

Kampo

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

May 15, 2017

 **JAPAN POST INSURANCE**

- I am Susumu Miyamoto of Japan Post Insurance.
- Thank you for joining our conference call for “Financial Results for the Fiscal Year Ended March 31, 2017.”
- I will first begin with a summary of the financial results in line with the presentation materials prepared for this meeting, followed by a question and answer session.
- Please look at page 1.

Summary of Financial Results

- Net income was ¥88.5 billion (a 4.4% increase year on year) with an increase in profit achieved. This represented 103.0% towards the full-year financial results forecasts.
- Annualized premiums from new policies for individual insurance were ¥507.9 billion, a 4.7% increase year on year. Annualized premiums from new policies for medical care were ¥55.7 billion, a 12.4% increase year on year.
- Annualized premiums from policies in force for individual insurance were ¥4,979.6 billion, nearly the same level as the end of the previous fiscal year. Annualized premiums from policies in force for medical care were ¥736.1 billion, an increase of ¥1.5 billion from the end of December.
- Under the current low interest rate environment, we increased investment in risk assets (foreign securities and domestic stocks) to ¥7,963.7 billion (9.9% of total assets).
- Embedded value (EV) increased by ¥204.6 billion from the end of the previous fiscal year to ¥3,355.6 billion.

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- The financial results can be summed up in five points.
- Firstly, net income was ¥88.5 billion, which represented a 4.4% increase year on year in profit and exceeded the full-year financial results forecast of ¥86.0 billion.
- Secondly, annualized premiums from new policies for individual insurance were ¥507.9 billion, a 4.7% increase year on year, while annualized premiums from new policies for medical care were ¥55.7 billion, a 12.4% increase year on year.
- Thirdly, annualized premiums from policies in force for individual insurance were ¥4,979.6 billion, nearly the same level as the end of the previous fiscal year. Annualized premiums from policies in force for medical care were ¥736.1 billion, representing an increase of ¥1.5 billion from the end of December.
- On to the fourth point, in view of the current low interest rate environment, while keeping a focus on ALM, we increased investment in risk assets such as stocks and foreign bonds, and accordingly, increased the exposure of risk assets to 9.9% of total assets.
- Lastly, the fifth point; EV increased by ¥204.6 billion from the end of the previous fiscal year to ¥3,355.6 billion.
- Please look at page 2.

Financial Highlights

Financial Highlights

(¥bn)

	Year ended Mar-16	Year ended Mar-17	Year on year
Ordinary income	9,605.7	8,659.4	(9.9) %
Ordinary profit	411.5	279.7	(32.0) %
Net income ¹	84.8	88.5	+4.4 %

Financial Results Forecasts

(¥bn)

Year ended Mar-17 (initial forecasts)	Achievement
8,490.0	102.0 %
310.0	90.2 %
86.0	103.0 %

(¥bn)

	Mar-16	Mar-17	Change
Total assets	81,545.1	80,336.7	(1.5) %
Net assets	1,882.9	1,853.2	(1.6) %
Total shareholders' equities	1,472.4	1,526.8	+3.7 %

1. Net income attributable to Japan Post Insurance

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- Next, I would like to explain the financial highlights.
- Ordinary income was ¥8,659.4 billion, ordinary profit was ¥279.7 billion, and net income was ¥88.5 billion.
- Although ordinary profit for the current fiscal year represented an advance of 90.2% compared to the full-year financial results forecasts, net income for the current fiscal year advanced to 103.0% of the full-year financial results forecasts.
- Furthermore, total assets were ¥80,336.7 billion and net assets were ¥1,853.2 billion.
- Please look at page 3.

Overview of Financial Statements (Consolidated)

Statement of Income				Balance Sheets			
(¥bn)				(¥bn)			
	Year ended Mar-16	Year ended Mar-17	Change		Mar-16	Mar-17	Change
Ordinary income	9,605.7	8,659.4	(946.2)	Assets	81,545.1	80,336.7	(1,208.4)
Insurance premiums and others	5,413.8	5,041.8	(371.9)	Cash and deposits	1,862.6	1,366.0	(496.5)
Investment income	1,354.9	¹ 1,367.9	12.9	Money held in trust	1,644.5	2,127.0	482.4
Reversal of policy reserves	2,750.0	2,187.2	(562.8)	Securities	63,609.9	63,485.2	(124.6)
Ordinary expenses	9,194.2	8,379.6	(814.5)	Loans	8,978.4	8,060.9	(917.5)
Insurance claims and others	8,550.4	7,550.3	(1,000.1)	Fixed assets	331.1	322.7	(8.3)
Investment expenses	9.7	² 160.4	150.6	Deferred tax assets	712.1	851.9	139.8
Operating expenses	538.5	560.4	21.9	Liabilities	79,662.2	78,483.5	(1,178.6)
Ordinary profit	411.5	279.7	(131.7)	Policy reserves	72,362.5	70,175.2	(2,187.2)
Extraordinary profit and loss	(71.5)	(6.8)	64.6	Reserve for price fluctuations	782.2	788.7	6.4
Provision for reserve for policyholder dividends	178.0	152.6	(25.3)	Net assets	1,882.9	1,853.2	(29.7)
Income before income taxes	161.9	120.1	(41.8)	Total shareholders' equity	1,472.4	1,526.8	54.4
Total income taxes	77.0	31.5	(45.5)	Total accumulated other comprehensive income	410.5	326.3	(84.2)
Net income attributable to Japan Post Insurance	84.8	88.5	3.6				

1. Investment income for the year ended Mar-17 includes ¥85.1 billion in gains on sales of securities.

2. Investment expenses for the year ended Mar-17 includes ¥124.7 billion in losses on sales of securities.

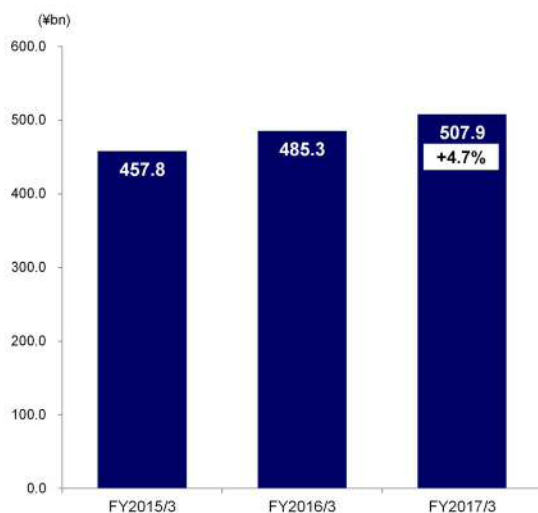
Note: Only major line items are shown.

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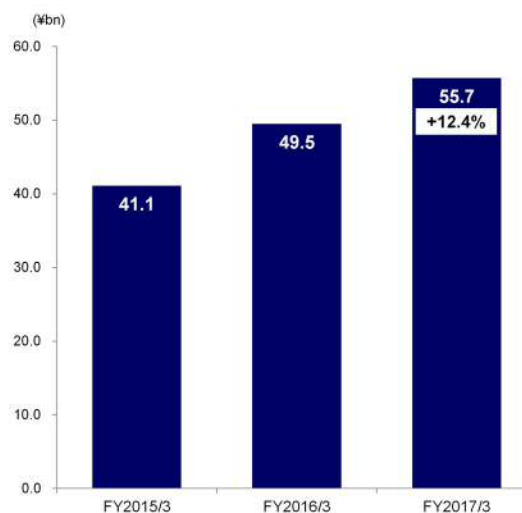
- This is an overview of our financial statements.
- For more information, please refer to the document on financial results.
- Please look at page 4.

Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies (Individual Insurance)



Annualized Premiums from New Policies (Medical Care)



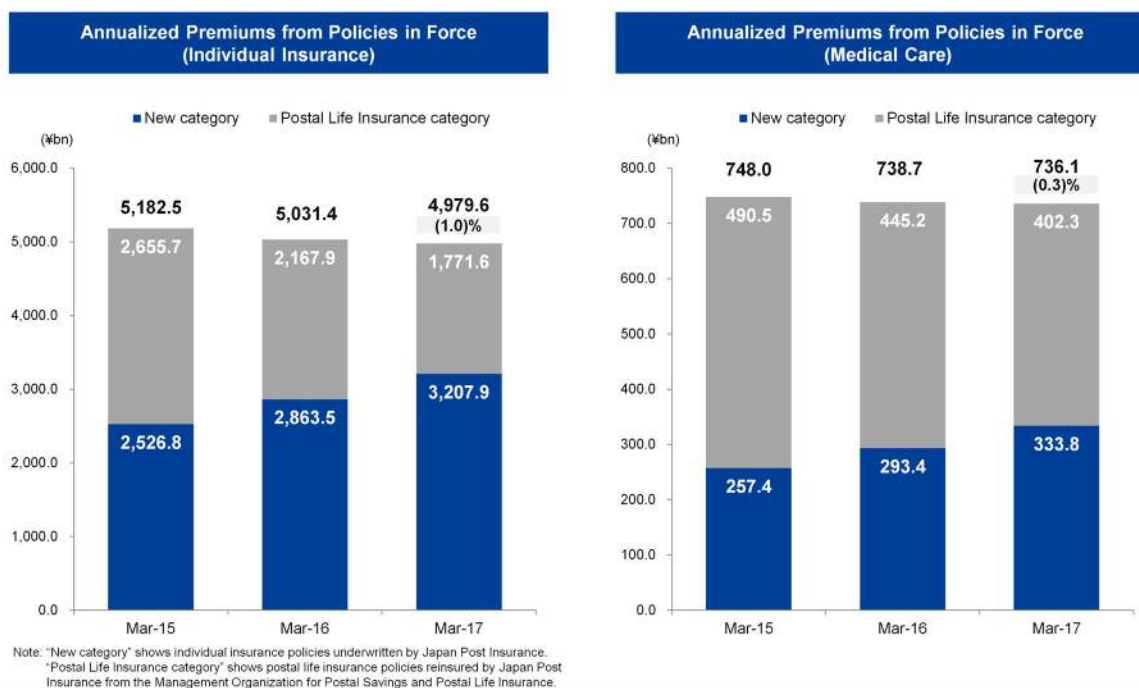
Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

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- From here, I would like to explain our policy sales.
- Annualized premiums from new policies for individual insurance were ¥507.9 billion.
- Although a temporary decline in the growth rate was seen during the third quarter due to the impact of the insurance premium revision in August 2016, policy sales gradually recovered towards the end of the fiscal year, achieving a 4.7% increase year on year for the full year.
- As shown in the chart on the right, annualized premiums from new policies for medical care for the current fiscal year increased by 12.4% year on year to ¥55.7 billion, which significantly exceeded the level of the previous fiscal year.
- While insurance premiums were once again revised in anticipation of the decrease in standard assumed yield in April 2017, we will continue to strive to conduct consistent sales activities with an emphasis on customer protection.
- Please look at page 5.

Policy Sales (2) Annualized Premiums from Policies in Force

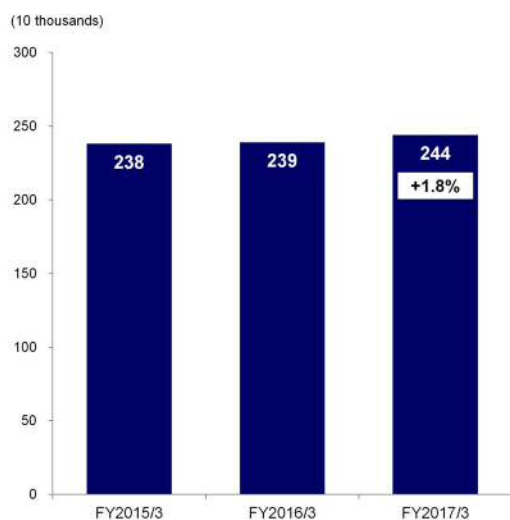


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- Annualized premiums from policies in force are shown in “Postal Life Insurance category” and “New category.”
- As shown in the chart on the left, annualized premiums from policies in force for individual insurance were ¥4,979.6 billion, maintaining almost the same level as the end of the previous fiscal year.
- Furthermore, annualized premiums from policies in force for medical care were ¥736.1 billion, of which ¥333.8 billion was from “New category.”
- Please look at page 6.

Policy Sales (3) Number of New Policies

Number of New Policies (Individual Insurance)



Breakdown of New Policies

(10 thousands)

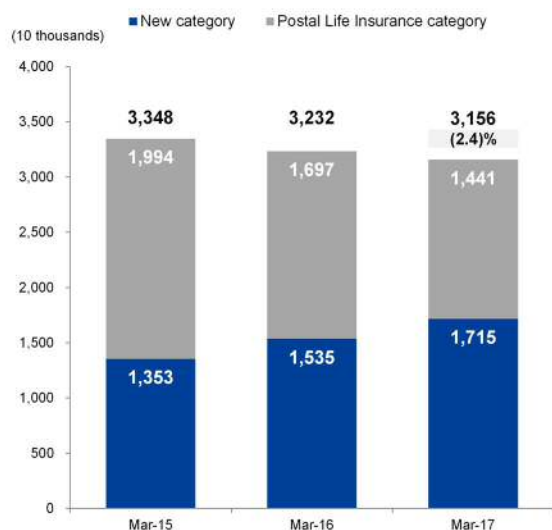
	Year ended Mar-16		Year ended Mar-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	239	100.0 %	244	100.0 %
Endowment insurance	125	52.3 %	117	48.0%
Whole life insurance	66	27.6 %	92	37.8%
Educational endowment insurance	48	20.1 %	34	14.2%
Other insurance	0	0.0 %	0	0.0%

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- The chart on the left shows changes in the number of new policies, with a breakdown by product on the right.
- The number of new policies acquired during the current fiscal year increased by approximately 40 thousand year on year to 2.44 million.
- By product, although the number of new policies of savings-featured endowment insurance and educational endowment insurance decreased slightly due to the impact of the revision of insurance premiums, as a result of sales promotion activities to capture protection needs, that of whole life insurance increased by approximately 260 thousand year on year.
- Please look at page 7.

Policy Sales (4) Number of Policies in Force

Number of Policies in Force (Individual Insurance)



Breakdown of Policies in Force

(10 thousands)

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

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.

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- Changes in the number of policies in force and its breakdown are presented on this page.
- The number of policies in force, which is the total of “New category” and “Postal Life Insurance category,” decreased by approximately 760 thousand from the end of the previous fiscal year to 31.56 million.
- Although the moderate decrease of policies in force has continued, the number of policies in “New category,” which represents those policies underwritten after the privatization, has built up to reach a level above the “Postal Life Insurance category.”
- Please look at page 8.

Investments (2) Fair Value Information of Securities

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

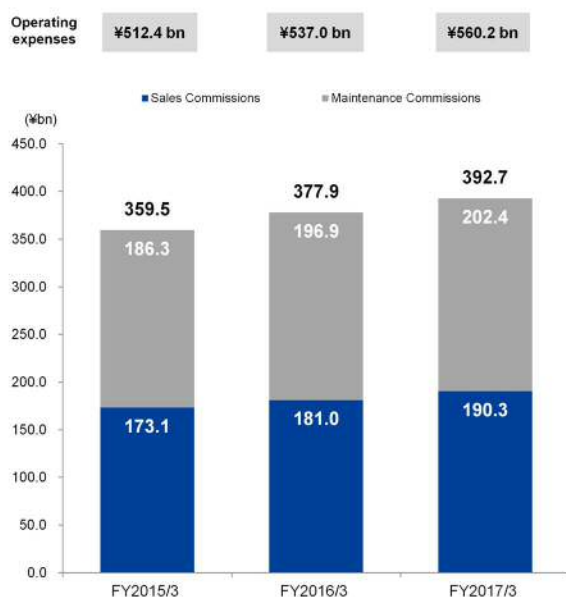
Note: This table only shows securities with a fair value. It also includes the handling of securities under the Financial Instruments and Exchange Act.
1. Total money held in trust includes cash and deposits and others.

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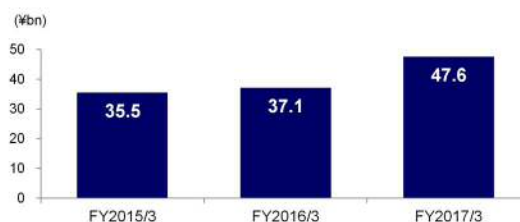
- This slide shows the fair value of securities and net unrealized gains or losses.
- Net unrealized gains on held-to-maturity bonds and policy-reserve-matching bonds decreased by ¥1,754.9 billion due to the rise in domestic interest rate.
- Net unrealized gains on available-for-sale securities decreased by ¥117.8 billion due to decreased net unrealized gains on bonds due to a rise in domestic and foreign interest rates, while net unrealized gains on money held in trust increased as a result of a rise in the stock markets.
- In total, net unrealized gains on securities decreased by ¥1,872.8 billion to ¥7,700.5 billion from the end of the previous fiscal year.
- Please look at page 10.

Expenses (Non-Consolidated)

Commissions to Japan Post Co.



Depreciation and amortization



(Reference) Major Investment Plans for FY2016/3 – FY2018/3

	Measures	Amount	Effect
Administration / IT system	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)
Facilities / equipment	Renovation of branch offices and service centers	¥ 46 bn	Improving worksite environment which has been aging, narrow, decentralized

Source: Japan Post Group, Medium-term Management Plan

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- Expenses for the period are presented on this page.
- Operating expenses for the current fiscal year were ¥560.2 billion on a non-consolidated basis, of which approximately 70% consists of commissions paid to Japan Post Co.
- Approximately half of the commissions are sales commissions corresponding to actual sales of new policies, and the remaining half are maintenance commissions paid for outsourced operations of maintenance and payment services.
- Commissions for the current fiscal year were ¥392.7 billion, as a result of steady growth of new policies at post offices after the privatization, and the strengthening of initiatives to have customers register bank accounts for depositing insurance payments.
- As shown in the chart on the upper right, depreciation and amortization for the current fiscal year increased to ¥47.6 billion, mainly due to the core IT system renewal implemented in January 2017.
- Please look at page 11.

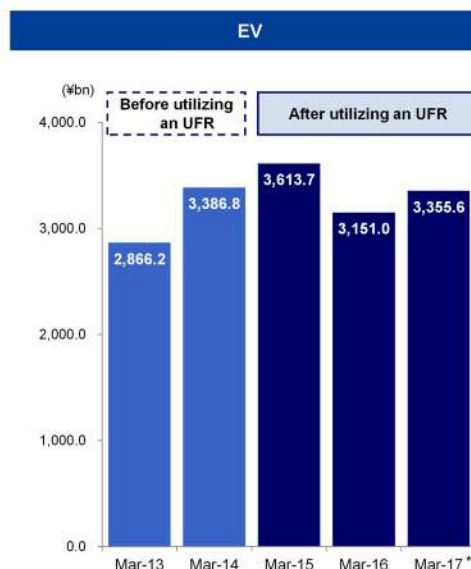
Embedded Value (Preliminary Figures)

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

	Year ended Mar-16	Year ended Mar-17*	Change
Value of new business ¹	192.7	36.8	(155.8)

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

* Please note that the validity of calculation of EV as of March 31, 2017 and the value of new business for FY2017/3 above has not been verified by a third party. For details on EV verified by a third party, please refer to "Disclosure of European Embedded Value as of March 31, 2017" to be announced on May 19.



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- I would like to talk about the current status of EV.
- EV at the end of the current fiscal year was ¥3,355.6 billion, up ¥204.6 billion year on year.
- Adjusted net worth increased by ¥70.9 billion year on year to ¥1,965.2 billion, mainly due to an increases in net income.
- Value of in-force covered business increased by ¥133.6 billion year on year to ¥1,390.4 billion, mainly due to the rise in interest rates from the end of the previous fiscal year.
- The value of new business for the current fiscal year is calculated based on economic assumption as of the end of September 2016, which is close to the average interest rates from April to March.
- As a result, the value of new business was ¥36.8 billion due to a fall in interest rates from the end of September 2015. The amount of increase from the third quarter was limited to ¥11.2 billion. This is because the impact of updating the mortality rate and operating expenses assumptions to the latest figures was included (a decrease of ¥10.0 billion for one year).
- Please note that this is a preliminary disclosure of results since we have not yet received third-party verification as of today. For details on EV, please refer to "Disclosure of European Embedded Value as of March 31, 2017" to be announced on May 19.
- Please look at page 13.

Financial Results Forecasts for the Year Ending March 31, 2018 (Consolidated)

Financial Results Forecasts (Consolidated)

(¥bn)

	Year ended Mar-17 (Actual)	Year ending Mar-18 (Forecast)
Ordinary income	8,659.4	7,690.0
Ordinary profit	279.7	250.0
Net income ^{1,2}	88.5	86.0

1. Net income attributable to Japan Post Insurance

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

Shareholder Return Policy

Stable
growth in
dividends

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

Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %



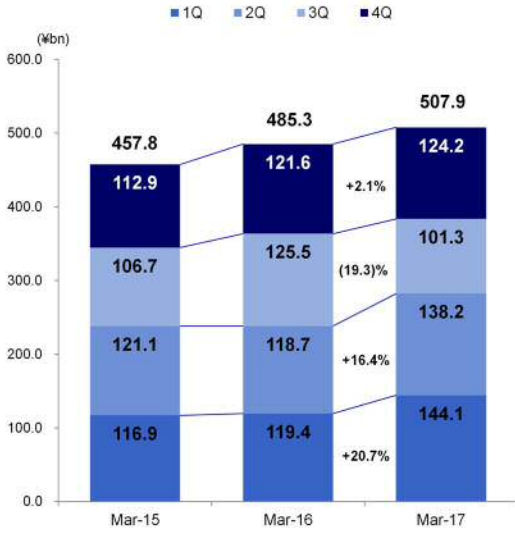
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- I would like to explain about the consolidated financial results forecasts for the year ending March 31, 2018.
- As the current fiscal year is the final year of our 3-year Medium-term Management Plan, we are anticipating a net income of ¥86.0 billion, which exceeds the target of “around ¥80.0 billion” stated in the Medium-term Management Plan.
- In terms of dividends to shareholders, we aim for a steady increase in our dividends per share, while maintaining a dividend payout ratio within a range of roughly 30% to 50% of our consolidated net income, considering earning prospects, financial soundness, and the balance between shareholder and policyholder dividends.
- Regarding dividends to shareholders, under the above policy, we are scheduled to increase DPS by 6.7% year on year to ¥64, which represents a ¥4 increase.
- Finally, I would like to provide a supplementary explanation regarding the “Notice Regarding Transfer of Fixed Assets,” which has been disclosed separately.
- At the Board of Directors meeting held today, the policy on the transfer of the land and building of the former Tokyo Service Center site located in Mita, Minato-ku, Tokyo, was determined.
- Although we are currently considering such assets should be sold by auction, the specific recipients, the amount and timing of the transfer remain undecided.
- As a result, net income for the year ending March 31, 2018 is expected to increase by roughly ¥30.0 billion. However, as details have been undetermined, the impact of this increase has not been included in the consolidated financial results forecasts for the year ending March 31, 2018, which I have just explained.
- Special dividend is not planned to be paid when extraordinary gains are recorded as a result of this transfer.
- Going forward, we will make a prompt announcement, as soon as the complete details, including the implication of this transfer on financial results, etc., are determined.
- This concludes my explanation.

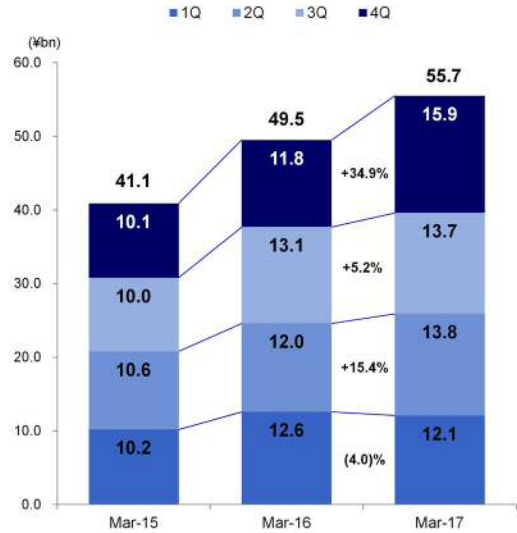
APPENDIX

Quarterly Trends in Annualized Premiums from New Policies

Annualized Premiums from New Policies (Individual Insurance)



Annualized Premiums from New Policies (Medical Care)



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

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

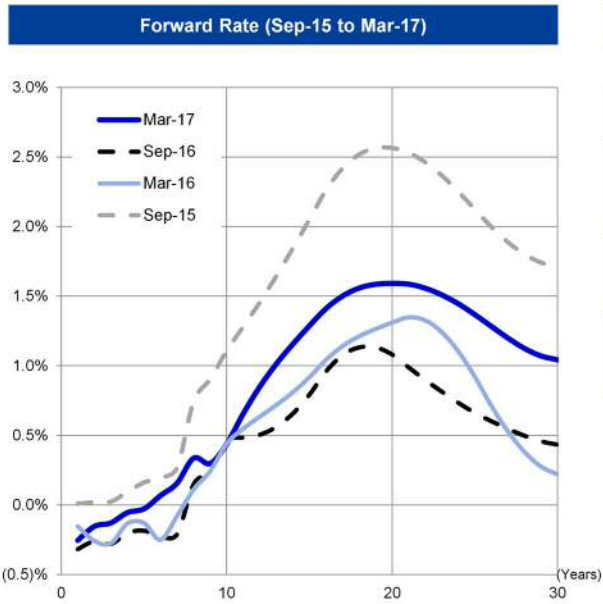
		FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2017/3
Total assets	¥mn	90,462,364	87,088,626	84,911,946	81,543,623	80,336,414
Postal Life Insurance category		73,793,953	67,560,915	61,703,013	55,832,787	51,447,550
New category		16,668,410	19,527,711	23,208,932	25,710,836	28,888,864
Number of policies in force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

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

Major Financial Results (Consolidated)

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

Fluctuations of Interest Rates (EV Assumptions)¹



Forward Rate				
(%)	Mar-17	Sep-16	Mar-16	Sep-15
10 years	0.439	0.458	0.441	1.109
20 years	1.592	1.081	1.311	2.565
30 years	1.043	0.433	0.219	1.709

1. The interest rate (EV assumptions) used to prepare the forward rate is based on the market yields on government bonds announced by the Ministry of Finance Japan.

<Disclaimer>

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

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