

Financial Results for the Six Months Ended September 30, 2015

November 20, 2015

 **JAPAN POST INSURANCE**

Agenda

1

Management Strategy

- Overview of Kampo / Market Environment / Customer Base / Growth Strategy

2

Financial Results for the Six Months Ended September 30, 2015 and Business Update

- Financial Highlights / Overview of Financial Statements / New Policy Acquisition / Sales Channel / Policies in Force / Operating Expenses / Administrative and IT System / Asset Management / Embedded Value / Policy of Shareholder Return

- I am Masami Ishii, President, CEO of Kampo.
- Thank you for joining us today.
- Firstly, I will start the presentation with our management strategy. Then, Mr. Senda, Managing Executive Officer, will explain the financial results for the first half of FY2016 and the operational update.
- Please turn to page 3.

1

Management Strategy

Overview of Kampo

History:

99 years

- Founded in 1916
- Re-established as a corporation in 2007

Channel:

Nationwide network of over 20,000 post offices

- Greater than total domestic bank branches (approx. 13,000)

Customer base:

Approx. 33 mn policies in force

- Approx. 25 mn insured (approx. 20% of the total population of Japan)

Known in Japan as "Kampo," meaning "life insurance that can be used easily," Kampo was originally founded with social mission of "providing basic measures of life with simple procedures for the people of Japan"

Scale:

Approx. ¥85 tn of total assets

- No.1 share in domestic life insurance sector (approx. 20% of market)

Kampo

One of the largest life insurance companies in Japan

Source: Japanese Bankers Association, The Life Insurance Association of Japan
Note: Channel data are as of March 2014, and data for customer base and scale are as of the end of March 2015.

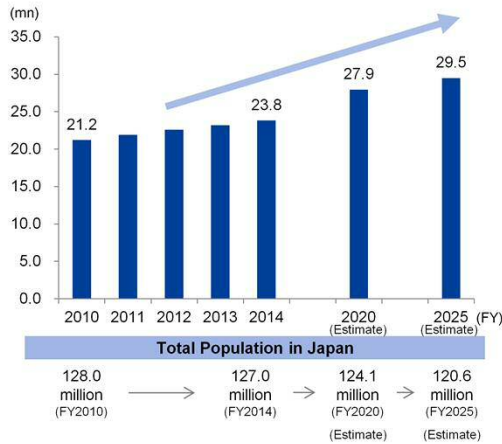
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- Our company was listed on the First Section of the Tokyo Stock Exchange on November 4th.
- We are very much grateful to everyone for the kind support and understanding for our business.
- Since our establishment as postal life insurance, we have been pursuing our business model, which is to offer simple products with smaller coverage amount through post office network. Next year, we will celebrate Kampo's 100th anniversary since the establishment of postal life insurance.
- Our number of policies in force of about 33 million and our total assets of about ¥85 trillion are the largest in the Japanese life insurance market. We also have a tremendously large customer base, which was built by long-time collaboration with the nationwide network of over 20,000 post offices.
- Kampo is well-established as a brand image of reliability and trustworthiness among Japanese nationals, especially women and older adult customers who represent a particularly strong customer base for us. We would like to continue to offer caring services to everyone with high accessibility.
- Please move on to the page 4.

Environment around Life Insurance Industry in Japan

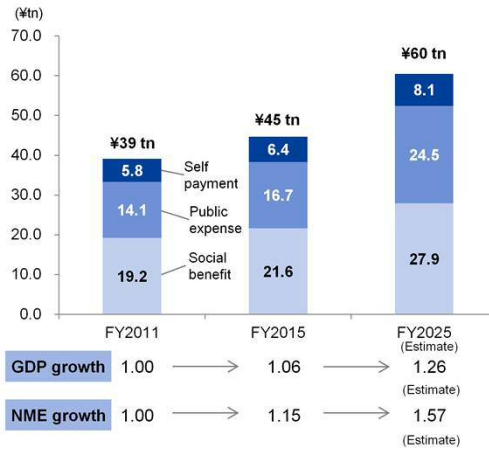
- Although Japan's population continues to shrink due to falling birth rate, older adult population has been increasing
- As national medical expenditures continue to increase due to the aging population, private health insurance is playing more important role to supplement self-pay medical cost

Population in Japan (70 years old or above)



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

Outlook for National Medical Expenditure ("NME")



Source: Ministry of Health, Labour and Welfare ("MHLW"), Cabinet Office, "Overview of Interim Report of the Next Generation Health Care Industry Commission" (METI, June 5, 2014)

Note: Figures are estimated amount at official announcement.

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- Japan's total population peaked in 2008 at 128 million, and has been declining since then. However, the older adult population, in which we have a particular strength, has continued to increase.
- Especially, baby boomers are aging, and it is expected that the population above 70 years old will increase from about 24 million in 2014 to about 28 million in 2020. Therefore, it is the key for our growth to address the needs of these older adult generation.
- Medical expenditures has been sequentially increasing in Japan. The current annual national medical expenditure is over ¥40 trillion, and the outlook is approximately ¥60 trillion in 2025, which is above forecasted tax revenue of ¥54.5 trillion in FY2015.
- Given the financial difficulty Japan's social insurance system is facing, self-pay medical cost has continued to increase. It is, therefore, expected that private health insurance will play a more important role to supplement the public system.
- In the medical care insurance market, we hold over 10% market share as measured by annualized premiums from policies in force, which is the second place in Japan. We believe we are in a good position to pursue future growth in this growing area.
- Please turn to page 5.

Cultivate Existing Customer Base

- Implement “Kampo Platinum Life Services” to provide trustworthy and reliable services that cater to older adult customers
- Introduce “Feel secure with Kampo” activities in collaboration with Japan Post Co., which enables us to reconfirm contractual coverage of policies with policyholders, explain the procedure of receiving benefits, and notify new products

Kampo Platinum Life Services

かんぽ プラチナライフサービス

Products and Services

- Increasing the age limit for insurance products
 - Endowment insurance policies: from 75 to 80 years old
 - Whole life insurance policies: from 65 to 85 years old

Call Centers

- Set up a call center exclusively for older adult customers
 - Skilled operators handle the inquiries

Briefing for Customers and Process to Buy Insurances

- Implementation of paperless application
 - Enables simple and convenient procedure for customers with substantially lighten their burdens (to be implemented from April 2016)

“Feel secure with Kampo” activities



Reconfirm of Contractual Coverage of Policies

- Review details of policies with policyholders such as coverage and beneficiary

Ensure Payments of Policy Benefits

- Support customers to designate bank account for receiving policy benefit, and explain the process to receive policy benefit

Providing Information such as New Products and Various Services

- Provide customers with information about new products, benefit payments made and an option that allows a designated third party to request benefits

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- In order to cope with Japan’s rapidly aging society, we are focusing on developing products and services which cater to older adult customers.
- For example, as part of “Kampo Platinum Life Services”, we set up a call center exclusively for older adult customers, and increased the age limit for endowment and whole life insurance policies to 80 and 85 years old, respectively.
- Additionally, we are implementing “Feel secure with Kampo” activities in collaboration with post offices to meet customers face to face. Through these activities, we support customers to reconfirm details of coverage and procedure for receipt of policy benefit.
- By means of these initiatives, we aim to further improve customer satisfaction in order to increase new policy acquisitions from new and existing customers, and fortify our leading position in the household and older adult customer segments.
- Please turn to page 6.

Growth Strategy for a “Big & Unique” Company

One of Japan's largest life insurance companies,
in terms of both policies and premiums

- Total assets: ¥84.9 tn * Actual figures at the end of FY2014
- Number of policies in force (individual insurance): 33.4 mn policies
- Annualized premiums from new policies (individual insurance): ¥457.8 bn

Providing simple products with smaller coverage
amounts through post office channel

- Strong customer base of women, middle-aged and older adult customers
- Ability to meet universal service obligation of Japan Post
- “Kampo” has established a trustworthy and reliable brand through collaboration with post office

Refine “Big & Unique” Business Model

Develop a business model for older adult customers with attentive and caring services given Japan's aging society in anticipation of baby boomers turning 70 years old or above in 2020

Growth
Strategy

1. Implement “Kampo Platinum Life Services” to provide trustworthy and reliable services for older adult customers
⇒ Strengthen our face-to-face customer interactions through field sales personnel and post office counters
2. Develop products and services to help reduce medical and nursing care expenditures by supplementing social security system
⇒ Provide solutions for an aging society (setting insurance premiums based on individuals' health condition and risk status)
3. Further refine our insurance benefit payment operations by making use of IBM's Watson in conjunction with strategic use of big data generated from Japan's largest number of policies in force
⇒ Develop operational system base that enables simple, prompt and accurate handling of operations from underwriting to benefit payments

**Building a solid business model that is both stable and innovative,
with the goal of continuing to increase our corporate value**

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- Lastly, I would like to discuss our growth strategy going forward.
- We are the biggest life insurance company in Japan, and is quite unique with our business model of offering simple products with small coverage amounts through the post office channel.
- Our growth strategy is to continue refining our “Big & Unique” business model with attentive and caring services for older adult customers.
- Post office counters and field sales personnel provide us with a strong point of contact with customers. We believe that this channel is, and will continue to be, the most effective distribution channel to address customer needs in the aging population.
- In order to pursue a more important role as a private insurance company to supplement the social insurance system, we started research to make the use of Watson for our payment operation of policy benefits in collaboration with IBM.
- In the future, we will use the knowledge acquired through the payment operations for improvement of the underwriting operations, and seek for the creation of new value.
- That's all from me.
- Now, I'll turn it over to Mr. Senda for the business update.

2

**Financial Results for the Six Months
Ended September 30, 2015 and
Business Update**

- I am Tetsuya Senda, Managing Executive Officer.
- I will explain our financial results for the first half of FY2016 and provide an update on our business.
- Please turn to page 8.

Financial Highlights (Consolidated)

- Although net income of the second quarter was down 4.5% from a year ago, we are at 57.8% of the full-year financial results forecast , signifying steady progress

Financial Highlights				Financial Result Forecasts	
	6 months ended Sep-14	6 months ended Sep-15	Year on year	Year ending Mar-16 (Full-year forecast)	Progress
	(¥bn)				
Ordinary income	5,171.7	4,881.3	(5.6) %	9,550.0	51.1 %
Ordinary profit	263.5	218.7	(17.0) %	350.0	62.5 %
Provision for reserve for policyholder dividends	135.4	119.5	(11.7) %	190.0	62.9 %
Net income ¹	50.8	48.5	(4.5) %	84.0	57.8 %
	(¥bn)				
	Mar-15	Sep-15	Change		
Total assets	84,915.0	84,691.8	(0.3) %		
Net assets	1,975.7	1,908.6	(3.4) %		
Total shareholders' equities	1,412.0	1,436.0	+1.7 %		

1. Net income attributable to Japan Post Insurance.

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- Page 8 shows the financial highlights.
- During the first half of the current fiscal year, ordinary income was ¥4,881.3 billion, ordinary profit was ¥218.7 billion, and net income was ¥48.5 billion. All of these figures exceed 50% of the full-year financial results forecast, signifying steady progress.
- Furthermore, total assets were ¥84,691.8 billion, and net assets were ¥1,908.6 billion. The decrease in net assets was mainly attributable to a decrease in net unrealized gains on securities held, and shareholders' equity increased by 1.7%.
- Please turn to the next page.

Overview of Financial Statements (Consolidated)

Statement of Income				Balance Sheets			
				(#bn)			
	6 months ended Sep-14	6 months ended Sep-15	Change	(Reference) Year ended Mar-15	Mar-15	Sep-15	Change
Ordinary Income	5,171.7	4,881.3	(290.3)	10,169.2	84,915.0	84,691.8	(223.2)
Insurance premiums and others	3,078.1	2,746.7	(331.4)	5,956.7	2,213.7	1,748.9	(464.8)
Investment income	745.7	688.8	(56.8)	1,460.7	1,434.9	1,709.0	+274.1
Reversal of policy reserves	1,263.8	1,412.8	+149.0	2,632.8	66,276.2	66,145.4	(130.7)
Ordinary Expenses	4,908.2	4,662.5	(245.6)	9,676.6	9,977.3	9,439.8	(537.5)
Insurance claims and others	4,597.1	4,349.8	(247.2)	9,059.5	286.8	314.9	+28.1
Investment expenses	7.7	4.2	(3.5)	10.9	547.0	646.6	+99.5
Operating expenses	255.1	260.9	+5.8	513.1	82,939.2	82,783.1	(156.1)
Ordinary profit	263.5	218.7	(44.7)	492.6	75,112.6	73,699.7	(1,412.8)
Extraordinary profit and loss	(54.4)	(30.9)	+23.4	(99.3)	712.1	742.5	+30.3
Provision for reserve for policyholder dividends	135.4	119.5	(15.8)	200.7	1,975.7	1,908.6	(67.0)
Income before income taxes	73.6	68.2	(5.3)	192.5	1,412.0	1,436.0	+23.9
Total income taxes	22.7	19.7	(3.0)	111.2	563.6	472.6	(91.0)
Net income attributable to Japan Post Insurance	50.8	48.5	(2.3)	81.3			

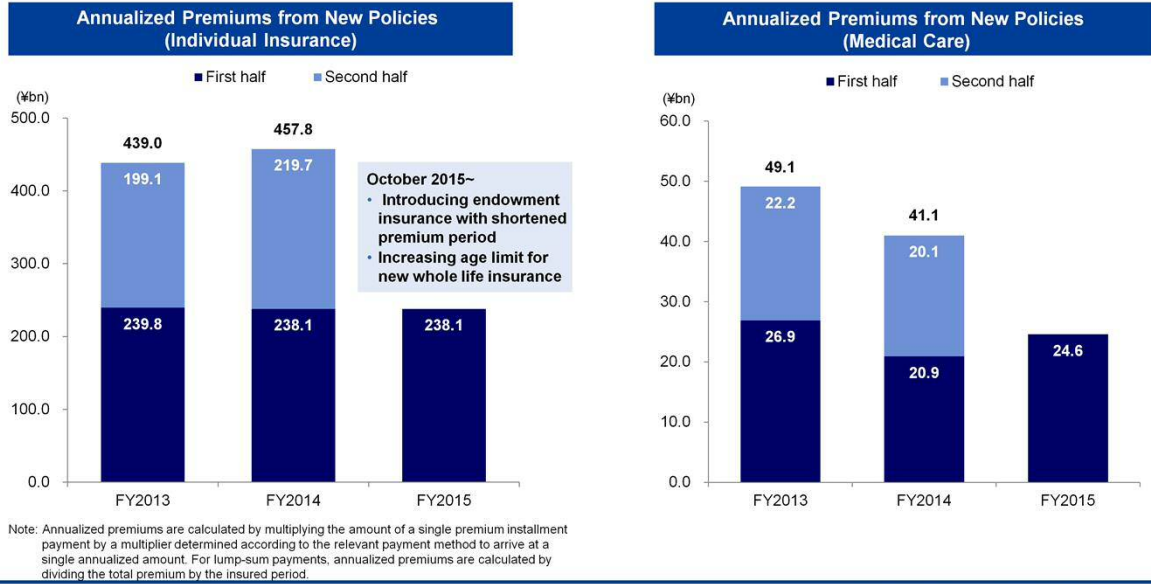
Note: Only major line items are shown.

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- This slide shows an overview of our financial statements on page 9.
- As you can see in the tables, figures on the statement of income and balance sheets both decreased due to a decrease in policies in force, but the pace of the decrease is slowing down.
- For more information, please refer to the document on financial results.
- Please look at the next page.

New Policy Sales

- Annualized premiums from new policies amounted to ¥238.1bn, flat compared to the same period a year ago
- Annualized premiums from medical care products reached ¥24.6bn, showing a recovery trend with 17.7% increase compared to a year ago



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- Page 10 highlights the track record of annualized premiums from new policies.
- The annualized premiums from new policies were the same level as the previous corresponding period at ¥238.1 billion. Educational endowment insurance decreased after the sharp increase last fiscal year due to the launch of revised product since April in 2014, meanwhile endowment products increased because of extending the age limit of new products since last April.
- In the second half, we are implementing new initiatives toward the increase of new policy sales, such as offering endowment insurance with a shortened premium period and increasing the age limit of new whole life insurance.
- As shown in the chart on the right, annualized premiums from new policies in the medical care riders rebounded by ¥3.7 billion to ¥24.6 billion in the current period, after the decline in the last fiscal year due to increased sales of revised educational endowment insurance.
- In the second half, we will continue to sell our main products, endowment insurance and whole life insurance, which are both designated as universal service products, combined with medical care riders.
- Please turn to the next page.

Enhancing Sales Force of Distribution Channel

- Together with Japan Post Co., strengthen sales force of post office channel to promote universal service products; endowment and whole life insurance
- Reinforce directly-managed wholesale channel to expand sales from corporate client, worksite, and internal market within Japan Post group



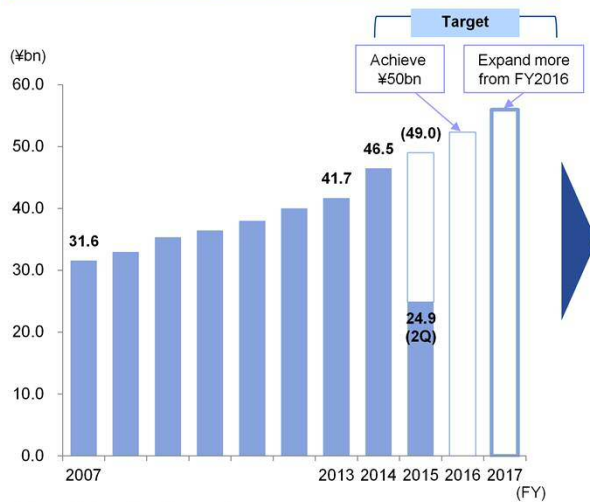
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- On page 11, I will explain the initiatives to strengthen our sales channel.
- As to the post office channel, which accounts for about 90% of our new policy sales, we are supporting Japan Post Co. to build a 20 thousand person network of field sales personnel, which is currently approximately 18 thousand.
- We are also implementing intensive training programs for high-potential experienced sales personnel, aiming for strengthen both quantity and quality of our sales channel.
- In addition, we are focusing on further cultivating our existing customer base through marketing well ahead of the maturity of their policies and visiting more frequently. Further, we are strengthening our support for post offices through deploying employees dedicated to support post offices nationwide.
- With regard to our directly-managed channel, which targets small to mid-sized corporate clients and worksite markets, we will focus on developing new customers through building stronger sales force for major cities as well as proactively deploying sales resources for capturing new opportunities such as newly built offices and worksites.
- Please turn to the next page.

Reversal and Growth of Policies in Force

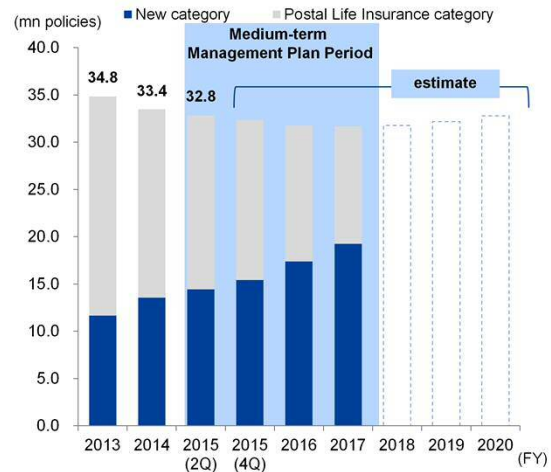
- Accelerate expansion of new policy sales by strengthening quality and quantity of sales force
- Aim to reverse the decreasing trend of policies in force after the mid-term management plan's final year (FY2017) and enter into a growth phase

Contracted Monthly Insurance Premiums from New Policies¹



1. Internal data used for sales promotion management.

Number of Policies in Force

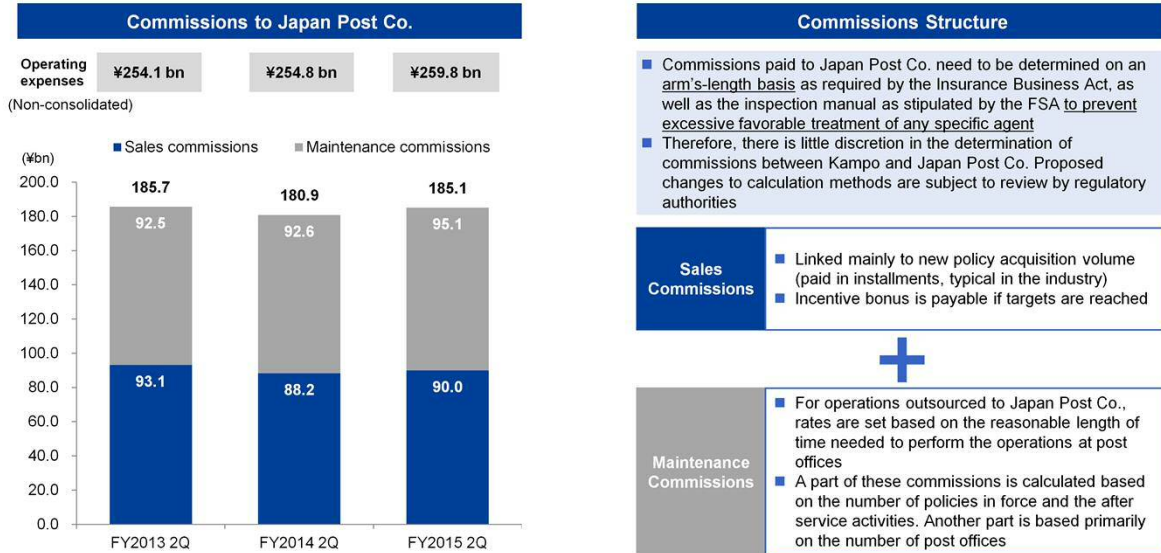


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- Page 12 explains the reversal and growth of the number of policies in force.
- As you can see from the chart on the left, we have continued to produce solid growth in contracted monthly insurance premiums from new policies since our privatization in 2007.
- Next fiscal year, we will celebrate 100th anniversary since the start of postal life insurance operations. We aim to achieve contracted monthly insurance premiums from new policies of ¥50 billion or above in the next fiscal year, and then expand further thereafter.
- The chart on the right shows the breakdown of policies in force.
- Since our privatization in 2007, total number of policies in force has been decreasing. However, the decreasing trend has been slowing down gradually.
- Going forward, we continue to improve our products and sales channels, and cultivate our customer base through face to face marketing. With these initiatives, we aim to reverse the trend of decreasing policies in force after FY2017, then enter into a growth phase.
- Please turn to the next page.

Operating Expenses

- 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



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- I will explain our operating expenses on page 13.
- Operating expenses in the first half of this fiscal year was ¥259.8 billion on a non-consolidated basis, and about 70% of that was the commissions to Japan Post Co., which was ¥185.1 billion.
- Commissions to Japan Post Co. has to be calculated strictly in accordance with the Insurance Business Act and other rules and regulations. Therefore, 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.
- In practice, it is required that commissions are set on an arm's-length basis and prevent special treatment, leaving little room for discretion. Compliance with these requirements is reviewed by our regulator.
- Our commissions consist of two components: sales commissions and maintenance commissions.
 - Sales commissions are linked to the results of new policy acquisition, payable in installments over several years with a larger amount in the first year, which is typical practice in the industry.
 - Maintenance commissions are generally set by unit cost, based on the time required at post offices to carry out the insurance-related operations.
- Please turn to the next page.

Development of Administrative and IT System

- Build administrative and IT system that enables simple, prompt and accurate handling of our operations from underwriting to benefit payments, and strengthen our capability to manage policies
- Plan to invest in administrative and IT system as well as facilities and equipment with aim of establishing a management foundation for future growth

Developing Infrastructure

Post Office



Service Center



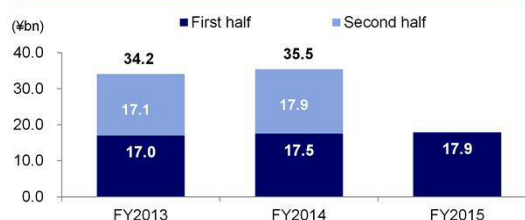
IT system



Major Investment Plans for FY2015 - FY2017

Measures	Amount	Effect
Renewal of core IT system	¥ 60 bn	Improve efficiency in developing software
Establishment of systems for simply, quickly and accurately performing functions ranging from insurance policy underwriting to claims payments	¥ 50 bn	Strengthening policy management systems (providing high-quality services)
Renovation of branch offices and service centers	¥ 46 bn	Improving worksite environment which has been aging, narrow, decentralized

Depreciation and amortization (Non-consolidated)



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- I will mention a few highlights of development of our administrative and IT system infrastructure on page 14.
- We will reinforce our capability to manage insurance policies through building administrative and IT system that enables simple, prompt and accurate handling of our operations from underwriting to benefit payments, and such system is the basis of our future growth and advance.
- During our mid-term management plan period, we plan to make about ¥200 billion in investments mainly for IT system, through which we aim to establish a management foundation with competitive advantage.
- Such investment plan includes ¥60 billion for renewal of core IT system, which is planned to start operation in 2017, ¥50 billion for strengthening policy management systems, and ¥46 billion for renovation to improve worksite environment.
- Depreciation is currently at about ¥30 billion. We expect it will reach roughly ¥60 billion from FY2017 as our next generation core IT system starts operation.
- Please turn to the next page.

Asset Management

- Reflecting the recent low-interest rate environment, we continue to increase our exposure to risk assets, such as foreign securities and domestic stocks
- Spread has been positive and stable thanks to decline in average assumed rates of return due primarily to maturities of policies with high assumed rates of return

Assets Portfolio					Investment Yield			
					(#bn)			
	Mar-15		Sep-15			6 months ended Sep-14	6 months ended Sep-15	(Reference) Year ended Mar-15
	Amount	Share	Amount	Share				
Bonds	64,294.7	75.7	62,499.7	73.8				
Japanese government bonds	48,086.4	56.6	46,736.7	55.2	Positive spread	27.2	42.0	66.9
Japanese local government bonds	9,555.8	11.3	9,485.7	11.2	Average assumed rates of return ¹	1.81 %	1.77 %	1.80 %
Japanese corporate bonds	6,652.4	7.8	6,277.2	7.4	Investment return on core profit ²	1.88 %	1.89 %	1.89 %
Risk assets	3,363.1	4.0	5,195.8	6.1	Net capital gains	38.2	8.2	64.1
Domestic stocks ¹	996.9	1.2	1,152.1	1.4				
Foreign stocks ¹	214.5	0.3	212.3	0.3				
Foreign bonds etc. ^{1,2}	2,151.6	2.5	3,831.2	4.5				
Loans	9,977.3	11.7	9,439.8	11.1				
Others	7,279.7	8.6	7,556.3	8.9				
Cash and deposits, call loans	2,659.2	3.1	2,425.8	2.9	Interest rate (10Y JGB)	0.525 %	0.350 %	0.400 %
Receivables under securities borrowing transactions	2,720.8	3.2	3,055.9	3.6				
Total assets	84,915.0	100.0	84,691.8	100.0				

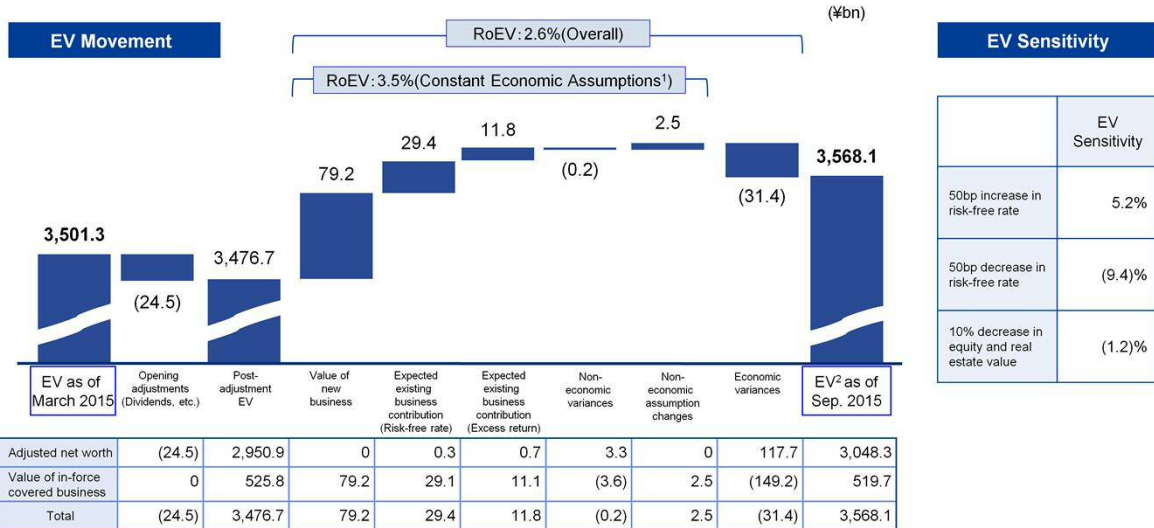
1. Risk assets include assets invested in money held in trust.
2. Foreign bonds etc. include investment trusts classified as other securities.

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

- Page 15 explains our asset management.
- As shown on the left, our asset portfolio mainly consists of yen-denominated interest-bearing assets, which provide stable interest income, as well as match the yen-denominated interest-bearing liabilities.
- However, as a result of our efforts to diversify our investment assets under the extended period of the low interest rate environment, the amount and proportion of risk assets such as foreign bonds increased to ¥5.1 trillion and to 6.1% of total assets at the end of this September.
- Going forward, we intend to continue to increase risk assets gradually, while considering the market environment and our risk tolerance and ensuring to match yen-denominated interest-bearing assets against yen-denominated interest-bearing liabilities from the view point of ALM.
- On the right, the positive spread increased by ¥14.7 billion year on year to ¥42.0 billion, because the average assumed rates of return has declined in line with termination of the policies with high assumed rates of return.
- Please turn to the next page.

EV Movement and Sensitivity Analysis

- EV growth as at the end of September 2015 compared to the end of March 2015 was 2.6%, and 3.5% assuming constant economic assumptions
- EV sensitivity to equity is low because of limited exposure to risk assets



1. Constant economic assumption rate excludes economic variance factor.

2. EV as of September 30, 2015 includes transfers from the value of in-force covered business (adjusted net worth value of -¥24.8 bn, value of in-force covered business +¥24.8 bn)

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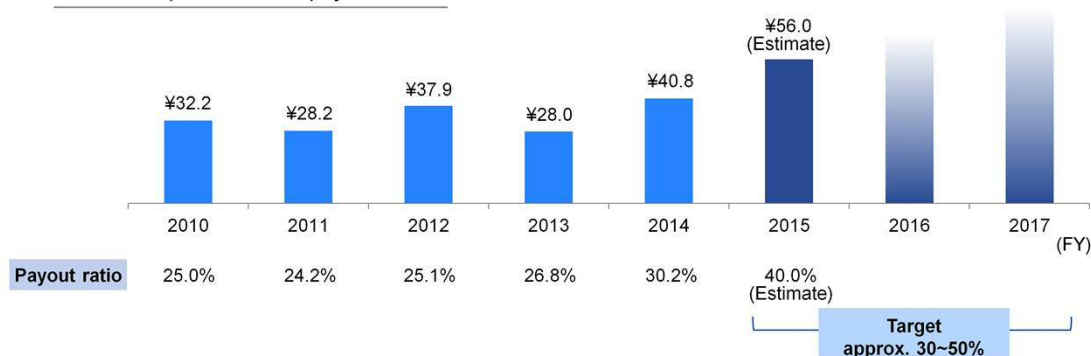
- Page 16 shows our EV's movement and sensitivity analysis.
- Our EV at the end of the first half of this fiscal year was ¥3.5 trillion, up ¥66.8 billion compared to the end of March 2015.
- Our overall RoEV was +2.6%, and +3.5% on the constant economic assumption basis.
- External factors, such as interest rates, cause RoEV to fluctuate greatly, we, therefore, think that RoEV has to be tracked in the time frame of mid- to long-term, and our benchmark is 6-8% per year.
- Reflecting our focus on the marketing of endowment and whole life insurances with medical care rider in the first half of this fiscal year, the value of new business was up ¥11.6 billion from the first half of the last fiscal year, which was 17.3% increase.
- As a result, our RoEV reached approximately 7% on annualized basis with the constant economic assumptions.
- Our EV sensitivity is essentially the same level as the last fiscal year. Especially, equity sensitivity remains low.
- Please turn to the next page.

Shareholder Return Policy

Stable growth of dividend

- Determine the shareholder dividends considering financial soundness, earning prospects 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

Dividend per share and payout ratio



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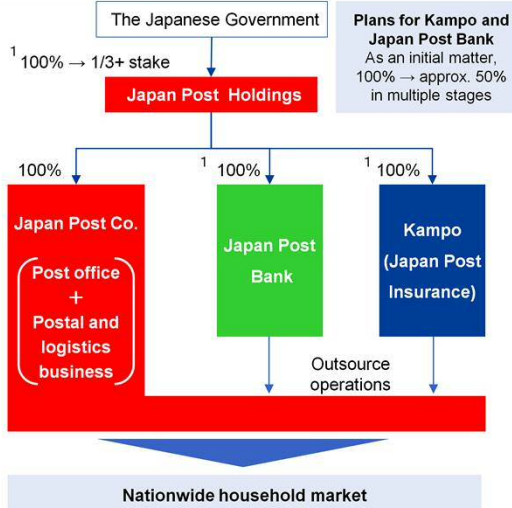
- Lastly, I will explain our shareholder return policy.
- We will determine the shareholder dividends considering financial soundness, earning prospects and the balance between shareholder and policyholder dividends.
- On the basis of our sound financial and stable profit, we aim for a steady increase in our dividend per share until the end of FY2017, while maintaining payout ratio of roughly 30 to 50%.
- That's all from me. Thank you very much.

APPENDIX

Position within Japan Post Group (before listing)

- Life insurance business is one of the three main businesses of Japan Post Group
- Japan Post Co. has a strong contact with household market
- Once Japan Post Holdings disposes of 50% or more of its equity interest in us, the regulatory approval requirement for new businesses will be lifted and only regulatory notification will be required

Structure of Japan Post Group and Privatization Plans



Postal Service Privatization Act

Category	Content
Universal service obligation	<ul style="list-style-type: none"> ■ Japan Post Holdings and Japan Post Co. are obligated to provide universal services including mail, banking and life insurance businesses
Shareholdings	<ul style="list-style-type: none"> ■ Japan Post Holdings aims to dispose of its entire equity interest in the Kampo and Japan Post Bank as soon as possible
Additional regulatory restrictions	<p>Limitation on new business</p> <ul style="list-style-type: none"> ■ Current: regulatory approval required ■ After disposal of 50% or more of Japan Post Holdings' equity interest in us: regulatory notification required <p>Limitation on coverage amount</p> <ul style="list-style-type: none"> ■ Prescribed in cabinet order <p>Removal of restrictions</p> <ul style="list-style-type: none"> ■ After disposal of 50% or more of Japan Post Holdings' equity interest in us, the Prime Minister and Minister of Internal Affairs and Communications will consider lifting the current additional regulatory restrictions on our business

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

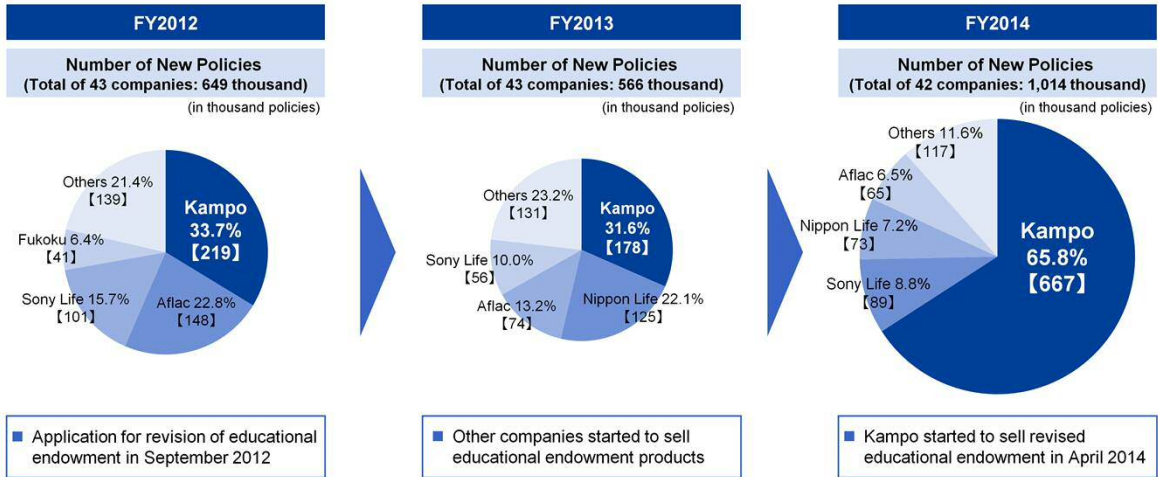
Category	Contents
New business	<p>【Until Japan Post Holdings disposes of half or more of all the shares of Kampo】</p> <ul style="list-style-type: none"> ■ Approval by specified ministers¹ (a hearing at the Postal Service Privatization Committee is required) <p>【After Japan Post Holdings disposes of a half or more of all the shares of Kampo until the designated date²】</p> <ul style="list-style-type: none"> ■ Notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required) <p>【After designated date²】</p> <ul style="list-style-type: none"> ■ No regulations under Postal Service Privatization Act (regulations under Insurance Business Act will continue)
Limit on coverage amount	<ul style="list-style-type: none"> ■ Prescribed in cabinet order (a hearing at the Postal Service Privatization Committee is required to revise) <ul style="list-style-type: none"> — Limit on coverage amount: in principle, ¥10 mn, total of ¥13 mn after 4 years have elapsed since start of coverage (age 20-55) <p>【After designated date²】</p> <ul style="list-style-type: none"> ■ No regulations based on Postal Service Privatization Act

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

Market Share of Educational Endowment Insurance

- It took 1.5 years to obtain approval for revised educational endowment insurance (applied for the approval in September 2012, and started to sell in April 2014)
- Our educational endowment's new policy acquisition in FY2014 amounted to 667 thousand policies, +274% year on year increase, contributed to expand market size



Source: Statistics of Life Insurance Business in Japan (2013, 2014, 2015)

Initiatives for “ESG”



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"



Adaptation for Corporate Governance Code

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

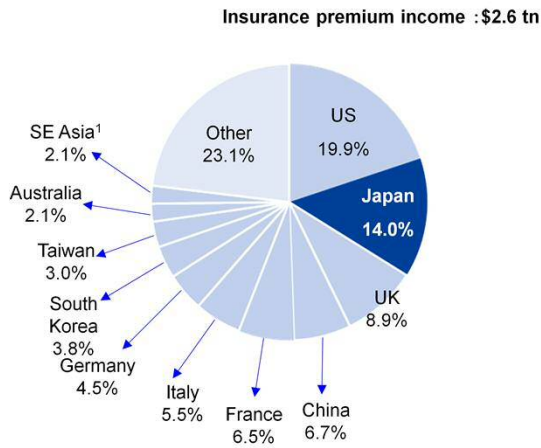
Consider introducing incentive schemes for management compensation linked to performance to increase corporate value

Aim for sustainable growth and increase corporate value

Overview of Life Insurance Market

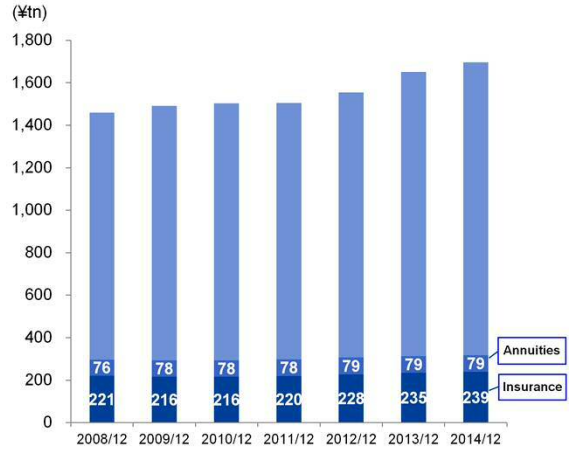
- Japan is the second largest life insurance market in the world (approx. 7 times the combined total of 6 Southeast Asian countries¹)
- Individual financial assets are increasing in recent years. Insurance and annuities offered by life and non-life insurers represent approx. 20% of the total

Life Insurance Premium Income by Country (2014)



Source: Swiss Re, sigma No 4/2015
 1. The total of Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam.

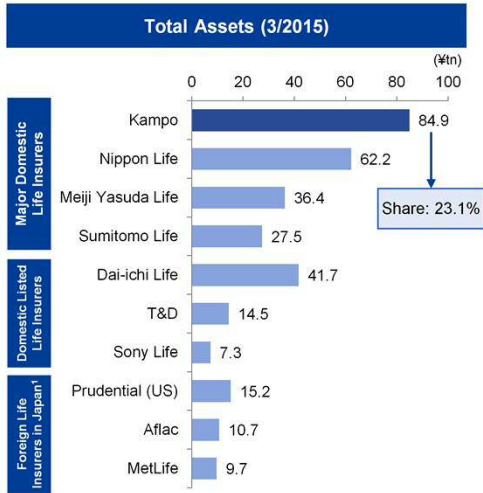
Amount of Financial Assets in Household Sector in Japan



Source: Bank of Japan "Flow of Funds Accounts"

Largest Asset Size in the Japanese Life Insurance Market

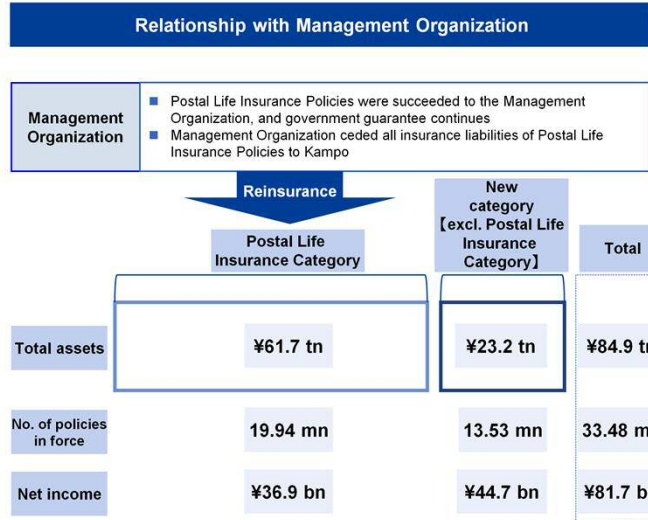
- Kampo is a leading company with the largest total assets in Japanese life insurance market
- As to Postal Life Insurance Policies, the Management Organization ceded all insurance liabilities to Kampo



Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (FY2014)

Note: Combined figures for life insurance subsidiaries of Sumitomo, Dai-ichi, T&D and Prudential (US).

1. Figures of Japanese subsidiaries of foreign life insurers.



Note: Figures are as of the end of FY2014.

Outstanding Presence in the Large Japanese Market

- Kampo is ranked first in the industry in terms of annualized premiums from policies in force (individual insurance)
- Though Kampo offers medical care insurance only in the form of policy riders, its market share exceeds 10%

Individual Insurance (FY2014)

Rank	Company	Annualized Premiums from Policies in Force (¥bn)	Share (%)
1	Kampo	5,182.5	24.3
2	Nippon Life	2,459.1	11.5
3	Dai-ichi Life	1,748.9	8.2
4	Sumitomo Life	1,492.5	7.0
5	Meiji Yasuda Life	1,477.2	6.9
6	Prudential (US)	1,401.9	6.6
7	Aflac	1,290.0	6.1
8	T&D	1,011.3	4.7
9	MetLife	824.0	3.9
10	Sony	714.6	3.4
Life insurance total (42 companies)		21,303.8	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (FY2014)

Note: Figures for Kampo include reinsured postal life insurance policies. Figures for Dai-ichi Life, Sumitomo Life, Prudential (US) and T&D are the total of the life insurance companies within each group.

Medical Care Insurance (FY2014)

Rank	Company	Annualized Premiums from Policies in Force (¥bn)	Share (%)
1	Aflac	1,025.9	16.6
2	Kampo	748.0	12.1
3	Nippon Life	600.2	9.7
4	Dai-ichi Life	557.0	9.0
5	Sumitomo Life	523.4	8.4
6	Meiji Yasuda Life	353.7	5.7
7	MetLife	348.6	5.6
8	Prudential (US)	277.7	4.5
9	NN	212.8	3.4
10	Axa	202.4	3.3
Life insurance total (42 companies)		6,195.3	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (FY2014)

Note: Figures for Kampo include reinsured postal life insurance policies. Figures for Dai-ichi Life, Sumitomo Life and Prudential (US) are the total of the life insurance companies within each group.

Differentiated Business Model

- Kampo offers simple products in small amounts to retail households through the nationwide post office network

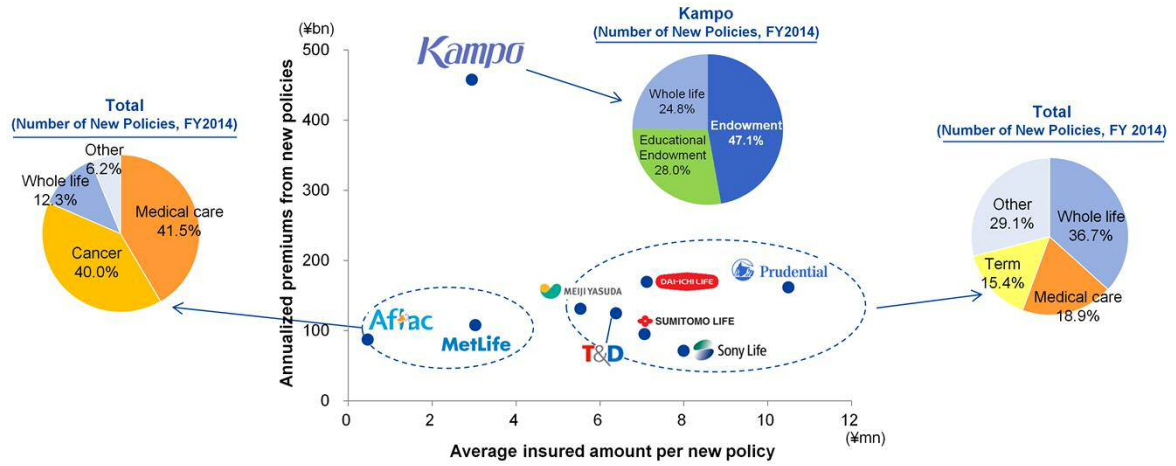
Kampo's Business Model		Other Major Japanese Life Insurers
Product	<p><u>Simple products with small amounts</u> (Coverage amount is capped by regulation, generally up to ¥10mn per individual)</p> <ul style="list-style-type: none"> ■ Focus on endowment and whole life (with medical care riders) with installment premiums ■ No medical examination, screening by health check questionnaire 	<p><u>Package products with large amounts</u> (No limitation on coverage amount)</p> <ul style="list-style-type: none"> ■ Focus on whole life with term riders ■ Medical examination, handled by doctors
Channel	<p><u>Nationwide network of over 20,000 post offices</u></p> <ul style="list-style-type: none"> ■ Working to build a 20,000-person network of post office based field sales personnel (Currently operates with approx. 18,000) 	<p><u>Approx. 150,000 in-house sales personnel (sum of 4 major Japanese life insurers)</u></p>
Customers	<p><u>Focus on households</u></p> <ul style="list-style-type: none"> ■ Further deepen customer base with 33 mn policies in force and 25 mn insured ■ Strength with women (approx. 60% share¹), middle-aged and older adult ■ Approx. 60%² of our policyholders are middle-aged and older adult customers age 50 or older 	<p><u>Focus on worksites</u></p> <ul style="list-style-type: none"> ■ Strength with male customers and heads of household

Source: Company disclosures
 1. Based on number of policies in force as of March 31, 2015
 2. Based on number of new policy sales in FY2014

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 (2015)

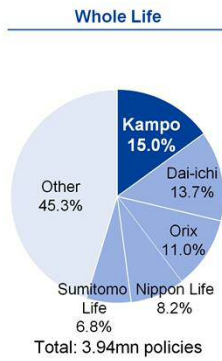
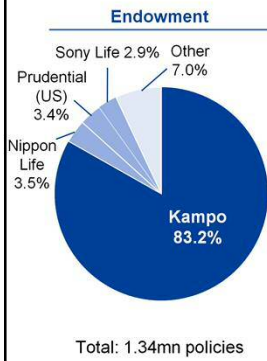
Note: Figures for Prudential (US), Dai-ichi Life, Sumitomo Life and T&D are the total of the life insurance companies within each group.

Endowment and Whole Life with Medical Care Riders

- Kampo's core products hold top shares in respective product segments
- Our basic strategy is to sell universal service products with medical care riders

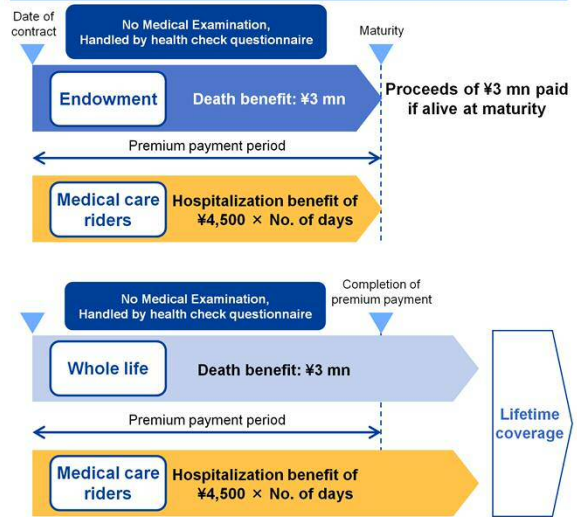
Market Share (Number of New Policies, FY2014)

Endowment and Whole Life Insurance are Designated as Universal Service Products



Source: Statistics of Life Insurance Business in Japan (2015)

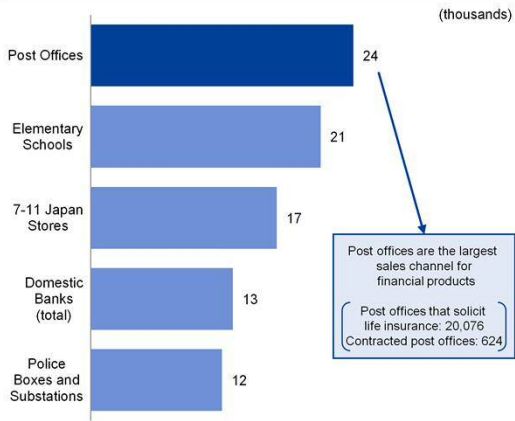
Typical Examples of Kampo's Products



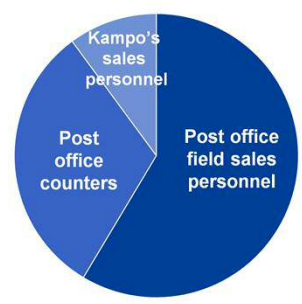
Expansive Nationwide Distribution Network

- Nationwide, comprehensive network of post offices is Kampo's core sales channel
- New policies are mainly acquired through post office field sales personnel and post office counters

Number of Locations¹



Breakdown of New Policy Sales¹ by Channel (FY2014)

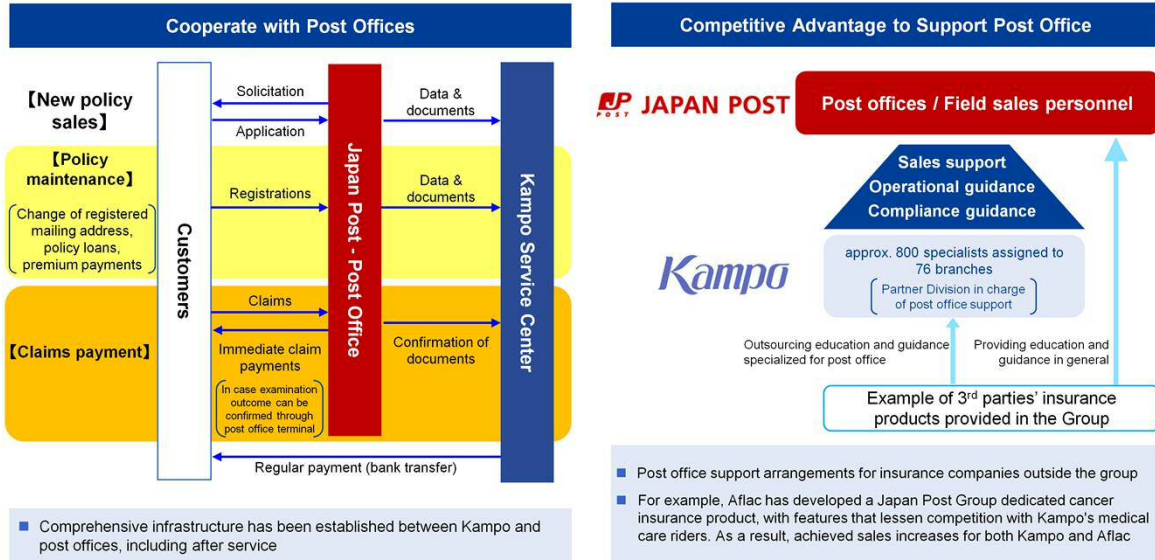


Source: Company disclosures, Ministry of Education, Culture, Sports, Science and Technology, Japanese Bankers Association, National Police Agency
¹ Post offices and Seven-Eleven Japan Stores are as of the end of March 2015. Elementary schools and domestic banks are as of March 2014. Police boxes and substations are as of April 2013.

¹ Calculated based on the contracted monthly insurance premiums of each policy sold in the FY2014.

Strong Support for Highly Convenient Post Office Channel

- High customer convenience as policy maintenance and claims payment procedures as well as new policy sales are handled by nationwide post offices
- Assign specialists across the county to support post offices and have established a closer partnership with post offices

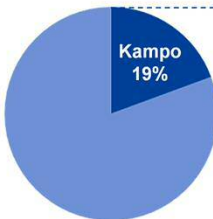


Strength among Women, Middle-Aged and Older Adult Customers

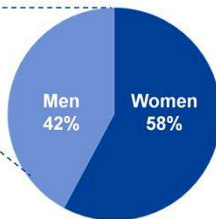
- We insure approx. 25 mn people, representing approx. 20% of the total population of Japan
- Approx. 60%¹ of our insured are women
- The middle-aged and older adult age groups (50 years and older) account for approx. 60%² of our policyholders

Gender Composition of Insured (Number of Policies in Force, FY2014)

Insured as share of total population



Gender composition (Kampo)



	Number of people (mn)	(%)
Total population	126.91	100%
No. of insured by Kampo	24.63	19%

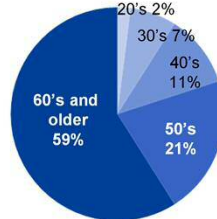
	Number of insured ¹ (mn)	(%)
Women	14.23	58%
Men	10.39	42%

* Gender composition of new policy for other life insurers is about 50:50

Sources: Ministry of Internal Affairs and Communications Statistics Bureau (as of April 1, 2015)
 1. Based on number of policies in force as of March 31, 2015
 2. Based on number of new policy sales in FY2014

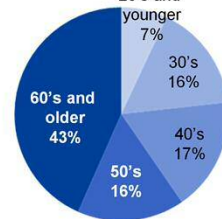
Age Composition of Policyholders (Number of New Policies, FY2014)

Age composition of financial assets holders



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

Age composition (Kampo)



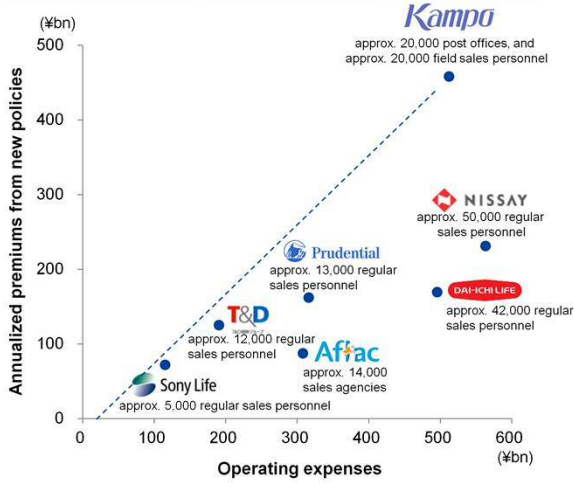
■ Policyholders over 50 comprise approx. 60%

Source: Bank of Japan, The Central Council for Financial Services Information (The public opinion survey on financial behavior of households 2014)

Operational Efficiency

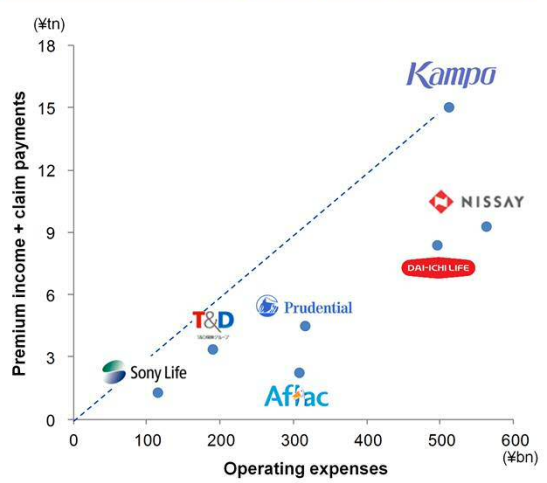
Efficient business operations compared to other life insurers

Operating Expenses and Annualized Premiums from New Policies (Individual Insurance) (FY2014)



Source: Company disclosures
 Note: Figures for Prudential (US), Dai-ichi and T&D include life insurance subsidiaries within the groups.

Operating Expenses and "Premium Income + Claim Payments" (FY2014)



Source: Company disclosures
 Note: Figures for Prudential (US), Dai-ichi and T&D include life insurance subsidiaries within the groups.

Level of Commissions

Examples			
Type of Insurance	Insurance Amount	Total Insurance Premiums	Sales Commission Rates ¹
Endowment Insurance [With medical care rider]	Ordinary endowment insurance (¥2 mn) Policyholder: 40-year-old woman Insurance period: 10-year	¥2.10 mn	Approx. 3%
Whole Life Insurance [With medical care rider]	Ordinary whole life insurance (¥2 mn) Policyholder: 40-year-old woman Payment period: 20-year	¥2.42 mn	Approx. 3%
Educational Endowment Insurance [With medical care rider]	Educational endowment insurance (¥2 mn) Policyholder: 30-year-old man Insured person: 0 years old Payment period: 18-year	¥1.98 mn	Approx. 2%

1. Sales commission rates are the ratio of sales commissions ((1) applicable sales commission rate for the type of policy and (2) incentive bonuses, which are payable if Japan Post Co. meets certain sales targets, divided by number of new policies acquired. Numbers are based on FY3/2015 actual results) over insurance premium. The level of sales commission may vary as the incentive fee fluctuates.

Pursue Upside Through Diversification of Investment Portfolio

- Based on appropriate ALM, portfolio mainly consists of yen-denominated fixed income assets. Kampo has limited exposure to risk assets (i.e. foreign securities, domestic stocks)
- Reflecting the recent low-interest environment, Kampo has been gradually increasing exposure to foreign securities and domestic stocks within its risk tolerance

Investment Portfolio

	3/2011		3/2015	
	Amount (¥bn)	Share (%)	Amount (¥bn)	Share (%)
Corporate and government bonds	76,449.3	79.0	64,294.7	75.7
JGB	64,103.0	66.2	48,086.4	56.6
Local government bonds	6,255.7	6.5	9,555.8	11.3
Corporate bonds	6,090.5	6.3	6,652.4	7.8
Risk assets	868.7	0.9	3,363.1	4.0
Foreign securities	723.7	0.7	2,366.2	2.8
Domestic stocks	145.0	0.1	996.9	1.2
Loans	14,547.4	15.0	9,977.3	11.7
Real estate	152.9	0.2	112.3	0.1
Other	4,768.2	4.9	7,167.4	8.4
Total assets	96,786.7	100.0	84,915.0	100.0

Note: Foreign securities include non-listed foreign stocks.

Figures at 3/2011 are on a non-consolidated basis, and figures at 3/2015 are on consolidated basis.

Other 4 Major Japanese Life Insurers¹

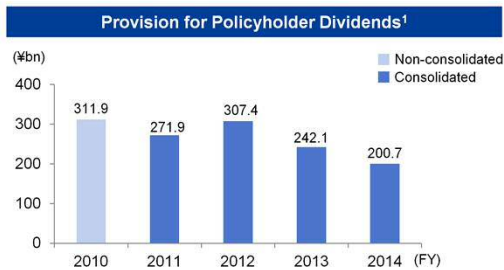
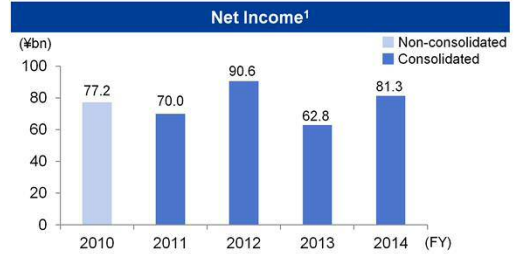
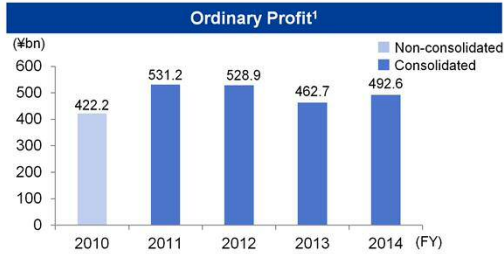
	3/2015	
	Amount (¥bn)	Share (%)
Corporate and government bonds	17,458.4	42.9
JGB	14,643.6	35.9
Local government bonds	607.0	1.5
Corporate bonds	2,207.7	5.4
Risk assets	15,154.8	37.2
Foreign securities	10,197.7	25.0
Domestic stocks	4,957.1	12.2
Loans	4,690.4	11.5
Real estate	1,117.6	2.7
Other	2,314.0	5.7
Total assets	40,735.4	100.0

Source: Company disclosures

1. Average of Nippon Life, Dai-ichi Life, Meiji Yasuda Life, and Sumitomo Life.

Track Record of Stable Profit Generation and Shareholder Dividends

- Ordinary profit has been stable. Provision for policyholder dividends is on a declining trend due to a decrease in the number of Postal Life Insurance Policies
- Net income and shareholder dividends have also been stable. Going forward, we aim for a steady increase in dividends per share with a dividend payout ratio of roughly 30-50% of our consolidated net income



1. Kampo started preparing consolidated financial statements from FY2011 as Japan Post Life Insurance System Solutions, Ltd. became a subsidiary.

2. Target through the year ending March 2018.

EV (Embedded Value)

- The EV for Kampo as of September 30, 2015 was ¥3.5 tn (adjusted net worth: ¥3.0 tn, value of in-force covered business: ¥0.5 tn)

	September 30, 2015
Adjusted net worth	¥3.0 tn
Value of in-force covered business	¥0.5 tn
EV	¥3.5 tn

Value of new business was ¥79.2 bn (FY2015 2Q)

- If there is a profit from Postal Life Insurance policies, 80% will be disbursed to the policyholders of Postal Life Insurance and the remainder booked as EV based upon the reinsurance policy with the Management Organization for Postal Savings and Postal Life Insurance
- Internal reserves and unrealized gains from Postal Life Insurance policies are not included in adjusted net worth. They are included in the value of in-force covered business under the assumption that they will be released in the future

Note: Postal Life Insurance was established in 1916. The Management for Postal Savings and Postal Life Insurance (the "Management Organization") is an independent government agency established to hold Postal Savings Deposits and Postal Life Insurance Policies transferred from Japan Post Corporation in 2007. All Postal Life Insurance Policies are reinsured by us.

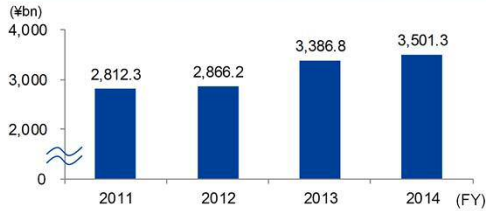
	September 30, 2015 (¥bn)		
	New	Postal Life Insurance	Total
Total net assets on the balance sheet	1,436.0	—	1,436.0
Reserves for price fluctuations	109.1	633.3	742.5
Contingency reserves	339.7	2,097.6	2,437.4
Unrealized gains/losses on securities	1,759.3	4,479.7	6,239.1
Unrealized gains/losses on loans, etc	57.6	722.1	779.8
Tax effect on the above	(653.6)	(2,285.4)	(2,939.1)
Adjusted net worth	3,048.3	5,647.5	8,695.8

Steady Growth in EV and Sound Financial Base

- Embedded Value (“EV”), an indicator of corporate value on an economic value basis, has been increasing
- Economic Solvency Ratio (“ESR”) is at an appropriate level and Kampo has a sound financial base, which provides a strong foundation for shareholder returns

EV

Average RoEV¹ for FY2012~FY2014: +8.4% (overall), +9.2% (constant economic assumptions)



EV Sensitivity (3/2015)

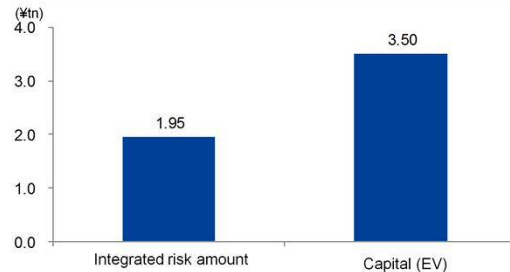
	Kampo	Dai-ichi Group	T&D Group	Sony Life
50bp increase in risk-free rate	5.3%	6.1%	6.8%	5.1%
50bp decrease in risk-free rate	(10.1)%	(7.9)%	(7.7)%	(10.0)%
10% decrease in equity and real estate value	(1.0)%	(7.3)%	(4.9)%	(1.6)%

Source: Company disclosures

¹ RoEV (Return on Embedded Value) is a growth indicator of corporate value (net increase in EV is considered as an adjusted profit after considering the features of Japanese insurance accounting). Average rate for the past 3 years is shown as a compound annual growth rate. Constant economic assumption rate excludes economic variance factor. (See “EV Movement and Sensitivity Analysis” for more details.)

ESR (3/2015)

ESR = Capital (EV) / Integrated Risk Amount¹ : 179%



Aim for stable and sustainable growth of profits and corporate value by optimizing the balance between financial soundness and capital efficiency (profitability) through ERM

¹ Integrated risk amount is calculated based on our internal model, which is generally in line with principles of the EU Solvency II directive. The calculation sees a change in EV as risk with confidence level of 99.5% in one-year period on a post-tax basis, taking into account the effects of diversification, and loss absorption of tax/policyholder dividends. We may revise our internal model time to time, and the calculation method and the results may be affected by such revisions.

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

		FY2011	FY2012	FY2013	FY2014	FY2014 2Q	FY2015 2Q
Total assets	¥mn	93,688,672	90,462,364	87,088,626	84,911,946	85,877,874	84,688,745
Postal Life Insurance category		80,024,630	73,793,953	67,560,915	61,703,013	64,315,041	60,158,783
New category		13,664,042	16,668,410	19,527,711	23,208,932	21,562,833	24,529,961
Number of policies in force	(000)	39,034	36,805	34,864	33,489	34,204	32,829
Postal Life Insurance category (insurance)		31,015	26,933	23,195	19,949	21,547	18,402
New category (individual insurance)		8,018	9,871	11,668	13,539	12,657	14,426
Insurance premiums and others	¥mn	6,856,486	6,481,772	5,911,643	5,956,716	3,078,186	2,746,776
Postal Life Insurance category		3,292,716	2,685,558	2,155,398	1,697,140	896,905	700,116
New category		3,563,769	3,796,214	3,756,245	4,259,576	2,181,281	2,046,659
Ordinary profit	¥mn	531,388	529,375	463,506	493,169	263,703	219,778
Postal Life Insurance category		460,482	424,511	382,325	377,145	208,200	141,516
New category		70,906	104,864	81,181	116,024	55,503	78,262
Net income	¥mn	67,734	91,000	63,428	81,758	50,972	49,300
Postal Life Insurance category		48,429	56,816	43,689	36,969	25,894	20,977
New category		19,304	34,184	19,739	44,789	25,078	28,323
Contingency reserve (reversal) provision	¥mn	(102,240)	(100,149)	(94,807)	(90,087)	(45,424)	(61,235)
Postal Life Insurance category		(152,519)	(159,710)	(164,732)	(167,144)	(83,046)	(85,201)
New category		50,278	59,561	69,924	77,057	37,622	23,965
Price fluctuations reserves (reversal) provision	¥mn	48,541	64,656	91,360	97,934	54,370	30,388
Postal Life Insurance category		35,893	43,374	73,857	72,126	44,271	6,508
New category		12,647	21,282	17,502	25,808	10,098	23,879
Additional policy reserve (reversal) provision	¥mn	(107,885)	(92,835)	(77,134)	(68,347)	(33,200)	(26,991)
Postal Life Insurance category		(107,885)	(92,835)	(77,134)	(68,347)	(33,200)	(26,991)
New category		-	-	-	-	-	-

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

Major Financial Results (Consolidated)

	(¥bn)					
	FY2011	FY2012	FY2013	FY2014	FY2014 2Q	FY2015 2Q
Insurance premiums and others	6,856.4	6,481.7	5,911.6	5,956.7	3,078.1	2,746.7
Ordinary profit	531.2	528.9	462.7	492.6	263.5	218.7
Provision for reserve for policyholder dividends	271.9	307.4	242.1	200.7	135.4	119.5
Net income	70.0	90.6	62.8	81.3	50.8	48.5
Net assets	1,294.4	1,466.7	1,538.1	1,975.7	1,694.3	1,908.6
Total assets	93,690.8	90,463.5	87,092.8	84,915.0	85,882.3	84,691.8
Return on equity	5.6%	6.6%	4.2%	4.6%	-	-
Return on shareholders' equity	5.8%	7.1%	4.7%	5.9%	-	-
Dividend to shareholders	16.9	22.7	16.8	24.5	-	-
Payout ratio	24.2%	25.1%	26.8%	30.2%	-	-
[Reference] Core profit (Non-consolidated)	571.6	570.0	482.0	515.4	268.0	239.9

<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.