

**Conference Call on
Financial Results for the Six Months Ended September 30, 2015:
Summary of Q&A**

Date: November 13, 2015, 6:00–6:55 p.m.

* The details have been partially rewritten and revised for easier understanding.

Earning Guidance

Q. What factors caused the high progress rate for full-year forecast in ordinary profit and net income?

- The main factors are higher-than-expected investment income due to the accumulation of risk assets (achieving 52% of the full-year forecast) and the delay in expense payments that led to lower-than-expected operating expenses (achieving 48% of the full-year forecast).

Q. Please indicate whether it is appropriate to assume a decrease in the level of net capital gains on a full-year basis compare to previous fiscal year, as is the case for the first half.

- We expect a similar trend would continue for the full year, since the operations to lengthen the asset duration have been at a moderate pace under the recent low interest rate environment.

Q. Since core profit has decreased while the positive spread has increased, we understand there has been a reduction in the morbidity rate margins and the administrative expense margin. Please explain the reasons for the decline in these margins.

- The reason is to the decline of policies in force as movements in these margins' are related to stock base accounting figures.

Q. Please indicate the projected figure of core profit for the full year.

- We forecast a lower figure than last fiscal year due to the decrease of policies in force.

Dividend Policy

Q. What will happen with shareholder dividends if net income exceeds the forecast?

- We think it is premature to assume whether or not full-year net income will exceed the forecast.
- Even if net income were to exceed the forecast, we must make sure it is sustainable, so we will consider it then.

Sales Results

Q. I would like to ask your views on the fact that the number of new policies is lower than last year.

- Despite the decline in sales of educational endowment insurance, which we revised last April, the impact from increasing the age limit for endowment insurance since this April, has meant annualized premiums from new policies have been flat this fiscal year even with a slight decline in the number.

Q. Do you think the number of policies could be an appropriate key performance indicator?

- We regard the number of policies as being an easy-to-understand indicator. For example, one of the targets in our mid-term management plan is to reverse the declining trend for the policies in force in order to enter into a growth stage after bottoming out.
- Meanwhile, we believe it is appropriate to use indicators such as annualized premiums when analyzing the financial conditions.

Q. Please indicate the ratio of policies with medical care riders, as well as its target if you have one.

- Increased sales of the revised educational endowment insurance resulted in the ratio of policies with riders dropping to just under 70% last fiscal year. However, efforts have been made this fiscal year to sell the medical care riders with endowment insurance and whole life insurance and the ratio of policies with riders has improved to around 70%~80%. Going forward, we intend to maintain this level of ratio.

Q. In previous initial public offerings (IPOs) of life insurance companies, the IPOs themselves have tended to have a PR effect of increasing new policies. Has Kampo also seen a positive effect on new policies since October?

- We consider that, rather than the PR effect of the IPO, the launch of new products such as the endowment insurance with a shortened premium period and increasing age limit for whole life insurance in October have provided a steady start to the second half.

Q. Is it appropriate to assume that the main customers, who have been buying whole life insurance with a higher age limit of 85 from October, were people who could not be insured by the other insurers?

- Taking into consideration the fact that Kampo and post offices have a strength in older adult customer segment, it is likely that existing post-office customers might have been the main drivers.

Q. Please indicate the latest number of field sales personnel at post offices.

- We believe there has not been much difference from the approximate 18,000 personnel as of the end of March, and we continue to support Japan Post Co. to progress as planned, including the enhancement of the sales ability of each personnel.

Q. The number of post offices offering Aflac's cancer insurance products has increased. What sort of merit does this have for Kampo's business?

- Because cancer insurance has the same feature as educational endowment insurance

being a product to stimulate demand and approachable for younger customers, it provides increased opportunities for such policyholders to consider our endowment insurance and whole life insurance.

Asset Management

Q. The share of risk assets among the investment portfolio has already reached 6.1%, and we understand there is about 3 trillion yen to invest before reaching the medium-term target of up to 10%. Please indicate the details for the allocation of risk assets that will be increased from now on.

- The basic focus will be on foreign bonds, as has been the case to date, but we will also consider equity investments, depending on the market conditions and risk exposure.

Q. Please explain the details of “Gains on money held in trust” and of “Other capital losses”.

- “Gains on money held in trust” records the income gains associated with money held in trust, as well as the capital gains derived from rebalancing issues for passive index investment.
- “Other capital losses” records the amount equivalent to the income gains associated with money held in trust, and this is included in core profit.

Q. Please indicate duration both for assets and liabilities.

- Duration for the asset side is about 9 years, and for the liability side is about 12 years.

Financial Position and Internal Reserves

Q. Is there disclosure of the morbidity rate margins and the administrative expense margin?

- At the time of our IPO, we conducted a scrap and build approach for our disclosure

information on valuation, based on discussion with investors. We have enhanced the disclosure for financial information by the “New Category” and the “Postal Life Insurance Category” and details of commissions.

- Because the breakdowns of core profit are used for internal management accounting and inconsistent within the industry, we decided they are not appropriate to be disclosed. Having said this, we continue our proper management of core profit as our basic policy.

Q. Why did the provision of reserve for price fluctuations to the Postal Life Insurance Category decrease by 37.8 billion yen from the same period last year?

- In terms of the reserve for price fluctuations, the level of risk tolerance needs to be increased for the increase in risk assets, and large provisions have been made in the “New Category” in this period based on certain formula.

Q. Provisions for the “New Category” are 13.7 billion yen below the same period last year for the contingency reserve and up by about the same amount of 13.8 billion yen for the reserve for price fluctuations. I would like to know any formula behind these, as well as the possibility that the provisions in the second half could be a similar amount.

- Provisions for the contingency reserve and for the reserve for price fluctuations are based on each respective formula, and it was a coincidence that the decrease from last fiscal year is almost the same as the increase.
- Since we have been able to confirm that there is no shortfall in the current level of our solvency as we disclosed the economic solvency ratio (ESR) in August, the pace of provisions for internal reserves as a whole has been adjusted, and become slightly more moderate. Therefore, if the conditions are the same, a similar level of provisions is expected to be made in the second half.

EV and ESR

Q. Please indicate the breakdown of the value of new business contained in the embedded value (EV) by core products, such as endowment and whole life insurance, and medical care rider.

- We do not disclose a breakdown by product for the value of new business. For your information, much of the value of new business is derived from medical care riders under the current low interest rate environment, but if interest rates were to normalize the value of new business derived from core products would increase.

Q. Please indicate what portion of the value of in-force covered business in EV is from Postal Life Insurance policies.

- The EV disclosed by our company has already been adjusted to show the value attributable to our shareholders since it is measured by deducting the distribution to policyholders of Postal Life Insurance policies from the value of those policies. So we believe there is no need to disclose the breakdown of the “New Category” and the “Postal Life Insurance Category”.

Q. Please indicate the latest ESR figures.

- We have not completed our preparations for disclosing ESR as at the end of September, but we intend to announce this before the end of the year.

Disclaimer

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