.
- As a result, the value of new business increased by ¥96.5 billion year on year to ¥102.2 billion, mainly due to a rise in interest rates from the end of September 2016 and the revision to insurance premium rates. The new business margin was 4.7%.
- Please note that this is a preliminary disclosure of results since we have not yet received third-party verification as of today. For details on EV, please refer to "Disclosure of European Embedded Value as of September 30, 2017" to be announced on November 17.
- Please look at page 13.

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.

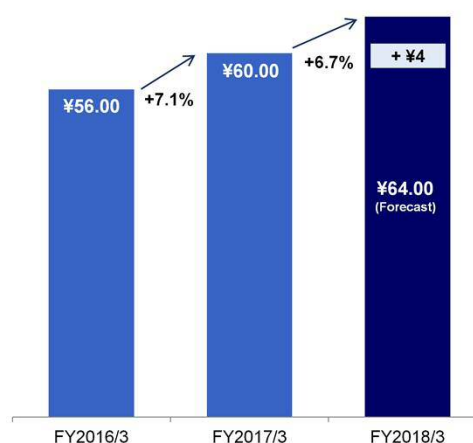
Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %



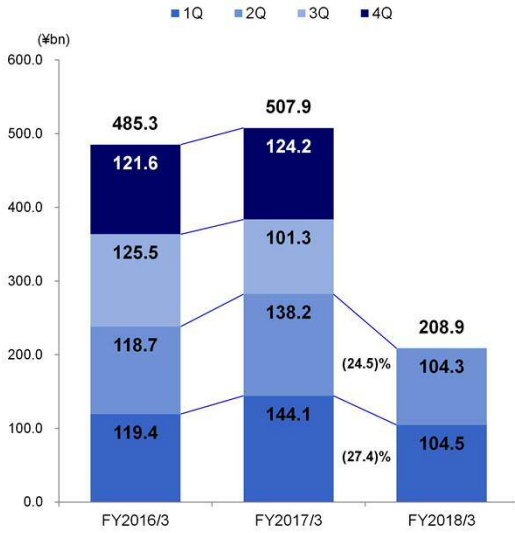
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- Finally, I would like to explain about the consolidated financial results forecasts for the year ending March 31, 2018.
- In the current period, our business has been progressing steadily overall. Although some indicators are on the high side, there is no change to our consolidated financial results forecasts for the year ending March 31, 2018 and dividend forecasts at this point of time.
- Due to the transfer of fixed assets, we expect an increase of approximately ¥30.0 billion in net income. However, in order to ensure an adequate reserve for possible losses from price fluctuations in stocks and bonds, we decided the policy of accumulating the reserve for price fluctuations beginning from the second quarter to include an amount equivalent to gains on sales of real estate. Accordingly, if there would be a gain on transfer of fixed assets, we record the cost of accumulating the reserve for price fluctuations simultaneously. Therefore, there is no change to our consolidated financial results forecasts for the year ending March 31, 2018.
- This concludes my explanation.

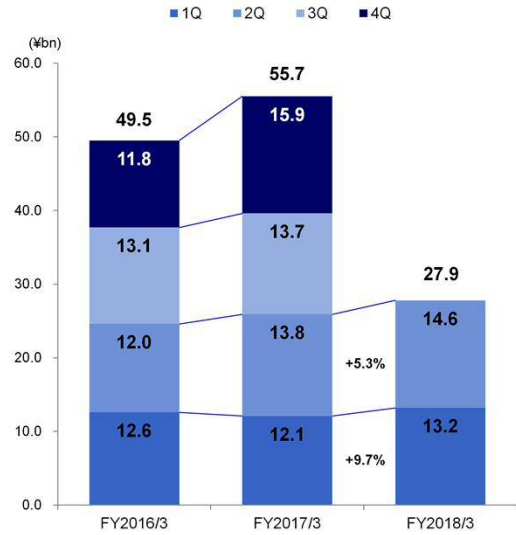
APPENDIX

Quarterly Trends in Annualized Premiums from New Policies

**Annualized Premiums from New Policies
(Individual Insurance)**



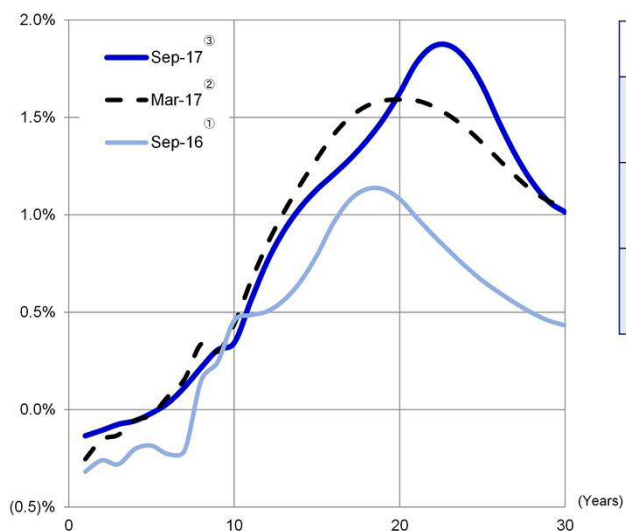
**Annualized Premiums from New Policies
(Medical Care)**



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.

Fluctuations of Interest Rates (EV Assumptions)¹

Forward Rate (Sep-16 to Sep-17)



Forward Rate

(%)	Sep-16 ^①	Mar-17 ^②	Sep-17 ^③
10 years	0.458	0.439	0.343
20 years	1.081	1.592	1.626
30 years	0.433	1.043	1.014

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

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

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

		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.

Contact information

**IR Office, Corporate Planning Department
JAPAN POST INSURANCE Co., Ltd.**