

*Kampo*

**Financial Results for the Six Months  
Ended September 30, 2016**

November 21, 2016

 **JAPAN POST INSURANCE**

# Agenda

1

## Management Strategy

- **The 100th Anniversary of Postal Life Insurance Services / Progress in First-half of Mid-term Management Plan – 1,2 / Efforts on Second-half of Mid-term Management Plan**

2

## Financial Results

- **Financial Highlights / New Policies / Policies in Force / Revision of Insurance Premiums / Asset Management / Diversification of Asset Management / Growth of the Senior Market / Our Initiatives for Health Promotion / Use of IBM's Watson / Financial Soundness / EV / Financial Results Forecasts**

**1**

# **Management Strategy**

# The 100<sup>th</sup> Anniversary of Postal Life Insurance Services



## Ceremony for 100th Anniversary of Postal Life Insurance (5 October, 2016)



Redefined our management philosophy for 100<sup>th</sup> anniversary

**Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being**

## Postal Life Insurance

Providing basic measures of life with simple procedures for the people of Japan

## Japan Post Insurance

- Providing universal service products of endowment and whole life insurance through post office network in collaboration with Japan Post Co.
- Providing long-term and stable protection to meet our customers' needs

**100 years of growth together with our customers and post offices**

# Progress in First-half of Mid-term Management Plan - 1

- Flexibly adapting to the changing business environment under the negative interest rate policy

## Product / Sales

- Achieved JPY 50bn of contracted monthly insurance premiums from new policies one year ahead of schedule in FY2016/3
  - ✓ The amount in 2Q was up Approx.20% as compared to the same period of the prior year
- Revised insurance premiums of products comprehensively in August 2016. Increased focus on sales activities toward protection type products
- Considering further revision of insurance premiums in anticipation of standard assumed yield being lowered in April 2017

## Asset Management

- Diversification of investment assets
  - ✓ Accelerating asset management diversification such as starting alternative assets investments and in-house equity investments
- Increasing Investments in risk assets
  - ✓ Risk asset as % of total assets: 4.0% (2015/3) → 8.8% (2016/9)
  - ✓ Expecting to reach 10% at the end of 2017/3 (a year ahead of schedule)
- Reinforcing asset management organization
  - ✓ Recruiting experts from outside and leveraging the strategic alliance with Dai-ichi Life Holdings etc.

**Accelerating actions both in liability side (product/sales) and asset side (asset management)**

# Progress in First-half of Mid-term Management Plan - 2

- Building simple, prompt and accurate administrative and IT system as a foundation of our growth and development
- Making progress in the strategic alliance to realize further growth

## Administrative and IT System

- Establish our administrative system simple, prompt and accurate from underwriting to payments, and strengthen our capabilities to manage policies
- Renewal of core-IT system in January 2017
  - ✓ Pre-launch final test is ongoing
  - ✓ Improve productivity and quality of IT system
- Use of IBM's Watson to sophisticate our benefit payment operations
  - ✓ Started initial assessment of making use of IBM's Watson in February 2015 in advance of other insurance companies. Expecting to start using the system in actual operation in FY2017/3

## Strategic Alliance

- Established comprehensive strategic business alliance with Dai-ichi Life Holdings in March 2016
  - ✓ Enhancing trilateral collaboration including Vietnam Post
  - ✓ Kampo acquired a part of Dai-ichi Life Holdings' ownership in Trust & Custody Services Bank in October 2016
  - ✓ Co-hosted healthcare business plan competition (Dai-ichi Life Holdings, Kampo, NTT Data)

Tangible progress has been made in overseas life business, asset management and domestic life insurance business

**Continuing solid progress on administrative and IT system and strategic alliance**

# Efforts on Second-half of Mid-term Management Plan

- Steadily execute our growth strategies for the next 100 years while strengthening our corporate governance as a listed company



1. Other alternative investments include private equity, hedge funds, real estate and infrastructure (equity)

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2

## Financial Results

# Financial Highlights (Consolidated)

- Net income was ¥42.5 billion that represented 49.4% towards the full-year financial results forecasts.

## Financial Highlights

(¥bn)

	6 months ended Sep-15	6 months ended Sep-16	Year on year
Ordinary income	4,881.3	4,333.8	(11.2) %
Ordinary profit	218.7	107.8	(50.7) %
Net income <sup>1</sup>	48.5	42.5	(12.3) %

## Financial Results Forecasts

(¥bn)

Year ending Mar-17 (Full-year forecasts)	Progress
8,490.0	51.0 %
310.0	34.8 %
86.0	49.4 %

(¥bn)

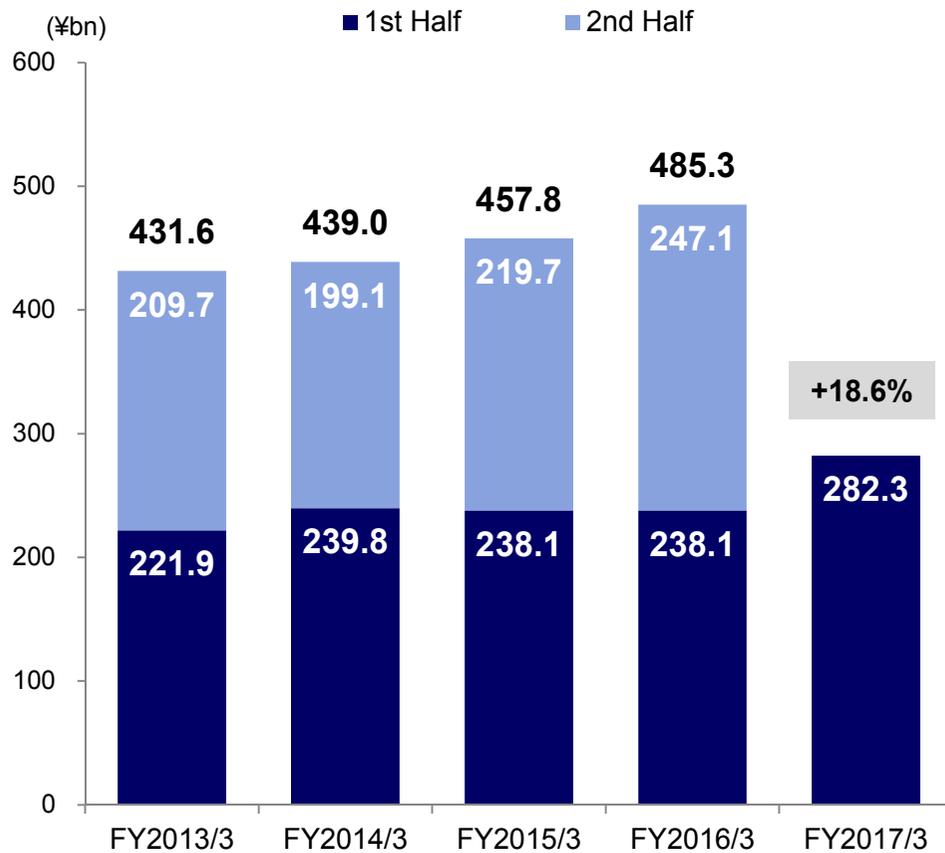
	Mar-16	Sep-16	Change
Total assets	81,545.1	80,492.2	(1.3) %
Net assets	1,882.9	1,782.5	(5.3) %
Total shareholders' equities	1,472.4	1,480.8	+0.6 %

1. Net income attributable to Japan Post Insurance

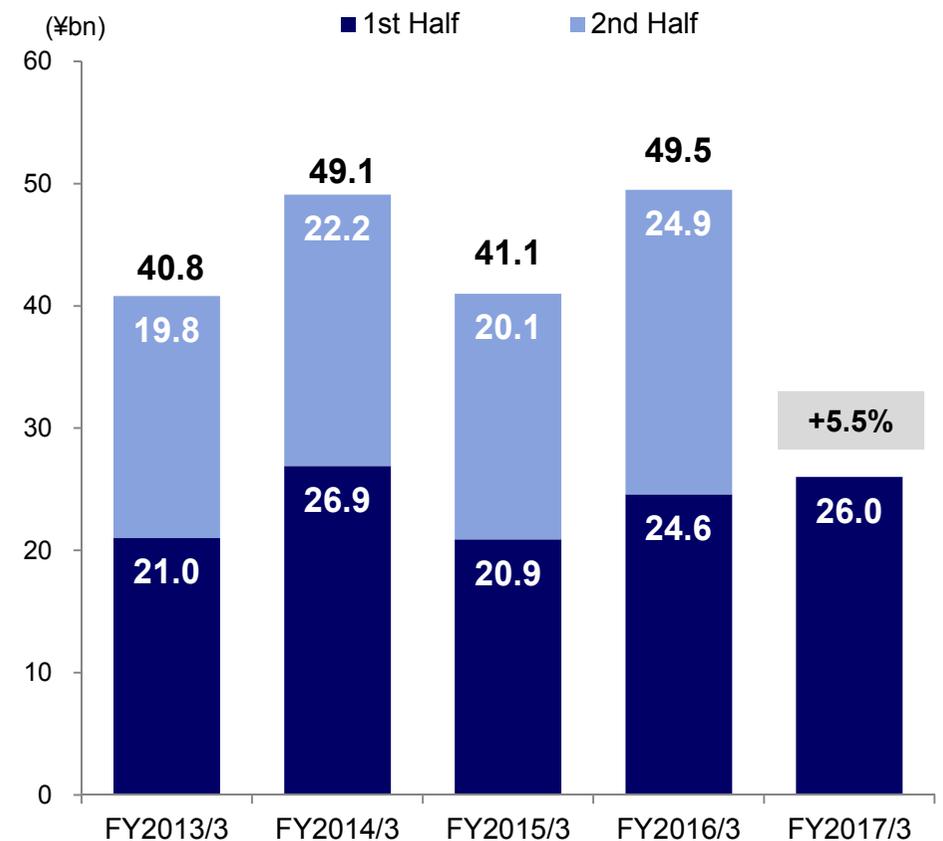
# Annualized Premiums from New Policies

- Annualized premiums from new policies for individual insurance amounted to ¥282.3 billion, an 18.6% increase year on year
- Annualized premiums from new policies for medical care amounted to ¥26.0 billion, a 5.5% increase year on year, exceeding the level of the previous fiscal year which hit a record high since privatization on a full-year basis

## Annualized Premiums from New Policies (Individual Insurance)



## Annualized Premiums from New Policies (Medical Care)

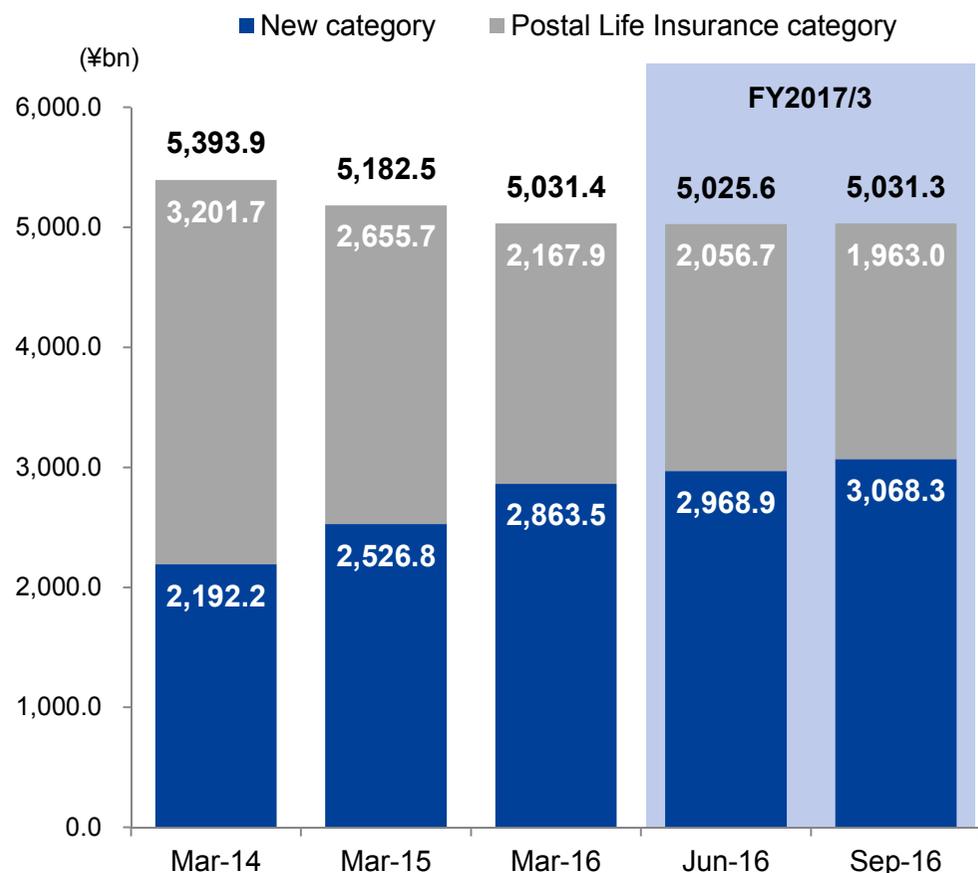


Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

# Annualized Premiums from Policies in Force

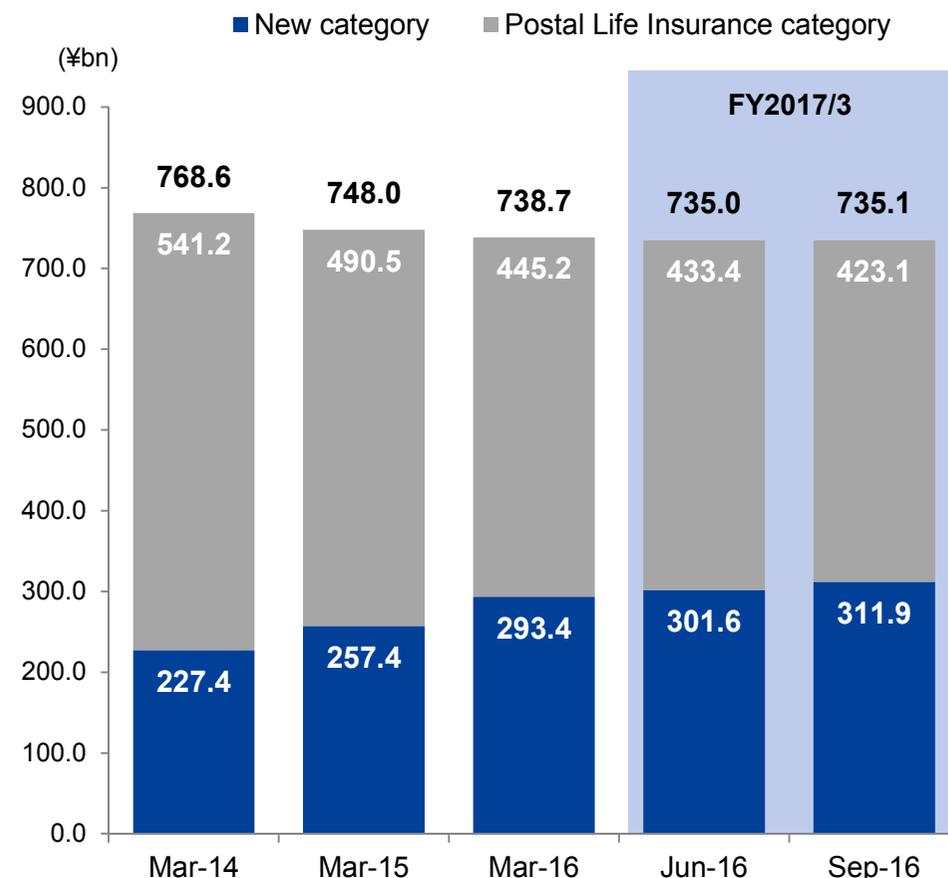
- Annualized premiums from policies in force for individual insurance increased ¥5.7 billion compared with the end of June, indicating signs of a bottoming out
- Annualized premiums from policies in force for medical care amounted to ¥735.1 billion (an increase of approximately ¥0.1 billion compared with the end of June)

## Annualized Premiums from 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.

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



# Revision of Insurance Premiums

- Revised insurance premiums of products comprehensively by revising the assumed rates of return based on the decline in the market interest rates, and by updating the data on the assumed mortality rates (from August 2, 2016)

## Assumed rates of return

	Before revision	After revision (from August 2016)
Endowment insurance, Whole life insurance, Educational endowment insurance, etc. (except below)	1.50 %	1.00 %
Medical care rider	1.65 %	1.15 %

## Assumed mortality rates

- Update the assumed mortality rates which reflect increase in average life expectancy
- Sales promotions with enhancing customers' protection needs

## Examples of Premiums

(JPY)

	Age at entry , etc.	Before revision	After revision	
				Change
Ordinary endowment insurance	Age at entry - 40, Age at maturity - 50	27,180	27,840	+ 2.4%
	Age at entry - 80, Age at maturity - 90	42,720	40,470	(5.3)%
Ordinary whole life insurance	Age at entry - 40, Age of paid-up - 60	16,200	18,540	+ 14.4%
	Age at entry - 70, Age of paid-up - 90	23,940	23,370	(2.4)%
Educational endowment insurance	Insured - 0, Policyholder - 30(man)	14,070	14,670	+ 4.3%

Note: The above changes apply to insurance policies contracted after August 2, 2016

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

**Based on our experience of the revision of insurance premiums in August 2016, we will consider a further revision of insurance premiums in line with the reduction of the standard assumed yield (from 1.0% to 0.25%) in April 2017**

# Asset Management

- As a result of our efforts to diversify our investment assets, the amount and proportion of risk assets expanded to ¥7.0 trillion (8.8% of total assets)
- The positive spread of ¥29.9 billion was secured despite a drop in both the average assumed rates of return and investment return on core profit under the current low interest rate environment

## Asset Portfolio

(¥bn, %)		Mar-16		Sep-16	
		Amount	Share	Amount	Share
Bonds		59,821.0	73.4	58,212.7	72.3
Japanese government bonds		44,178.6	54.2	42,566.5	52.9
Japanese local government bonds		9,405.4	11.5	9,585.8	11.9
Japanese corporate bonds		6,236.9	7.6	6,060.2	7.5
Risk assets		5,401.6	6.6	7,093.1	8.8
Domestic stocks <sup>1</sup>		1,202.5	1.5	1,297.9	1.6
Foreign stocks <sup>1</sup>		229.4	0.3	228.8	0.3
Foreign bonds etc. <sup>1,2</sup>		3,969.7	4.9	5,566.4	6.9
Loans		8,978.4	11.0	8,571.9	10.6
Others		7,344.0	9.0	6,614.3	8.2
Cash and deposits, call loans		2,222.6	2.7	1,707.1	2.1
Receivables under securities borrowing transactions		3,008.5	3.7	3,054.0	3.8
<b>Total assets</b>		<b>81,545.1</b>	<b>100.0</b>	<b>80,492.2</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-15	6 months ended Sep-16	(Reference) Year ended Mar-16
Positive spread	42.0	29.9	97.4
Average assumed rates of return <sup>1</sup>	1.77 %	1.73 %	1.76 %
Investment return on core profit <sup>2</sup>	1.89 %	1.82 %	1.90 %
Net capital gains (losses)	8.2	(56.7)	4.4

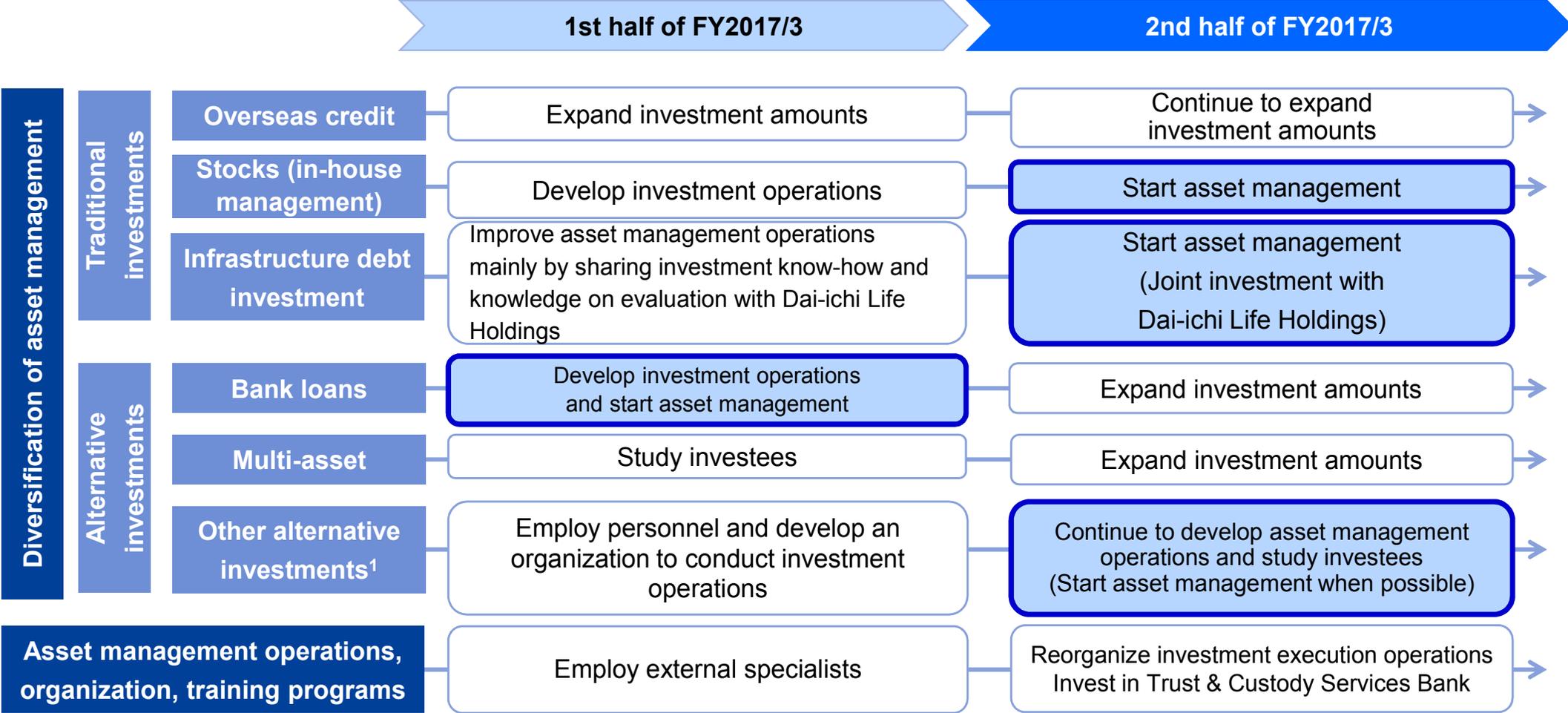
  

	Sep-15	Sep-16	Mar-16
Interest rate (10Y JGB)	0.350 %	(0.085) %	(0.050) %
USD/JPY	¥119.96	¥101.12	¥112.68

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

# Diversification of Asset Management

- In the first half ended September 2016, established a business foundation to promote the diversification of asset management mainly by employing personnel
- In the second half, started investments in line with the progress in development of asset management operations, while continuing development to diversify asset management

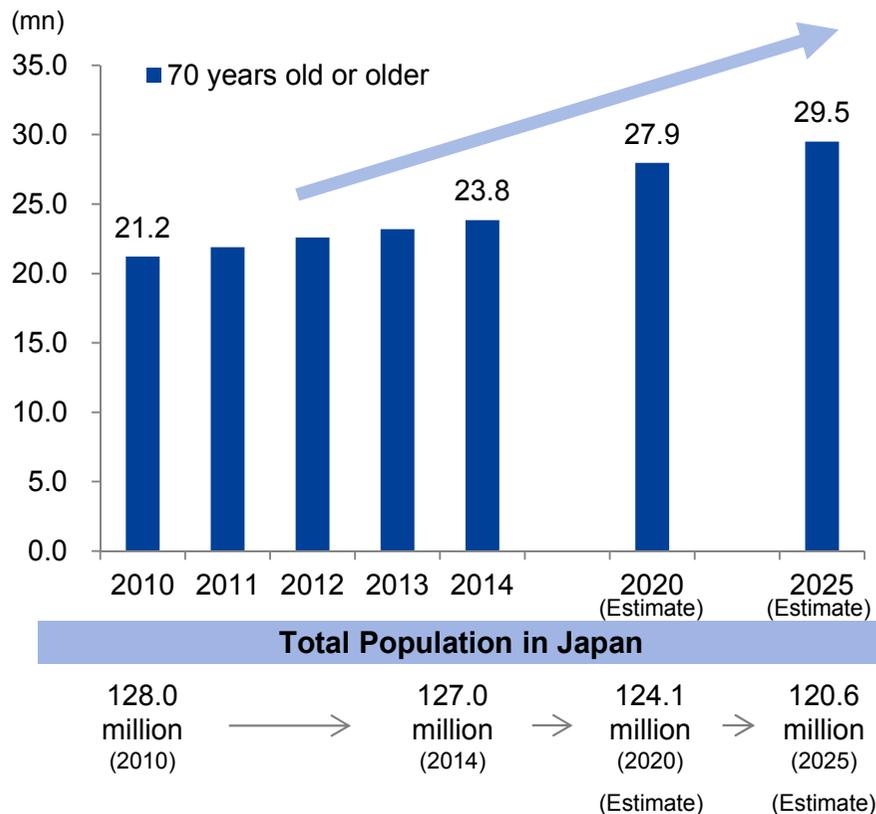


1. Other alternative investments: private equity, hedge funds, real estate, infrastructure (equity)

# Growth of the Senior Market

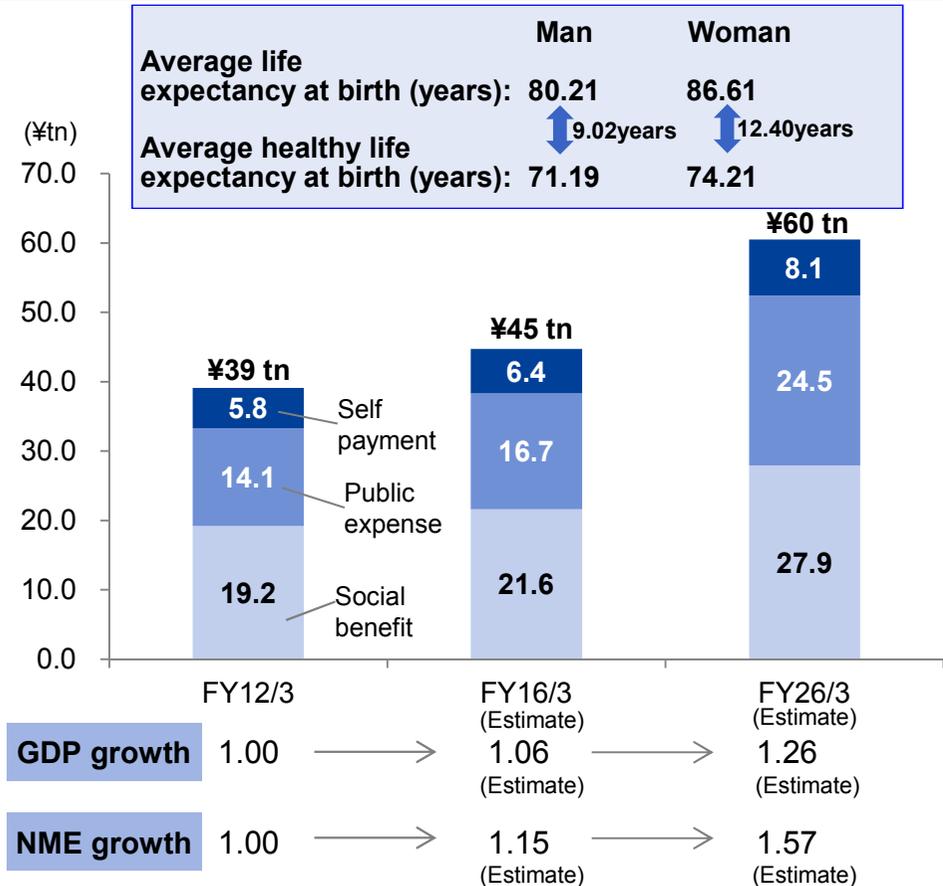
- Although Japan's population continues to shrink due to the falling birth rate, older adult population, with age of 70 years old or older, has been increasing
- As national medical expenditures continue to increase due to the aging population, private health insurance is playing a more important role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

## The Rising Population of Older Adults



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

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



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

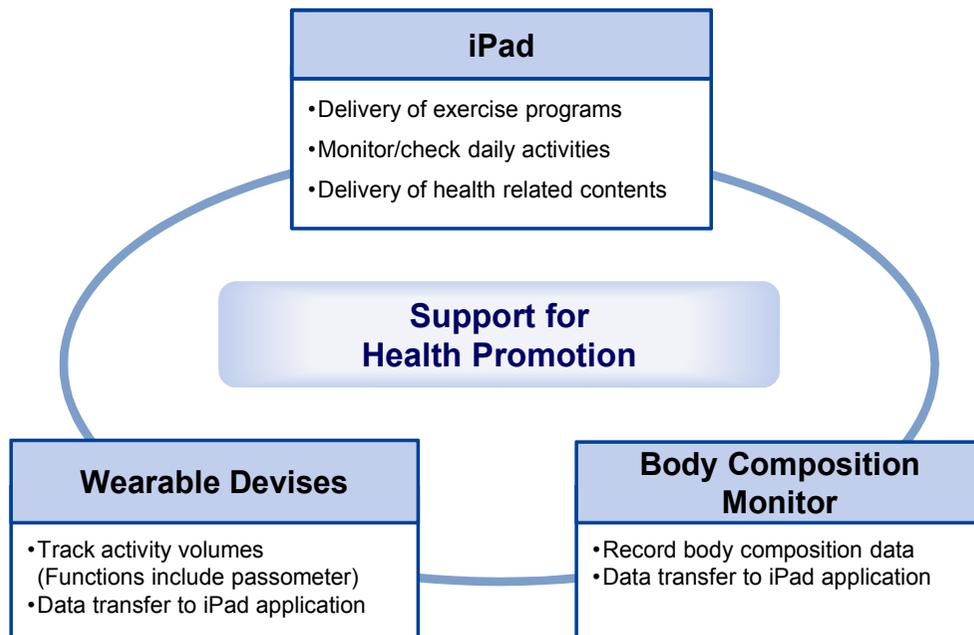
# Our Initiatives for Health Promotion

- With the aim to extend people's healthy life expectancy, we cooperate with Japan Post Group companies and other business partners to promote initiatives to support health promotion

## Health Promotion Service Trial (June – November 2016)

Provided physical exercise programs utilizing iPads, wearable devices and body composition monitors to continuously support the achievement of health improvement goals of the participants

( Participants: approx. 500 residents of Date city, Fukushima prefecture )



## Assessments and Future Plans

### 【Assessment of Trial Implementation】

- Feedback from participants:
    - “Helped increase awareness of exercise”, “encouraged to continue”
  - Impact on us:
    - Noted **examples that led to the sale of insurance products** to the trial participants
- ⇒ It was proven that the program is beneficial to both

### 【Future Plans】

#### (As a Group)

- Together with “Watch Over Service”, it is considered as part of the social infrastructure (open platform) that supports people's life

#### (As Kampo)

- Expansion of business opportunities from increased customer contact
- Development of new products and services utilizing big data

**Support healthy and long life society and capture the growth of senior market**

# Use of IBM's Watson

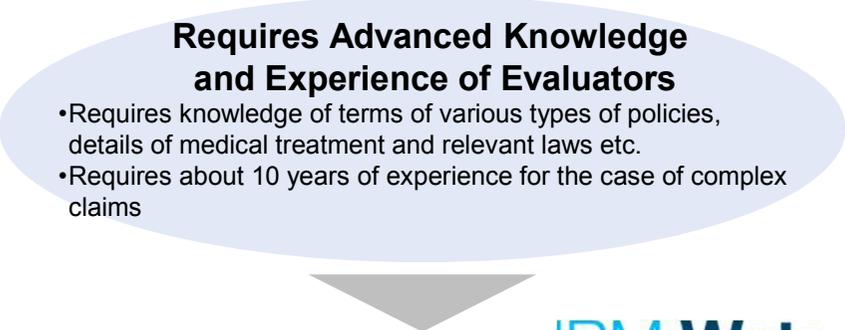
■ We have been testing the use of IBM's Watson for the claim evaluation process since February 2015, and it is planned to put into the practical use during this fiscal year

## Use of Watson for the Claim Evaluation Process

### Challenges with Benefit Payment Process



### Limit of Operations by Human



### Use of IBM's Watson

- Provides past similar claims and relevant information for decision making
  - Proposes next action
- ⇒ **Outcome of assessment that Watson provides to evaluators reached approx. 90% accuracy. Plan to put into practical use during this fiscal year**

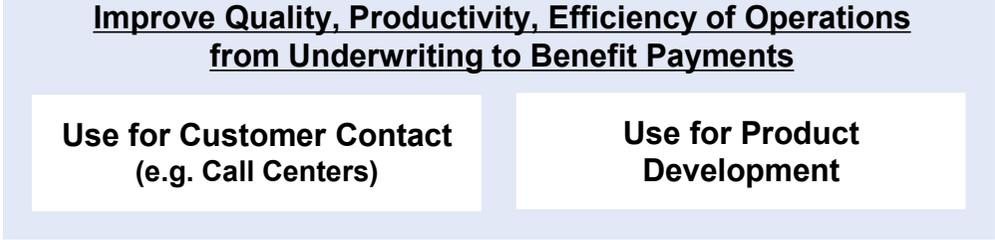
## Effect of Watson

- Improvement of operational quality
- Improvement of payment speed
- Improvement of productivity
- Strengthening / accelerating human resource development etc.

【Reference】 Changes in operational flow due to Watson

<b>【Pre-Watson】</b> Operated by Experienced Evaluators	<b>【Post-Watson】</b> Watson to Support Evaluators
<ol style="list-style-type: none"> <li>1. Understand claim documents</li> <li>2. Refer relevant documents for assessment</li> <li>3. Make decision based on knowledge and past experience</li> </ol>	<ol style="list-style-type: none"> <li>1. Watson understands claim documents and presumes / proposes next action</li> <li>2. Watson to locate past similar claims and criterion for decision making</li> <li>3. Evaluators confirm and make decision based on past similar claims</li> </ol>

## Expansion of the Scope of Watson's Use



# Financial Soundness

- Our internal reserves—contingency reserve and price fluctuations reserve—amounted to ¥3,066.8 billion
- We obtained credit ratings from domestic and overseas rating agencies, thereby verifying a sufficient level of soundness compared to competitors

## Internal Reserves

	Mar-16	Sep-16	(¥bn)
			Provisions in the period <sup>2</sup>
Contingency reserve	2,374.8	2,314.2	(60.6)
Postal Life Insurance Category	2,011.6	1,925.1	(86.5)
New Category	363.1	389.1	25.9
Price fluctuations reserve	782.2	752.6	(29.6)
Postal Life Insurance Category	635.8	613.0	(22.7)
New Category	146.4	139.5	(6.9)
Additional policy reserve <sup>1</sup>	6,011.5	5,988.8	(22.6)
Postal Life Insurance Category	6,011.5	5,988.8	(22.6)
New Category	-	-	-

Notes: “New category” shows the figures after deduction of “Postal Life Insurance category” from the total.

1. Additional policy reserve includes the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for reinsured annuity assumed from the Management Organization for Postal Savings and Postal Life Insurance (for the six months ended September 30, 2016, the amount of additional provision was ¥90.5 bn and the accumulated amount was ¥1,120.5 bn ).
2. Provisions in the period includes the excess provision of ¥20.6 bn exceeding the provision requirements for contingency reserve.

## Solvency Margin Ratio (Consolidated)

	Mar-16	Sep-16
Solvency Margin Ratio (Consolidated)	1,570.3%	1,458.0%

## Credit rating status

	R&I	JCR	S&P
Rating	AA- (Stable)	AA (Stable)	A+ (Stable)
(Reference) Japanese government	AA+ (Negative)	AAA (Negative)	A+ (Stable)

Note: Above ratings fall under insurance financing (rating on insurance benefit solvency)

# Embedded Value

- EV as of September 30, 2016 recovered to ¥2,993.6 billion (¥855.3 billion increase from the end of June) due to interest rates returning to the levels of the end of March.

## Breakdown of EV

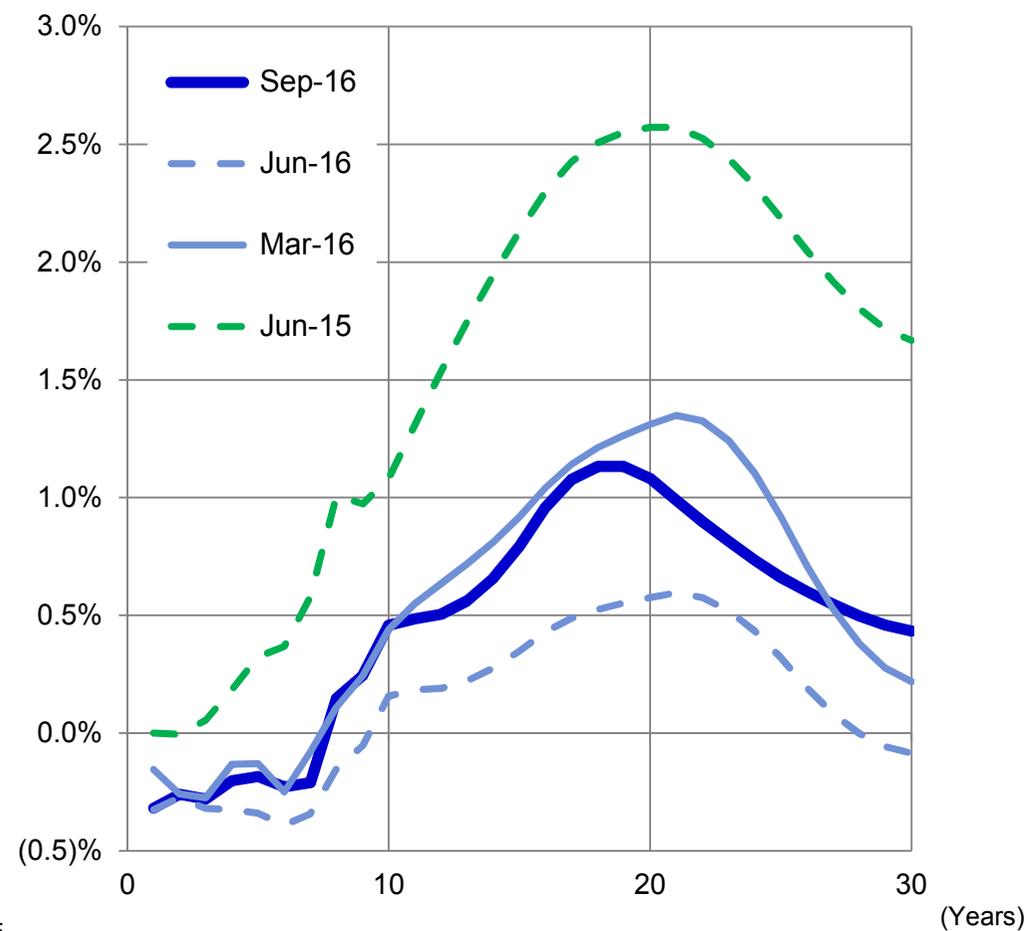
		(¥bn)		
		Mar-16	Sep-16	Change
EV		3,151.0	2,993.6	(157.4)
	Adjusted net worth	1,894.3	1,919.5	25.2
	Value of in-force covered business	1,256.7	1,074.0	(182.6)

	6 months ended Sep-15 <sup>1</sup>	6 months ended Sep-16 <sup>2</sup>	Change
Value of new business	110.9	5.7	(105.1)

1.Value of new business for the first half of FY2016/3 are based on economic assumptions as of June 30, 2015

2.Value of new business for the first half of FY2017/3 are based on economic assumptions as of September 30, 2016.

## Forward Rate



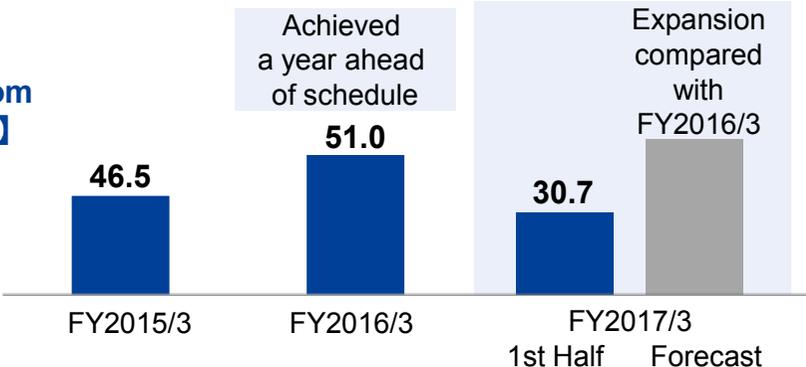
# Financial Results Forecasts for the Year Ending March 31, 2017 (Consolidated)

■ We are steadily progressing toward the management targets under our medium-term management plan

## Reversal and growth of policies in force

Achieve ¥50 billion level during FY2017/3, and further expand sales

**【Contracted Monthly Premiums from New Policies】**  
(¥bn)

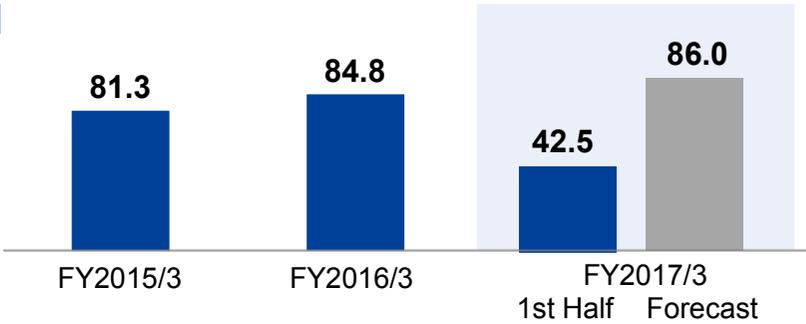


- Achieved ¥30.7 billion for the first half
- Expecting sales expansion in FY2017/3 compared with FY2016/3 from the effect of the marketing campaigns celebrating the 100th anniversary since the start of postal life insurance services

## Ensure steady profitability

Secure around ¥80 billion assuming no drastic change in the market environment

**【Net Income】**  
(¥bn)

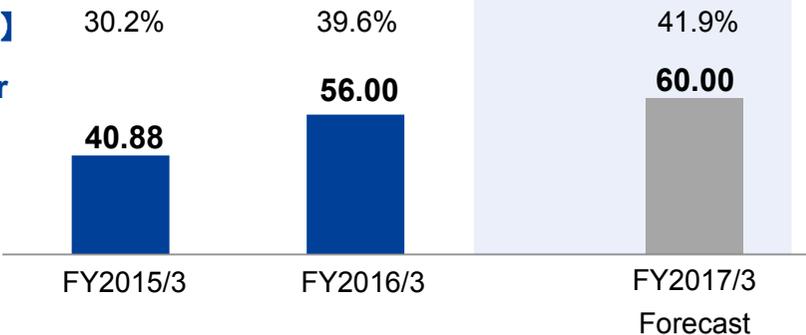


- Achieved ¥42.5 billion (reaching 49.4% of the initial forecast) for the first half
- Expecting ¥86.0 billion, up 1.3% year on year, for FY2017/3

## Stable growth in shareholder return

Aim for a steady increase in dividend per share with a benchmark payout ratio of around 30% to 50%

**【Payout ratio】**  
**【Dividend per share】**  
(¥)



- Dividend per share for FY2017/3 is forecast to increase by ¥4 (¥2 increase of ordinary dividend, and ¥2 commemorative dividend for the 100th anniversary) to ¥60 per share, up 7% year on year

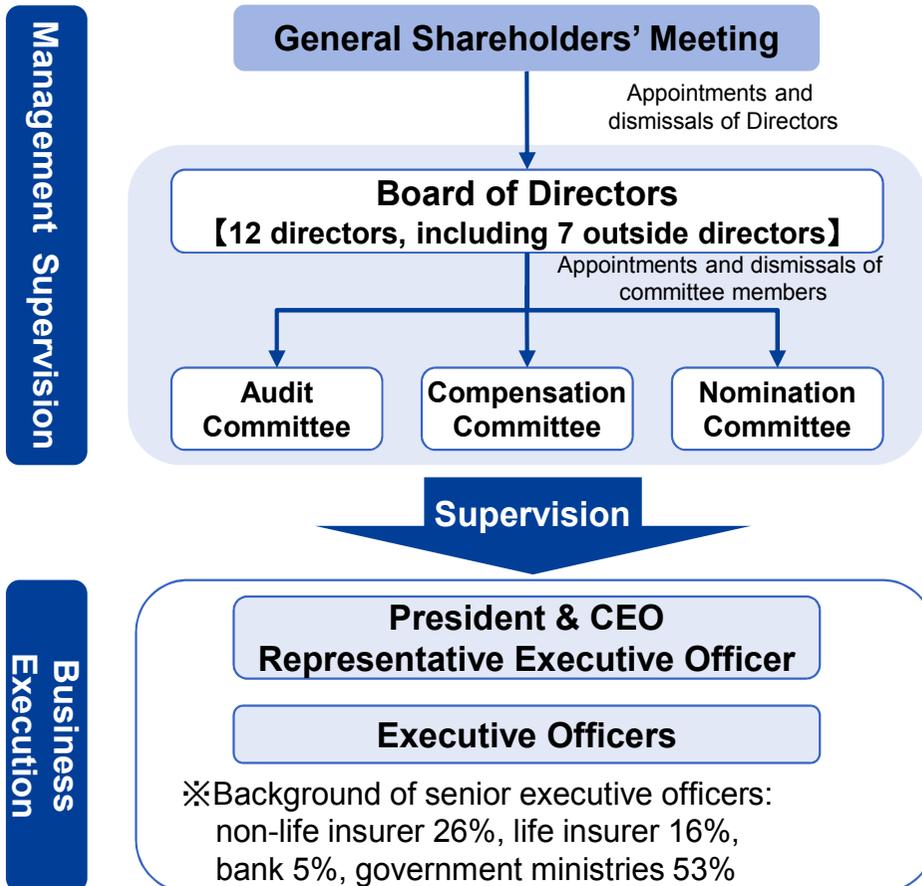
# APPENDIX

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# Corporate Governance

- We employ the committee system and outside directors represent the majority of the board. This strengthens corporate governance as well as expedites decision making
- Adopt Corporate Governance Code appropriately, and aim for sustainable growth and increasing corporate value through transparent management

## Corporate Governance “Committee System”



## Adaptation for Corporate Governance Code

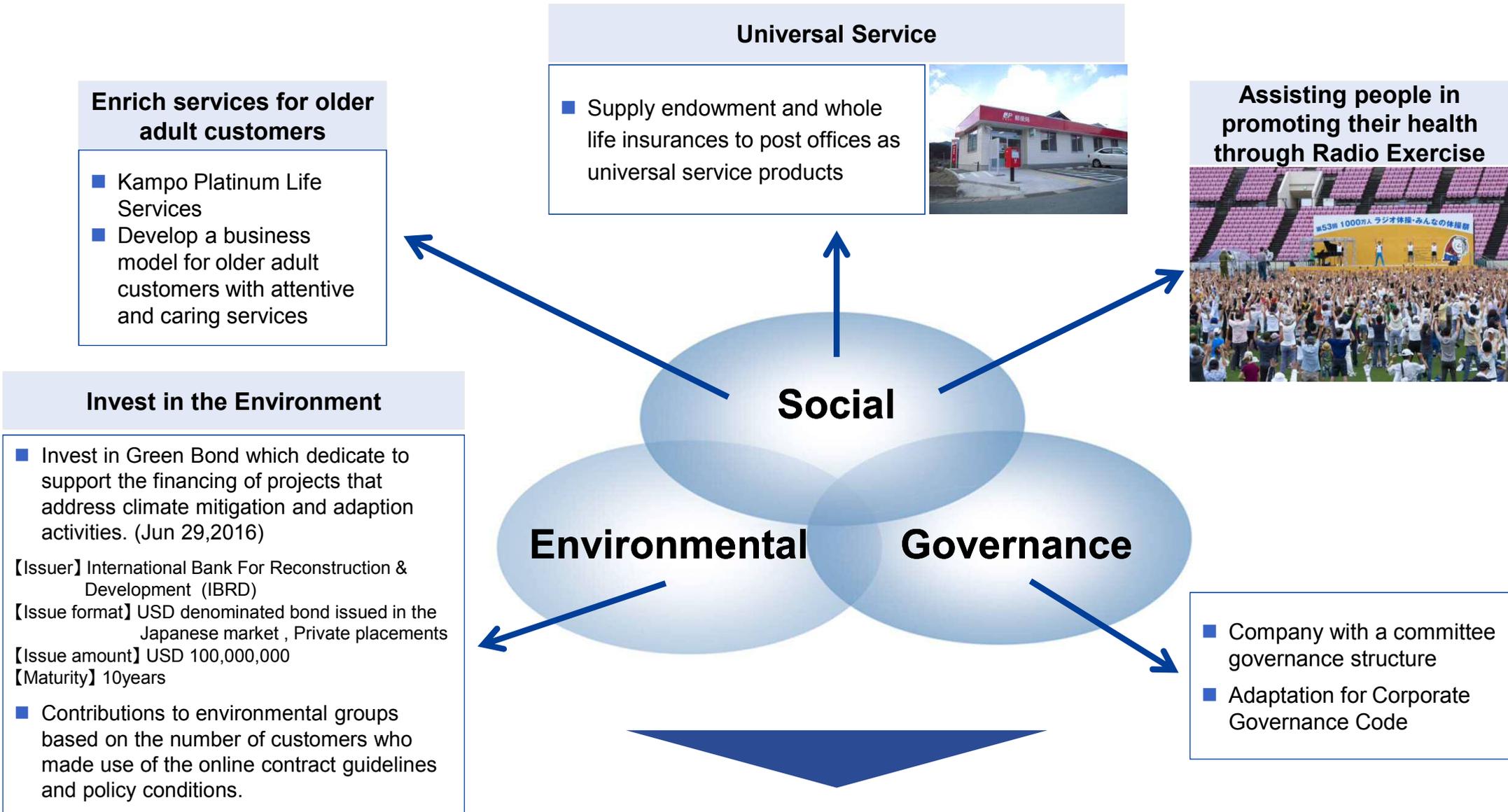
**1** Enacted “Basic Principles as to Corporate Governance Code” (October 28, 2015)

Aim for transparent management with focus on dialogues with stakeholders such as customers and shareholders

**2** Introduction of a Performance-Linked Stock Compensation System (December 22, 2015)

Establish a mechanism that can enhance corporate value by introducing an incentive plan that clarifies the linkage between the Executive Officers' compensation and share value of the Company

# Initiatives for “ESG”

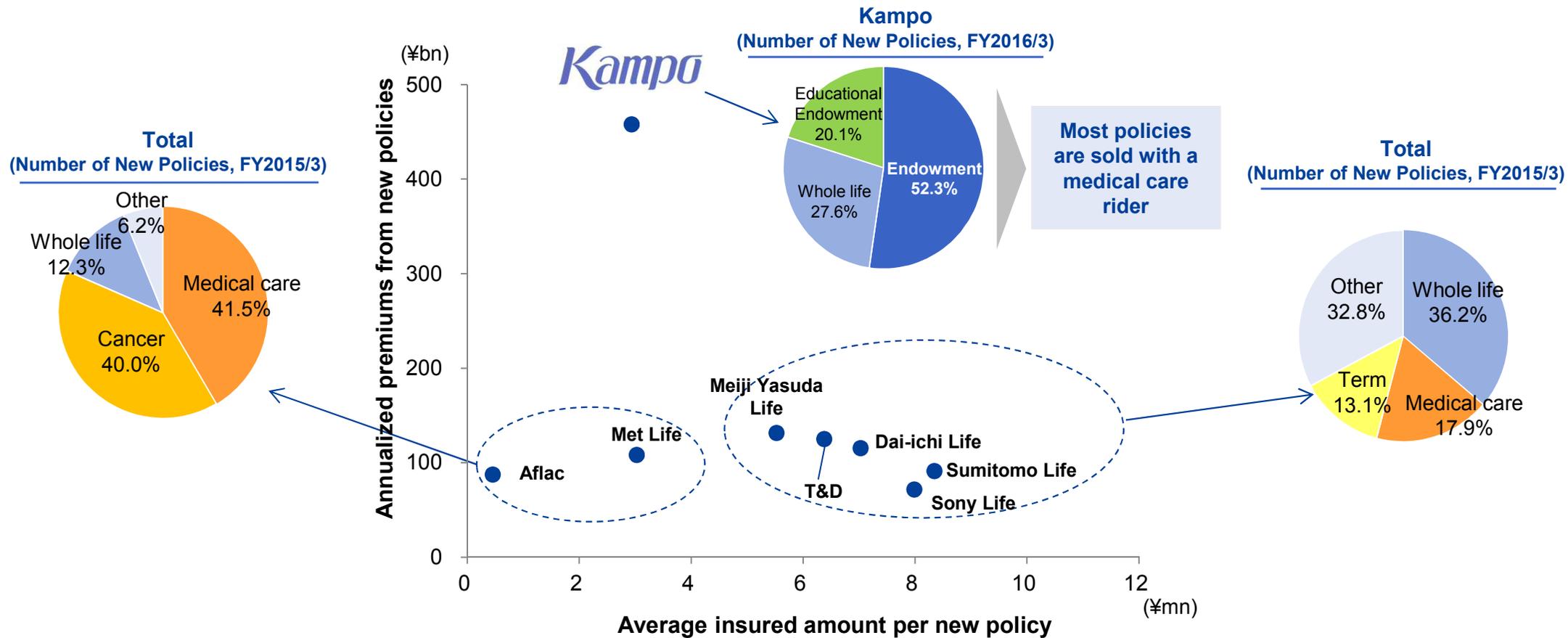


**Contribute to realize a sustainable society through addressing challenges related to ESG**

# 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 T&D is the total of the life insurance companies within each group.

# Performance of Our Medical Care Insurance as a Policy Rider

- Although Kampo offers medical care insurance only in the form of rider, our market share exceeds 10%
- Kampo's medical care riders provide coverage for hospitalization, surgery and extended hospital stays for a variety of diseases

## Market Share of Medical Care

Rank	Company	Annualized Premiums from Policies in Force (¥bn)	Share (%)
1	Aflac	1,038.4	16.3
<b>2</b>	<b>Kampo</b>	<b>738.7</b>	<b>11.6</b>
3	Nippon Life	612.5	9.6
4	Dai-ichi Life	576.5	9.0
5	Sumitomo Life	519.7	8.1
6	Meiji Yasuda Life	367.9	5.8
7	MetLife	359.2	5.6
8	NN	235.9	3.7
9	Gibraltar	211.2	3.3
10	Axa	204.4	3.2
Life insurance total (41 companies)		6,382.6	100.0

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

Note: Figures for Kampo include reinsured postal life insurance policies

## Scope of Medical Care Riders

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

#### Hospitalization Benefit

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

#### Surgery Benefit

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

#### Long-term Hospitalization Benefit

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

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

1. Multiple of daily hospitalization benefit payment.

# Additional Restrictions under the Postal Service Privatization Act

- Additional regulatory restrictions relating to new businesses under Postal Service Privatization Act will change from an approval system to a notification system upon disposal of half or more of Kampo's shares by Japan Post Holdings, although regulations imposed under the Insurance Business Act will continue to be applicable
- The limit on the coverage amount is prescribed in cabinet order, and any revision will require a hearing at the Postal Services Privatization Committee

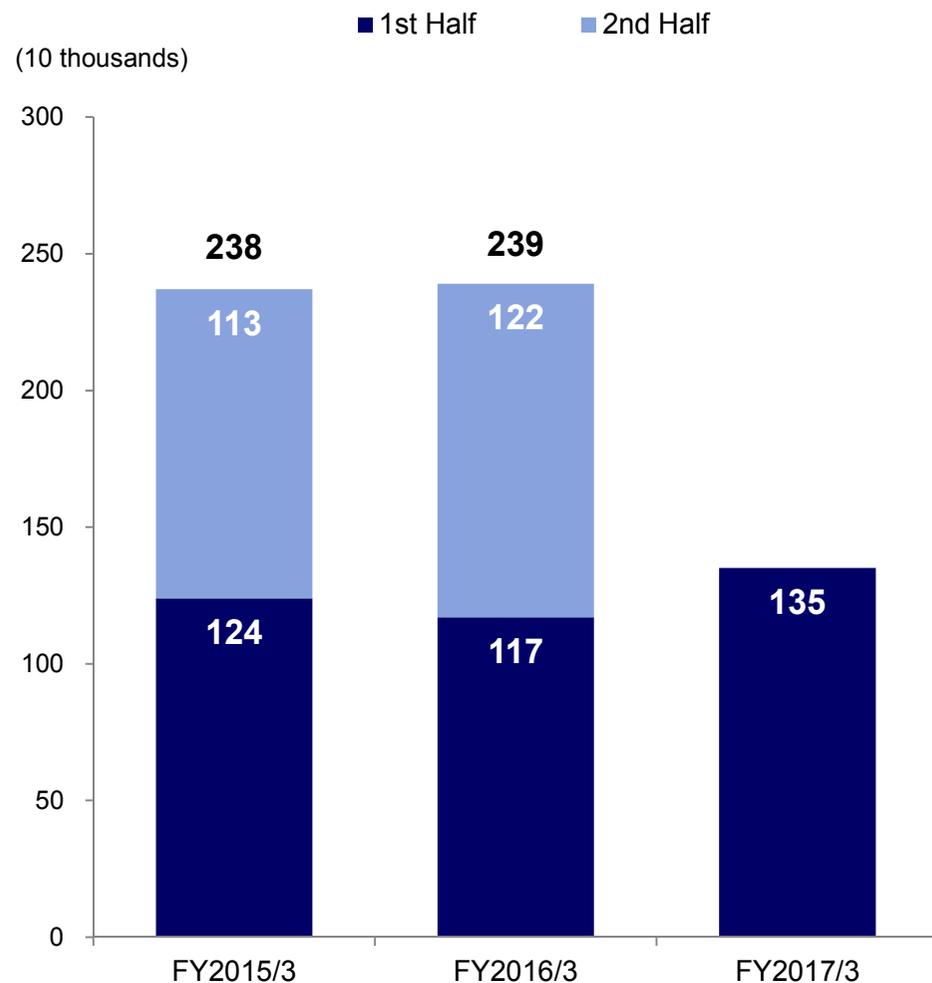
Category	Contents
<p><b>New business</b></p>	<p>【Until Japan Post Holdings disposes of half or more of all the shares of Kampo】</p> <ul style="list-style-type: none"> <li>■ Approval by specified ministers<sup>1</sup> (a hearing at the Postal Service Privatization Committee is required)</li> </ul> <p>【After Japan Post Holdings disposes of a half or more of all the shares of Kampo until the designated date<sup>2</sup>】</p> <ul style="list-style-type: none"> <li>■ Notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required)</li> </ul> <p>【After designated date<sup>2</sup>】</p> <ul style="list-style-type: none"> <li>■ No regulations under Postal Service Privatization Act (regulations under Insurance Business Act will continue)</li> </ul>
<p><b>Limit on coverage amount</b></p>	<ul style="list-style-type: none"> <li>■ Prescribed in cabinet order (a hearing at the Postal Service Privatization Committee is required to revise)             <ul style="list-style-type: none"> <li>— Limit on coverage amount: in principle, ¥10 mn, total of ¥13 mn after 4 years have elapsed since start of coverage (age 20-55)</li> </ul> </li> </ul> <p>【After designated date<sup>2</sup>】</p> <ul style="list-style-type: none"> <li>■ No regulations based on Postal Service Privatization Act</li> </ul> <div data-bbox="1400 1204 2161 1324" style="border: 1px dashed black; padding: 5px; margin-top: 10px;"> <p>April 1, 2016~ Increased to a total of ¥20 mn after 4 years has elapsed since start of coverage (age 20 – 55)</p> </div>

1. Specified ministers: Prime Minister (Commissioner of the Financial Services Agency) and Minister of Internal Affairs and Communications

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

# Number of New Policies

## Number of New Policies (Individual Insurance)



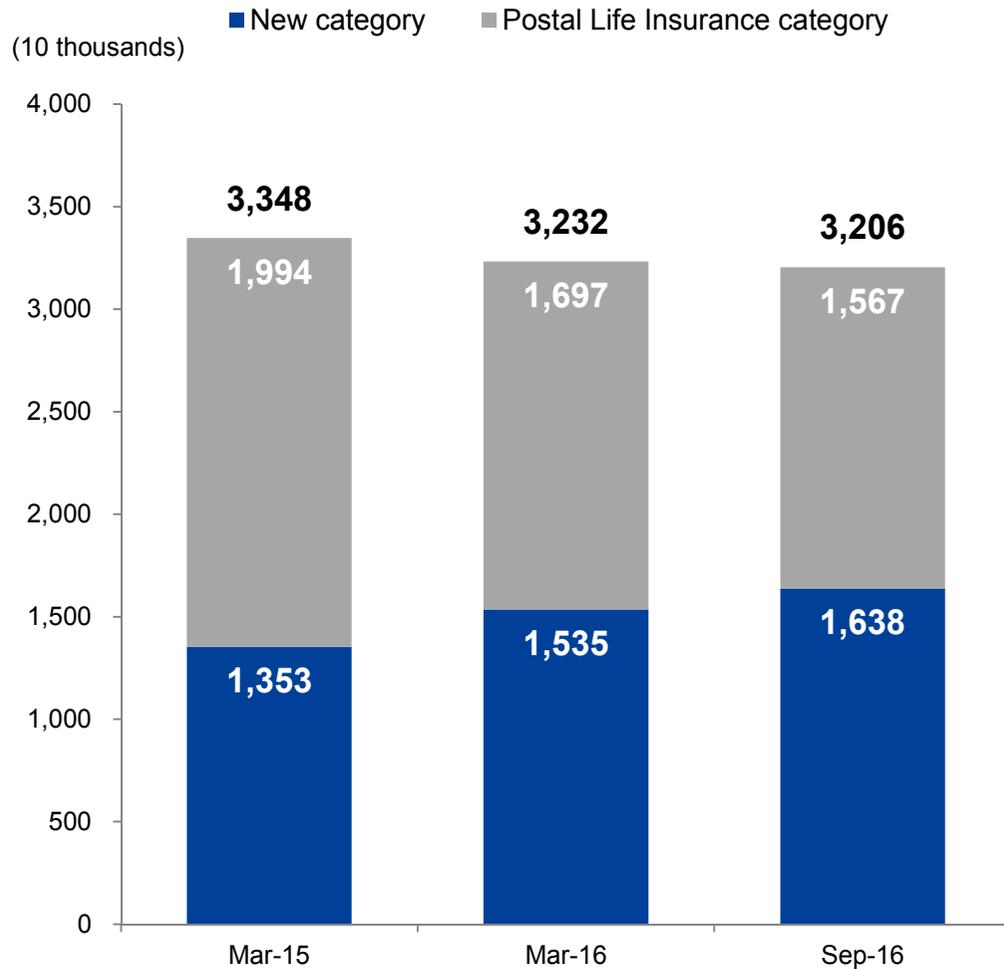
## Breakdown of New Policies

(10 thousands)

	6 months ended Sep-15		6 months ended Sep-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	117	100.0 %	135	100.0 %
Endowment insurance	62	53.6 %	72	53.8 %
Whole life insurance	31	26.7 %	41	30.8 %
Educational endowment insurance	22	19.6 %	20	15.4 %
Other insurance	0	0.0 %	0	0.0 %

# Number of Policies in Force

## Number of Policies in Force (Individual Insurance)



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

## Breakdown of Policies in Force

(10 thousands)

	Mar-16		Sep-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,232	100.0 %	3,206	100.0 %
Endowment insurance	1,440	44.6 %	1,402	43.7 %
Whole life insurance	1,241	38.4 %	1,257	39.2 %
Educational endowment insurance	535	16.6 %	532	16.6 %
Other insurance	14	0.5 %	14	0.4 %

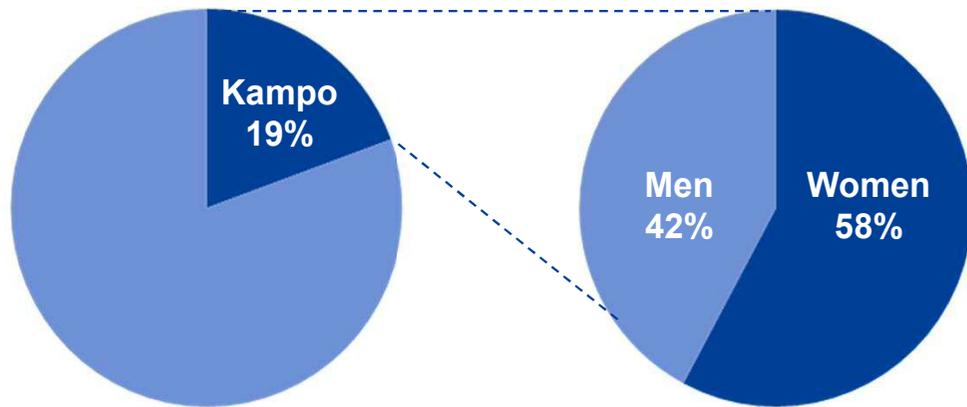
# Strength among Women, Middle–Aged and Older Adult Customers

- We insure approx. 24 mn people, representing approx. 20% of the total population of Japan
- Approx. 60%<sup>1</sup> of our insured are women
- The middle–aged and older adult age groups (50 years and older) account for approx. 60%<sup>2</sup> of our policyholders

## Gender Composition of Insured (Number of Policies in Force, Mar-2016)

Insured as share of total population

Gender composition (Kampo)



	Number of people (mn)	(%)
Total population	126.98	100%
No. of insured by Kampo	23.62	<b>19%</b>

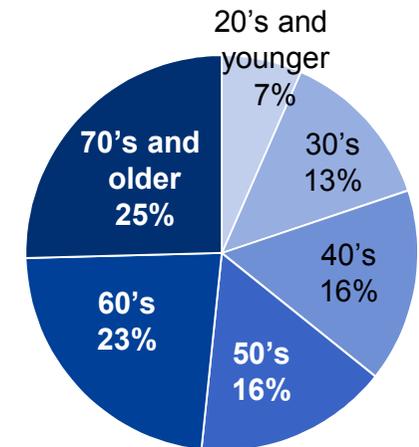
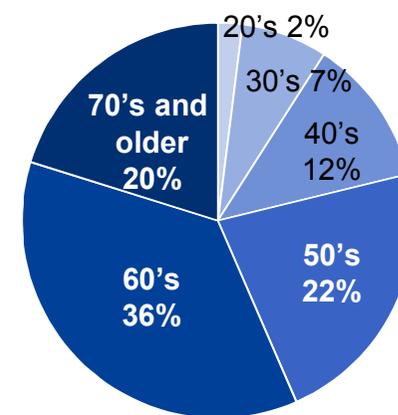
	Number of insured <sup>1</sup> (mn)	(%)
Women	13.72	<b>58%</b>
Men	9.89	42%

\*Gender composition of new policy for other life insurers is about 50:50 (FY15/3)

## Age Composition of Policyholders (Number of New Policies, FY2016/3)

Age composition of financial assets holders

Age composition (Kampo)



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

■ Policyholders over 50 comprise approx. 60%

Sources: Ministry of Internal Affairs and Communications Statistics Bureau (as of April 1, 2016)

1. Based on number of policies in force as of March 31, 2016

2. Based on number of new policy sales in FY2016/3

Source: Bank of Japan, The Central Council for Financial Services Information (The public opinion survey on financial behavior of households 2015)

# Sales Promotions and Improve quality of solicitation

- Aim to improve quality of solicitation as part of sales promotion activities, while increasing exposures to our customers (sales activities) through 100<sup>th</sup> anniversary events and other opportunities

## Sales Promotion (Enhance sales activities with both quality and quantity)

### Increase exposure to customers

- Increase exposure to our customers using 100th anniversary events and “Feel Secure with Kampo” activities
- More focus on follow up for maturing policies and proactive and caring sales activities for senior customers

### Recruit and train sales personnel/ strengthen Partner Division

- Support Japan Post Co. to build a 20 thousand person network of post office based field sales personnel
- Strengthen training program tailored for individual performance level of Japan Post Co.’s sales personnel and training for managers and supervisors

### Improve quality of solicitation

- Ensure that solicitation are held properly. Implement proper solicitation for senior customers
- Ensure solicitation are properly in line with the amendment of the rules such as Insurance Business Act. Increase measures to retain policies in force

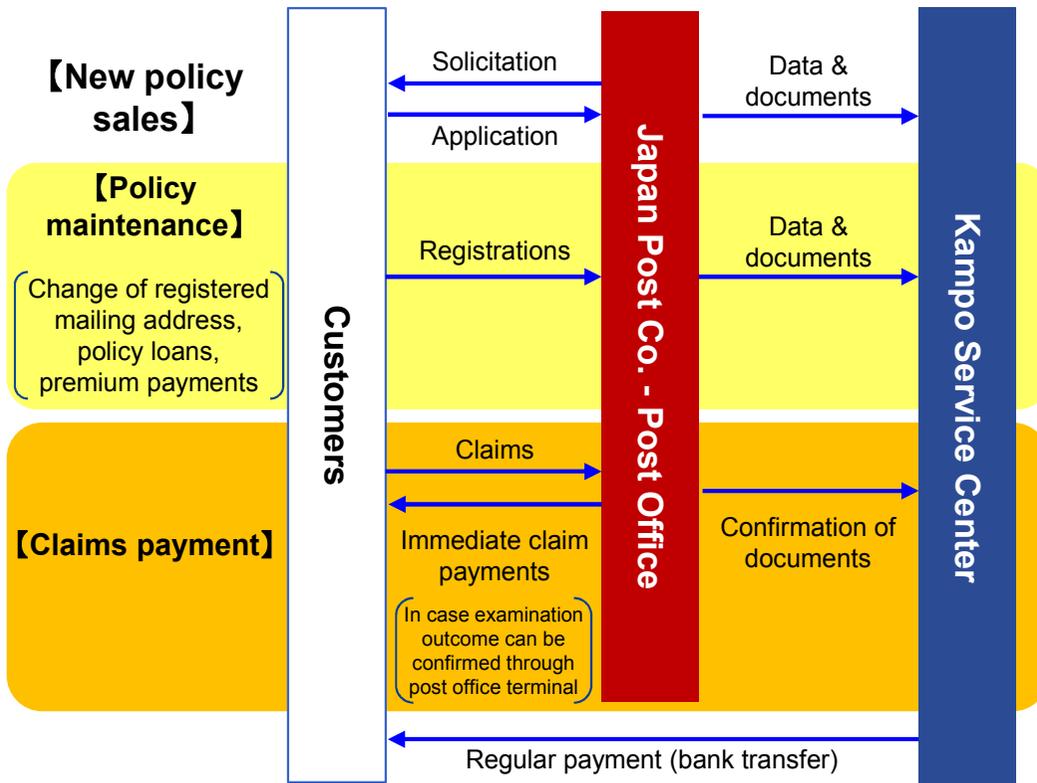
### Strengthen the direct sales channel

- Develop new customers through alliances with chambers of commerce and other organizations
- Strengthen internal marketing within Japan Post Group and worksite sales activities. Enhance sales efficiency and management

# 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

## Cooperate with Post Offices



- Comprehensive infrastructure has been established between Kampo and post offices, including after service

## Competitive Advantage to Support Post Office



Post offices / Field sales personnel



Sales support  
Operational guidance  
Compliance guidance

approx. 800 specialists assigned to 76 branches  
Partner Division in charge of post office support

Outsourcing education and guidance specialized for post office

Providing education and guidance in general

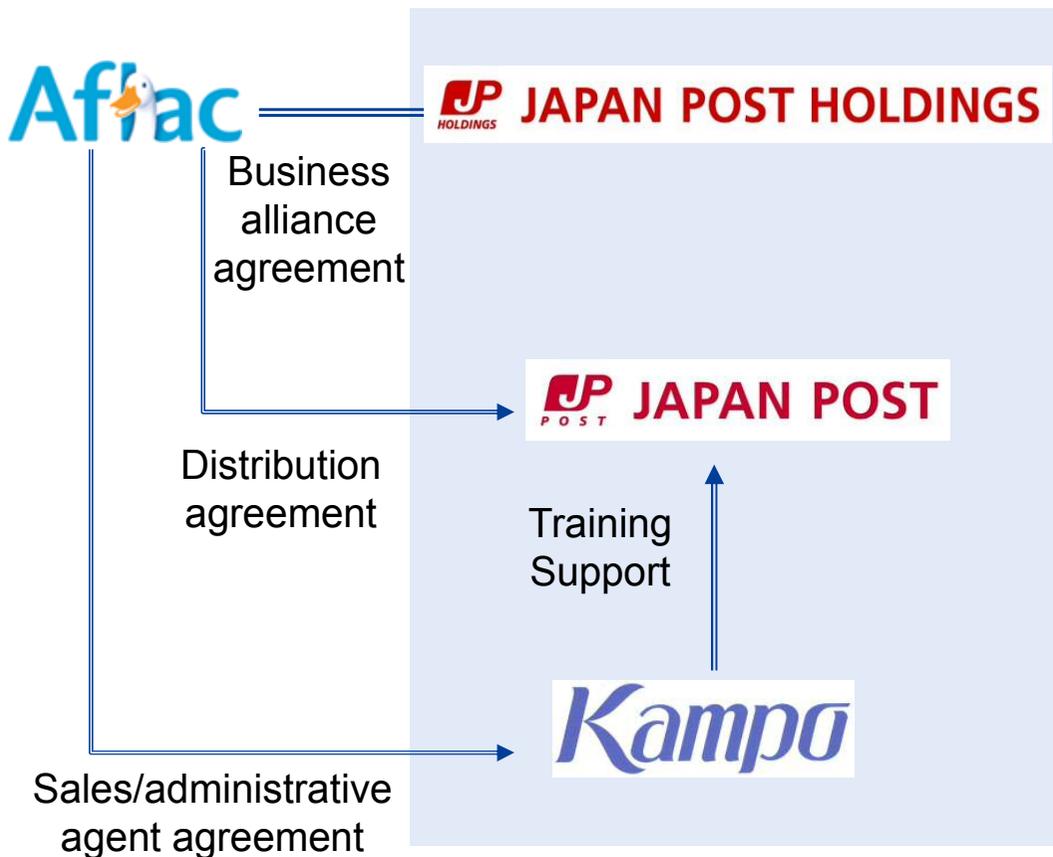
Example of 3<sup>rd</sup> parties' insurance products provided in the Group

- Post office support arrangements for insurance companies outside the group
- For example, Aflac has developed a Japan Post Group dedicated cancer insurance product, with features that lessen competition with Kampo's medical care riders. As a result, achieved sales increases for both Kampo and Aflac

# Business Alliance with Aflac

- In July 2013, Japan Post Group and Aflac entered into a business alliance agreement to provide cancer insurance
- We have established a win-win relationship with Aflac. As a result, the volume of Kampo and Aflac's products sold at post offices increased

## Business Alliance Structure



## Scope of Business Alliance

1

Offer Aflac's cancer insurance through the nationwide network of 20,000 post offices

2

Aflac to design distinct cancer insurance products that are dedicated to Japan Post Group, which supplements coverage of our medical care riders

3

Kampo's directly-managed offices to offer Aflac cancer insurance and provide supports to post office channels

# Strategic Business Alliance with Dai-ichi Life Holdings

- Kampo and Dai-ichi Life Holdings have established a comprehensive strategic business alliance with the primary goals of leveraging its respective strengths to develop business and contribute to society
- The alliance begins with cooperation in three areas: overseas life insurance business, asset management business and joint research on domestic life insurance business

## Comprehensive Strategic Business Alliance

### Overseas Life Insurance Business

- **Cooperation for developing life insurance operations in overseas**
  - Provide cooperation to Dai-ichi Life Vietnam for the distribution of life insurance through Vietnam Post
  - Consider investing in Dai-ichi Life Vietnam

### Asset Management Business

- **Cooperation for making asset management approach more diversified and sophisticated in a low interest rate environment**
  - Joint use of asset management companies (Asset Management One and Janus) and joint investments in growing sectors
  - Sharing of asset management administration platform by a joint investment in Trust & Custody Services Bank

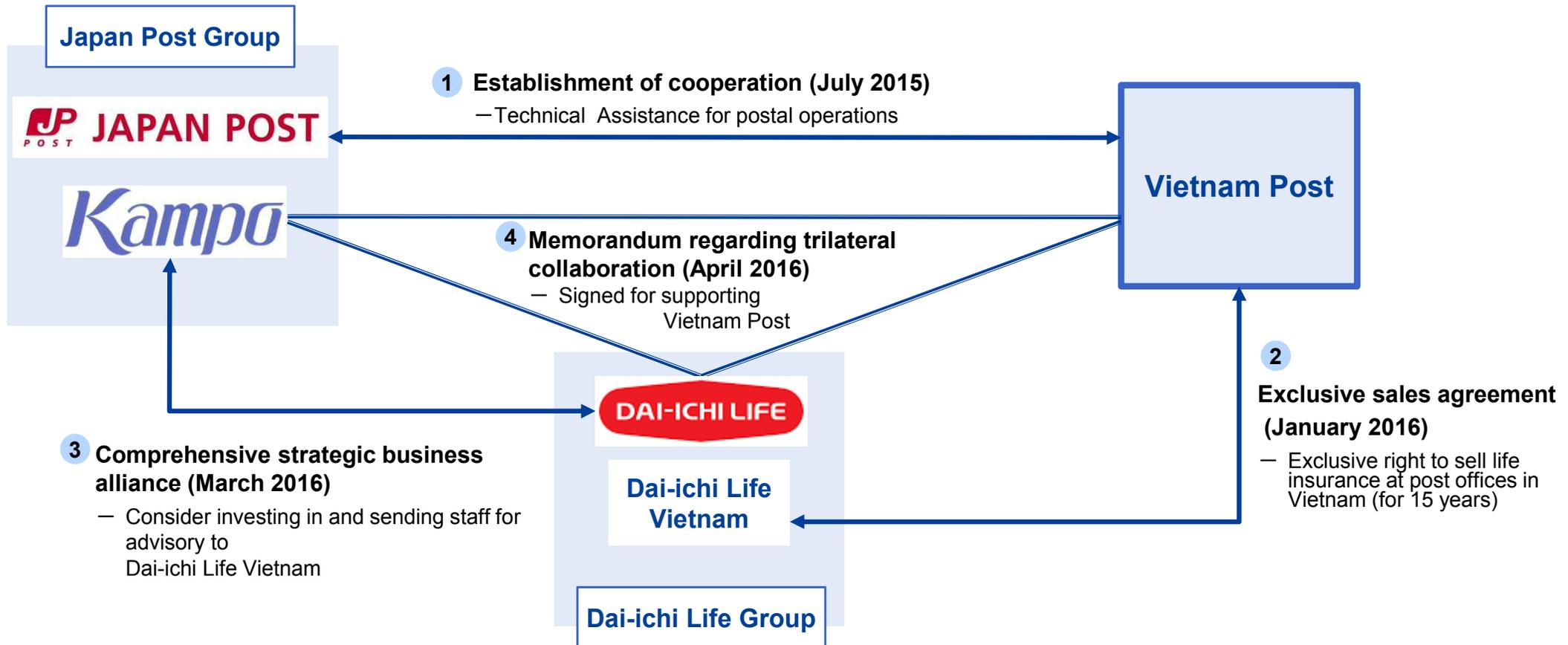
### Research on Domestic Life Insurance Business

- **Joint research for developing new products**
  - Joint research for new product developments in order to provide solutions for Japan's aging society
- **Joint research for information technology**
  - Joint research for the use of advanced IT

# Life Insurance Operations in Overseas - Vietnam

- Kampo, Dai-ichi Life Holdings and Vietnam Post signed a memorandum in April 2016 to confirm trilateral collaboration
- Through initiatives including investing in and sending staff for advisory to Dai-ichi Life Vietnam, Kampo will support Vietnam Post to help expand its life insurance sales

## Cooperation in Vietnam



# Enhancing Administrative and IT Systems

- Maintain our administrative system simple, prompt and accurate from underwriting to payments, and strengthen our capabilities to manage policies
- Aim to reduce system related expense and improve quality and productivity of our IT system through upgrading our core IT system

## Strengthening Infrastructure

### Post offices

Reduce administrative work to create more sales activity

- Introduce paperless application from April 2016
- Simplify the required paperwork

### Service centers

Strengthen administrative capabilities based on Image-Work-Flow technology

- Combined organization in Service Center and HQ from October 2015
- Use of IBM's Watson to sophisticate our benefit payment operations

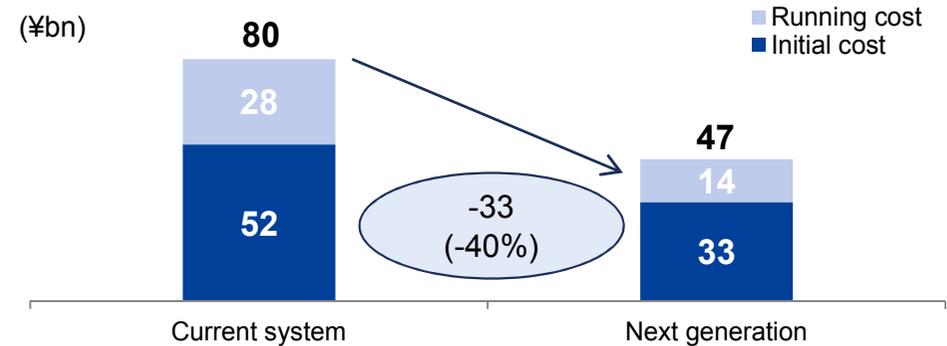
### IT system

Strengthen IT system infrastructure

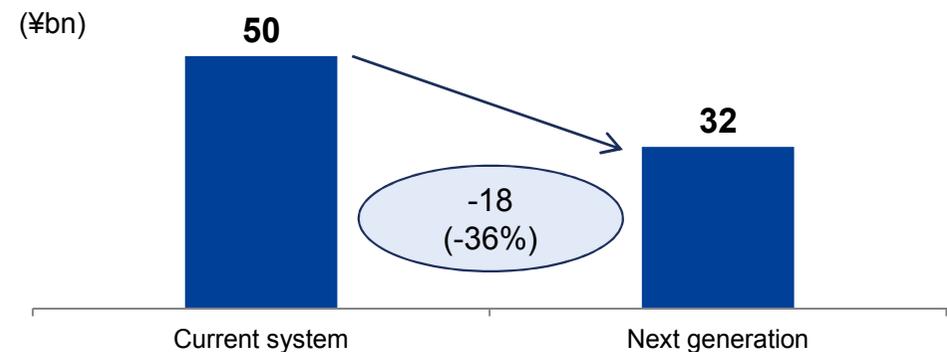
- Launch of our next generation core IT system in January 2017
- Consider use of FinTech

## Cost Savings Resulting from Update of Core IT System

### Cost of Hardware Procurement and Maintenance<sup>1</sup>



### Cost of Software Development<sup>2</sup>

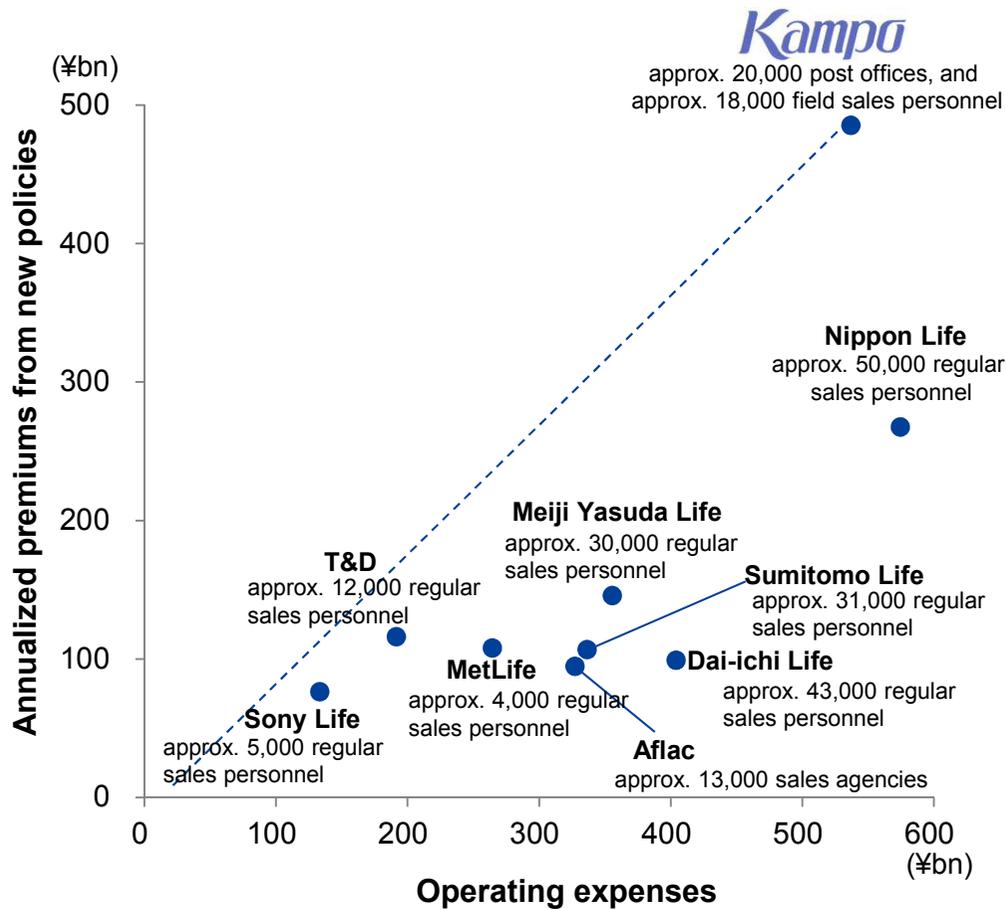


1. Estimated total of initial cost upon system upgrade and maintenance expenses until next core system upgrade (for 8 years).
2. Estimated cost assuming the same volume of system developments required till today will continue for 5 years, which is the software amortization period, after the core system update.

# Operational Efficiency

## Efficient business operations compared to other life insurers

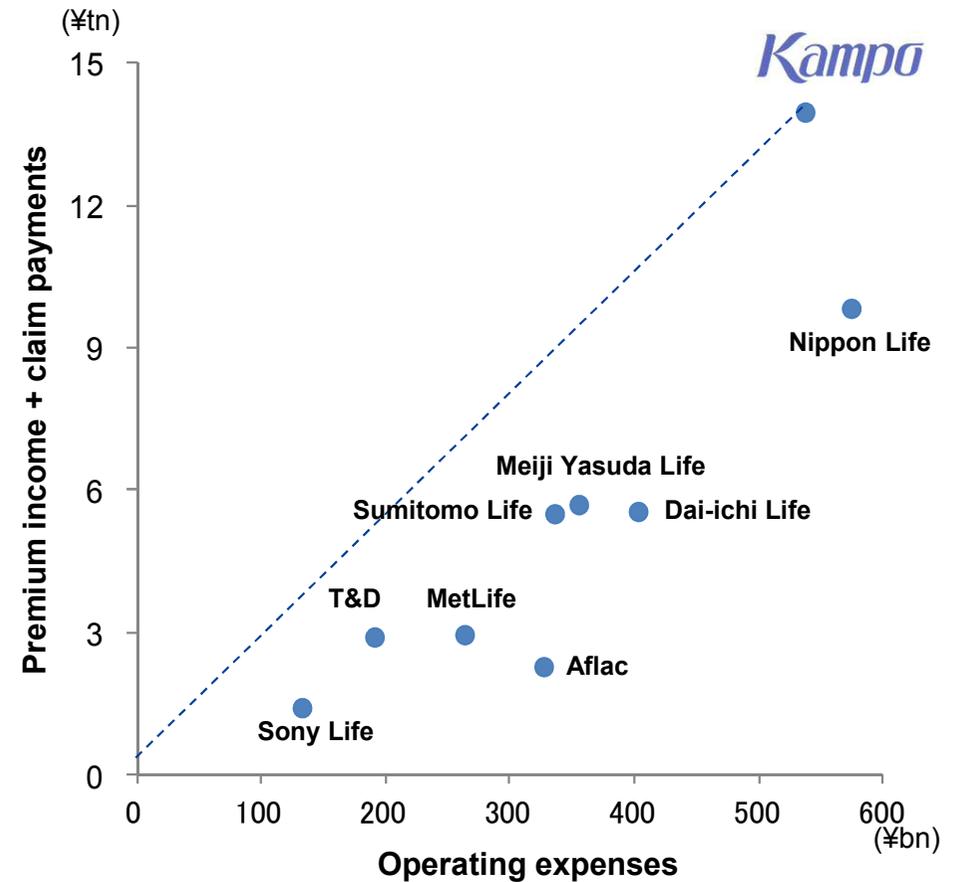
### Operating Expenses and Annualized Premiums from New Policies (Individual Insurance) (FY2016/3)



Source: Company disclosures

Note: Figures for T&D include life insurance subsidiaries within the groups.

### Operating Expenses and "Premium Income + Claim Payments" (FY2016/3)



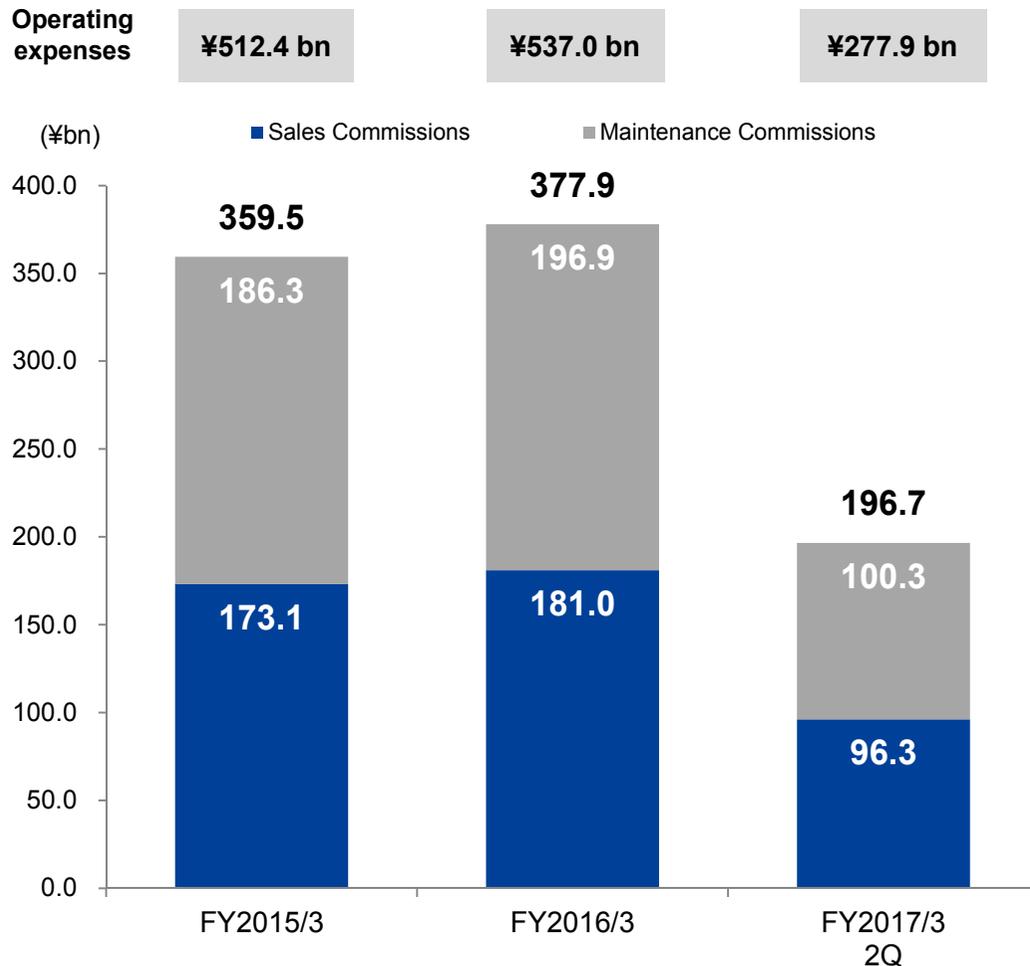
Source: Company disclosures

Note: Figures for T&D include life insurance subsidiaries within the groups.

# 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

## Commissions to Japan Post Co.



## Commissions Structure

- Commissions paid to Japan Post Co. need to be determined on an arm's-length basis as required by the Insurance Business Act, as well as the inspection manual as stipulated by the FSA to prevent excessive favorable treatment of any specific agent
- Therefore, there is little discretion in the determination of commissions between Kampo and Japan Post Co. Proposed changes to calculation methods are subject to review by regulatory authorities

### Sales Commissions

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

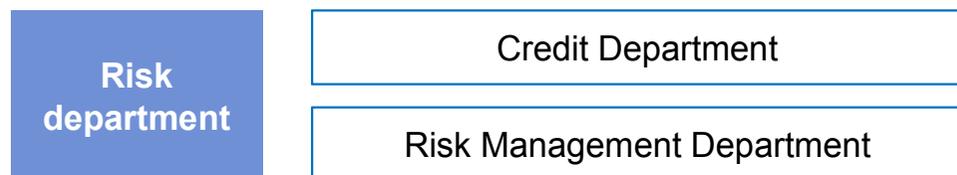


### Maintenance Commissions

- For operations outsourced to Japan Post Co., rates are set based on the reasonable length of time needed to perform the operations at post offices
- A part of these commissions is calculated based on the number of policies in force and the after service activities. Another part is based primarily on the number of post offices

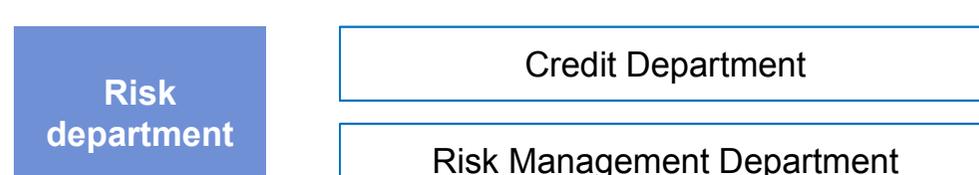
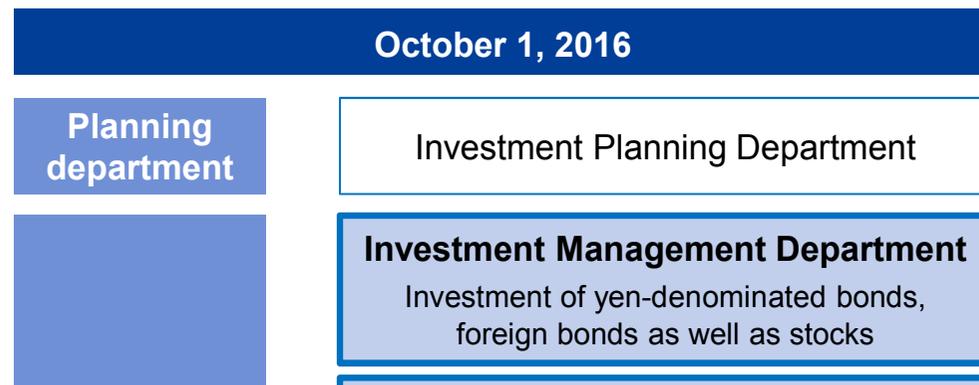
# Asset Management Operations (Restructuring of Organization)

- As an initiative to strengthen the function of the asset management department, the “Investment Management Department” was reorganized into the “Investment Management Department” and the “Credit and Alternative Investment Department” (as of October 1, 2016)
- Asset management personnel will be expanded into an organization of around 140 persons as of March 31, 2017 by measures such as employing external personnel



Asset management personnel: **121**

( Planning department/executing department: **90**  
Risk department (in charge of asset management risk): **31** )



Asset management personnel: **130** ⇒ **approx. 140** (at 2017/3)

( Planning department/executing department: **96**  
Risk department (in charge of asset management risk): **34** )

# Fair Value Information of Securities

## Fair Value Information of Securities

(¥bn)

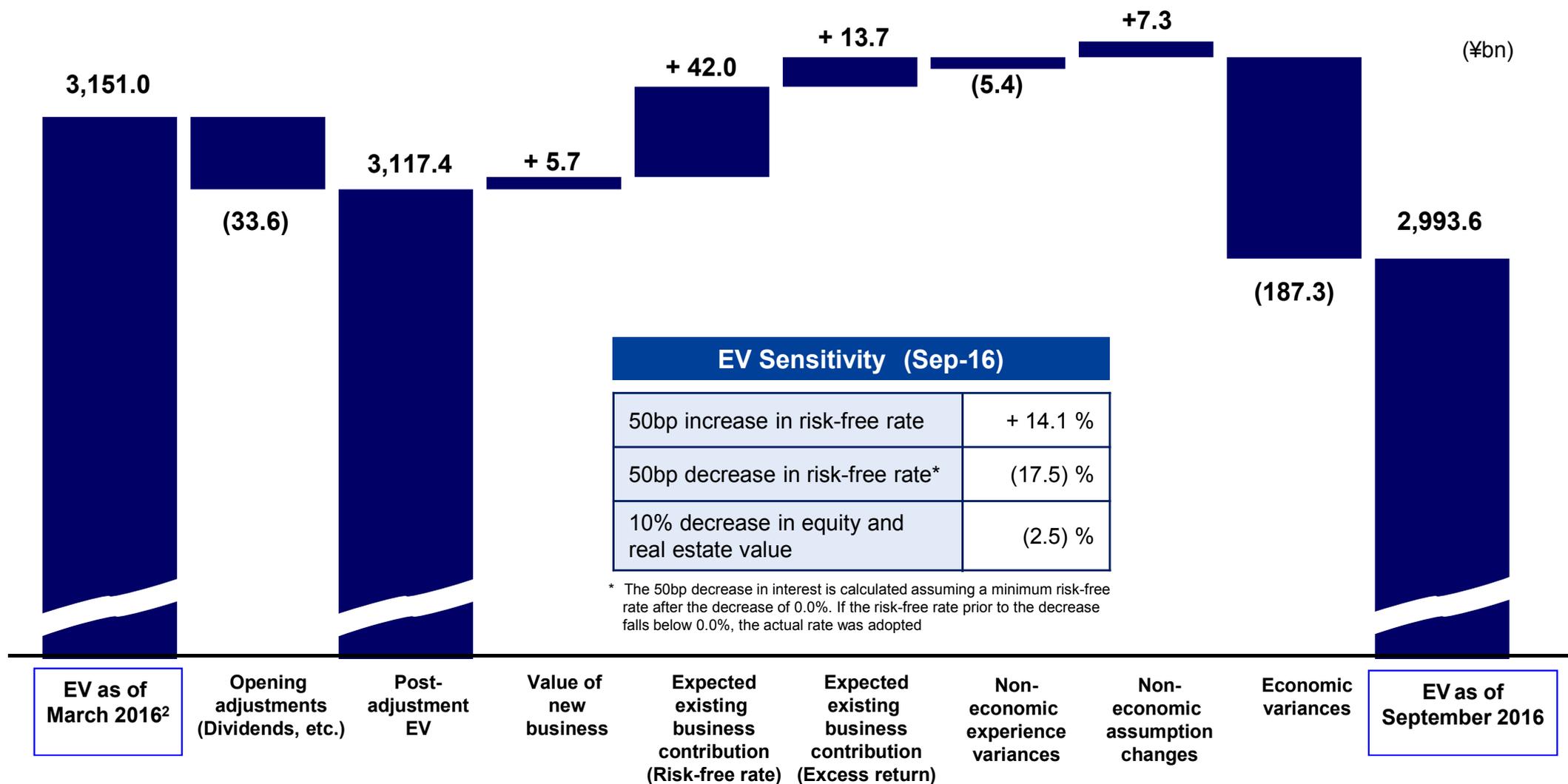
	Mar-16			Sep-16		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,753.0	75,326.4	9,573.3	6,5427.0	74,997.4	9,570.3
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	40,976.5	48,676.4	7,699.8
Policy-reserve-matching bonds	13,563.4	15,062.1	1,498.7	12,582.7	14,043.1	1,460.4
Available-for-sale securities	9,949.8	10,511.3	561.5	11,867.7	12,277.8	410.0
Securities	8,469.2	8,866.8	397.5	10,217.8	10,506.2	288.3
Bonds	4,012.9	4,115.7	102.8	4,678.5	4,776.9	98.3
Foreign bonds	3,299.3	3,590.8	291.4	4,385.4	4,570.1	184.7
Other securities	100.0	100.0	0.0	700.0	702.0	2.0
Deposits	1,056.9	1,060.1	3.1	453.9	457.0	3.1
Money held in trust <sup>1</sup>	1,480.5	1,644.5	163.9	1,649.8	1,771.6	121.7
Domestic stocks	1,065.4	1,202.5	137.0	1,179.7	1,297.9	118.2
Foreign stocks	222.2	229.4	7.1	232.0	228.8	(3.2)
Foreign bonds	161.1	180.9	19.7	163.9	170.6	6.7

Note: This table only shows securities with a fair value. It also includes the handling of securities under the Financial Instruments and Exchange Act.

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

# EV Movement

RoEV: 4.1% (Annualized, Constant Economic Assumptions<sup>1</sup>)  
—After Utilizing an UFR



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

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

		FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 2Q	FY2017/3 2Q
<b>Total assets</b>	¥mn	90,462,364	87,088,626	84,911,946	81,543,623	84,688,745	80,492,247
Postal Life Insurance category		73,793,953	67,560,915	61,703,013	55,832,787	60,158,783	52,827,292
New category		16,668,410	19,527,711	23,208,932	25,710,836	24,529,961	27,664,955
<b>Number of policies in force</b>	(000)	36,805	34,864	33,489	32,323	32,829	32,067
Postal Life Insurance category (insurance)		26,933	23,195	19,949	16,972	18,402	15,678
New category (individual insurance)		9,871	11,668	13,539	15,350	14,426	16,388
<b>Insurance premiums and others</b>	¥mn	6,481,772	5,911,643	5,956,716	5,413,862	2,746,776	2,812,554
Postal Life Insurance category		2,685,558	2,155,398	1,697,140	1,322,308	700,116	534,645
New category		3,796,214	3,756,245	4,259,576	4,091,554	2,046,659	2,277,909
<b>Ordinary profit</b>	¥mn	529,375	463,506	493,169	413,023	219,778	107,711
Postal Life Insurance category		424,511	382,325	377,145	258,059	141,516	73,545
New category		104,864	81,181	116,024	154,963	78,262	34,165
<b>Net income</b>	¥mn	91,000	63,428	81,758	86,338	49,300	42,604
Postal Life Insurance category		56,816	43,689	36,969	32,850	20,977	14,361
New category		34,184	19,739	44,789	53,487	28,323	28,242
<b>Contingency reserve (reversal) provision</b>	¥mn	(100,149)	(94,807)	(90,087)	(123,864)	(61,235)	(60,602)
Postal Life Insurance category		(159,710)	(164,732)	(167,144)	(171,199)	(85,201)	(86,548)
New category		59,561	69,924	77,057	47,335	23,965	25,945
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	64,656	91,360	97,934	70,100	30,388	(29,627)
Postal Life Insurance category		43,374	73,857	72,126	8,957	6,508	(22,711)
New category		21,282	17,502	25,808	61,143	23,879	(6,915)
<b>Additional policy reserve (reversal) provision</b>	¥mn	(92,835)	(77,134)	(68,347)	(55,533)	(26,991)	(22,650)
Postal Life Insurance category		(92,835)	(77,134)	(68,347)	(55,533)	(26,991)	(22,650)
New category		-	-	-	-	-	-

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

# Major Financial Results (Consolidated)

(¥bn)

	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 2Q	FY2017/3 2Q
Insurance premiums and others	6,481.7	5,911.6	5,956.7	5,413.8	2,746.7	2,812.5
Ordinary profit	528.9	462.7	492.6	411.5	218.7	107.8
Provision for reserve for policyholder dividends	307.4	242.1	200.7	178.0	119.5	77.9
Net income	90.6	62.8	81.3	84.8	48.5	42.5
Net assets	1,466.7	1,538.1	1,975.7	1,882.9	1,908.6	1,782.5
Total assets	90,463.5	87,092.8	84,915.0	81,545.1	84,691.8	80,492.2
Return on equity	6.6%	4.2%	4.6%	4.4%	-	-
Return on shareholders' equity	7.1%	4.7%	5.9%	5.9%	-	-
Dividend to shareholders	22.7	16.8	24.5	33.6	-	-
Payout ratio	25.1%	26.8%	30.2%	39.6%	-	-
[Reference] Core profit (Non-consolidated)	570.0	482.0	515.4	464.2	239.9	194.4

### <Disclaimer>

The financial results forecasts and other forward-looking statements herein are based on certain assumptions deemed reasonable by Japan Post Insurance at the time of this document's disclosure. Please note that actual results may differ materially from such forward-looking statements due to various factors including changes in the operating environment, interest rates or general economic conditions or other future events and circumstances.



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