

*Kampo*

**Outline of Financial Results for  
the Three Months Ended June 30, 2017**

August 10, 2017

 **JAPAN POST INSURANCE**

- I am Susumu Miyamoto of Japan Post Insurance.
- Thank you for joining our conference call for “Financial Results for the Three Months Ended June 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 ¥24.1 billion (a 24.3% increase year on year) that represented 28.1% towards the full-year financial results forecasts.
- Annualized premiums from new policies for individual insurance were ¥104.5 billion, a 27.4% decrease year on year. Annualized premiums from new policies for medical care were ¥13.2 billion, a 9.7% increase year on year.
- Annualized premiums from policies in force for individual insurance were ¥4,946.3 billion, a slight decrease year on year. Annualized premiums from policies in force for medical care were ¥734.7 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 ¥8,586.6 billion (10.9% of total assets).
- Embedded value (EV) increased by ¥16.7 billion from the end of the previous fiscal year to ¥3,372.4 billion. The value of new business was ¥47.5 billion (a ¥47.0 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 ¥24.1 billion, which was a 24.3% increase year on year and represented steady progress of 28.1% towards our full-year financial results forecasts.
- Secondly, although annualized premiums from new policies for individual insurance decreased to ¥104.5 billion, annualized premiums from new policies for medical care were ¥13.2 billion, a 9.7% 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 ¥4,946.3 billion, annualized premiums from policies in force for medical care were ¥734.7 billion, nearly 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 10.9% of total assets.
- Lastly, the fifth point, EV increased by ¥16.7 billion from the end of the previous fiscal year to ¥3,372.4 billion. The value of new business increased by ¥47.0 billion year on year to ¥47.5 billion.
- Please look at page 2.

## Financial Highlights

### Financial Highlights

(¥bn)

	3 months ended Jun-16	3 months ended Jun-17	Year on year
Ordinary income	2,261.4	2,113.5	(6.5) %
Ordinary profit	44.3	83.2	+ 87.7 %
Net income <sup>1</sup>	19.4	24.1	+ 24.3 %

### Financial Results Forecasts

(¥bn)

Year ending Mar-18 (Full-year forecasts)	Progress
7,690.0	27.5 %
250.0	33.3 %
86.0	28.1 %

(¥bn)

	Mar-17	Jun-17	Change
Total assets	80,336.7	78,925.9	(1.8) %
Net assets	1,853.2	1,935.1	+ 4.4 %
Total shareholders' equity	1,526.8	1,515.0	(0.8) %

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 ¥2,113.5 billion. However, we achieved steady progress towards our full-year financial results forecasts, securing increases respectively to ¥83.2 billion in ordinary profit, and ¥24.1 billion in net income.
- Furthermore, total assets were ¥78,925.9 billion and net assets were ¥1,935.1 billion.
- Please look at page 3.

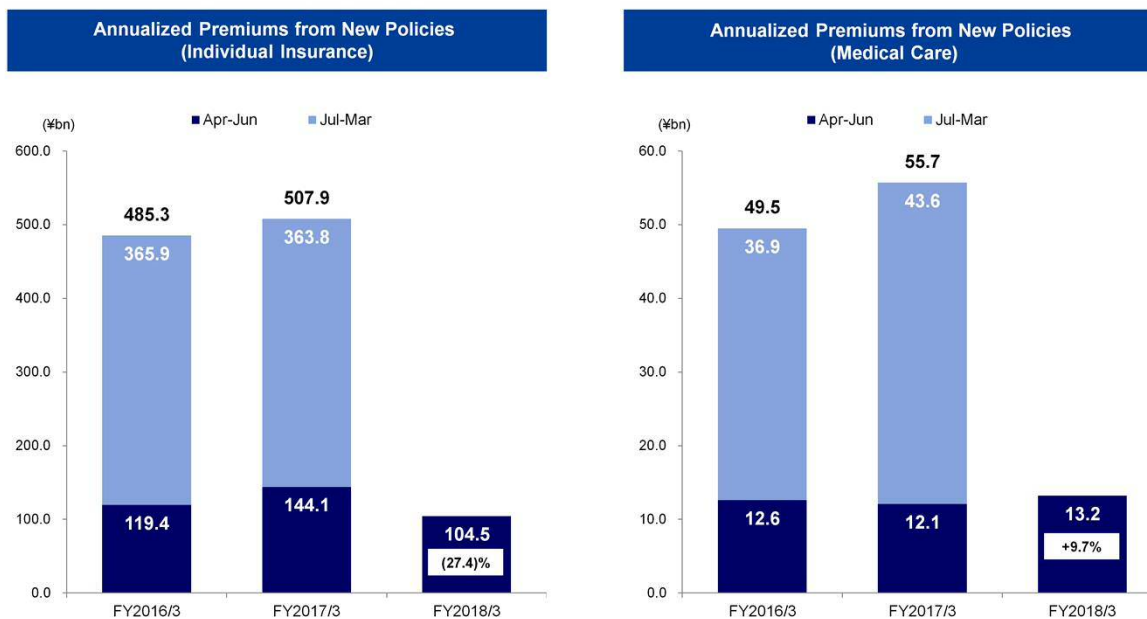
## Overview of Financial Statements (Consolidated)

Statement of Income				(¥bn)	Balance Sheets				(¥bn)
	3 months ended Jun-16	3 months ended Jun-17	Change	(Reference) Year ended Mar-17		Mar-17	Jun-17	Change	
Ordinary income	2,261.4	2,113.5	(147.8)	8,659.4	Assets	80,336.7	78,925.9	(1,410.7)	
Insurance premiums and others	1,415.1	1,123.6	(291.5)	5,041.8	Cash and deposits	1,366.0	746.7	(619.3)	
Investment income	344.1	321.3	(22.7)	1,367.9	Money held in trust	2,127.0	2,302.6	175.6	
Reversal of policy reserves	489.5	640.4	150.9	2,187.2	Securities	63,485.2	62,549.2	(936.0)	
Ordinary expenses	2,217.0	2,030.3	(186.7)	8,379.6	Loans	8,060.9	8,063.2	2.3	
Insurance claims and others	1,988.7	1,850.7	(137.9)	7,550.3	Fixed assets	322.7	308.1	(14.6)	
Investment expenses	68.3	16.3	(52.0)	160.4	Deferred tax assets	851.9	845.3	(6.5)	
Operating expenses	134.6	130.8	(3.7)	560.4	Liabilities	78,483.5	76,990.8	(1,492.6)	
Ordinary profit	44.3	83.2	38.8	279.7	Policy reserves	70,175.2	69,534.7	(640.4)	
Extraordinary profit and loss	23.3	(16.0)	(39.3)	(6.8)	Reserve for price fluctuations	788.7	804.7	16.0	
Provision for reserve for policyholder dividends	41.6	32.5	(9.1)	152.6	Net assets	1,853.2	1,935.1	81.8	
Income before income taxes	25.9	34.5	8.6	120.1	Total shareholders' equity	1,526.8	1,515.0	(11.8)	
Total income taxes	6.5	10.4	3.8	31.5	Total accumulated other comprehensive income	326.3	420.0	93.7	
Net income attributable to Japan Post Insurance	19.4	24.1	4.7	88.5					

Note: Only major line items are shown.

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

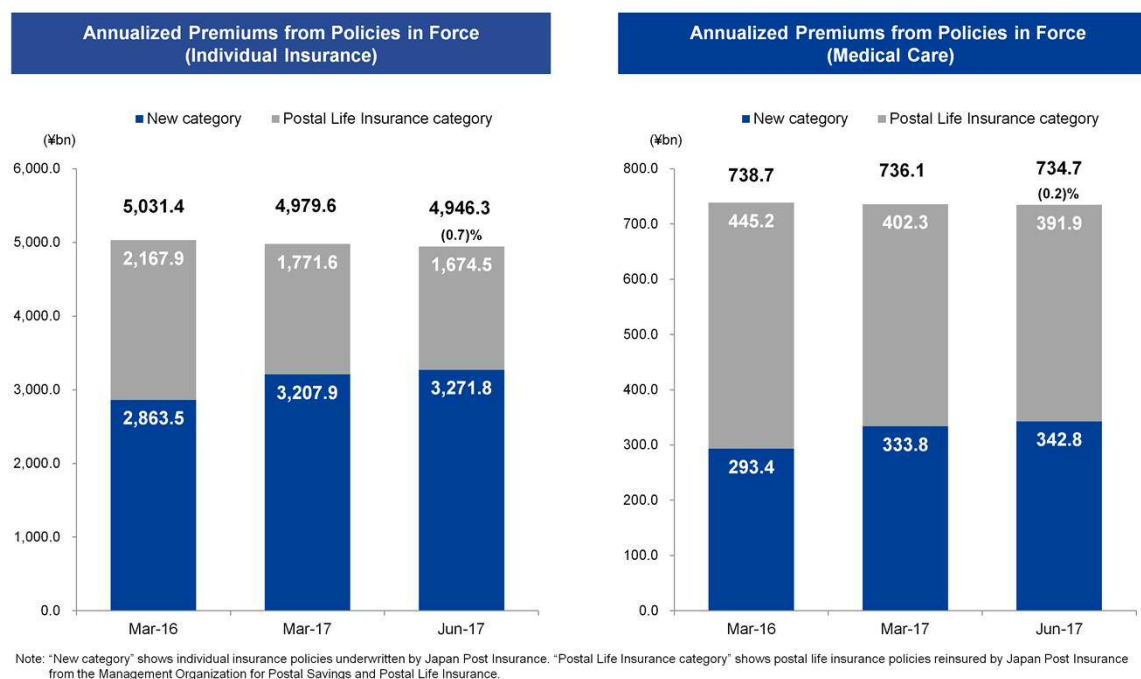
## Policy Sales (1) Annualized Premiums from New Policies



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- From here, I would like to explain our policy sales.
- Annualized premiums from new policies for individual insurance decreased by ¥39.5 billion year on year to ¥104.5 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 ¥1.1 billion year on year to ¥13.2 billion, which was the highest figure we have recorded for a first quarter.
- 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.

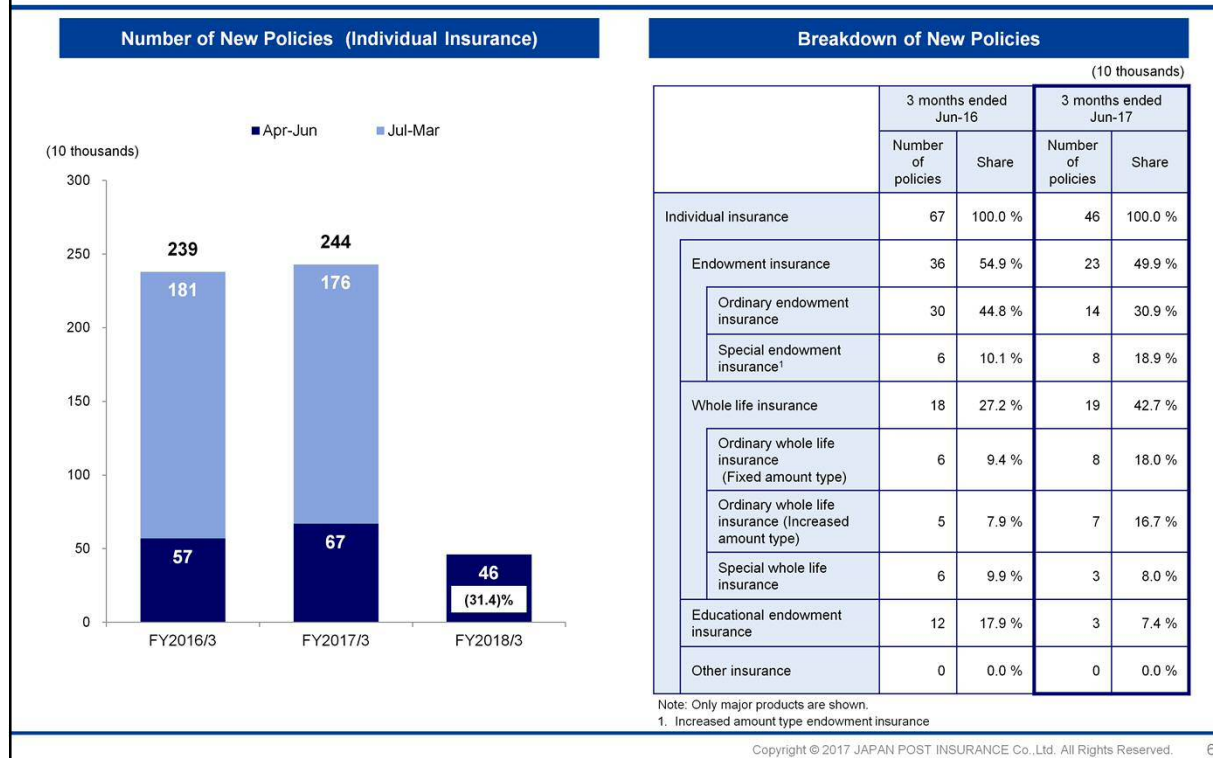
## Policy Sales (2) Annualized Premiums from Policies in Force



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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 ¥4,946.3 billion, representing a slight decrease from the end of the previous fiscal year.
- Annualized premiums from policies in force for medical care were ¥734.7 billion, maintaining almost the same level as the end of the previous fiscal year.
- Please look at page 6.

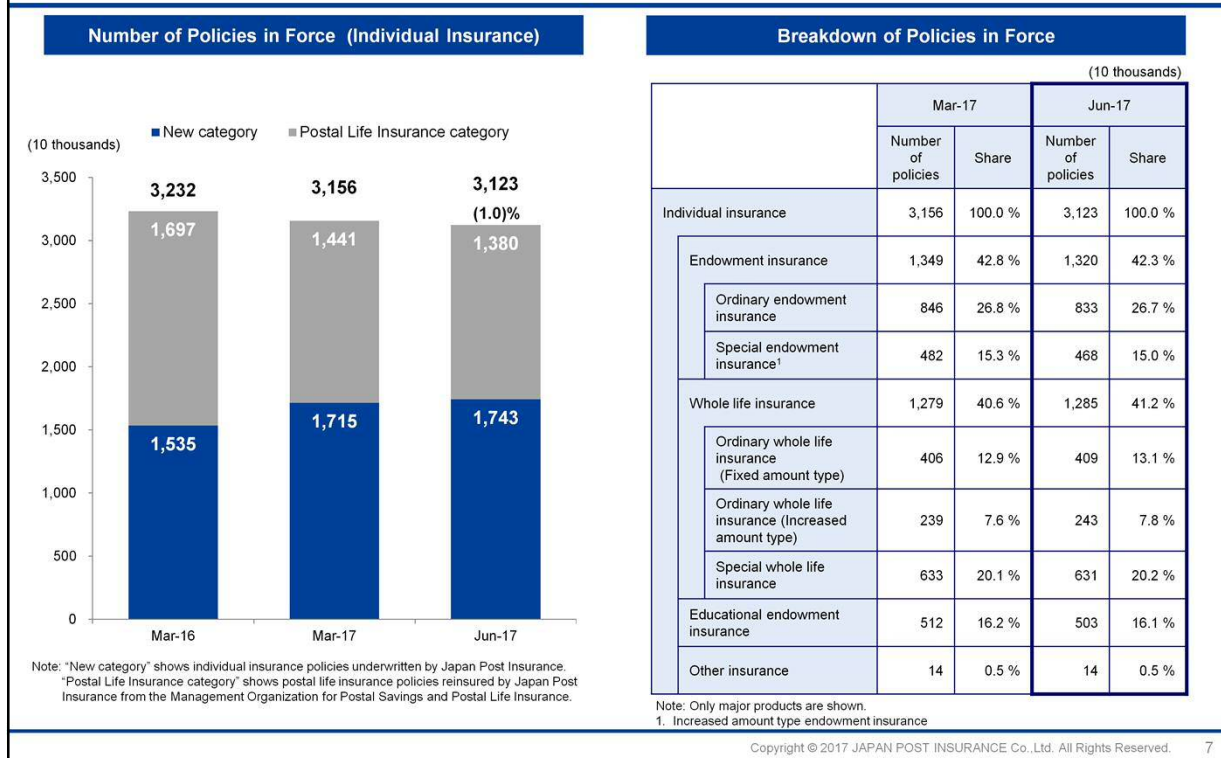
## Policy Sales (3) Number of New Policies



- 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 210 thousand year on year to approximately 460 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 320 thousand from the end of the previous fiscal year to 31.23 million.
- The breakdown of the number of policies in force by product is shown in the chart on the right.
- Please look at page 8.



## Investments (1) Asset Portfolio

Asset Portfolio					Investment Yield			
					(#bn)			
	Mar-17		Jun-17			3 months ended Jun-16	3 months ended Jun-17	(Reference) Year ended Mar-17
	Amount	Share	Amount	Share				
Bonds	57,581.2	71.7	56,137.2	71.1				
Japanese government bonds	42,732.3	53.2	41,465.2	52.5	Positive spread	8.7	14.7	78.5
Japanese local government bonds	9,226.8	11.5	9,121.8	11.6	Average assumed rates of return <sup>1</sup>	1.74 %	1.71 %	1.73 %
Japanese corporate bonds <sup>2</sup>	5,622.0	7.0	5,550.2	7.0	Investment return on core profit <sup>2</sup>	1.79 %	1.80 %	1.84 %
Risk assets	7,963.7	9.9	8,586.6	10.9	Net capital gains (losses)	(35.1)	1.2	(51.1)
Domestic stocks <sup>1</sup>	1,626.0	2.0	1,752.5	2.2				
Foreign stocks <sup>1</sup>	309.0	0.4	325.2	0.4				
Foreign bonds etc. <sup>1,2</sup>	6,028.6	7.5	6,505.4	8.2				
Loans	8,060.9	10.0	8,063.2	10.2				
Others	6,730.9	8.4	6,138.8	7.8				
Cash and deposits, call loans	1,516.0	1.9	846.7	1.1	Interest rate (10Y JGB)	(0.230) %	0.075 %	0.065 %
Receivables under securities borrowing transactions	3,520.7	4.4	3,567.8	4.5	USD/JPY	¥ 102.91	¥ 112.00	¥ 112.19
Total assets	80,336.7	100.0	78,925.9	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 ¥8.5 trillion, which accounts for 10.9% of total assets at the end of the current period.
- Regarding the proportion of risk assets to total assets, while we have exceeded the planned target of “around 10%” as stated in the Medium-term Management Plan, 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 ¥14.7 billion was achieved as the result of the investment return on core profit remaining at almost the same level as the previous fiscal year, despite a continued drop in the average assumed rates of return.
- Capital gain was ¥1.2 billion, demonstrating a year-on-year improvement after the impact from market fluctuations resulting from Britain’s decision to leave the EU.
- Please look at page 9.

## Investments (2) Fair Value Information of Securities

### Fair Value Information of Securities

(¥bn)

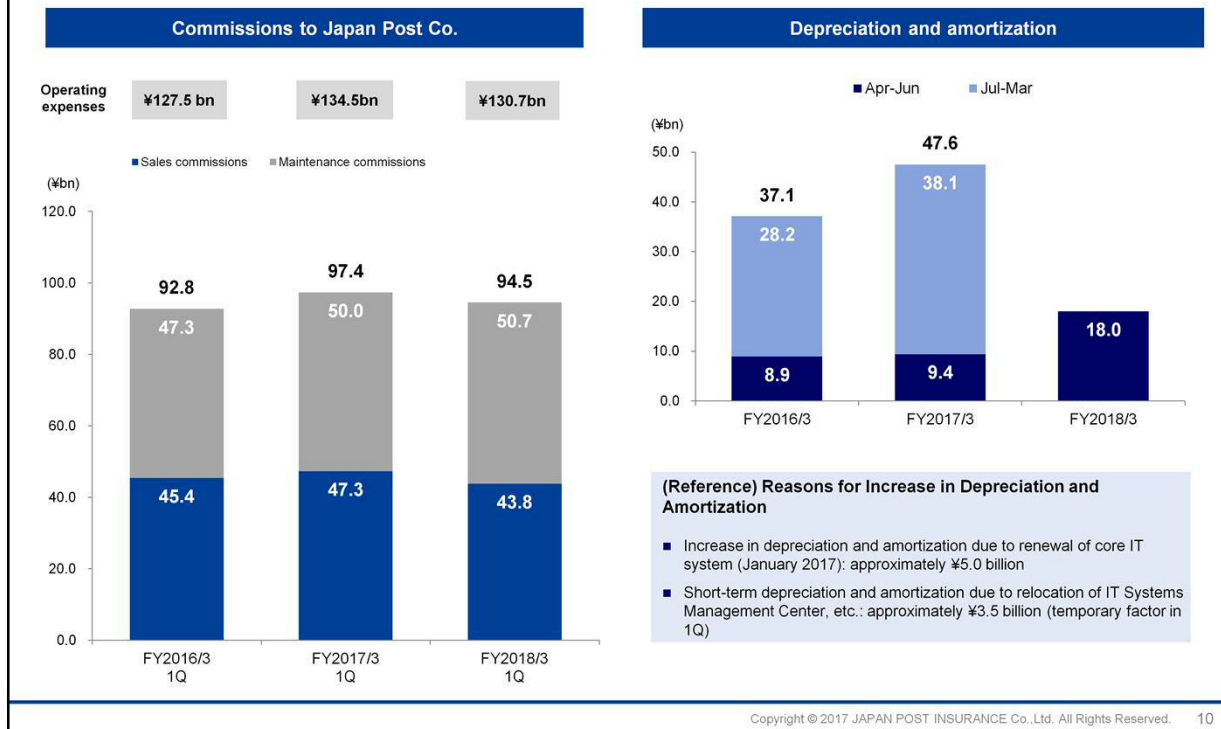
	Mar-17			Jun-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	64,627.4	72,318.3	7,690.9
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,715.6	45,706.8	5,991.2
Policy-reserve-matching bonds	12,517.3	13,697.4	1,180.0	11,806.1	12,932.1	1,125.9
Available-for-sale securities	12,582.7	13,026.4	443.6	13,105.5	13,679.3	573.7
Securities etc.	10,836.4	10,899.3	62.9	11,241.0	11,380.2	139.2
Bonds	4,758.4	4,796.8	38.4	4,761.7	4,794.7	32.9
Domestic stocks	50.2	54.0	3.8	81.5	89.6	8.1
Foreign securities	4,224.6	4,253.7	29.1	4,389.9	4,481.3	91.4
Other securities	1,428.0	1,417.1	(10.8)	1,653.0	1,657.4	4.4
Deposits etc.	375.1	377.5	2.4	354.7	357.1	2.3
Money held in trust <sup>1</sup>	1,746.3	2,127.0	380.7	1,864.5	2,299.0	434.5
Domestic stocks	1,252.1	1,571.9	319.8	1,307.2	1,662.9	355.6
Foreign stocks	267.1	309.0	41.9	268.2	325.2	56.9
Foreign bonds	166.9	185.9	18.9	168.4	190.3	21.8

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 ¥7,117.1 billion due to the decrease in total assets and the rise in domestic interest rate.
- Net unrealized gains on available-for-sale securities increased slightly from the end of the previous fiscal year to ¥573.7 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 ¥7,690.9 billion, almost the same level as at the end of the previous fiscal year.
- Please look at page 10.

## Expenses (Non-Consolidated)



- Expenses for the period are presented on this page.
- Operating expenses for the current period were ¥130.7 billion on a non-consolidated basis, 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 ¥2.8 billion year on year to ¥94.5 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 ¥8.5 billion year on year to ¥18.0 billion. This was the result of an increase in depreciation and amortization due to the renewal of the core IT system (approximately ¥5.0 billion), and due to the relocation of the IT Systems Management Center, which was a temporary factor for the current period (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.



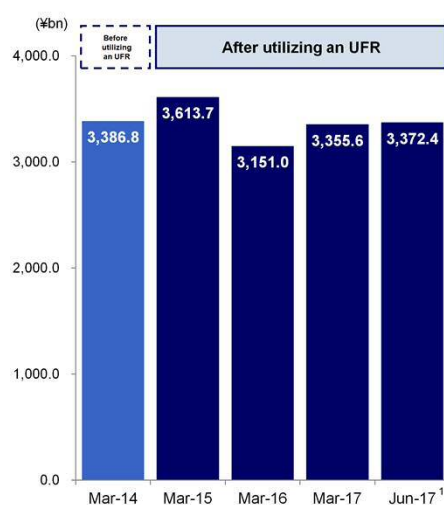
## Embedded Value

### Breakdown of EV

(¥bn)			
	Mar-17	Jun-17 <sup>1</sup>	Change
EV	3,355.6	3,372.4	16.7
Adjusted net worth	1,965.2	1,964.5	(0.7)
Value of in-force covered business	1,390.4	1,407.8	17.4
	3 months ended Jun-16 <sup>1,2</sup>	3 months ended Jun-17 <sup>1,3</sup>	Change
Value of new business	0.5	47.5	47

1. Provisional calculations have not been verified by a third party
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 June 2016
3. Using the economic assumptions as of the end of June 2017, based on the new policies written in the period from April to June 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 ¥3,372.4 billion, up ¥16.7 billion from the end of the previous fiscal year.
- Adjusted net worth decreased by ¥0.7 billion from the end of the previous fiscal year to ¥1,964.5 billion due to the payment of dividends to shareholders, despite increases in net income and retained earnings.
- Value of in-force covered business increased by ¥17.4 billion from the end of the previous fiscal year to ¥1,407.8 billion, due to the increase of new policies, despite the transfer of net income and retained earnings to adjusted net worth.
- The value of new business for the current period is calculated based on economic assumption as of the end of June 2017, which is close to the average interest rates from April to June.
- As a result, the value of new business increased by ¥47.0 billion year on year to ¥47.5 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 4.5%.
- Please note that the EV and value of new business figures for the current period disclosed in these materials are provisional calculations that have not been verified by a third-party.
- 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 <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.

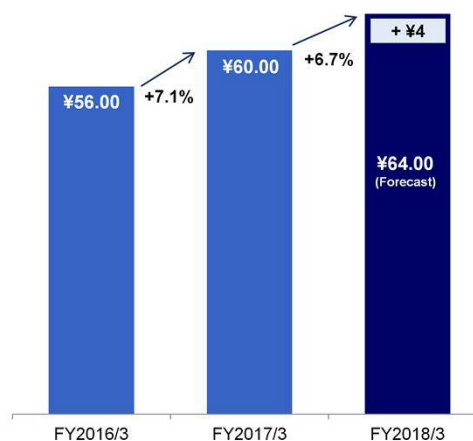
### Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %



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- Finally, I would like to explain about the consolidated financial results forecasts for the year ending March 31, 2018.
- In the current period, our business has been progressing mostly as planned and 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.
- This concludes my explanation.

APPENDIX

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

		FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 1Q	FY2018/3 1Q
<b>Total assets</b>	¥mn	87,088,626	84,911,946	81,543,623	80,336,414	80,905,744	78,925,601
Postal Life Insurance category		67,560,915	61,703,013	55,832,787	51,447,550	54,480,700	49,782,353
New category		19,527,711	23,208,932	25,710,836	28,888,864	26,425,044	29,143,248
<b>Number of policies in force</b>	(000)	34,864	33,489	32,323	31,562	32,140	31,239
Postal Life Insurance category (insurance)		23,195	19,949	16,972	14,411	16,276	13,804
New category (individual insurance)		11,668	13,539	15,350	17,150	15,864	17,435
<b>Insurance premiums and others</b>	¥mn	5,911,643	5,956,716	5,413,862	5,041,868	1,415,193	1,123,687
Postal Life Insurance category		2,155,398	1,697,140	1,322,308	1,002,816	274,992	206,542
New category		3,756,245	4,259,576	4,091,554	4,039,051	1,140,201	917,145
<b>Ordinary profit</b>	¥mn	463,506	493,169	413,023	279,347	44,344	83,101
Postal Life Insurance category		382,325	377,145	258,059	185,250	39,143	36,567
New category		81,181	116,024	154,963	94,097	5,201	46,534
<b>Net income</b>	¥mn	63,428	81,758	86,338	88,520	19,519	24,072
Postal Life Insurance category		43,689	36,969	32,850	26,044	6,991	4,056
New category		19,739	44,789	53,487	62,475	12,528	20,015
<b>Contingency reserve (reversal) provision</b>	¥mn	(94,807)	(90,087)	(123,864)	(120,819)	(30,370)	(33,435)
Postal Life Insurance category		(164,732)	(167,144)	(171,199)	(172,881)	(43,016)	(43,387)
New category		69,924	77,057	47,335	52,061	12,646	9,951
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	91,360	97,934	70,100	6,444	(23,326)	16,070
Postal Life Insurance category		73,857	72,126	8,957	12,625	(7,875)	5,771
New category		17,502	25,808	61,143	(6,181)	(15,450)	10,298
<b>Additional policy reserve (reversal) provision</b>	¥mn	(77,134)	(68,347)	(55,533)	(50,454)	(11,990)	(11,912)
Postal Life Insurance category		(77,134)	(68,347)	(55,533)	(50,454)	(11,990)	(11,912)
New category		-	-	-	-	-	-

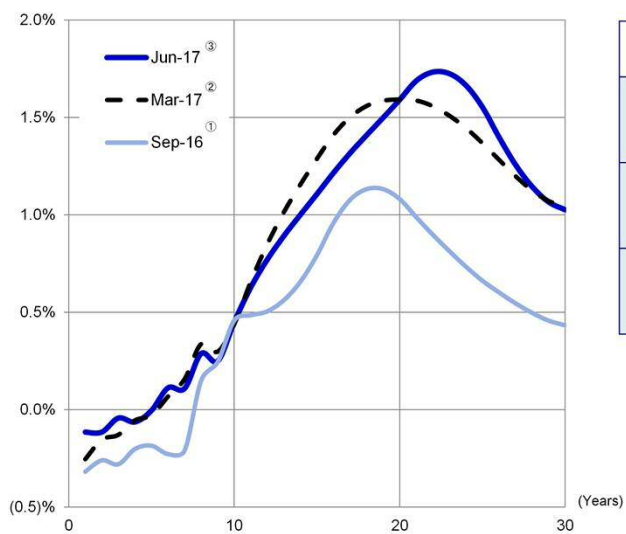
Note: "Postal Life Insurance category" shows the amounts generated from the Postal Life Insurance policies, and "New category" shows the figure after deduction of "Postal Life Insurance category" from the total.

## Major Financial Results (Consolidated)

	(#bn)					
	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 1Q	FY2018/3 1Q
Insurance premiums and others	5,911.6	5,956.7	5,413.8	5,041.8	1,415.1	1,123.6
Ordinary profit	462.7	492.6	411.5	279.7	44.3	83.2
Provision for reserve for policyholder dividends	242.1	200.7	178.0	152.6	41.6	32.5
Net income	62.8	81.3	84.8	88.5	19.4	24.1
Net assets	1,538.1	1,975.7	1,882.9	1,853.2	1,745.2	1,935.1
Total assets	87,092.8	84,915.0	81,545.1	80,336.7	80,909.8	78,925.9
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	94.1	93.6

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

Forward Rate (Sep-16 to Jun-17)



Forward Rate

(%)	Sep-16 <sup>①</sup>	Mar-17 <sup>②</sup>	Jun-17 <sup>③</sup>
10 years	0.458	0.439	0.449
20 years	1.081	1.592	1.591
30 years	0.433	1.043	1.026

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 June 2017 and the value of new business for 1Q 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.

**<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.**