

*Kampo*

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

November 14, 2017

 **JAPAN POST INSURANCE**

# Summary of Financial Results

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- **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).**

# 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 <sup>1</sup>	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

# Overview of Financial Statements (Consolidated)

## Statement of Income

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

(¥bn)

## Balance Sheets

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

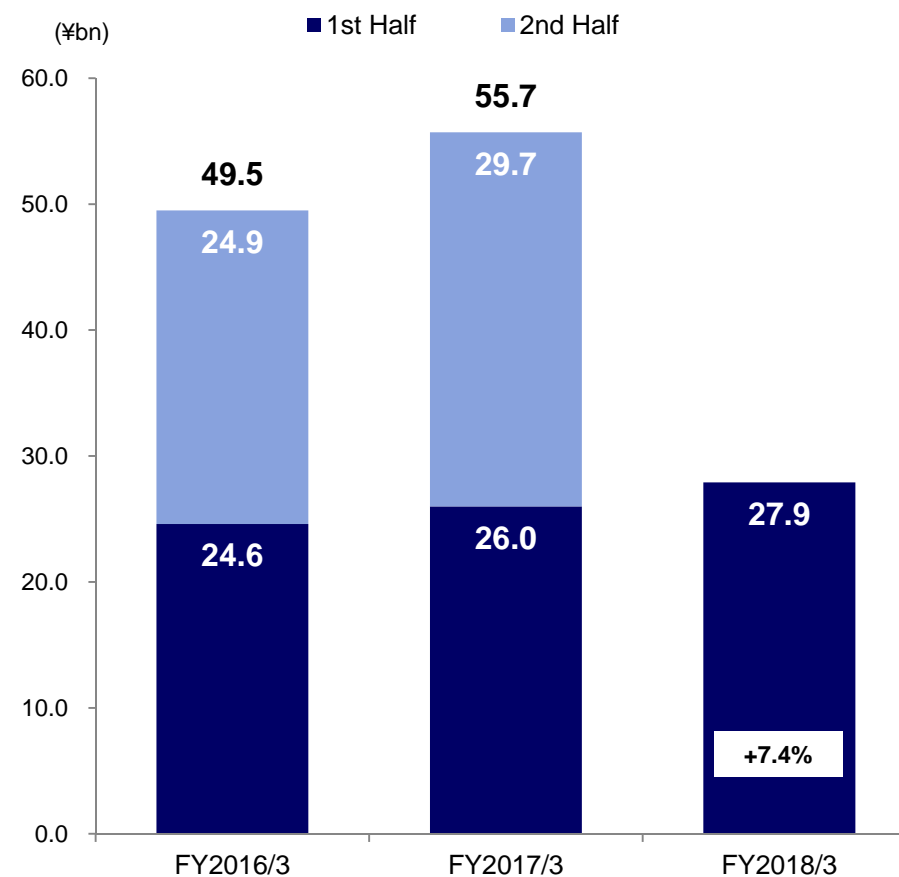
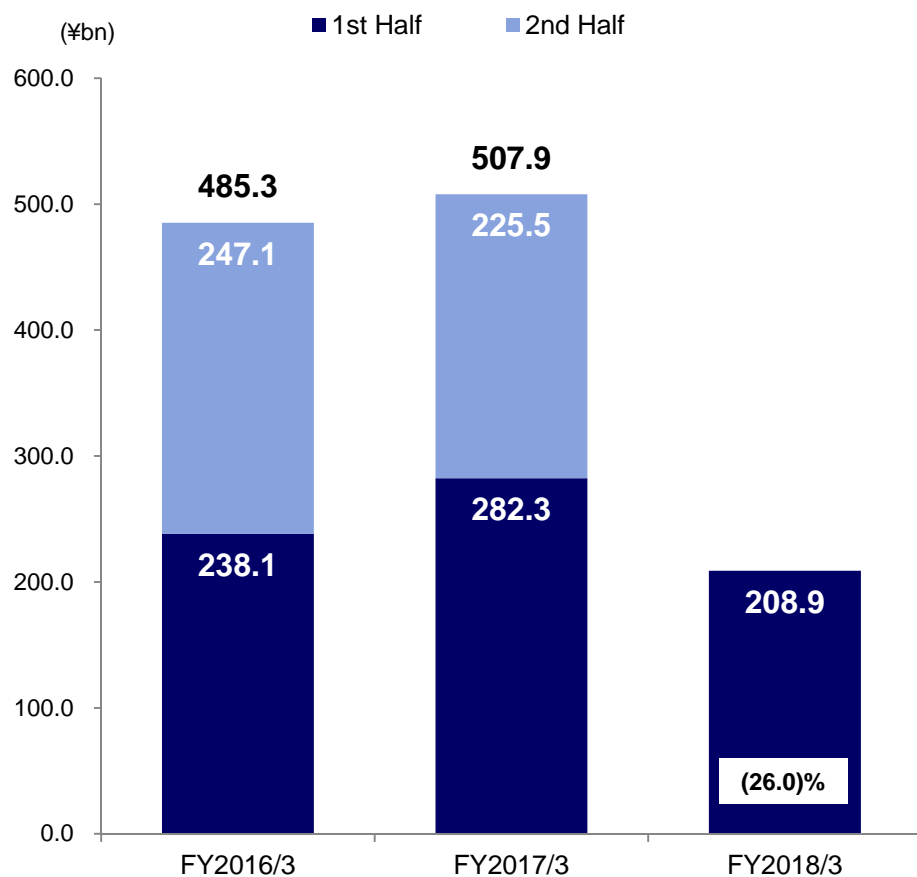
(¥bn)

Note: Only major line items are shown.

# Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies  
(Individual Insurance)

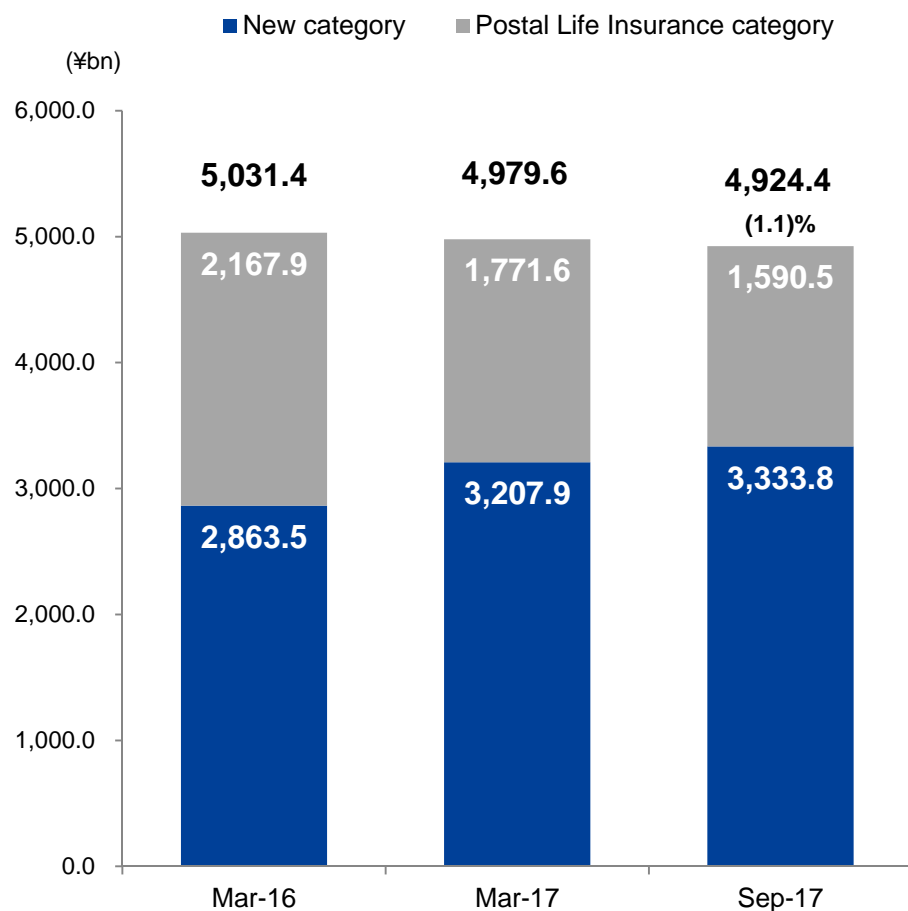
Annualized Premiums from New Policies  
(Medical Care)



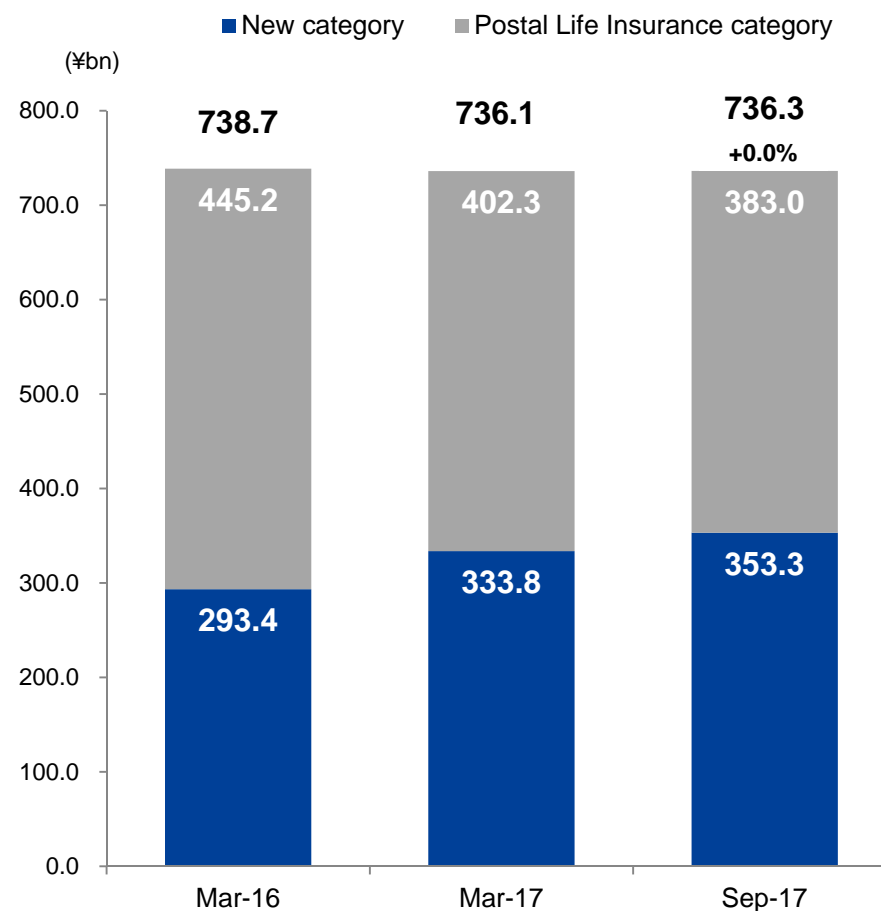
Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

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

Annualized Premiums from Policies in Force  
(Individual Insurance)



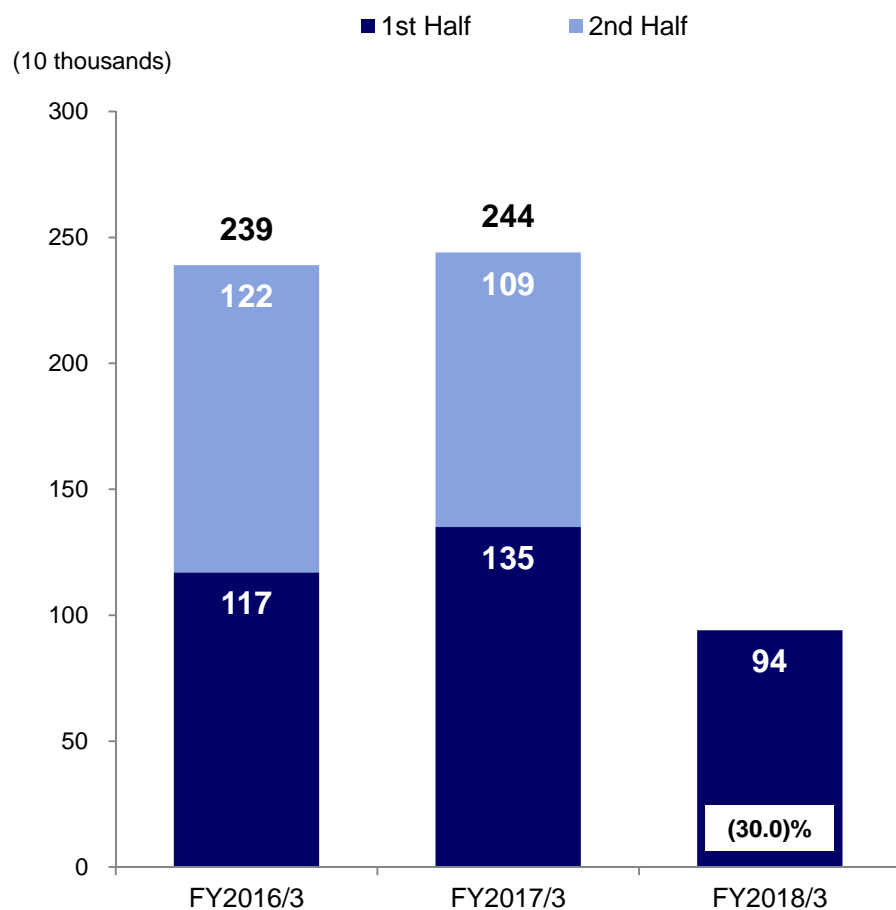
Annualized Premiums from Policies in Force  
(Medical Care)



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.

# Policy Sales (3) Number of New Policies

## Number of New Policies (Individual Insurance)



## Breakdown of New Policies

(10 thousands)

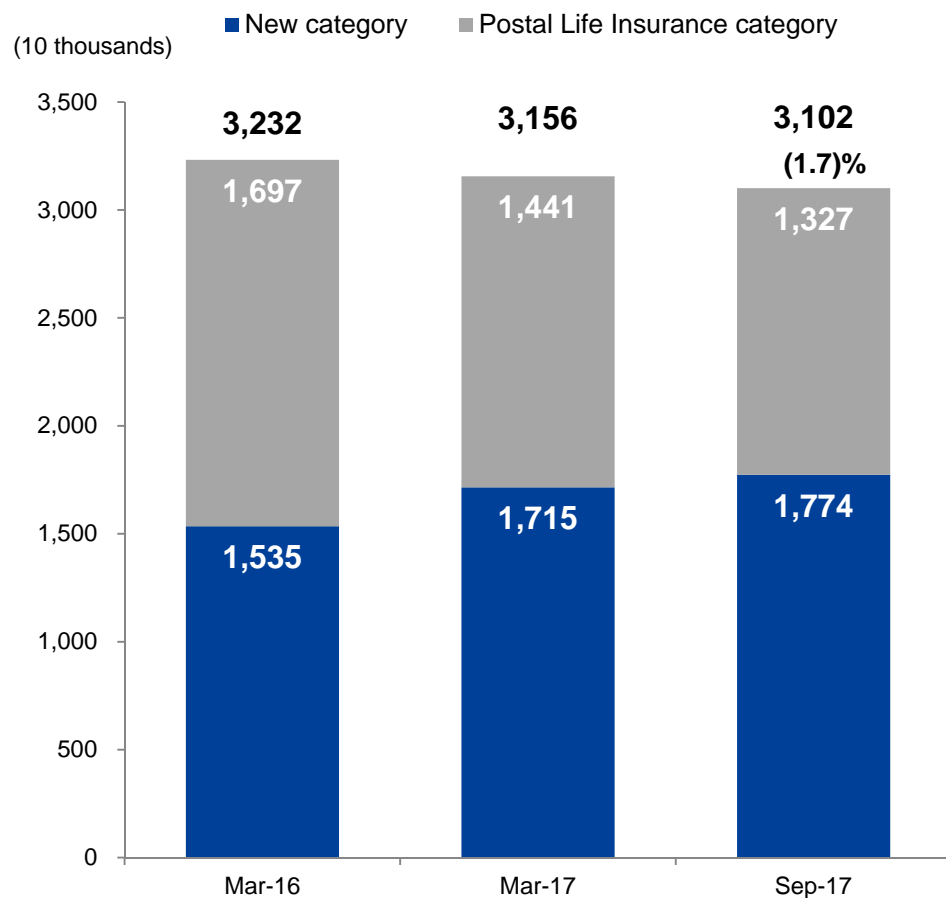
	6 months ended Sep-16		6 months ended Sep-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	135	100.0 %	94	100.0 %
Endowment insurance	72	53.8 %	45	48.0 %
Ordinary endowment insurance	58	43.5 %	27	29.6 %
Special endowment insurance <sup>1</sup>	13	10.3 %	17	18.4 %
Whole life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

Note: Only major products are shown.

1. Increased amount type endowment insurance

# Policy Sales (4) Number of Policies in Force

## Number of Policies in Force (Individual Insurance)



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

## Breakdown of Policies in Force

(10 thousands)

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

Note: Only major products are shown.

1. Increased amount type endowment insurance



# Investments (1) Asset Portfolio

## Asset Portfolio

(¥bn, %)

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

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

## Investment Yield

(¥bn)

	6 months ended Sep-16	6 months ended Sep-17	(Reference) Year ended Mar-17
Positive spread	29.9	35.0	78.5
Average assumed rates of return <sup>1</sup>	1.73 %	1.71 %	1.73 %
Investment return on core profit <sup>2</sup>	1.82 %	1.82 %	1.84 %
Net capital gains (losses)	(56.7)	(2.4)	(51.1)

	Sep-16	Sep-17	Mar-17
Interest rate (10Y JGB)	(0.085) %	0.060 %	0.065 %
USD/JPY	¥ 101.12	¥ 112.73	¥ 112.19

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

## Investments (2) Fair Value Information of Securities

### Fair Value Information of Securities

(¥bn)

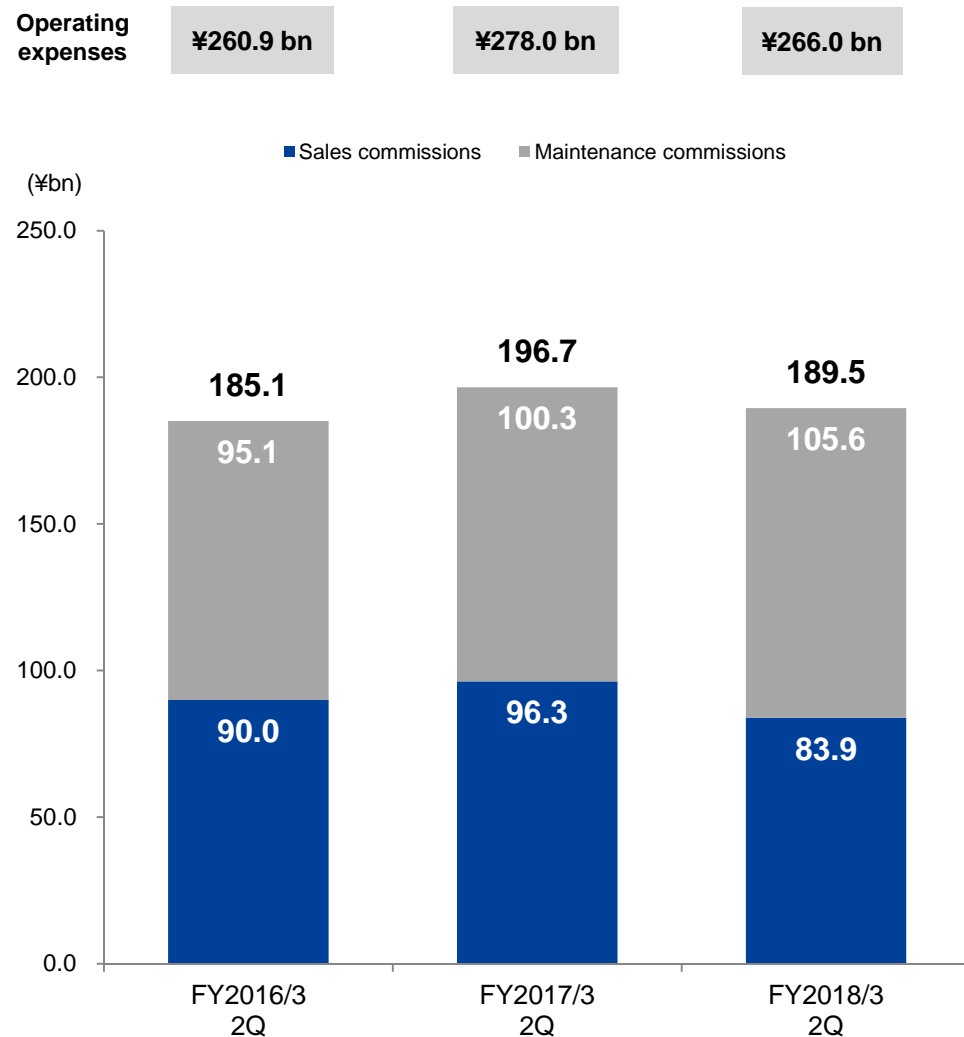
	Mar-17			Sep-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	64,349.2	72,064.9	7,715.7
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,593.7	45,544.4	5,950.6
Policy-reserve-matching bonds	12,517.3	13,697.4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

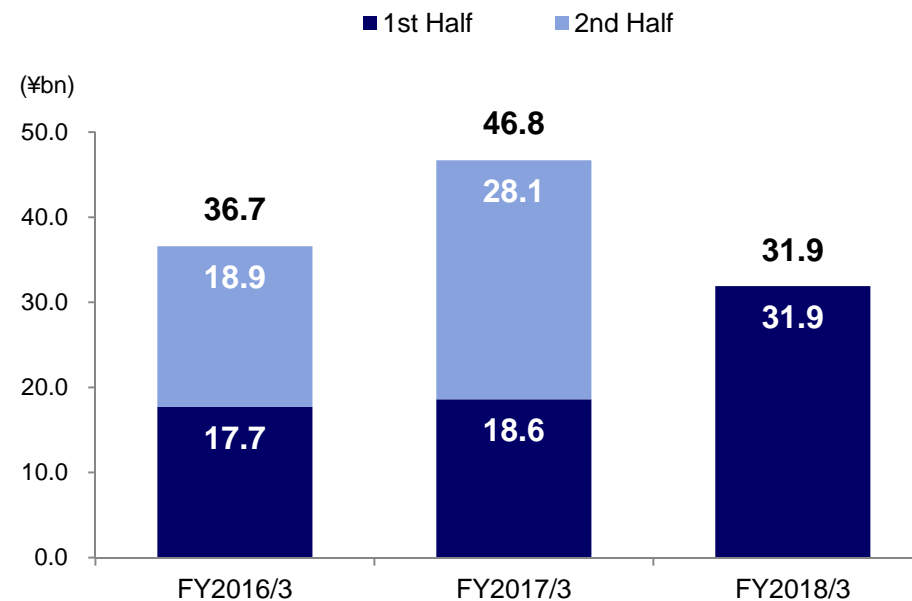
1.Total money held in trust includes cash and deposits and others.

# Expenses

## Commissions to Japan Post Co.



## Depreciation and amortization



### (Reference) Reasons for Increase in Depreciation and Amortization

- Increase in depreciation and amortization due to renewal of core IT system (January 2017): approximately ¥10.0 billion
- Short-term depreciation and amortization due to relocation of IT Systems Management Center, etc.: approximately ¥3.5 billion (temporary factor in 1Q)

# Financial Soundness

## Internal Reserves

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

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

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

## Solvency Margin Ratio (Consolidated)

	Mar-17	Sep-17	(¥bn)
Solvency Margin Ratio (Consolidated)	1,290.6 %	1,207.7 %	
Total amount of solvency margin	5,425.8	5,636.3	
Total amount of risk	840.7	933.3	
Real net assets (Consolidated)	12,763.1	12,764.3	

# Embedded Value

## Breakdown of EV

(¥bn)

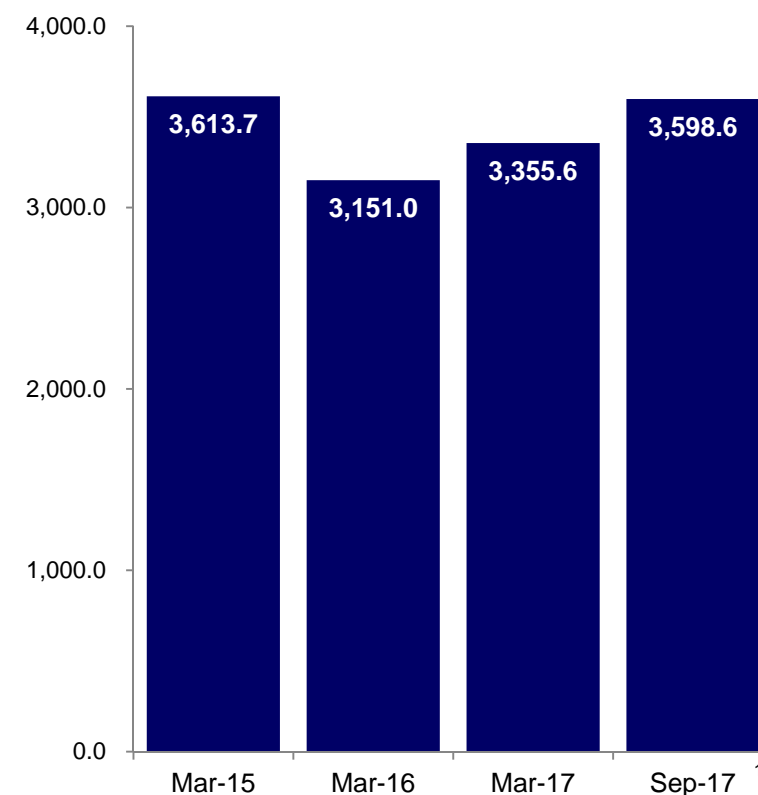
	Mar-17	Sep-17 <sup>1</sup>	Change
EV	3,355.6	3,598.6	242.9
Adjusted net worth	1,965.2	2,009.9	44.6
Value of in-force covered business	1,390.4	1,588.7	198.3

	6 months ended Sep-16 <sup>2</sup>	6 months ended Sep-17 <sup>1,3</sup>	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

(¥bn)



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

## Shareholder Return Policy

Stable  
growth in  
dividends

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

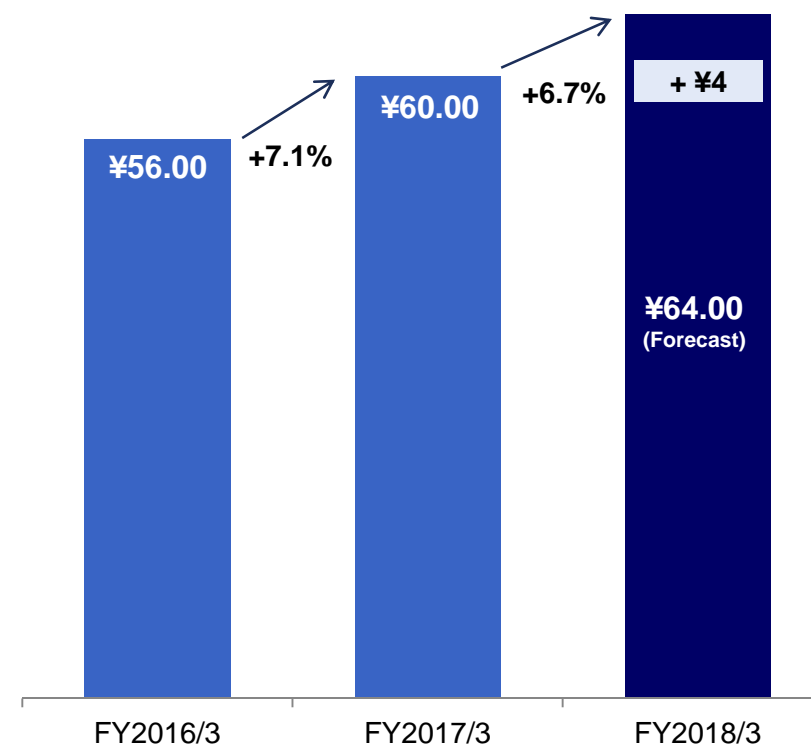
## Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %

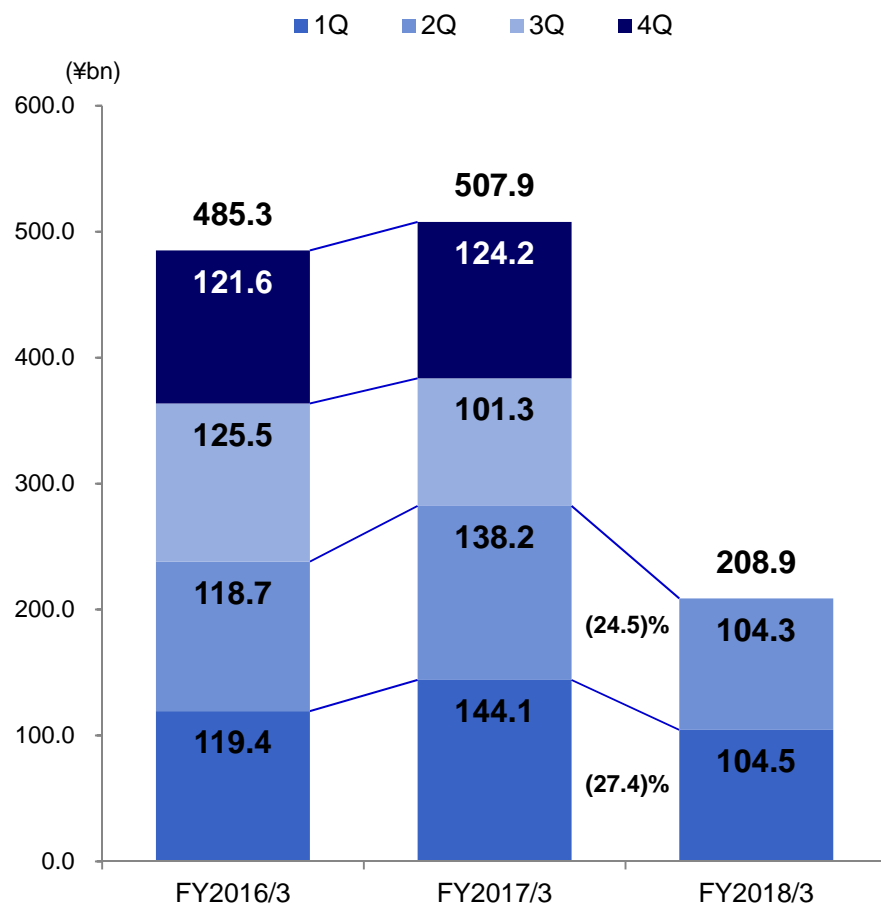


APPENDIX

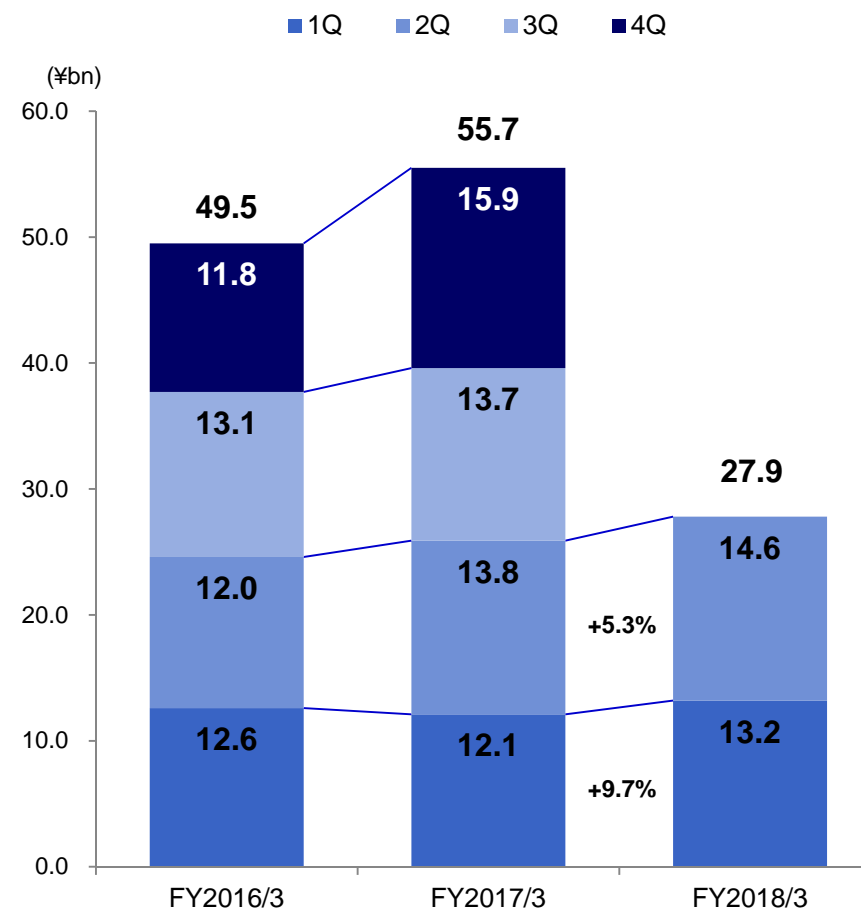
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# Quarterly Trends in Annualized Premiums from New Policies

## Annualized Premiums from New Policies (Individual Insurance)



## Annualized Premiums from New Policies (Medical Care)

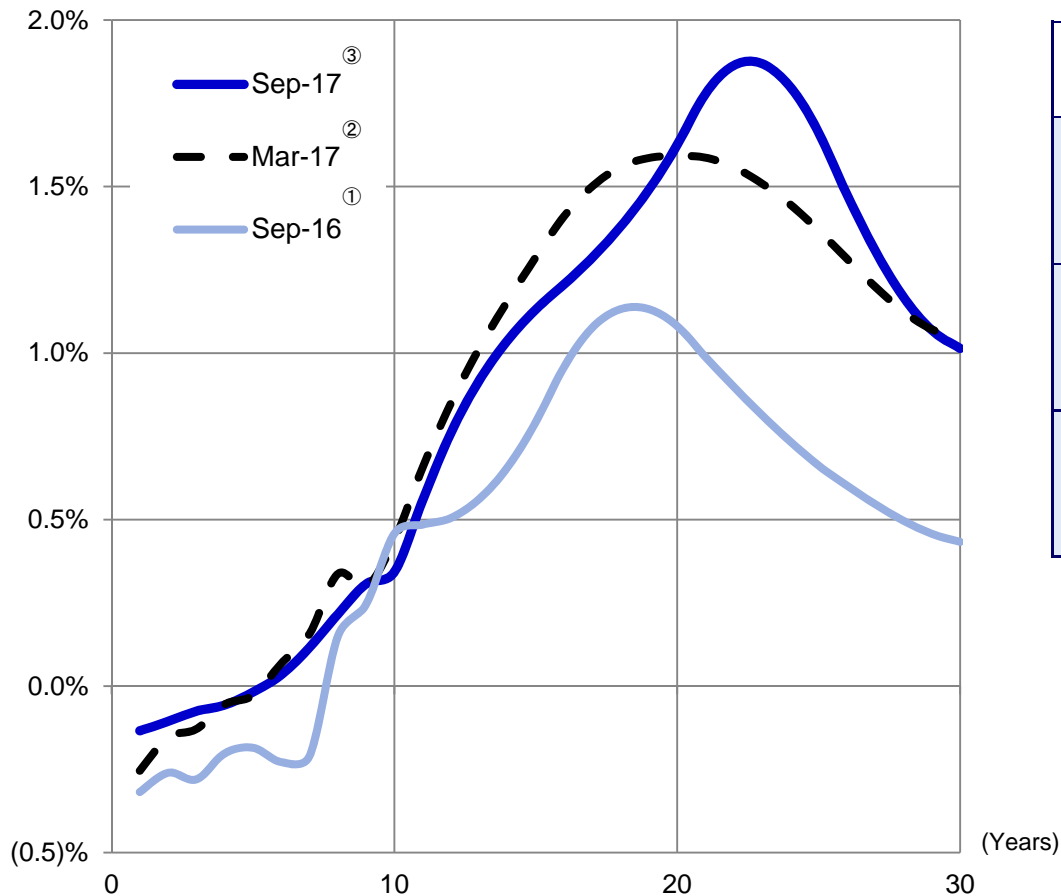


Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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



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

Forward Rate (Sep-16 to Sep-17)



Forward Rate

(%)	Sep-16 <sup>①</sup>	Mar-17 <sup>②</sup>	Sep-17 <sup>③</sup>
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
<b>Total assets</b>	¥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
<b>Number of policies in force</b>	(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
<b>Insurance premiums and others</b>	¥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
<b>Ordinary profit</b>	¥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
<b>Net income</b>	¥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
<b>Contingency reserve (reversal) provision</b>	¥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
<b>Price fluctuations reserve (reversal) provision</b>	¥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
<b>Additional policy reserve (reversal) provision</b>	¥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

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**<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.

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JAPAN POST INSURANCE Co., Ltd.**