

*Kampo*

**Financial Results for the Fiscal Year  
Ended March 31, 2017**

May 23, 2017

 **JAPAN POST INSURANCE**

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## Management Strategy

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- I am Masami Ishii, President, CEO of Kampo.
- Thank you for joining us today.
- Firstly, I will start with the presentation of our management strategy. Then, Mr. Senda, Senior Managing Executive Officer, will explain the financial results for the last fiscal year.
- Please turn to page 2.

## Highlights of the Fiscal Year Ended March 2017

- Following the 100<sup>th</sup> anniversary of Postal Life Insurance Services in October 2016, we have implemented strategic initiatives to further improve our customer services and corporate value
- In response to the low-interest rate environment, we have flexibly taken measures on both asset and liability sides, such as revising insurance premiums and increasing investment in risk assets

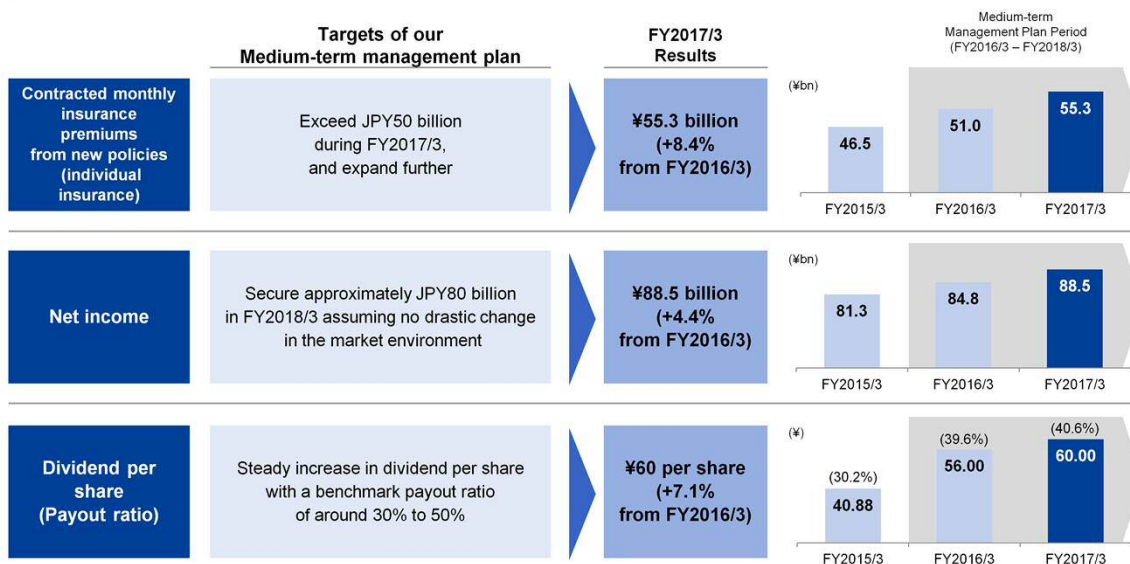
	First half (April - September 2016)	Second half (October 2016 - March 2017)
<b>Products / Sales</b>	<ul style="list-style-type: none"> <li>▼ April 2016 Raised the aggregate limit of coverage (JPY13 million→JPY20 million)</li> </ul>	<ul style="list-style-type: none"> <li>▼ August 2016 Revised insurance premiums (Assumed rates of return 1.5%→1.0%)</li> <li>February 2017 ▼ Announced revision of insurance premiums (April 2017) (Assumed rates of return 1.0%→0.5%)</li> <li>March 2017 ▼ Applied for approval of new products</li> </ul>
	Sales promotions and strengthening sales of protection-type products (endowment and whole life insurance with medical care riders) mainly through the 100 <sup>th</sup> anniversary campaigns	
<b>Asset management</b>	<ul style="list-style-type: none"> <li>▼ End of FY2016/3 Risk assets JPY5.4 trillion (6.6% of total assets)</li> </ul>	<ul style="list-style-type: none"> <li>▼ November 2016 Commenced in-house investment management of stock</li> <li>End of FY2017/3 ▼ Risk assets JPY7.9trillion (9.9% of total assets)</li> </ul>
	Increased exposure to risk assets, diversification of asset management and reinforcement of organization	
<b>Administrative and IT systems</b>	<ul style="list-style-type: none"> <li>▼ April 2016 Introduced paperless application</li> </ul>	<ul style="list-style-type: none"> <li>▼ January 2017 Completed renewal of core IT system</li> <li>March 2017 ▼ Practical use of IBM's Watson</li> </ul>
	Promoted establishment of simple, prompt and accurate administrative and IT system from underwriting to payments	
<b>Strategic alliance (with Dai-ichi Life Holdings)</b>	<ul style="list-style-type: none"> <li>▼ April 2016 Signed a MOU on trilateral collaboration (with Vietnam Post)</li> </ul>	<ul style="list-style-type: none"> <li>October 2016 ▼ Acquired a part of DLHD's ownership in Trust &amp; Custody Services Bank</li> <li>▼ From November 2016 Hosted healthcare business plan competition</li> <li>▼ February 2017 Joint investment in the infrastructure field</li> </ul>
	Accelerated initiatives in three areas: overseas life insurance business, asset management and domestic life insurance business	

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- The fiscal year ended March 31, 2017 was a milestone year for Kampo, as it marked the 100th anniversary, and it was also the first year as a listed company.
- This year turned out to be an extremely challenging for the life insurance industry with continuing historic low interest rates. Nevertheless, we introduced various measures towards further improving our customer satisfaction and increasing corporate value.
- As for our products and sales, we raised the aggregate limit of insurance coverage in April 2016, and carried out revisions of insurance premiums in August 2016 to cope with market conditions. We also made an announcement in February 2017 about further revise of insurance premiums which we implemented in this April.
- In March 2017, we applied for the approval of three new products that we are planning to provide from the second half of this fiscal year. They are namely the new hospitalization rider, whole life insurance with low surrender value and term annuity responding to a long life society. We continue to revise our products in line with customer needs in a timely manner.
- In asset management, we have been diversifying our asset portfolio while strengthening our organization for the in-house management of stocks and alternative investments. As a result, the exposure of risk assets has reached the ratio of “around 10%” as expected under the medium-term management plan.
- As for the administrative and IT systems, we successfully upgraded our core IT system without any problems. This was our top-priority project and we could complete as scheduled. As a result, quality and productivity of our system have improved significantly and we will be able to expedite the modification of products.
- With regard to business alliances, we have commenced specific initiatives with Dai-ichi Life Holdings in the three business areas, which are overseas life insurance, asset management and domestic life insurance.
- Kampo and DLHD will expand our cooperative relationship with other business partners, who share the same goals, including Vietnam Post and Trust & Custody Services Bank, and steadily produce concrete results one by one.
- As the second year of our medium-term management plan, we were able to meet our annual target by appropriately responding to changes in business environment and implementing growth strategies,
- Please turn to page 3.

## Progress of Medium-term Management Plan

- The results of FY2017/3 have exceeded the targets of our medium-term management plan by coping with the changing business environment in a timely manner.



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- I would like to go over the progress of the medium-term management plan.
- In terms of contracted monthly insurance premiums from new policies, we have already achieved the target of a “¥50.0 billion level” one year ahead of schedule in the fiscal year ended March 31, 2016, and we further exceeded our initial goal and achieved ¥55.3 billion in the fiscal year ended March 31, 2017. Sales of medical care riders have also been growing steadily, due to our increasing efforts to promote protection-type products.
- As for net income, even under challenging market conditions, we achieved ¥88.5 billion, exceeding the financial results forecast (of ¥86.0 billion) and increased by 4.4% compared with the previous fiscal year.
- As a result, we were able to increase the dividend per share by 7.1% over the previous fiscal year from ¥56 to ¥60 per share.
- We were able to report an increase in every item compared to the previous fiscal year. We would like to take this opportunity to express our deepest appreciation to all stakeholders for your continuous support.
- Please turn to page 4.

## Management and Governance to Support Sustainable Growth

- Strengthen customer-first business operations (fiduciary duty) to further enhance our brand of reliability and trustworthiness
- Appropriately fulfill our responsibilities as a listed life insurance company to realize sustainable growth and further increase our corporate value



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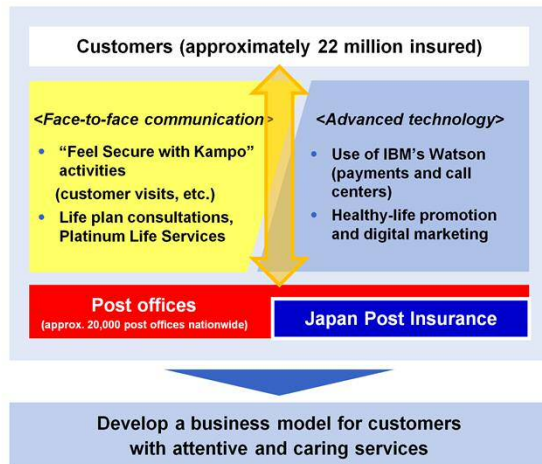
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- Now, I would like to talk about our initiatives in management and governance which are essential for our continuous growth.
- Kampo announced “the Basic Policy for Customer-first Business Operations” in April 2017, based on our philosophy “We will continue to protect the well-being of every one of our customers and support local communities for years to come, through our products and services”
- Following this policy, we will further enhance our brand of reliability and trustworthiness, which we have built over the years with post offices. We continue to collect and analyze customers’ voices and further improve solicitation quality.
- At the same time, we will comply with the Stewardship Code and engage in constructive dialogue with investee companies in order to fulfill our responsibility as an institutional investor.
- Furthermore, we will solidify our internal governance system as expected of a listed company.
- We will aim to become the No. 1 Japanese insurance company and be trusted and loved by our customers for the next 100 years.
- Please turn to page 5.

## Initiatives for the Future

- While making the most of advanced financial technology, place greater emphasis on face-to-face communication at post offices
- Through work style reforms, aim to realize a positive work environment to motivate all our employees so that they will grow together with the company

### Strengthen relationship with customers



### Promote reforms of the work style

Each employee's growth is the source of the company's competitiveness

Realize a work environment where all employees can fully exert their potential

### Key Initiatives

<b>Strengthening management</b>	<ul style="list-style-type: none"> <li>✓ Improving managers' management skills</li> <li>✓ Sophistication of human resource infrastructure</li> </ul>
<b>Enhancing human resource development/ Recruiting skilled specialists</b>	<ul style="list-style-type: none"> <li>✓ Human resource development in line with respective employees' career paths</li> <li>✓ Further promotion of job rotation</li> </ul>
<b>Promotion of diversity</b>	<ul style="list-style-type: none"> <li>✓ Expanding roles for female employees</li> <li>✓ Creating a diverse and inclusive working environment</li> </ul>

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- Finally, I would like to explain our initiatives in the future.
- We expect changes in our customers' attitudes and needs regarding cash and settlement services, as well as financial instruments; as financial technology develops.
- In life insurance business, it is also necessary to proactively introduce advanced technology for the development of product and services and the improvement of business operations. At the same time, face-to-face communication is also essential to support the well-being of our customers.
- The warmth of human contact provided by our post office personals rooted in local communities is our absolute and unrivaled strength.
- We will strive to pursue business models based on this strength in order to build the solid relationship between post offices and its customers.
- Furthermore, given that the greatest strength supporting the life insurance business is its human resources, the growth of each employee is the source of our competitiveness.
- As many of our employees are former public servants, certain parts of our corporate culture continue to reflect that era in which industriousness and working long hours were valued.
- We have revolutionized our employees' mindset to reflect the new philosophy "value employees who can deliver results effectively" in order to modernize this corporate culture.
- Reforms in work styles involve raising the awareness that "Time is also an important resource and asset." By promoting the active participation of female employees in the workplace, and supporting the balance between work and private affairs, such as child rearing and nursing care, we are creating a comfortable working environment. We expect that our employees will discover new motivation and improve their potential power.
- Thank you very much for your attention. Let me introduce Mr. Senda, our Senior Managing Executive Officer. He will explain the details of financial results.



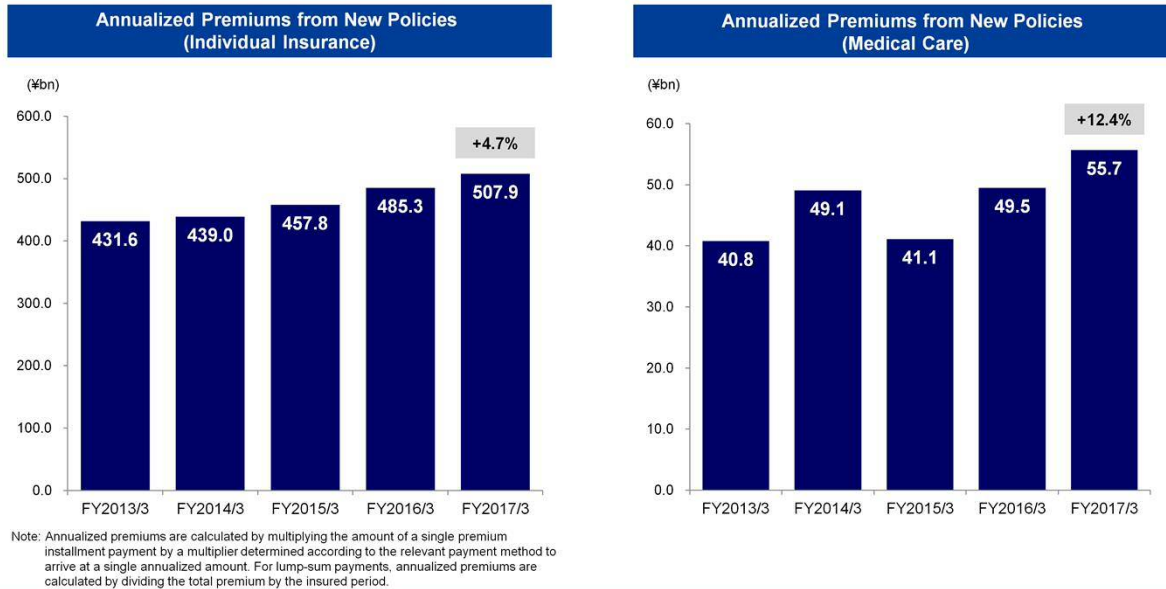
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## **Financial Results**

- I am Tetsuya Senda of Kampo.
- I will explain the operational update based on the financial results for the fiscal year ended March 31, 2017.
- Please turn to page 7.

## Annualized Premiums from New Policies

- Annualized premiums from new policies for individual insurance amounted to ¥507.9 billion, a 4.7% increase year on year
- Annualized premiums from new policies for medical care was ¥55.7 billion, or a 12.4% increase year on year, which exceed the previous year which had recorded the highest since privatization as the full year



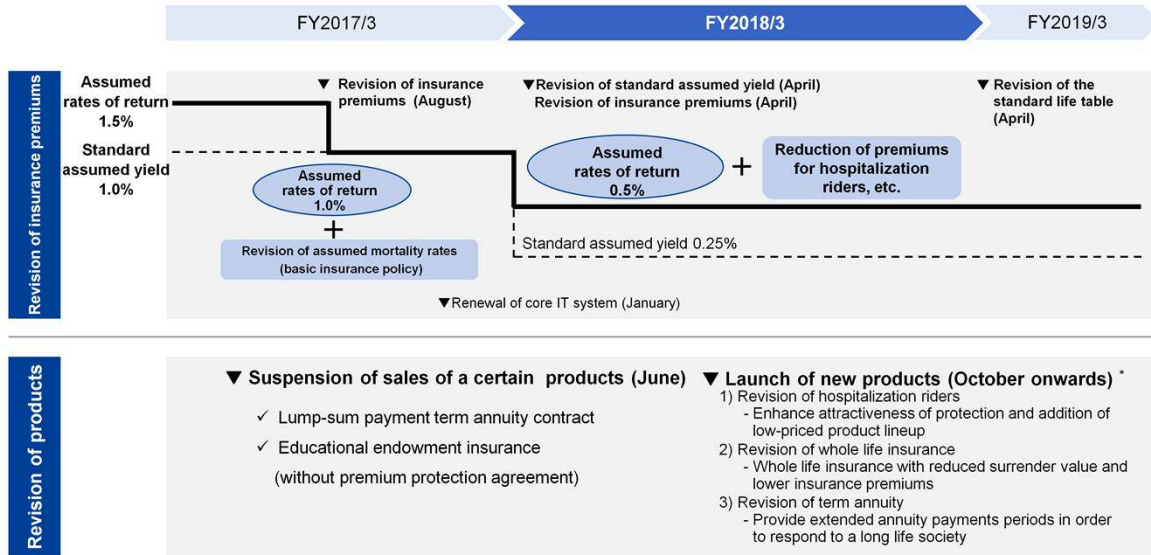
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- I would like to start with our status of new policies.
- Annualized premiums from new policies for individual insurance experienced a slight decline affected by the revisions of insurance premiums in August 2016, however, it recovered gradually towards the end of the fiscal year, resulting in an increase of 4.7% year on year.
- As shown in the chart on the right, annualized premiums from new policies for medical care surpassed those of the previous fiscal year when they hit a record high since our privatization.
- In April 2017, we revised insurance premiums due to the reduction of standard assumed yield. We continue to cooperate with JAPAN POST Co. to promote protection-type products.
- Please turn to page 8.



## 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
- In order to strengthen the sales of protection-type products under the low-interest rate environment, new products are planned to be launched



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- I would like to explain about product strategies to cope with the low interest rate environment.
- We revised insurance premiums in August 2016 and April 2017, to deal with the current low interest rate environment.
- By considering the impact on our profits and sales volume, we controlled the range of total premiums increase by i) reducing premiums for hospitalization riders and ii) moderating premium increase which resulted from the decrease in assumed rates of return.
- We are planning to introduce following three products in October 2017, i) revision of hospitalization rider, ii) launch of whole life insurance with reduced surrender value and lower insurance premiums, and iii) launch of term annuity responding to a long life society in order to meet customers' protection needs under the low interest rate environment. They are all approval pending.
- We believe these are essential products in the aging society.
- Please turn to page 9.

## Revision of Insurance Premiums

- Revised insurance premiums comprehensively by lowering the assumed rates of return according to the reduction of the standard assumed yield, and by reducing premiums for hospitalization riders (from April 2, 2017)

### Assumed rates of return

	Before revision	After revision (from April 2017)
Endowment insurance, Whole life insurance, Educational endowment insurance, etc. (except below)	1.00 %	0.50 %
Medical care rider	1.15 %	0.55 %

### Reducing premiums for hospitalization riders

- Reduce insurance premiums for some of the strong protection-type products to maintain the attractiveness of our products
- Sales promotions focusing on customers' protection needs

### Examples of Premiums<sup>1</sup>

	Age at entry, etc.	After revision	
			Change
Ordinary endowment insurance	Age at entry - 40, Age at maturity - 50	28,200	+ 1.3%
	Age at entry - 70, Age at maturity - 80	32,370	(0.9)%
Special endowment insurance (10x protection)	Age at entry - 40, Age at maturity - 50	4,620	(4.3)%
Ordinary whole life insurance	Age at entry - 40, Age of paid-up - 60	21,060	+ 13.6%
Educational endowment insurance	Insured - 0, Policyholder - 30 (man)	15,270	+ 4.1%
Term insurance	Age at entry - 40	2,100	(11.4)%

Note: The above changes apply to insurance policies underwritten after April 2, 2017.

1. Example of standard death coverage of ¥3 mn, insured: woman, account transfer, monthly payments (including rider premiums)

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- I would like to talk about the revisions of insurance premiums in April 2017.
- We revised insurance premiums comprehensively by lowering the assumed rates of return due to the reduction of the standard assumed yield and by reducing premiums for hospitalization riders.
- We increased insurance premiums by lowering assumed rates of return of basic insurance policy from 1.0% to 0.5%. At the same time, to maintain the attractiveness of our products, we reduced premiums for hospitalization riders. As a result, as for certain protection-type products, we could lower their total premiums.
- We continue to focus on the sales of endowment insurance and whole life insurance, which are both designated as universal service products, combined with medical care riders.
- Please turn to page 10.

## Customer First Business Operations

- Ensure customer-first business operations (fiduciary duty) as our foundation for sustained enhancement of corporate value
- Promote initiatives aimed at further improvement and sophistication, starting with the Basic Policy for Customer-first Business Operations formulated on April 7, 2017

### Basic Policy for Customer-first Business Operations



Continue to protect the well-being of every one of our customers and support local communities in Japan through our products and services

### Key initiatives

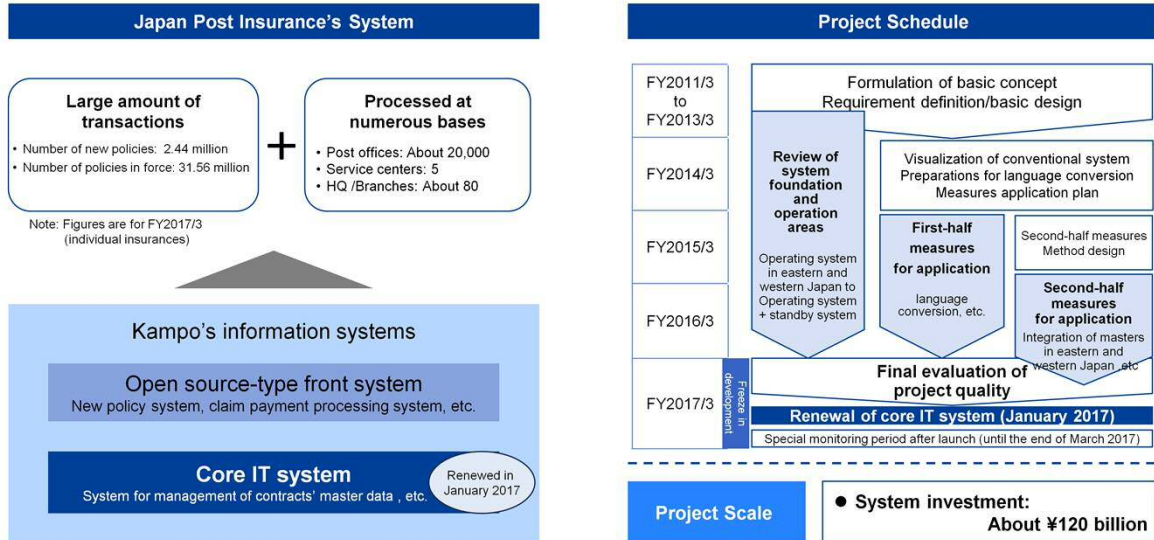
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  - Disseminate the customer-first management stance both inside and outside the Company
  - Under the leadership of the management, continue to improve our business operations based on customers' voice
- 2
  - Establish the structure to supply our customers with convenience and high-quality services
  - Fulfill our stewardship responsibilities to contribute to Japan's economic growth
- 3
  - Appropriate product proposals based on customers' needs, etc.
  - Set reasonable insurance premiums and commissions for agencies
- 4
  - Ongoing initiatives to promote our customers' understanding of their contractual coverage, etc.
  - Enhance the scheme for collecting customers' voice
- 5
  - Upgrade our claim payments management structure to the industry's highest level
  - Introduce advanced technologies and simplify procedures
- 6
  - Encourage employees to pursue customer-first business operations
- 7
  - Announce the evaluation and results of initiatives, and regularly review them based on changes in the environment

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- I would like to give further explanation about “customer-first business operations,” which we consider as our most important pillar of management.
- It is essential to fully enforce the “customer-first business operations” in order to increase corporate value continuously.
- The brand image of reliability and trustworthiness, which we have built over the years with post offices, is our greatest strength, which we plan to enhance further.
- In April 2017, we issued the “Basic Policy for Customer-first Business Operations” which is comprised of seven principles, including commitment of top management.
- With this basic policy as the starting point, we strive to take further initiatives to enhance customer services by reviewing all operations from customer’s perspective.
- Please turn to page 11.

## Renewal of Core IT system

- Manage huge IT system that operate approximately 20,000 post offices' transaction and control approximately 31 million policies in force
- Successfully finished a large-scale renewal project with investments of approximately ¥120 billion, over roughly seven years from formulation of the basic concept to launch



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- I would like to move on to the upgrade of our core IT system.
- Our system manages large amount of transactions, which comes from more than 30 million policies in force. We worked on this system upgrade as a top-priority project, relating to the Company's business foundation itself.
- We invested around ¥120 billion over the last seven years since the formulation of basic concept in 2010. This project was completed in January 2017 as scheduled in corporation with many partner entities including IBM. The new system has been working smoothly.
- In life insurance business, it is essential to establish and maintain simple, prompt and accurate operations as well as supporting system in order to stay competitive. We will enhance the quality, productivity and efficiency of our core IT system.
- Please turn to page 12.



## 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

- I would like to explain how to use IBM's Watson in our business.
- From February 2015, we tested Watson in our benefit payment operations to enhance the accuracy, speed and efficiency.
- As Watson's assessment accuracy reached roughly 90% in the payment operations, we put it into practical use in March 2017.
- In addition, Watson has been in use at our call center, starting April 2017.
- We receive more than one million inquiries per year at our call center. Watson enabled immediate conversion of speech content into text, and automatic displaying of information to which operators should refer depending on inquiries.
- We will implement Watson in various areas, such as underwriting, product developments, etc.
- Please turn to page 13.

## Asset Management

- As a result of our efforts to diversify our investment assets, the amount and proportion of risk assets expanded to ¥7.9 trillion (9.9% of total assets)
- The positive spread of ¥78.5 billion was secured despite a drop in both the average assumed rates of return and investment return on core profit under the current low interest rate environment

Asset Portfolio				
(¥bn, %)	Mar-16		Mar-17	
	Amount	Share	Amount	Share
Bonds	59,821.0	73.4	57,581.2	71.7
Japanese government bonds	44,178.6	54.2	42,732.3	53.2
Japanese local government bonds	9,405.4	11.5	9,226.8	11.5
Japanese corporate bonds	6,236.9	7.6	5,622.0	7.0
Risk assets	5,401.6	6.6	7,963.7	9.9
Domestic stocks <sup>1</sup>	1,202.5	1.5	1,626.0	2.0
Foreign stocks <sup>1</sup>	229.4	0.3	309.0	0.4
Foreign bonds etc. <sup>1,2</sup>	3,969.7	4.9	6,028.6	7.5
Loans	8,978.4	11.0	8,060.9	10.0
Others	7,344.0	9.0	6,730.9	8.4
Cash and deposits, call loans	2,222.6	2.7	1,516.0	1.9
Receivables under securities borrowing transactions	3,008.5	3.7	3,520.7	4.4
Total assets	81,545.1	100.0	80,336.7	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)	Year ended Mar-16	Year ended Mar-17
Positive spread	97.4	78.5
Average assumed rates of return <sup>1</sup>	1.76 %	1.73 %
Investment return on core profit <sup>2</sup>	1.90 %	1.84 %

Net capital gains (losses)	4.4	(51.1)
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	Mar-16	Mar-17
Interest rate (10Y JGB)	(0.050) %	0.065 %
USD/JPY	¥112.68	¥112.19

1. Average assumed rates of return is 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 our asset management.
- As a result of diversification of our asset portfolio to counter the low interest rate environment, the amount and proportion of risk assets such as domestic stocks and foreign securities increased to ¥7.9 trillion which accounts for 9.9% of total assets.
- Although the proportion of risk assets has reached “about 10%,” which is the ratio set out in our medium-term management plan. We plan to expand our investment in risk assets, while paying attention to the market environment.
- As shown in the chart on the right, both the average assumed rates of return and actual investment return on core profit have decreased because of continuous low interest rate. However, we still manage to get a positive spread of ¥78.5 billion.
- Net capital losses amounted to ¥51.1 billion due to the impact of strong yen for the first half of the fiscal year ended March 31, 2017 and the increase in foreign exchange rate hedge costs. However, its impact on net income was limited, as we reversed the reserve for price fluctuations.
- Please turn to page 14.



## Diversification of Investment Assets

- Continue to diversify investment portfolio with the aim of increasing investment income
- Promote efforts to strengthen asset management organization through business alliances and recruitment to enhance our asset management capabilities

### Diversification of Investment Assets

- In FY2018/3, continue to invest in overseas credit, bank loans and multi-assets which started and expanded during the previous fiscal year
- Initiated investments in private equity, hedge funds, real estate, infrastructure, etc.
  - Aim to expand the percentage to approximately 1% of total assets over the medium to long term (3 to 5 years)
- Continue initiatives for ESG, such as strengthening engagement activities for in-house management of stocks and considering signing the United Nations PRI

Expected to expand the proportion of risk assets to about 12% of total assets by the end of FY2018/3

### Reinforcing Asset Management Organization

#### 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 experts from outside
- In FY2018/3, plan to recruit mainly junior to mid-career staffs for the planning and execution departments

- I would like to explain the diversification of our assets.
- With the aim of increasing investment income, we have been actively promoting diversification of assets and we will add new type of assets in our investment portfolio in the fiscal year ending March 31, 2018.
- We continue to invest in overseas credit, etc. which we started in the fiscal year ended March 31, 2017. In addition, we will start to invest in alternative investment products such as private equity and hedge funds. We plan to increase alternative investment to 1% of the total assets over the medium-and long-term.
- As a result of these initiatives, the proportion of risk assets as of March 31, 2018 is expected to reach roughly 12% of total assets.
- At the same time, we continue to reinforce the organization and human resources and promote the strategic business alliance with DLHD for the purpose of strengthening our asset management capabilities.
- Please turn to page 15.

## Financial Soundness

- Our internal reserves—contingency reserve and price fluctuations reserve—amounted to ¥3,042.7 billion
- We obtained credit ratings from domestic and overseas rating agencies, thereby verifying a sufficient level of soundness compared to competitors

Internal Reserves			
	Mar-16	Mar-17	(¥bn)
Contingency reserve	2,374.8	2,254.0	(120.8)
Postal Life Insurance Category	2,011.6	1,838.8	(172.8)
New Category	363.1	415.2	52.0
Price fluctuations reserve	782.2	788.7	6.4
Postal Life Insurance Category	635.8	648.4	12.6
New Category	146.4	140.2	(6.1)
Additional policy reserve <sup>1</sup>	6,011.5	5,961.0	(50.4)
Postal Life Insurance Category	6,011.5	5,961.0	(50.4)
New Category	-	-	-

Notes: "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 year ended March 31, 2017, the amount of additional provision was ¥180.3 bn and the accumulated amount was ¥1,210.4 bn).

2. Provisions in the period includes the excess provision of ¥41.6 bn exceeding the provision requirements for contingency reserve.

Solvency Margin Ratio (Consolidated)		
	Mar-16	Mar-17
Solvency Margin Ratio (Consolidated)	1,570.3%	1,290.6%
(Reference) ESR	167 %	176 %

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)

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- Next, I would like to give an explanation about financial soundness.
- We have accumulated an internal reserve totaling ¥3,042.7 billion, combining the contingency reserve and the price fluctuation reserve, to counter the risks associated with changes in the business environment.
- Additional policy reserve accumulated ¥5,961.0 billion mainly to cover possible negative spreads in the future.
- On the right, consolidated solvency margin ratio, ESR (economic value based solvency ratio), and credit rating status are all showing sufficient levels, indicating we could maintain high financial soundness.
- Please turn to page 16.

## Embedded Value

- EV as of March 31, 2017 recovered to ¥3,355.6 billion

### Breakdown of EV

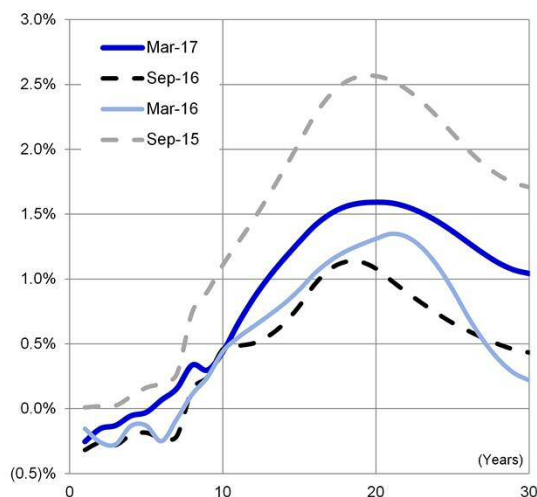
(¥bn)

	Mar-16	Mar-17	Change
EV	3,151.0	3,355.6	204.6
Adjusted net worth	1,894.3	1,965.2	70.9
Value of in-force covered business	1,256.7	1,390.4	133.6

	Year ended Mar-16	Year ended Mar-17	Change
Value of new business <sup>1</sup>	192.7	36.8	(155.8)

1. Value of new business is calculated by using the economic assumptions as of the end of September.

### Forward Rate



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- I would like to move on to EV movement.
- As of March 31, 2017, EV was ¥3,355.6 billion, an increase of ¥204.6 billion year on year mainly due to an increase in interest rates during the fiscal year ended March 31, 2017.
- On the other hand, the value of new business was ¥36.8 billion, reflecting a decrease of the assumption of interest rates. This is because this value was calculated based on economic assumptions at the end of September, which is the middle of our company's fiscal year. Compared with the differences of these assumption between 2016 and 2015, interest rate was lower in September, 2016 than in September 2015
- For reference, the value of new business would be over ¥100 billion if this value was evaluated by using interest rate level as of March 31, 2017.
- Due to two revisions of insurance premiums, the profitability of our products improved to a certain extent. We strive to increase the value of new business by strengthening sales of protection-type products.
- Please turn to page 17.

## 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 <sup>1,2</sup>	88.5	86.0

1. Net income attributable to Japan Post Insurance

2. An increase of approximately ¥30.0 billion in net income is expected due to the impact of the transfer of fixed assets. However, such increase is not included in the amount mentioned above, as the details are yet to be determined.

### 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 the consolidated financial results forecasts for the fiscal year ending March 31, 2018.
- This is the last year of the three-year medium-term management plan, and net income is expected to reach ¥86.0 billion, which is ¥6 billion higher than our target, ¥80.0 billion.
- We aim for a steady increase in our dividends per share, while maintaining a dividend payout ratio within the range of roughly 30 to 50%, considering earning prospects, financial soundness and the balance between shareholder and policyholder dividends.
- As for forecasted dividends to shareholders in the fiscal year ending March 31, 2018, we plan to increase the dividend per share by ¥4, or 6.7% year on year from ¥60 to ¥64 per share, fulfilling the expectation of shareholders and investors.
- This concludes my presentation. Thank you for your attention.

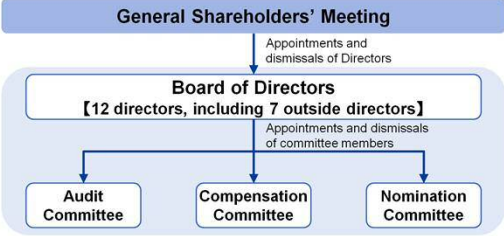
APPENDIX

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# Corporate 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"



## Outside Directors

<b>Masaharu Hino</b> Attorney-at-law (ex. Commissioner of Financial Services Agency)	<b>Kiyomi Saito</b> CEO of JBond Totan Securities Co., Ltd.	<b>Shin Yoshidome</b> Adviser of Daiwa Securities Co. Ltd. (ex. President of Daiwa Securities SMBC Co. Ltd.)	<b>Shinji Hattori</b> Chairman & Group CEO of Seiko Holdings Corporation
<b>Michiko Matsuda</b> Adviser of IHI Enviro Corporation	<b>Nobuhiro Endo</b> Chairman of the Board (Representative Director) of NEC Corporation	<b>Masako Suzuki</b> Director, Vice President of Benefit One Inc.	

## 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

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



## Initiatives for “ESG”

■ Contribute to realize a sustainable society through addressing challenges related to ESG

### Environmental

- Contributions to environmental groups based on the number of customers who chose to use the online contract guidelines and policy conditions (¥20.1 million total since July 2015)
- Invest in Green Bond which dedicates to support the financing of projects that address climate mitigation and adaptation activities (USD100 million in June 2016)
- Reduce carbon dioxide (CO<sub>2</sub>) emissions through energy-saving efforts

Promotion of environmental conservation activities

### Social

- Supply endowment and whole life insurance products to post offices throughout Japan as part of the universal service products
- Promote Kampo Platinum Life Services
  - Extend the upper age limit of endowment insurance and whole life insurance, dedicated call center consultation services (health, medical care, nursing, childcare)
- Support health plan by promoting the Radio Exercise
- Help develop the careers of female employees and expand the appointment of female employees to management positions
  - Target 14% or more of female managers (April 2021)
  - Female officers: 14%, female managers: 10% (as of April 1, 2017)

Contribution to local community and aging society

Promotion of diversity

### Governance

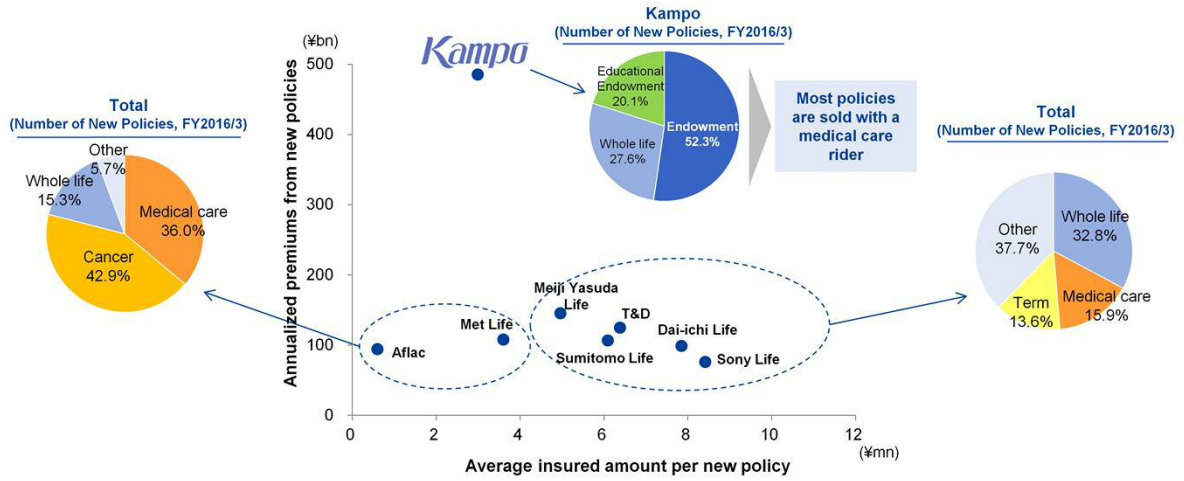
- Adopted a “company with three committees governance structure” (12 Directors, including 7 Outside Directors)
- Formulated and announced the “Basic Policy Regarding Corporate Governance Code” (October 2015)
  - Swift and bold decision-making under the supervision of the Board of Directors
- Completed our IPO together with Japan Post Holdings and Japan Post Bank (November 2015)
  - Secure management transparency and commit to appropriate disclosure of information as a listed company

Establishment of a governance system

# 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

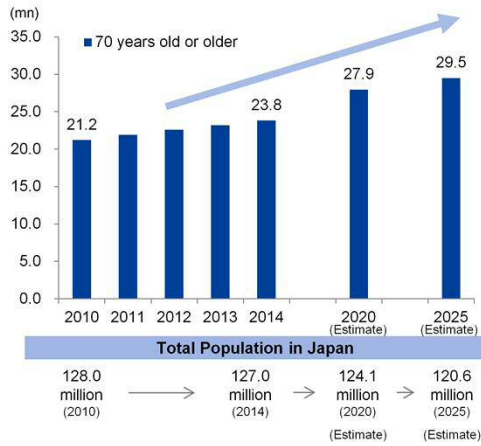


Source: Statistics of Life Insurance Business in Japan (2016)  
 Note: Figures for T&D is the total of the life insurance companies within each group.

# Growth of the Senior Market

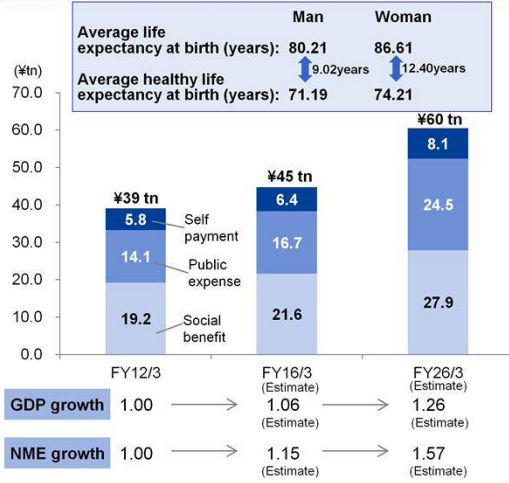
- Although Japan's population continues to shrink due to the falling birth rate, older adult population, with age of 70 years old or older, has been increasing
- As national medical expenditures continue to increase due to the aging population, private health insurance is playing a more important role to supplement self-pay medical cost

## The Rising Population of Older Adults



Sources: Ministry of Internal Affairs and Communications Statistics Bureau  
National Institute of Population and Society research "Population Projections for Japan (as of January 2012)"

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



Source: Ministry of Health, Labour and Welfare ("MHLW"), Cabinet Office,  
WHO "World Health Statistics2016." "Overview of Interim Report of the Next  
Generation Health Care Industry Commission" (METI, June 5, 2014)  
Note: Figures are estimated amount at official announcement.

## Performance of Our Medical Care Insurance as a Policy Rider

- Although Kampo offers medical care insurance only in the form of rider, our market share exceeds 10%
- Kampo's 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	1,038.4	16.3
2	<b>Kampo</b>	<b>738.7</b>	<b>11.6</b>
3	Nippon Life	612.5	9.6
4	Dai-ichi Life	576.5	9.0
5	Sumitomo Life	519.7	8.1
6	Meiji Yasuda Life	367.9	5.8
7	MetLife	359.2	5.6
8	NN	235.9	3.7
9	Gibraltar	211.2	3.3
10	Axa	204.4	3.2
Life insurance total (41 companies)		6,382.6	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (2015)

Note: Figures for Kampo include reinsured postal life insurance policies

### Scope of Medical Care Riders

#### Example of Medical Care Benefit for Standard Death Coverage of ¥3 mn

**Hospitalization Benefit**

- ¥4,500 per day
- Maximum of ¥540,000 (up to 120 days)

**Surgery Benefit**

- ¥22,500 (5 times<sup>1</sup>) to ¥180,000 (40 times<sup>1</sup>) depending on the type of surgery

**Long-term Hospitalization Benefit**

- One-time payment of ¥90,000 when hospital stay reaches 120 days (3% of the standard death coverage)

( Scope of coverage is limited and we are not responsible for increases in the cost of medical care )

1. Multiple of daily hospitalization benefit payment.

## 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 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

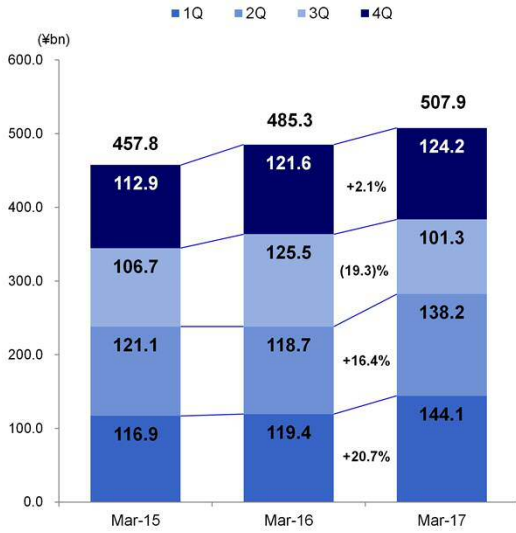
Category	Contents
<p><b>New business</b></p>	<p>【Until Japan Post Holdings disposes of half or more of all the shares of Kampo】</p> <ul style="list-style-type: none"> <li>■ Approval by specified ministers<sup>1</sup> (a hearing at the Postal Service Privatization Committee is required)</li> </ul> <p>【After 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>■ Notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required)</li> </ul> <p>【After designated date<sup>2</sup>】</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<sup>2</sup>】</p> <ul style="list-style-type: none"> <li>■ No regulations based on Postal Service Privatization Act</li> </ul> <div style="border: 1px dashed gray; padding: 2px; margin-top: 5px;"> <p>April 1, 2016~ Increased to a total of ¥20 mn after 4 years has 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

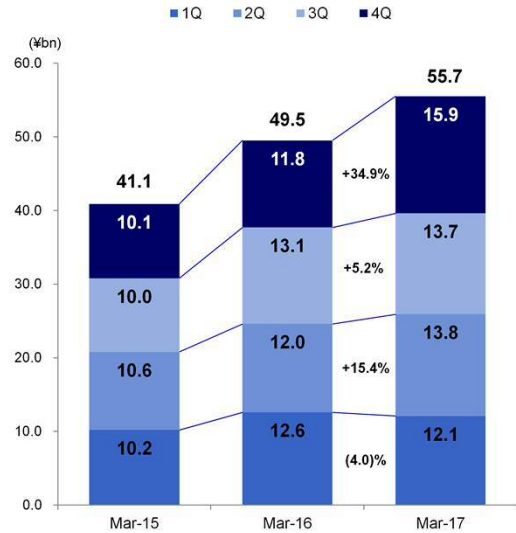
2. Designated date: Earlier of (i) the disposal of 50% or more of Japan Post Holdings' equity interest in Kampo and the determination by the Prime Minister and the Minister for Internal Affairs and Communications that the additional restriction can be lifted and (ii) the disposal of Japan Post Holdings'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

# Quarterly Trends in Annualized Premiums from New Policies

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



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

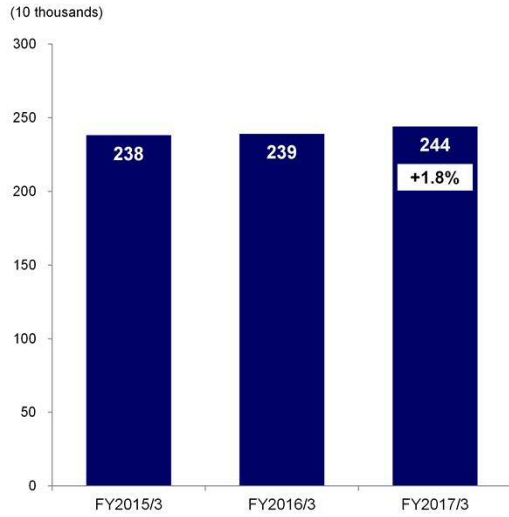


Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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



# Number of New Policies

Number of New Policies (Individual Insurance)



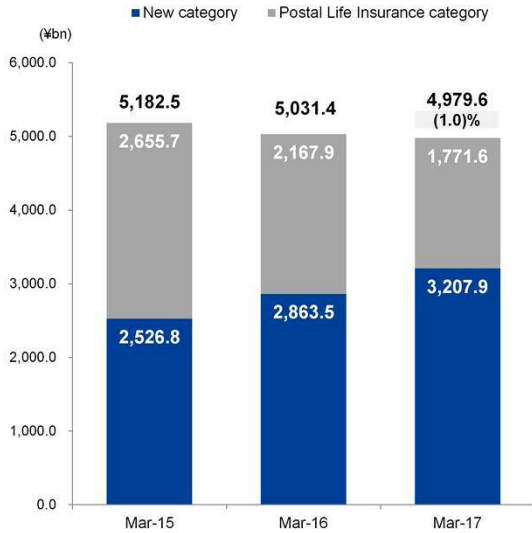
Breakdown of New Policies

(10 thousands)

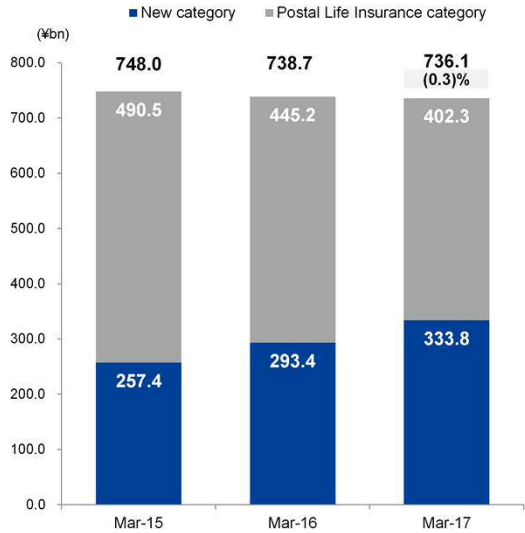
	Year ended Mar-16		Year ended Mar-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	239	100.0 %	244	100.0 %
Endowment insurance	125	52.3 %	117	48.0%
Whole life insurance	66	27.6 %	92	37.8%
Educational endowment insurance	48	20.1 %	34	14.2%
Other insurance	0	0.0 %	0	0.0%

# Annualized Premiums from Policies in Force

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



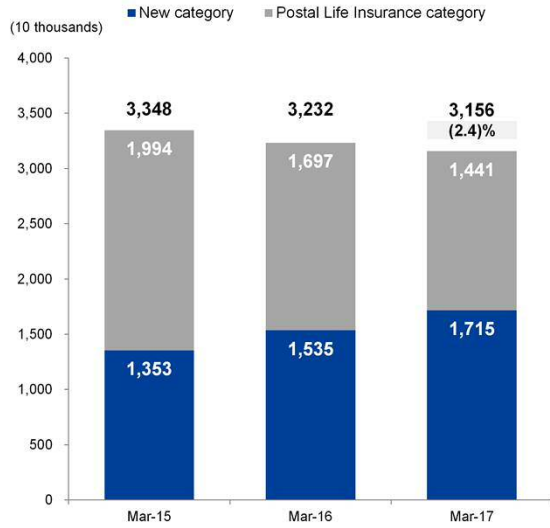
**Annualized Premiums from Policies in Force (Medical Care)**



Note: "New category" shows individual insurance policies underwritten by Japan Post Insurance.  
 "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.

# 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

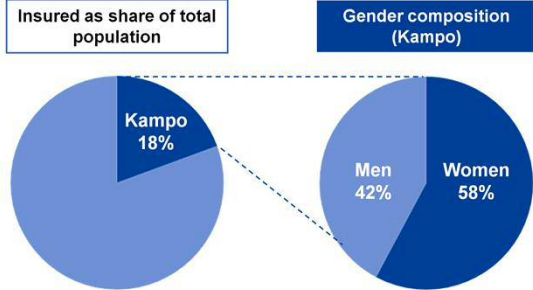
(10 thousands)

	Mar-16		Mar-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,232	100.0 %	3,156	100.0 %
Endowment insurance	1,440	44.6 %	1,349	42.8 %
Whole life insurance	1,241	38.4 %	1,279	40.6 %
Educational endowment insurance	535	16.6 %	512	16.2 %
Other insurance	14	0.5 %	14	0.5 %

# 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. 60%<sup>2</sup> of our policyholders

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



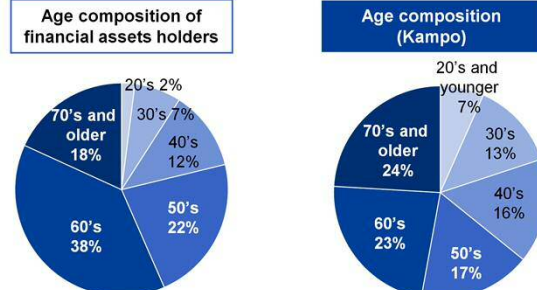
	Number of people (mn)	(%)
Total population	126.79	100%
No. of insured by Kampo	22.56	18%

	Number of insured <sup>1</sup> (mn)	(%)
Women	13.06	58%
Men	9.50	42%

<sup>1</sup>Gender composition of new policy for other life insurers is about 50:50 (FY2016/3)

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

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



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

■ Policyholders over 50 comprise approx. 60%

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

## Sales Promotions and Improve Quality of Solicitation

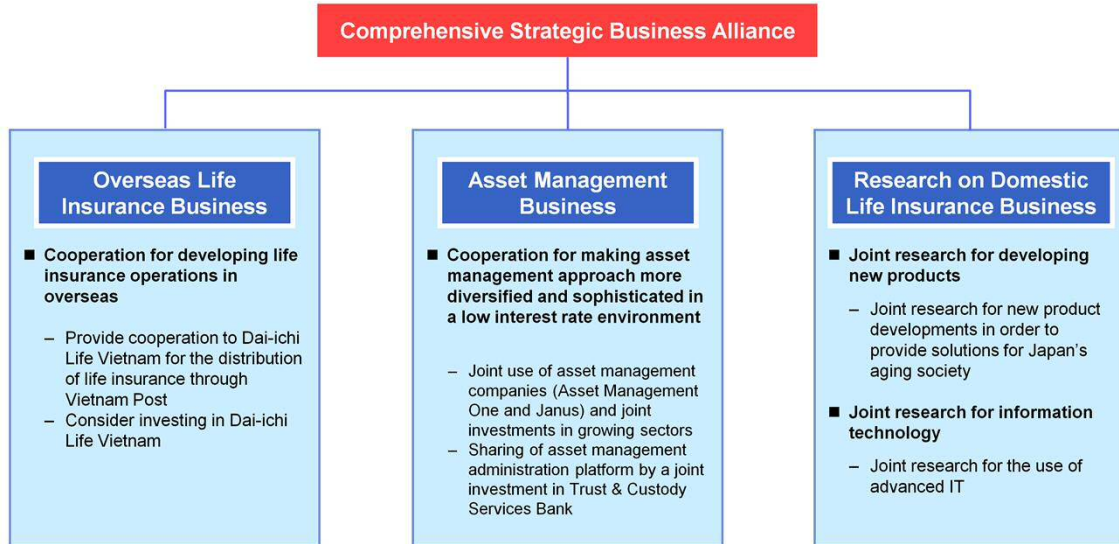
- Develop sales personnel and increase sales opportunities to secure new policies
- Ensure customer-first policy through appropriately responding to customers' needs and selling policies that truly satisfy customers

### Principal initiatives in FY2018/3



## 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
- The alliance begins with cooperation in three areas: overseas life insurance business, asset management business and joint research on domestic life insurance business

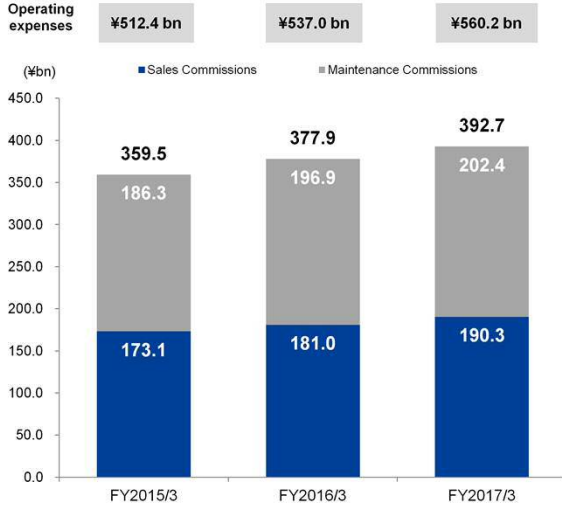




# Operating Expenses (Non-Consolidated)

- 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
- Therefore, there is little discretion in the determination of commissions between Kampo and Japan Post Co. Proposed changes to calculation methods are subject to review by regulatory authorities

**Sales Commissions**

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

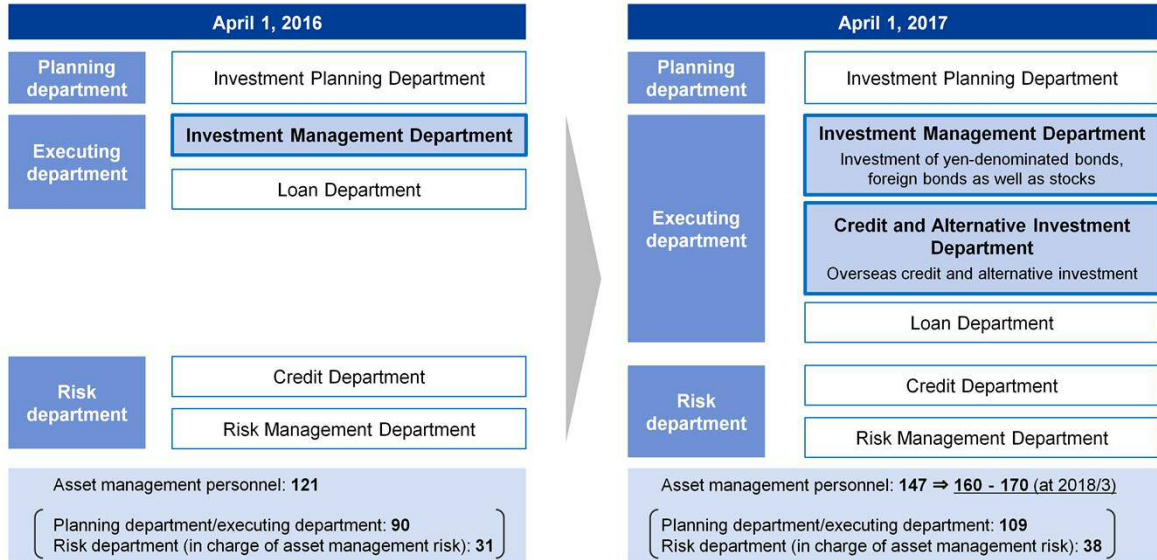


**Maintenance Commissions**

- 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

## Asset Management Operations (Restructuring of Organization)

- As an initiative to strengthen the function of the asset management department, the “Investment Management Department” was reorganized into the “Investment Management Department” and the “Credit and Alternative Investment Department” (as of October 1, 2016)
- Asset management personnel will be expanded into an organization of around 160-170 persons as of March 31, 2018 by measures such as employing external personnel



## Fair Value Information of Securities

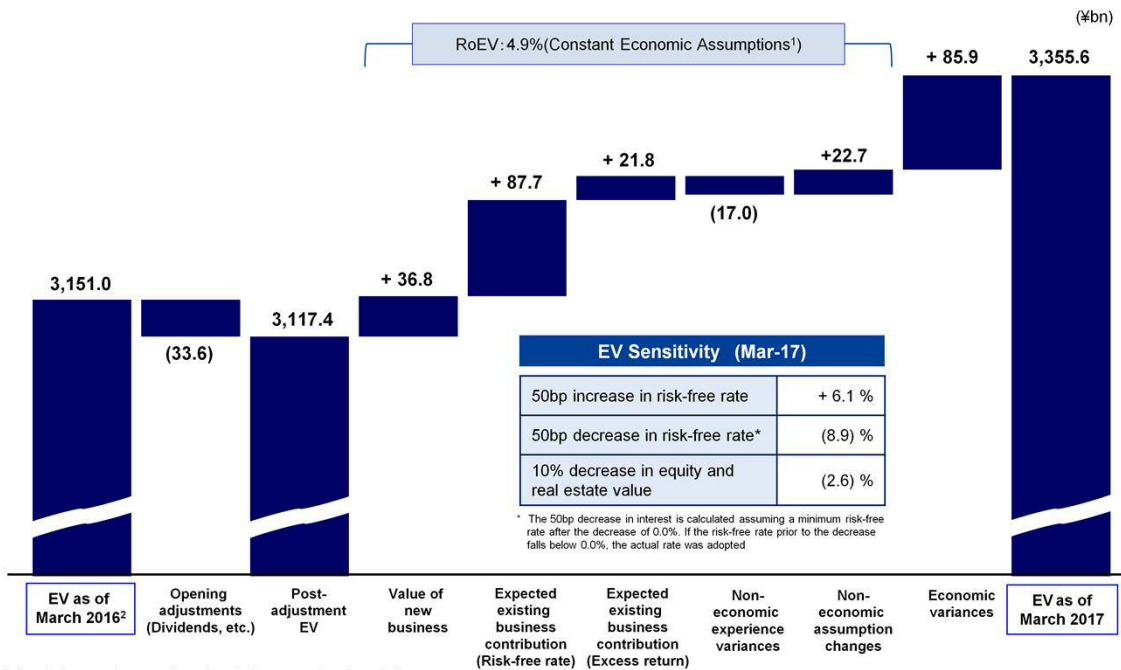
### Fair Value Information of Securities

(#bn)

	Mar-16			Mar-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,753.0	75,326.4	9,573.3	65,541.9	73,242.5	7,700.5
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	40,441.8	46,518.6	6,076.8
Policy-reserve-matching bonds	13,563.4	15,062.1	1,498.7	12,517.3	13,697.4	1,180.0
Available-for-sale securities	9,949.8	10,511.3	561.5	12,582.7	13,026.4	443.6
Securities etc.	8,469.2	8,866.8	397.5	10,836.4	10,899.3	62.9
Bonds	4,012.9	4,115.7	102.8	4,758.4	4,796.8	38.4
Domestic stocks	-	-	-	50.2	54.0	3.8
Foreign securities	3,299.3	3,590.8	291.4	4,224.6	4,253.7	29.1
Other securities	100.0	100.0	0	1,428.0	1,417.1	(10.8)
Deposits etc.	1,056.9	1,060.1	3.1	375.1	377.5	2.4
Money held in trust <sup>1</sup>	1,480.5	1,644.5	163.9	1,746.3	2,127.0	380.7
Domestic stocks	1,065.4	1,202.5	137.0	1,252.1	1,571.9	319.8
Foreign stocks	222.2	229.4	7.1	267.1	309.0	41.9
Foreign bonds	161.1	180.9	19.7	166.9	185.9	18.9

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.

# EV Movement



1. Constant economic assumption rate excludes economic variance factor.  
 2. Utilizing an Ultimate Forward Rate.

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

		FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3
<b>Total assets</b>	¥mn	90,462,364	87,088,626	84,911,946	81,543,623	80,336,414
Postal Life Insurance category		73,793,953	67,560,915	61,703,013	55,832,787	51,447,550
New category		16,668,410	19,527,711	23,208,932	25,710,836	28,888,864
<b>Number of policies in force</b>	(000)	36,805	34,864	33,489	32,323	31,562
Postal Life Insurance category (insurance)		26,933	23,195	19,949	16,972	14,411
New category (individual insurance)		9,871	11,668	13,539	15,350	17,150
<b>Insurance premiums and others</b>	¥mn	6,481,772	5,911,643	5,956,716	5,413,862	5,041,868
Postal Life Insurance category		2,685,558	2,155,398	1,697,140	1,322,308	1,002,816
New category		3,796,214	3,756,245	4,259,576	4,091,554	4,039,051
<b>Ordinary profit</b>	¥mn	529,375	463,506	493,169	413,023	279,347
Postal Life Insurance category		424,511	382,325	377,145	258,059	185,250
New category		104,864	81,181	116,024	154,963	94,097
<b>Net income</b>	¥mn	91,000	63,428	81,758	86,338	88,520
Postal Life Insurance category		56,816	43,689	36,969	32,850	26,044
New category		34,184	19,739	44,789	53,487	62,475
<b>Contingency reserve (reversal) provision</b>	¥mn	(100,149)	(94,807)	(90,087)	(123,864)	(120,819)
Postal Life Insurance category		(159,710)	(164,732)	(167,144)	(171,199)	(172,881)
New category		59,561	69,924	77,057	47,335	52,061
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	64,656	91,360	97,934	70,100	6,444
Postal Life Insurance category		43,374	73,857	72,126	8,957	12,625
New category		21,282	17,502	25,808	61,143	(6,181)
<b>Additional policy reserve (reversal) provision</b>	¥mn	(92,835)	(77,134)	(68,347)	(55,533)	(50,454)
Postal Life Insurance category		(92,835)	(77,134)	(68,347)	(55,533)	(50,454)
New category		-	-	-	-	-

Note: "New category" shows the figure after deduction of "Postal Life Insurance category" from the total.

## Major Financial Results (Consolidated)

	(#bn)				
	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3
Insurance premiums and others	6,481.7	5,911.6	5,956.7	5,413.8	5,041.8
Ordinary profit	528.9	462.7	492.6	411.5	279.7
Provision for reserve for policyholder dividends	307.4	242.1	200.7	178.0	152.6
Net income	90.6	62.8	81.3	84.8	88.5
Net assets	1,466.7	1,538.1	1,975.7	1,882.9	1,853.2
Total assets	90,463.5	87,092.8	84,915.0	81,545.1	80,336.7
Return on equity	6.6%	4.2%	4.6%	4.4%	4.7%
Return on shareholders' equity	7.1%	4.7%	5.9%	5.9%	5.9%
Dividends to shareholders	22.7	16.8	24.5	33.6	36.0
Payout ratio	25.1%	26.8%	30.2%	39.6%	40.6%
[Reference] Core profit (Non-consolidated)	570.0	482.0	515.4	464.2	390.0



**<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.

Postal Life Insurance does not accept new applications for insurance policies on and after October 2007. In addition, unlike Postal Life Insurance policies, no government guarantee is given to insurance policies currently underwritten by Japan Post Insurance Co., Ltd. with regard to benefit payments, etc. For Postal Life Insurance policies entered into before September 2007, Japan Post Insurance Co., Ltd. is entrusted by Management Organization for Postal Life Insurance which succeeds the rights and obligations of the insurance policies, to provide services concerning benefit payments and receipt of insurance premiums, etc.