

*Kampo*

**FY2018/3**  
**Financial Results & Corporate Strategy Meeting**

May 23, 2018

# Agenda

---

**1**

**Financial Results for the Fiscal Year Ended March 31, 2018 P.2**

---

**2**

**Medium-Term Management Plan 2020 P.11**

---

**3**

**APPENDIX P.21**

1

# Financial Results for the Fiscal Year Ended March 31, 2018

# Financial Highlights for the Fiscal Year Ended March 2018

- Net income was ¥104.4 billion (+17.9% year on year), which was a historical high, 121.5% of the full year forecast.
- We have revised insurance premiums in a timely manner in response to the changes in business environment. As a result, value of new business and new business margin(5.5%) have improved to historical high levels.
- The year-end dividend will be paid at historical highest of ¥68 per share, adding a special dividend of ¥4 taking into account the financial results, on top of the ordinary dividend of ¥64.

		FY 3/2017 A	FY 3/2018 B	Change B/A	Achievement B/C	(¥bn) FY3/2018 Forecast C
Earnings (Financial Accounting)	Ordinary Profit	279.7	309.2	+10.5 %	123.7 %	250.0
	Net Income	88.5	104.4	+17.9 %	121.5 %	86.0
Embedded Value (Economic Value)	EV	3,355.6	3,743.3	+11.6 %	—	
	Value of New Business	36.8	226.7	+515.0%	—	
Dividend	Dividends Per Share (Payout Ratio)	¥60.00 (40.6 %)	¥68.00 (39.0 %)	+¥8.00	—	¥64.00

## Reasons for Changes(Year on year)

- **Ordinary Profit +29.4 bn**  
Higher capital gains due to market stability  
[+¥32.0 bn]
- **Net Income +15.8 bn**  
Decrease in provision for reserve for policyholder dividends due to increase in policy riders without dividend  
[+¥34.8 bn (before tax)]
- **EV +387.6 bn**  
Acquisition of new business and changes in economic environment such as the rise in stock price  
[Approx. +¥320.0 bn]
- **Value of New Business +189.8 bn**  
Attributable to revision of insurance premiums, associated changes in the policies mix, and increased interest rates  
[Approx. +¥165.0 bn]
- **Dividends Per Share +¥8.00**  
Adding a special dividend of ¥4 taking into account the financial results, on top of the ordinary dividend of ¥64

# Overview of Financial Statements (Consolidated)

## Statement of Income

(¥bn)

	Year ended Mar-17	Year ended Mar-18	Change
Ordinary income	8,659.4	7,952.9	(706.4)
Insurance premiums and others	5,041.8	4,236.4	(805.4)
Investment income	1,367.9	1,284.5	(83.4)
Reversal of policy reserves	2,187.2	2,397.9	210.6
Ordinary expenses	8,379.6	7,643.7	(735.9)
Insurance claims and others	7,550.3	6,890.0	(660.3)
Investment expenses	160.4	106.0	(54.3)
Operating expenses	560.4	533.4	(26.9)
Ordinary profit	279.7	309.2	29.4
Extraordinary profit and loss	(6.8)	(44.3)	(37.4)
Provision for reserve for policyholder dividends	152.6	117.7	(34.8)
Income before income taxes	120.1	147.1	26.9
Total income taxes	31.5	42.6	11.0
Net income attributable to Japan Post Insurance	88.5	104.4	15.8

## Balance Sheets

(¥bn)

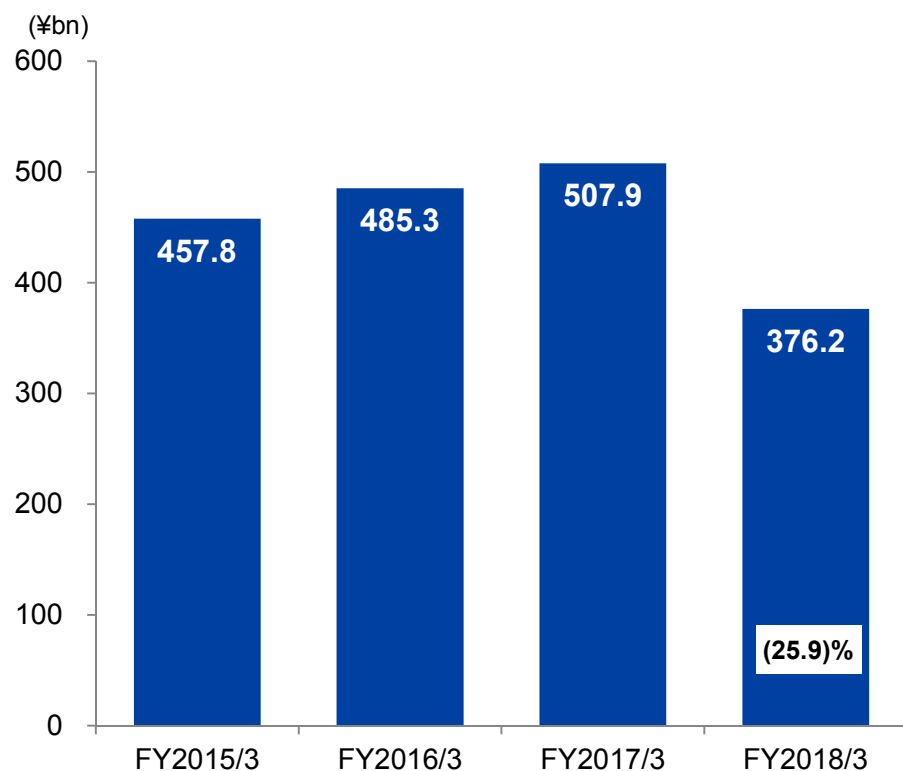
	Mar-17	Mar-18	Change
Assets	80,336.7	76,831.2	(3,505.4)
Cash and deposits	1,366.0	898.5	(467.5)
Money held in trust	2,127.0	2,814.8	687.8
Securities	63,485.2	60,130.9	(3,354.3)
Loans	8,060.9	7,627.1	(433.7)
Fixed assets	322.7	264.1	(58.6)
Deferred tax assets	851.9	954.0	102.1
Liabilities	78,483.5	74,828.1	(3,655.4)
Policy reserves	70,175.2	67,777.2	(2,397.9)
Reserve for price fluctuations	788.7	916.7	128.0
Net assets	1,853.2	2,003.1	149.9
Total shareholders' equity	1,526.8	1,595.4	68.5
Total accumulated other comprehensive income	326.3	407.7	81.3

Note: Only major line items are shown.

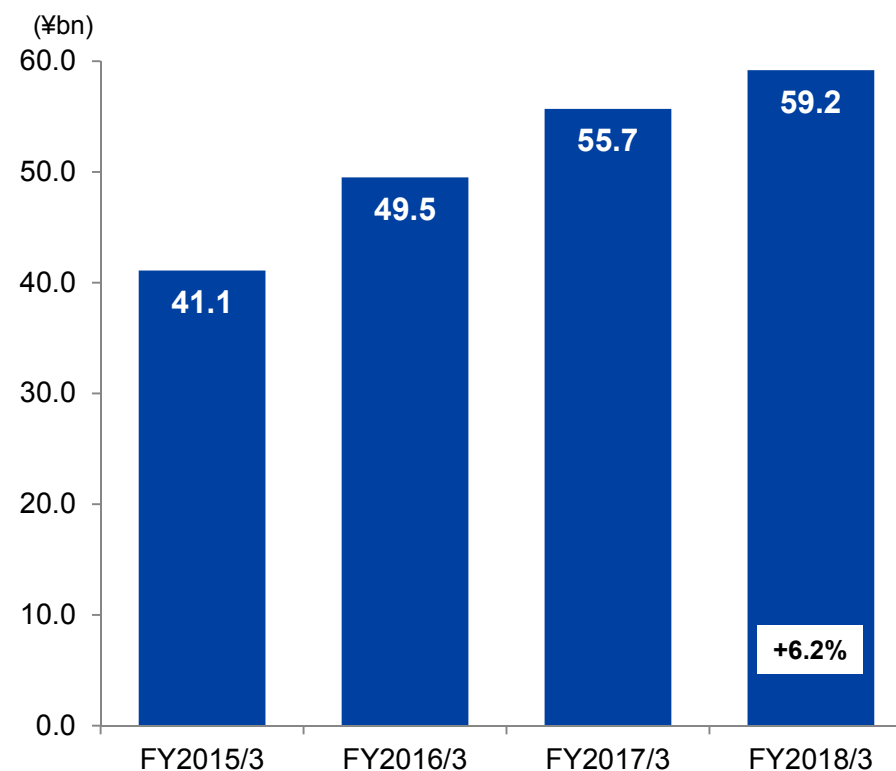
# Annualized Premiums from New Policies

- Annualized premiums from new policies for individual insurance were ¥376.2 billion, a 25.9% decrease year on year.
- Annualized premiums from new policies for medical care increased by 6.2% year on year to ¥59.2 billion, which was a historical high, indicating the effect of the rider revision in October 2017.

## Annualized Premiums from New Policies (Individual Insurance)



## Annualized Premiums from New Policies (Medical Care)



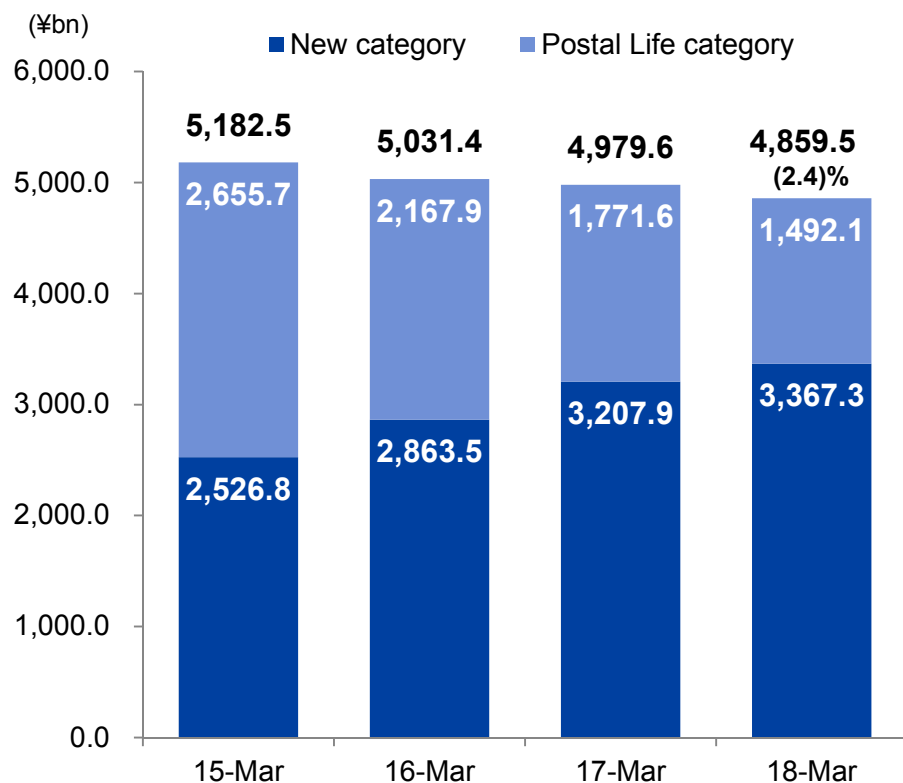
Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period. Medical care corresponds to medical and living benefits, etc. Annualized premiums (individual insurance) include the premiums for medical care related to individual insurance.

Note 2: In addition to the above, the FY2018/3 period saw a net increase of ¥13.4 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.

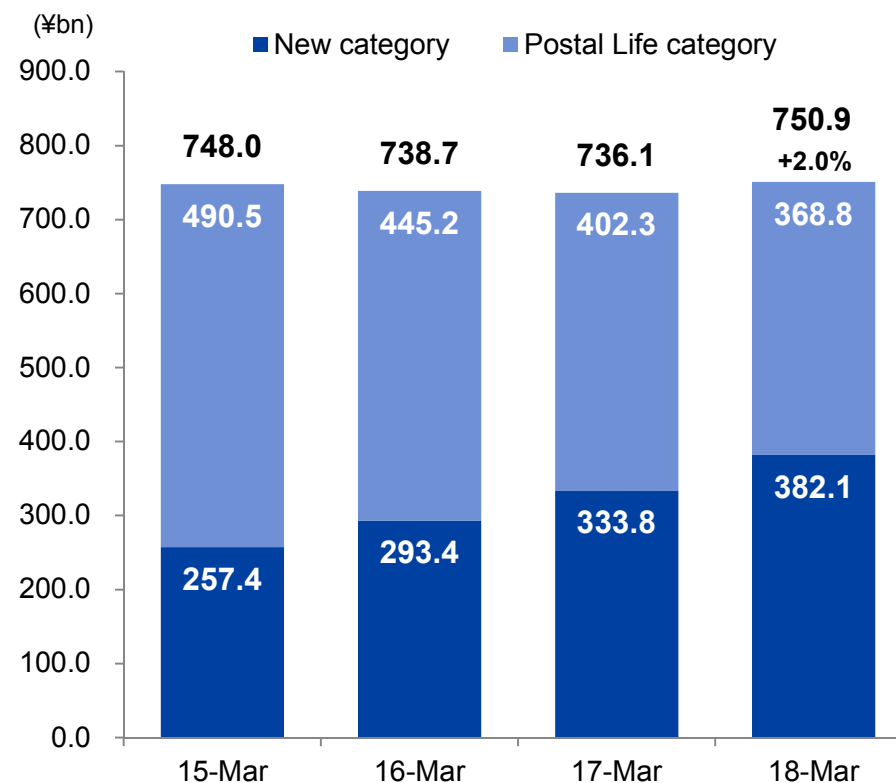
# Annualized Premiums from Policies in Force

- Although annualized premiums from policies in force for individual insurance represent a slight decrease from the end of the previous fiscal year, annualized premiums from policies in force for medical care reversed and increased by 2.0% from the end of the previous fiscal year.
- In terms of annualized premiums from policies in force for medical care, the “New category” exceeded the “Postal Life Insurance category”.

## Annualized Premiums from Policies in Force (Individual Insurance)



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



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

# Investments Asset Portfolio

- Under historically low interest rate environment, the amount and proportion of return seeking assets such as stocks and foreign bonds reached ¥9,450.4 billion, accounting for 12.3% of total assets. A positive spread of ¥65.8 billion was achieved.

## Asset Portfolio

(¥bn, %)

	Mar-17		Mar-18	
	Amount	Share	Amount	Share
Bonds	57,581.2	71.7	53,395.2	69.5
Japanese government bonds	42,732.3	53.2	39,589.8	51.5
Japanese local government bonds	9,226.8	11.5	8,513.5	11.1
Japanese corporate bonds <sup>3</sup>	5,622.0	7.0	5,291.7	6.9
Return seeking assets <sup>1</sup>	7,963.7	9.9	9,450.4	12.3
Domestic stocks <sup>2</sup>	1,626.0	2.0	2,040.6	2.7
Foreign stocks <sup>2</sup>	309.0	0.4	342.5	0.4
Foreign bonds etc. <sup>2,3</sup>	6,028.6	7.5	7,010.7	9.1
Loans	8,060.9	10.0	7,627.1	9.9
Others	6,730.9	8.4	6,358.3	8.3
Cash and deposits, call loans	1,516.0	1.9	1,163.5	1.5
Receivables under securities borrowing transactions	3,520.7	4.4	3,296.2	4.3
Total assets	80,336.7	100.0	76,831.2	100.0

- To further clarify the characteristics of the asset class, items formerly referred to as "risk assets" in the previous Medium-term Management Plan are now renamed as "return seeking assets" in the Medium-term Management Plan commencing from the year ending March 31, 2019.
- Include assets invested in money held in trust.
- 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)

	Year ended Mar-17	Year ended Mar-18
Positive spread	78.5	65.8
Average assumed rates of return <sup>1</sup>	1.73 %	1.71 %
Investment return on core profit <sup>2</sup>	1.84 %	1.81 %

Net capital gains (losses)	(51.1)	(19.1)
----------------------------	--------	--------

	Mar-17	Mar-18
Interest rate (10Y JGB)	0.065 %	0.045 %
USD/JPY	¥ 112.19	¥ 106.24

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



# Financial Soundness

- Our internal reserves—contingency reserve and price fluctuations reserve—amounted to ¥3,031.0 billion
- Solvency margin ratio, ESR, Credit ratings are sufficient level of soundness compared to competitors

## Internal Reserves

	Mar-17	Mar-18	(¥bn)
			Provisions in the period <sup>3</sup>
Contingency reserve	2,254.0	2,114.3	(139.6)
Postal Life Insurance category	1,838.8	1,665.0	(173.7)
New category	415.2	449.2	34.0
Price fluctuations reserve	788.7	916.7	128.0
Postal Life Insurance category	648.4	665.5	17.0
New category	140.2	251.2	110.9
Additional policy reserve	5,961.0	5,930.4	(30.6)
Postal Life Insurance Category <sup>1</sup>	5,961.0	5,913.3	(47.6)
New category <sup>2</sup>	-	17.0	17.0

Notes: “Postal Life Insurance category” shows the amounts generated from the postal life insurance policies, and “New category” shows the figures after deduction of “Postal Life Insurance category” from the total.

1. Including the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for annuity in the postal life insurance policies (for the year ended March 31, 2018, the amount of additional provision was ¥180.9 bn and the accumulated amount was ¥1,391.3 bn).

2. The amount determined to be additionally provided in a lump sum for single-payment annuity policies among the individual annuities underwritten by Japan Post Insurance.

3. Provisions in the period includes the excess provision of ¥133.1 bn exceeding the provision requirements for contingency reserve and price fluctuations reserve.

## Solvency Margin Ratio (Consolidated)

	Mar-17	Mar-18	(¥bn)
Solvency Margin Ratio (Consolidated)	1,290.6%	1,131.8%	
(Reference) ESR	176 %	186 %	

## Credit rating status

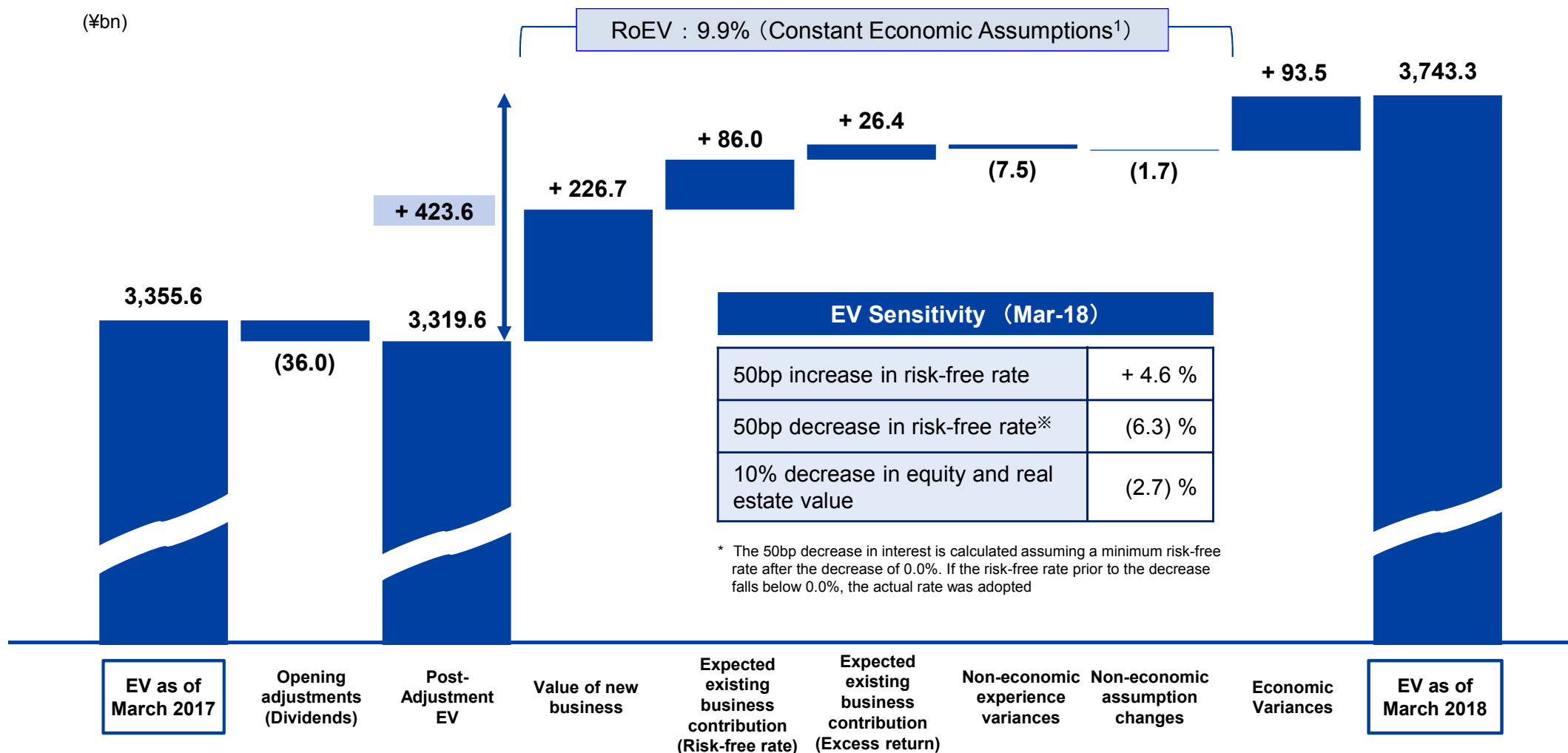
	R&I	JCR	S&P
Rating	AA- (Stable)	AA (Stable)	A+ (Stable)
(Reference) Japanese government	AA+ (Negative)	AAA (Negative)	A+ (Positive)

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

# Change in Embedded Value

- RoEV (constant economic assumptions) is now at 9.9% and our embedded value has been increasing steadily, which is a level higher than 6 to 8% as aimed for the medium- to long-term target.
- New business margin was 5.5% due to two revisions of insurance premiums, achieving the sufficient level.

(¥bn)



1. Constant economic assumption rate excludes economic variance factor.

# Financial Results Forecasts for the Year Ending March 31, 2019 (Consolidated)

- We forecast net income for the year ending March 31, 2019 to be around ¥88.0 billion and dividends per share to be ¥68.00.

## Financial Results Forecasts(Consolidated)

(¥bn)

	Year ended Mar-18 (Actual)	Year ended Mar-19 (Forecast)
Ordinary income	7,952.9	7,580.0
Ordinary profit	309.2	220.0
Net income <sup>1</sup>	104.4	88.0

1. Net income attributable to Japan Post Insurance

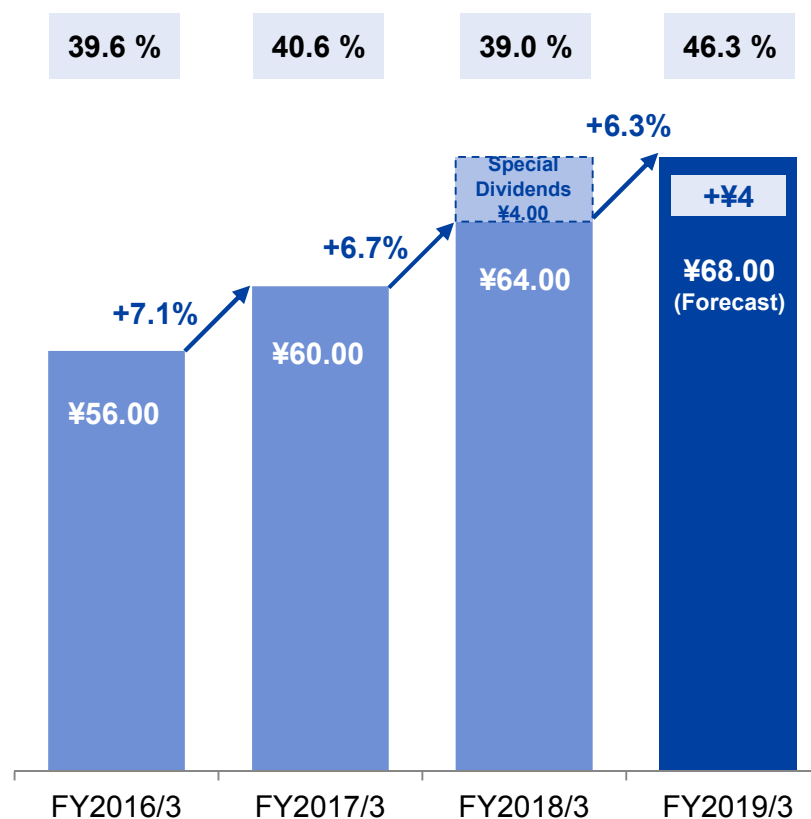
## Shareholder Return Policy

### Dividend policy

- Aim for a steady increase in dividends per share with a goal of achieving to deliver dividends of ¥76 per share for the year ending March 31, 2021, while considering earning prospects and financial soundness.

## Dividends Per Share

### (Payout Ratio)



**2**

# **Medium-Term Management Plan 2020**

# Concepts of Medium-term Management Plan (FY2018-FY2020)



▲January 2016  
Negative interest rate policy

- Establishment of foundation for business operations
- Expansion based on new policies

< Key strategies >

- Establishment of sales promotion structure and development of sales personnel together with Japan Post Co.
- Enhancement of savings-type products and services for older customers
- Establishment of administrative system
- Diversification of asset management

- **Strengthening response to historically low interest rate environment both in terms of sales and asset management**
- **Reversing the declining trend and achieving growth based on policies in force**

< Key strategies >

- Strengthening sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation
- Improvement of customer service and enhancement of efficiency in back-office administration through use of ICT
- Diversification of asset management and sophistication of risk management

- Increasing the sophistication of the “small amount, simple” business model focused on post offices and capturing new growth opportunities
- Sustainable growth in scale and profit

< Key strategies >

- Enhancement of products and services to improve customers’ QOL and extend their healthy life expectancy
- Overseas expansion to capture growth in overseas markets



# Principal numerical target for Medium-term Management Plan

## Principal numerical target for Medium-term Management Plan (2020)

## Key points

### Top Line

Annualized premiums from  
policies in force(Individual Insurance):  
Approximately ¥4.9 trillion

- Aim for growth in new policies while improving quality of sales activities and stronger policy retention

reversing the declining trend  
and achieving growth based on policies  
in force

### Bottom Line

Net income per share:  
¥155  
(Reference)  
Consolidated net income:  
¥93.0 billion

- Change bottom line targets to net income per share to indicate our shareholder-focused approach, and aim to ensure stability of the bottom line through various efforts.

### Shareholder Return

Aim to increase the dividend per  
share to ¥76 while ensuring the  
soundness of operations

- Change shareholder return target to dividend per share, and implement a stable shareholder dividend regardless of level of bottom line.

# Principal Strategies of Medium-term Management Plan

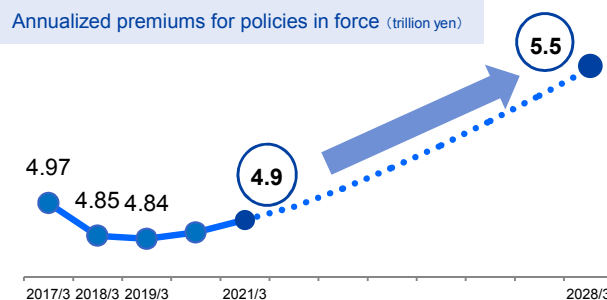
- Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.
- Based on assurance and trust, aim for sustainable profit growth by reserving and growing of policies in force by providing life insurance products corresponding to customers' protection needs.

## External environment

- Advent of a super-aging society
- Evolution of medical technology and ICT
- Continuation of historically low interest rate environment
- Diversification of lifestyles

## Principal strategies of Medium-term Management Plan

Strengthen sale activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation



Annualized premiums for policies in force  
About ¥4.9 trillion  
(FY2021/3 numerical targets)

Improvement of customer service and enhancement of efficiency in back-office administration through use of ICT

Reduction of administrative workload equivalent to 1,000 people

Diversification of asset management and sophistication of risk management

Return seeking assets  
12.3%→about15%  
(FY2018/3→FY2021/3)

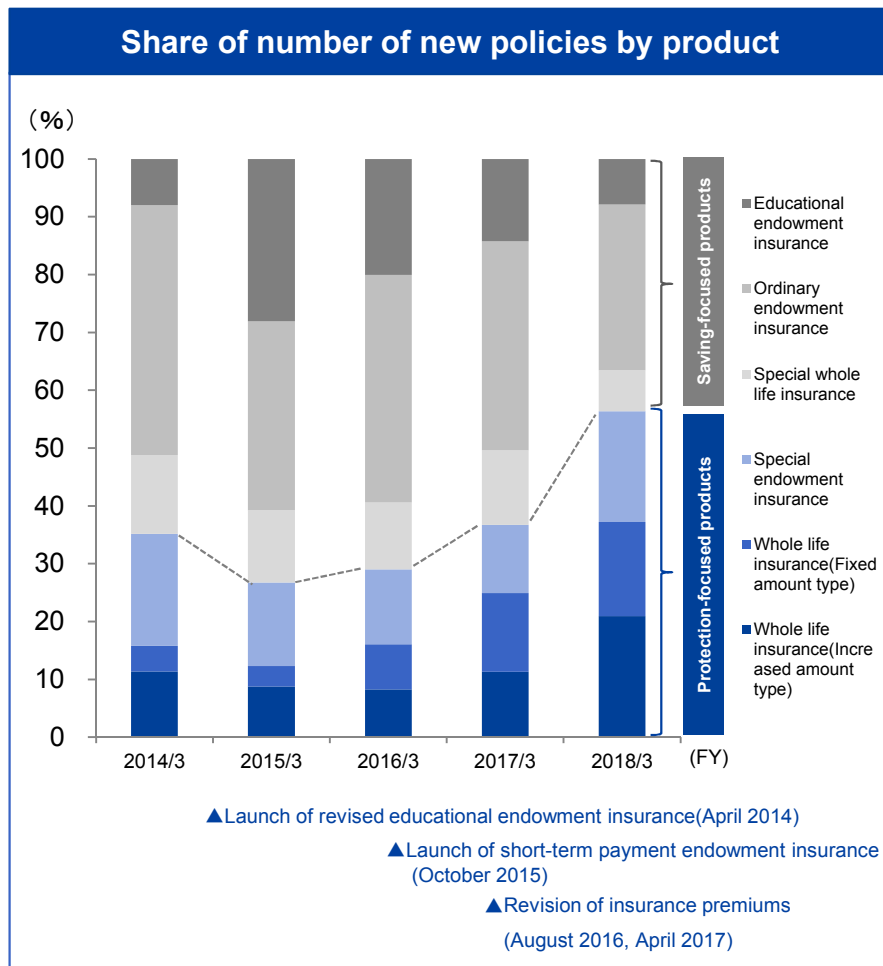
## Future prospect

- Sustainable profit growth and ensuring solid business base  
  
Annualized premiums for policies in force  
About ¥5.5 trillion (FY2028/3)
- Further enhancement in convenience and productivity through the use of ICT
- Launches of new services and products, which contribute to raise customers' QOL\* through the use of AI and big data
- Further improvement in returns on risk under the ERM framework

\* Quality of life: Concept for evaluating whether someone lives a humane and satisfying life

# Sales and Product Strategies

- As a result of sales promotion activities to capture protection needs in response to losing attractiveness of saving-type products under current historically low interest environment, the ratio of protection-type products outweighed 50% in FY2018/3.
- Strengthening of sales activities focusing on protection needs and policy maintenance for the reversal of in-force policies



## Main Initiatives of Medium-term Management Plan

- Strengthening of sales activities focusing on protection needs**
  - Training for post office offsite sales personnel and counter sales personnel
  - Cooperation with other life insurance companies in products supply including commissioned sales, etc.
- Improvement in solicitation quality**
  - Ensuring that solicitation materials are easy to understand
  - Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.)
- Cultivation of new customer base**
  - Cultivate potential customers who are uninsured and young / Strengthen sales activities at worksite, etc
  - Continue "Feel Secure with Kampo" activities / Launch of health promotion services
- Development of new products**
  - Development and diversification of protection-type products including third sector products  
(Annualized premiums from new policies (medical care): Up over 20% from 2018/3 (59.2 billion yen))
- Establishment of sales foundation**
  - Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing SNS, etc
  - Increase in offsite sales personnel at post office  
(Number of offsite sales personnel: around 18 thousands (FY2021/3))



# Administrative Services Strategies

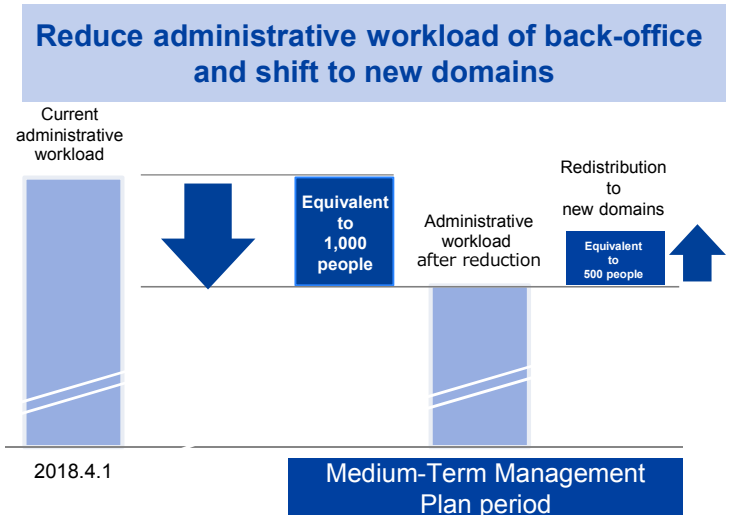
- Improve our customer services and enhance the efficiency in back-office administration through use of ICT

**Improvement of customer service**

- Introduction of screen notification/automated assessment system and insurance procedure support system
- Introduction of billing procedures such as 'My Page'

**Enhancement of efficiency in back-office administration**

- Digitalization of paper forms at Service Centers / Saving labor in policy maintenance administration process
- Stepwise introduction of RPA (Robotic Process Automation)  
(Reduction of workload equivalent to 1,000 people\*(2021/3))  
\*Convert the number into personnel expenses: about 3.0 billion yen



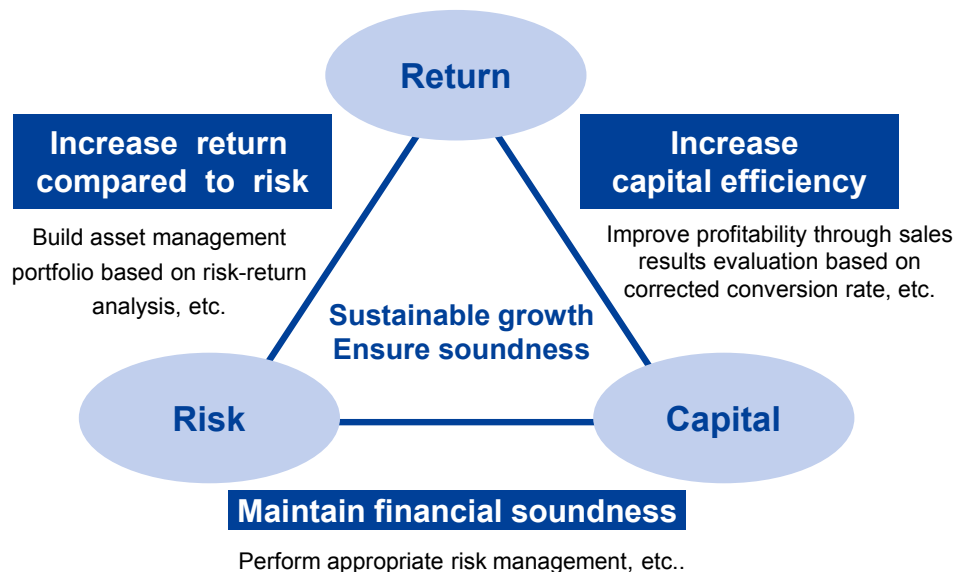
<Reference>Investment plan(primary investments out of the total investment amount of ¥150billion)

Details of investment	Investment amount (FY2019/3 to FY2021/3 total)	Investment effect
Construction of next generation open system	¥49 billion	Improvement of system infrastructure for utilization of ICT
Development of core systems	¥41 billion	Improvements in customer convenience through providing new product and services, operation efficiency
Introduction of new mobile devices for sales	¥12 billion	Improvements in customer convenience, operation efficiency

# Asset Management Strategies

- Aim to increase return on risk and increase capital efficiency while ensuring financial soundness under an ERM framework
- With regard to asset management, aim to maintain financial soundness and increase profitability by steadily promoting diversification of asset management within the scope of the risk buffer while focusing on ALM

## ERM framework



## Basic approach towards asset management

### ALM matching investments

Allocate a fixed amount to yen bonds (ultra-long-term bonds) for cash flow matching

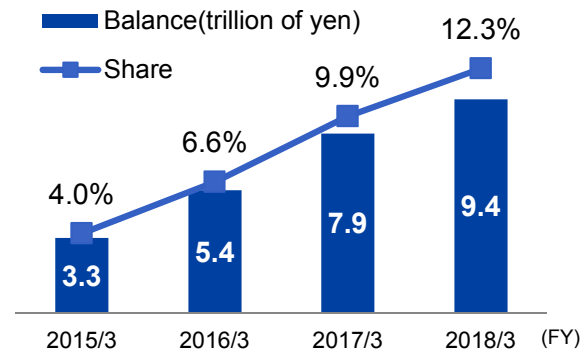


### Return seeking investment

Allocate a fixed amount to Return seeking assets including foreign bonds, etc. within scope of risk buffer based on risk appetite

## Diversification of asset management

### Return seeking assets



**Expected share based on medium-term portfolio**

Approx. 15%

- Overseas Credit
  - Expansion of in-house management of stocks
- Bank loans, high yield bonds, etc
  - Expand investment portfolio
- Multi-asset
  - Continue to diversify investment strategy
- Project finance
  - Continue investment in infrastructure field
- Domestic stocks
  - Expand investments managed in-house
- Alternative investments (PE, real estate, etc.)
  - Aim for about 1.5% during Medium-Term Management Plan
  - Collaborate with JP Investment

- Reinforcement of asset management framework (Strengthening of specialized human resources and advancement of ALM and risk management)
- Cooperation with other life insurance companies including joint investment, etc.

# Human Resources Strategies

- In order to provide better service for customers and enhance our corporate value, we will pursue work style reforms that allow all employees develop their capabilities to the fullest and grow together with the company, with the aim of being a company where everyone participates cheerfully and enthusiastically while feeling a sense of self-fulfillment and motivation.
- Enhance internal communications with frontline to promote the creation of an open organization that can share management issues

		Main Initiatives of Medium-term Management Plan	
Work Style Reforms	Creating a corporate culture where employees feel self-fulfillment and motivation	Human resources development	<ul style="list-style-type: none"> <li>■ Strengthen management capabilities</li> <li>■ Develop autonomous human resources equipped with ambition and independence</li> <li>■ Develop human resources using “Business Operation Standards”</li> </ul>
		Personnel management	<ul style="list-style-type: none"> <li>■ Balanced approach to appointment (early promotion of outstanding staff)</li> <li>■ Active personnel exchange between head office and frontline. Appropriate personnel assignments and support for career formation to make the most of each employee’s characteristics, skills, preferences, etc.</li> <li>■ Increased efficiency of personnel, labor, and general affairs administration through use of ICT</li> </ul>
	Creating a secure and inclusive work environment	Diversity	<ul style="list-style-type: none"> <li>■ Promoting work-life balance (shorter work hours, support for child-rearing and nursing care, teleworking, etc.)</li> <li>■ Promoting expanding roles for female employees, employment of persons with disabilities, and support for LGBT employees</li> <li>■ Measures to revise work, strengthening communication</li> </ul>
		Health management	<ul style="list-style-type: none"> <li>■ measures to address lifestyle diseases, support health plan</li> <li>■ Full implementation of minimum intervals between end and start of work</li> <li>■ Promoting radio exercise</li> </ul>

# Initiatives for ESG

- **Actively embrace the challenges of sustainably increasing corporate value and achieving social development through ESG efforts aimed at resolving the issues facing society**

## Environment

- Carry out ESG investment in line with the United Nations Principles for Responsible Investment (PRI)
  - Invest in green bonds, invest in mega-solar projects
- Start up a new fund which applies “unique ESG scoring” for stock selection
  - Invest in “ESG Fund” which introduces evaluation of enterprises’ effort for ESG into stock selection process
- Promote paperless operations
  - Consolidate/eliminate and digitize SC forms

## Social

- Diversify protection-type products to supplement “social security for all generations” with a view to the era of 100-year lifespans
- Continue with health plans and other events, focused on radio exercise, develop healthy-life promotion services, promote Kampo Platinum Life Services
- Promote diversity and work style reforms

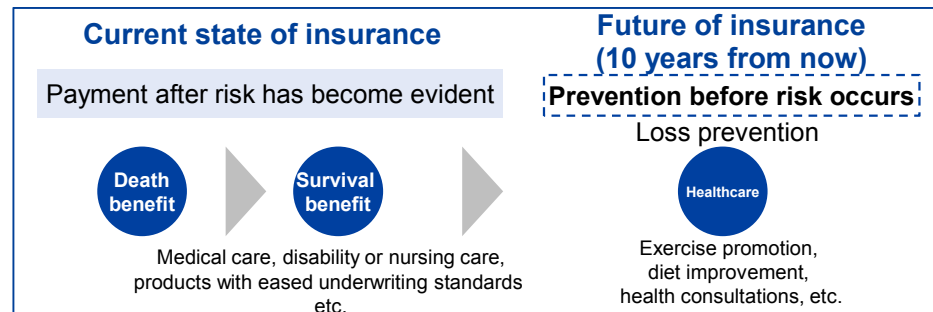
## Governance

- Promote initiatives for increasing corporate value pursuant to Corporate Governance Code
- Reinforce corporate governance by making the best use of the committee system
- Setting a Responsible Investing Advisory Committee and reinforce purposeful dialogue(engagement) in accordance with the Stewardship Code

# New Business Development Aimed at Growth into the Future

## Products and Services Improvement

### Recognition of Current Situation



### Future prospects

- Diversification of protection-type products by developing new products in medical care and other fields
- Development of new healthy-life promotion services to follow radio exercise
- Consideration of new product development using collected health data
- Strengthening collaboration with other companies

## Overseas Business Development

### Recognition of Current Situation

- Progress in a declining birthrate and an aging population
- Room to advance business development in global life insurance market in terms of scale and growth potential
- Other domestic life insurance companies started overseas development and realized a certain profit contribution

### Future prospects

- Studying/researching and accumulating of know-how/experiences on overseas M&A
- Developing talent for overseas business to start the full-scale development (including overseas training)
- Creating a structure equipped with specialized organizations (including the establishment of overseas business division)
- Strengthening both quality and quantity of human resources
  - Securing/accumulating specialists necessary to execute M&A and PMI

**Increasing the sophistication of the “small amount, simple” business model focused on post offices and capturing new growth opportunities**

---

**3**

**APPENDIX**

# Achievement Status of Medium-term Management Plan (FY2015 to FY2017)

- Achieved target levels for contracted monthly premiums for new policies/net income/a payout ratio which were set forth in Medium-term Management Plan
- Evaluated these three years that a management foundation as a listed company has been developed and satisfied results have been obtained for sustainable improvement of corporate value

## Target Figures (FY2015-FY2017)

### 【Contracted monthly premiums from new policies】

Achieve 50 billion yen in FY2017/3 and  
Make them grow further

### 【Net income】

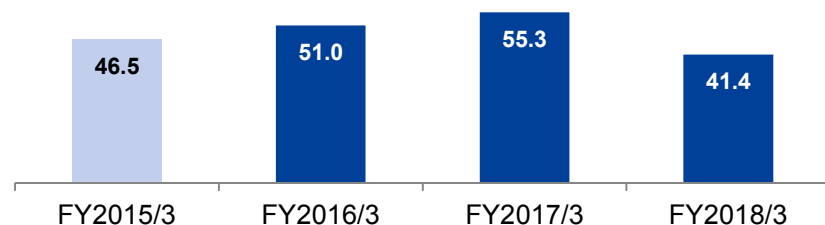
Assuming no drastic change in the market environment, secure around 80 billion yen in net income.

### 【Payout ratio】

Aim for a steady increase in dividends per share, while maintaining a dividend payout ratio within the range of roughly 30% to 50% of our consolidated net income.

## Contracted Monthly Premiums from New Policies

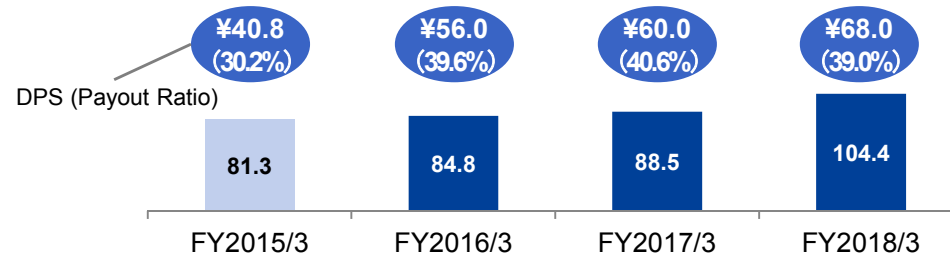
Achieved ¥50.0 billion in new policies in FY2016/3 and FY2017/3 ahead of schedule



(¥bn)

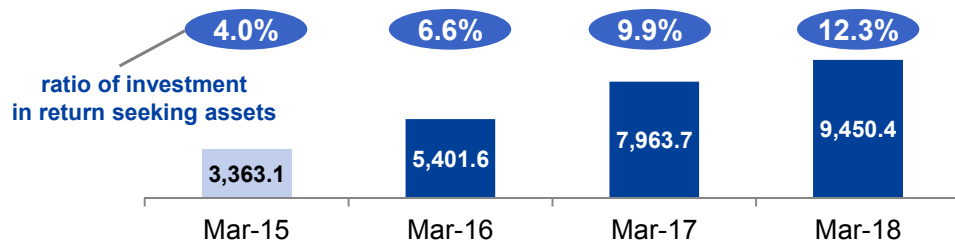
## Net Income, DPS (Payout Ratio)

Secured net income of ¥80.0 billion throughout the period of the Medium-term Management Plan / Steady growth in dividend per share



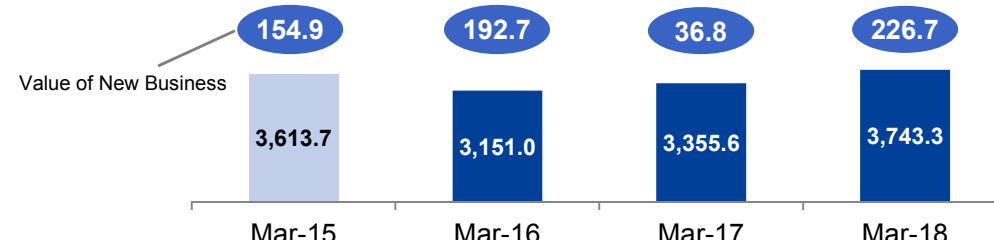
## Expanded Investment in Return seeking Assets

Increased amount and ratio of investment in return seeking assets



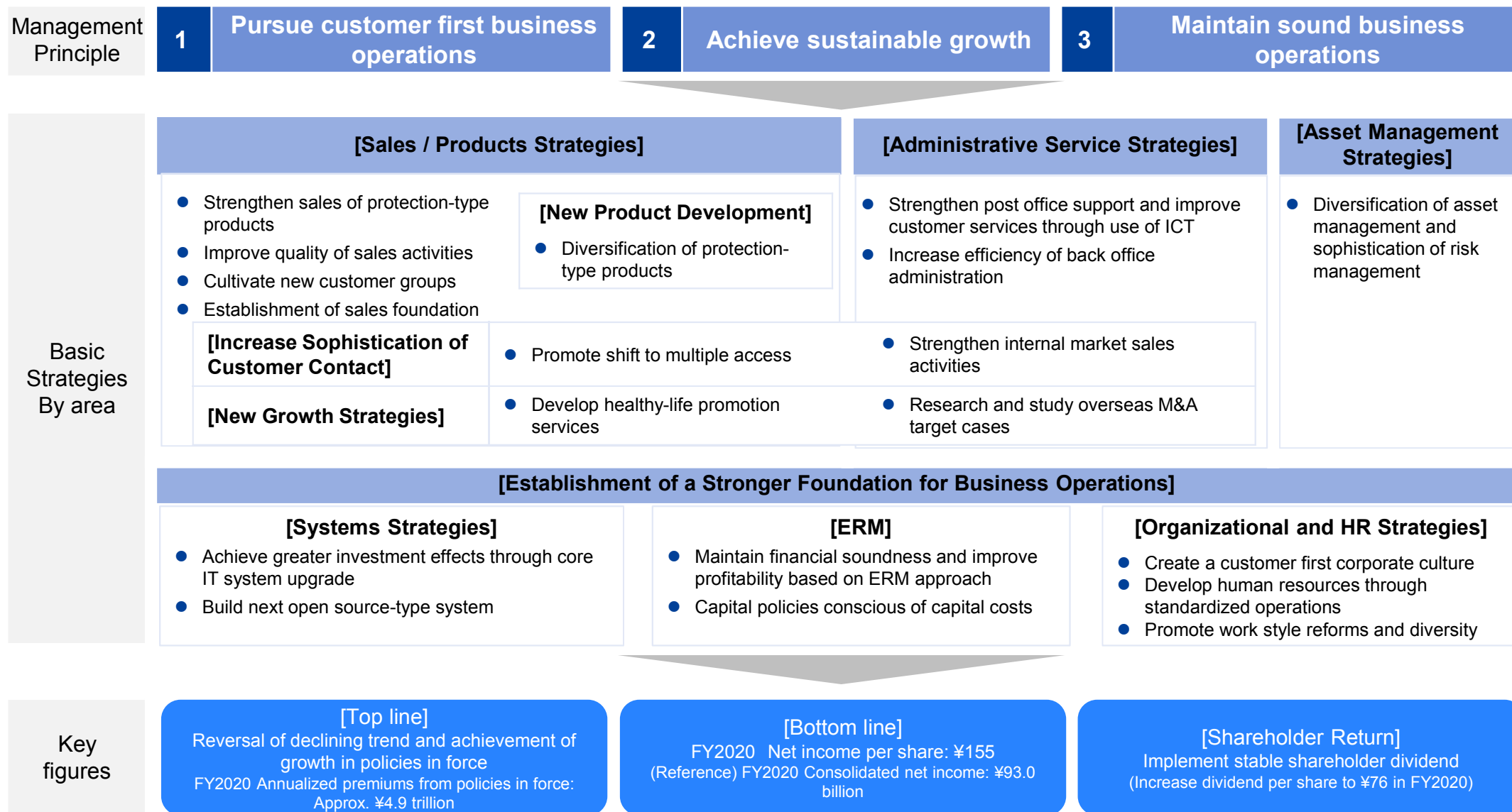
## EV, Value of New Business

Secured EV through revision of insurance premiums and sales of protection-type products



RoEV 6.3%(Constant Economic Assumptions)

# Overview of Medium-term Management Plan





# Reversal and growth of in-force policies

- Reverse annualized premiums for policies in force during the Medium-Term Management Plan

## Securing new policies

- Securing of new policies through sales activities focusing on protection needs, cultivation of new customer base, etc.

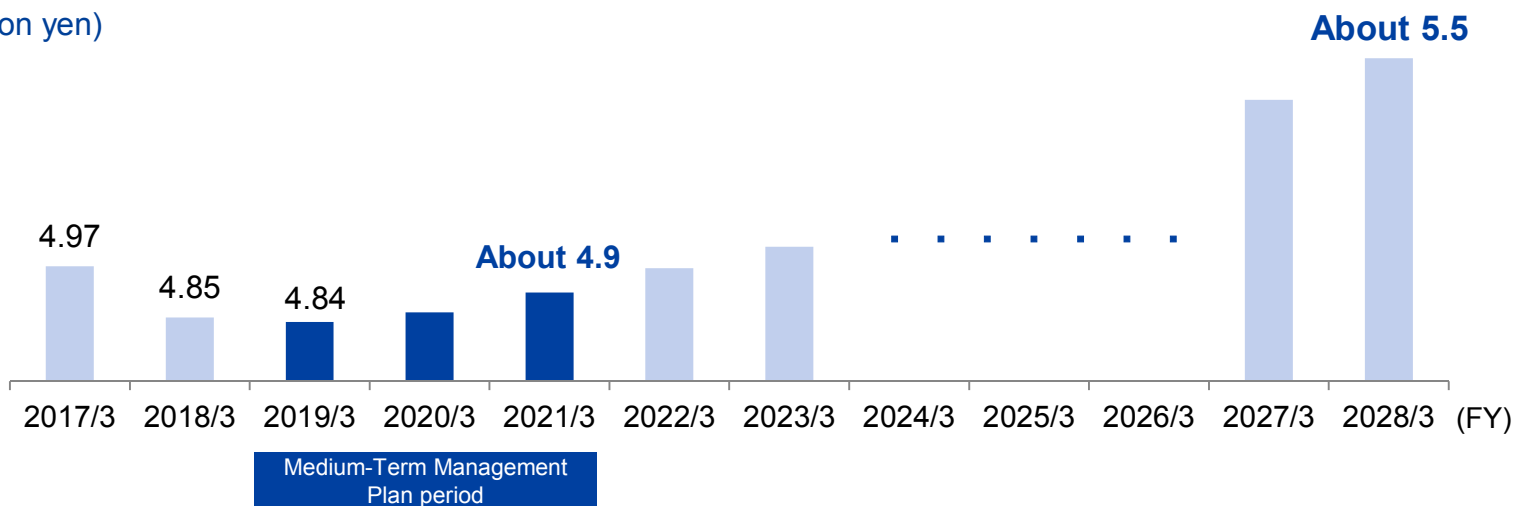


## Strengthening policy maintenance

- Strengthening of policy maintenance through improvement in solicitation quality, etc.

## Reversal and growth of annualized premiums for policies in force

(Trillion yen)



# History and Outline of Kampo

■ Since Postal Life insurance service was established, we have transformed our entity in the following order: Ministry of Communications, the Ministry of Posts and Telecommunications, Postal Services Agency, Japan Post Corporation, and now the stock company through the framework of privatization.

## History

April 1871	Modern postal service established
May 1875	Postal savings service established
December 1885	Ministry of Communications established
October 1916	<u>Postal life insurance service established</u>
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Services Agency established as part of realignment of government ministries
April 2003	Japan Post Corporation( <i>nippon yusei kosha</i> ) established
October 2005	Postal Service Privatization Act was enacted
October 2007	Japan Post Group established with Japan Post Holdings Co., Ltd., Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.
April 2012	Act for Partial Revision of the Postal Service Privatization Act and others was enacted
October 2012	Japan Post Service and Japan Post Network merged, and Japan Post Co., Ltd. established
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange

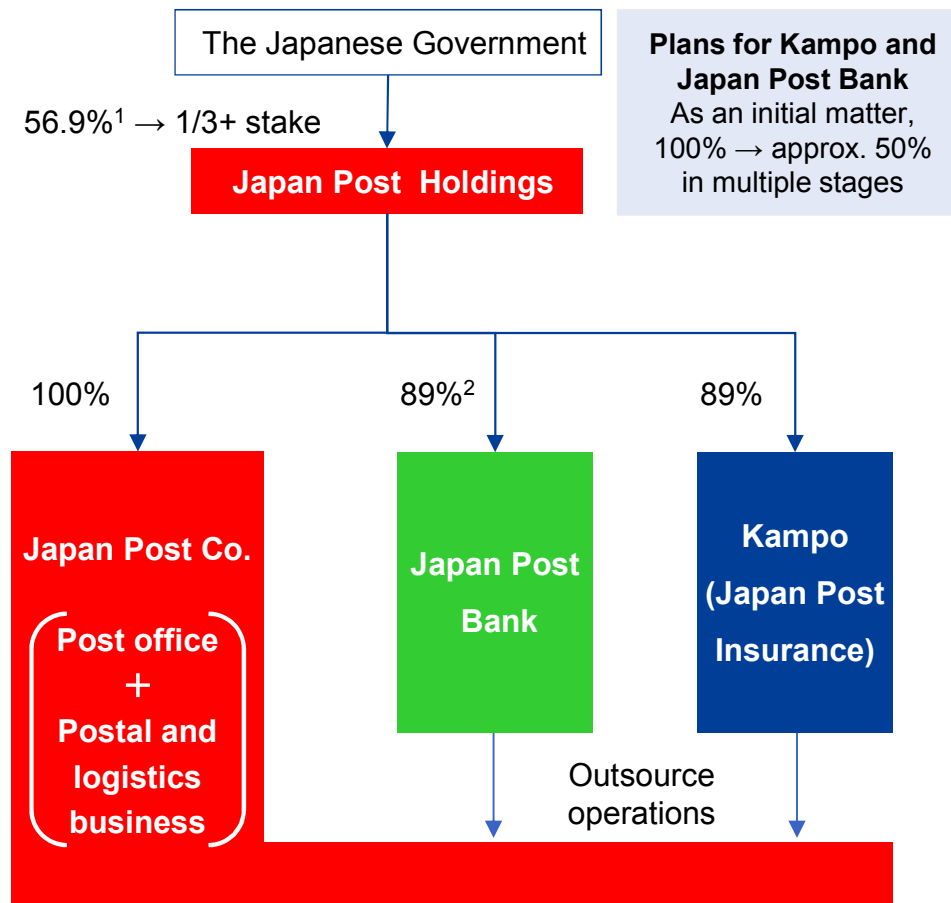
## Outline (FY2018/3)

• Insurance premiums and others (bn ¥)	4,236.4(Consolidated)
• Total Assets (bn ¥)	76,831.2(Consolidated)
• Number of policies in force(mn)	3,040 ※including Postal Life Insurance policies
• Paid-in Capital(bn ¥)	500.0
• Major Shareholder	Japan Post Holdings Co., Ltd (89.0%)
• Number of employees(persons)	7,490 ※As of March 31,2018
• Agency sales channel(offices)	20,627 ※As of March 31,2018 (Post Offices :20,047, Contracted Post Offices :580)
• Directly-managed wholesales channel(offices)	Head Office: Whole sales Department(1) Branch: Whole sales Divisions(76)

# Position within Japan Post Group

- 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 prior notification will be required

## Structure of Japan Post Group and Privatization Plans



1. Shareholding ratio to the total number of issued shares
2. Shareholding ratio to the total number of issued and outstanding shares excluding treasury shares

## Postal Service Privatization Act

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

# 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 prior 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>■ Prior notification to competent ministers (obligation to consider competitors, notification to Postal Service Privatization Committee is required)</li> </ul> <p>【After designated date】</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】</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 gray; padding: 5px; margin-top: 10px;"> <p>April 1, 2016~ Increased to a total of ¥20 mn after 4 years have elapsed since start of coverage (age 20 – 55)</p> </div>

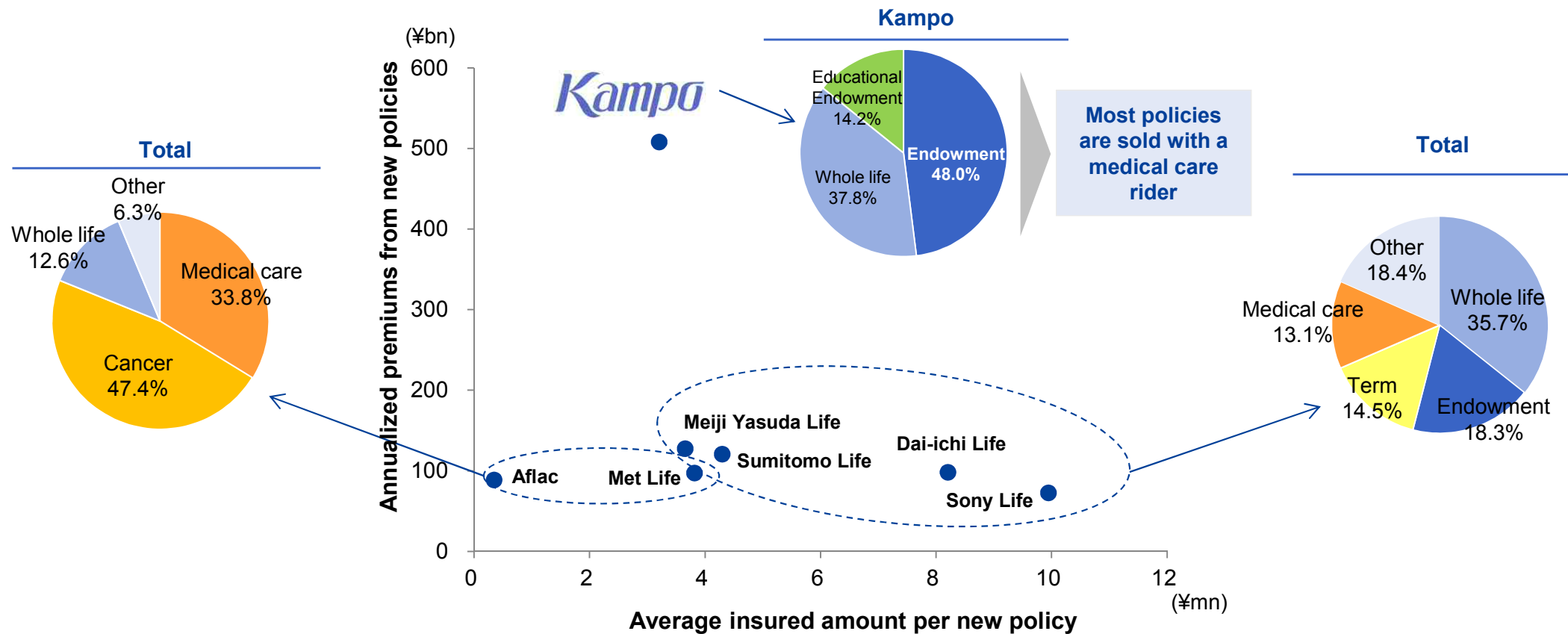
1. Specified ministers: Prime Minister (Commissioner of the Financial Services Agency) and Minister of Internal Affairs and Communications

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

# 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(New Policies, FY2017/3)



Source: Summary of Life Insurance Business in Japan(2016), Statistics of Life Insurance Business in Japan (2017)  
 Note: Product Mix(Pie Chart) is based on number of new policies.

# Endowment and Whole Life with Medical Care Riders

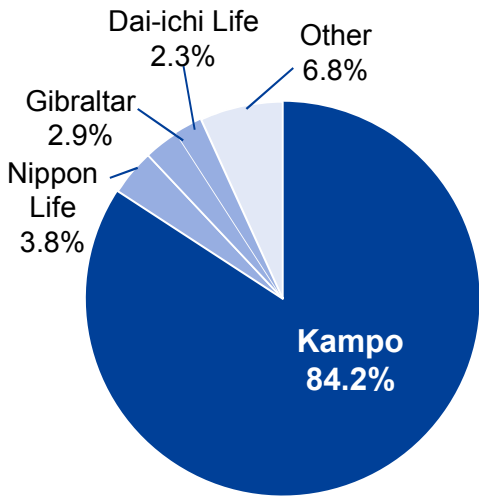
- Kampo's core products hold top shares in respective product segments
- Our basic strategy is to sell universal service products with medical care riders

## Market Share (Number of New Policies, FY2017/3)

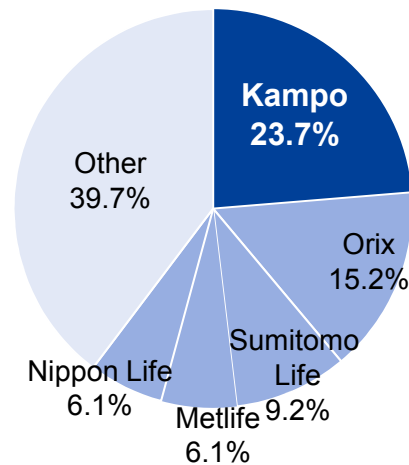
Endowment and Whole Life Insurance are Designated as Universal Service Products

### Endowment

### Whole Life



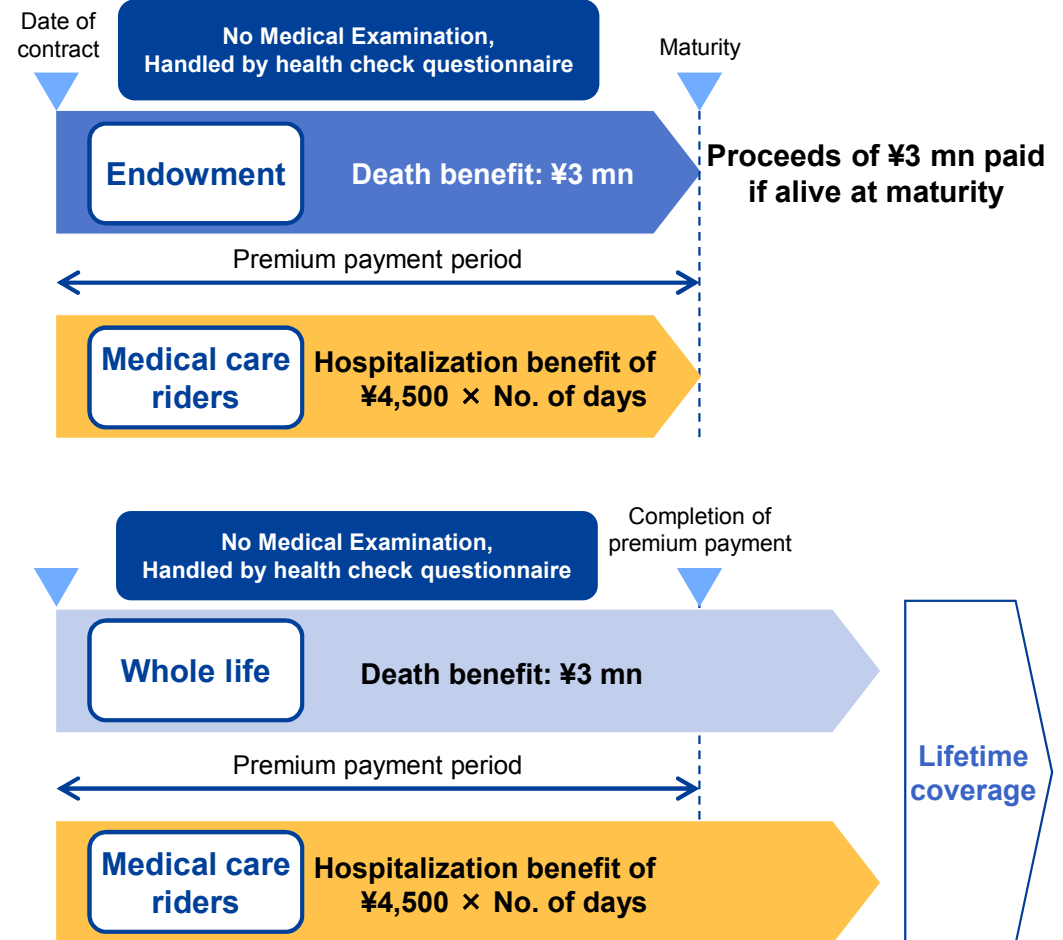
Total: 1.39mn policies



Total: 3.89mn policies

Source: Statistics of Life Insurance Business in Japan (2017)

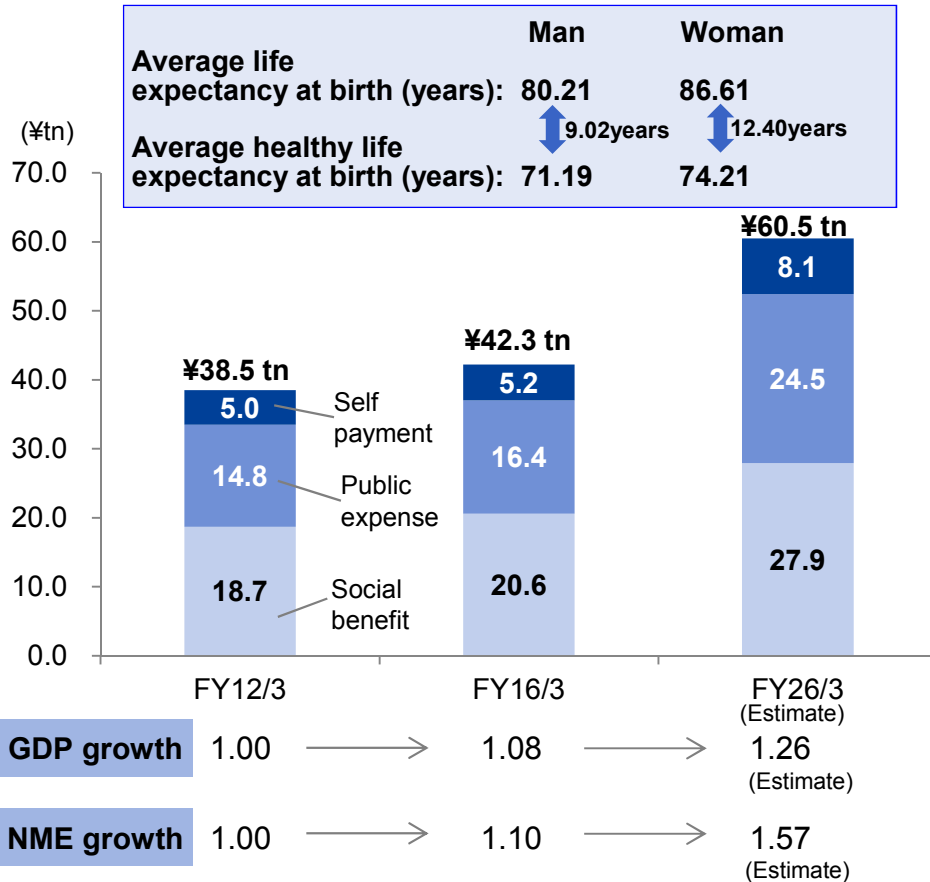
## Typical Examples of Kampo's Products



# Growth of the Medical Care Insurance Market

- As national medical expenditures continue to increase due to the aging population, private-sector health insurance is playing a more important role to supplement self-pay medical cost
- As the cost of medical care increases, Japan's medical care insurance market continues to grow

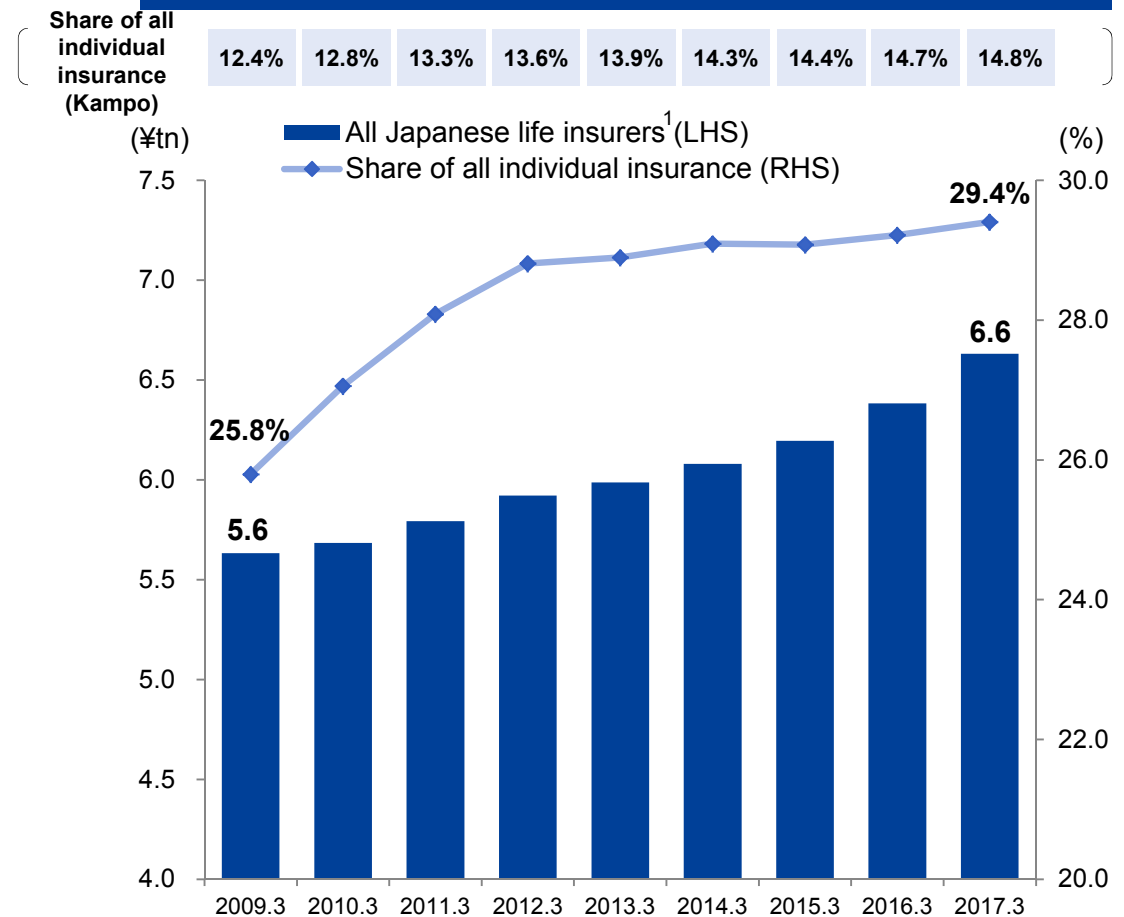
## The Rising National Medical Expenditure ("NME")



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.

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



Source: The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan 1. Japanese life insurers include Management Organization for Postal Savings and Postal Life Insurance

# Performance of Our Medical Care Insurance as a Policy Rider

- Although we offer medical care insurance only in the form of rider, our market share exceeds 10%
- Our 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	1,054.7	15.9
2	<b>Kampo</b>	<b>736.1</b>	<b>11.1</b>
3	Nippon Life	622.3	9.4
4	Dai-ichi Life	606.3	9.1
5	Sumitomo Life	532.6	8.0
6	Meiji Yasuda Life	382.2	5.8
7	MetLife	364.5	5.5
8	NN	269.5	4.1
9	Gibraltar	218.2	3.3
10	Axa	206.3	3.1
Life insurance total (41 companies)		6,630.9	100.0

Source: Company disclosures, The Life Insurance Association of Japan: Summary of Life Insurance Business in Japan (2016)

Note: Figures for Kampo include reinsured postal life insurance policies

## Medical Care Rider Coverage

### Example for Standard Benefit of ¥3 million

#### Hospitalization Benefit

- ¥4,500 / day
- Up to 120 days (¥540,000) for each hospital stay

#### Initial Payment<sup>1</sup>

- ¥22,500 (5 times daily benefit<sup>2</sup>) for the first day in a hospital

#### Surgery Benefit

- Hospital surgery ¥90,000 (20 times daily benefit<sup>2</sup>)
- Outpatient surgery ¥22,500 (5 times daily benefit<sup>2</sup>)
- Radiology treatment ¥45,000 (10 times daily benefit<sup>2</sup>)

Coverage amount is determined and Kampo is not responsible for increases in the cost of medical care

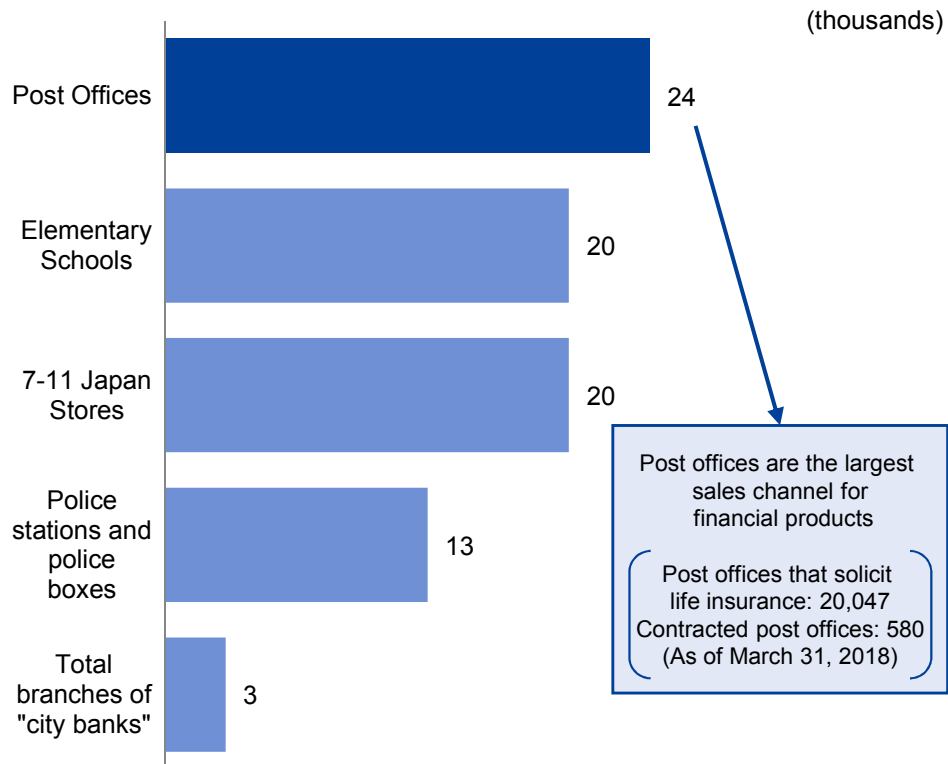
1. Optional (Type II policies have no initial payment on the first day)
2. Multiple of the daily hospitalization benefit



# Expansive Nationwide Distribution Network

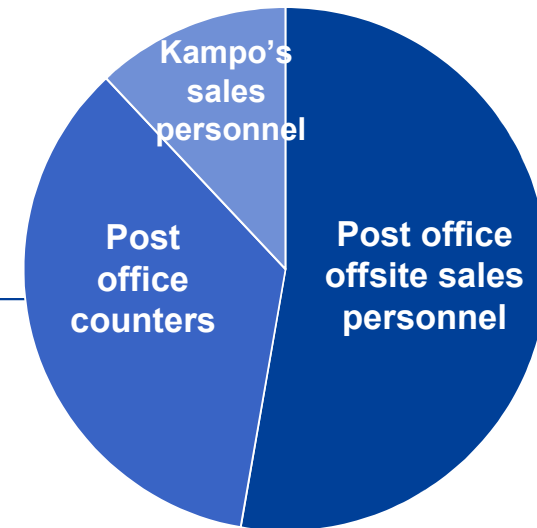
- Nationwide, comprehensive network of post offices is Kampo's core sales channel
- New policies are mainly acquired through post office offsite sales personnel and post office counters

## Number of Locations



Source: Ministry of Education, Culture, Sports, Science and Technology / Statics Bureau, Ministry of Internal Affairs and Communications / Japanese Bankers Association / company disclosure

## Breakdown of New Policy Sales<sup>1</sup> by Channel (FY2017/3)

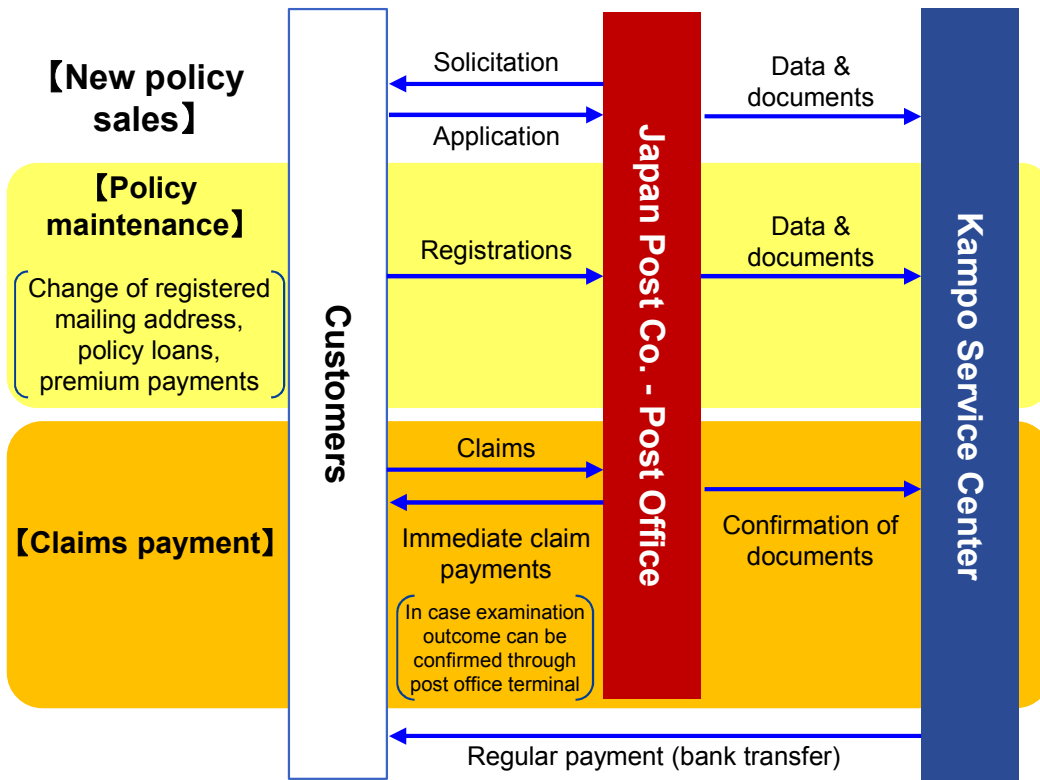


1. Calculated based on the contracted monthly insurance premiums of each policy sold in the FY2017/3.

# 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 / Offsite sales personnel



Sales support  
Operational guidance  
Compliance guidance

approx. 900 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

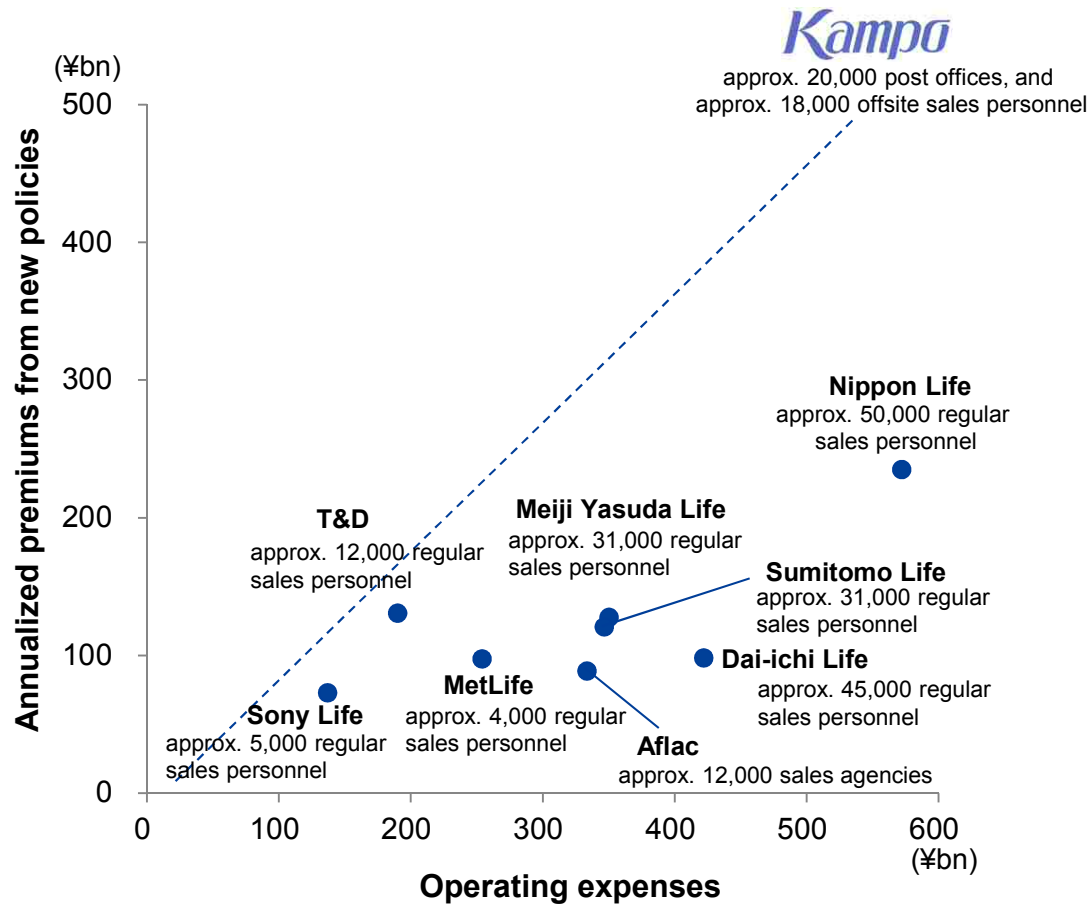
Example of 3<sup>rd</sup> parties' insurance products provided in the Group

- 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

# Operational Efficiency

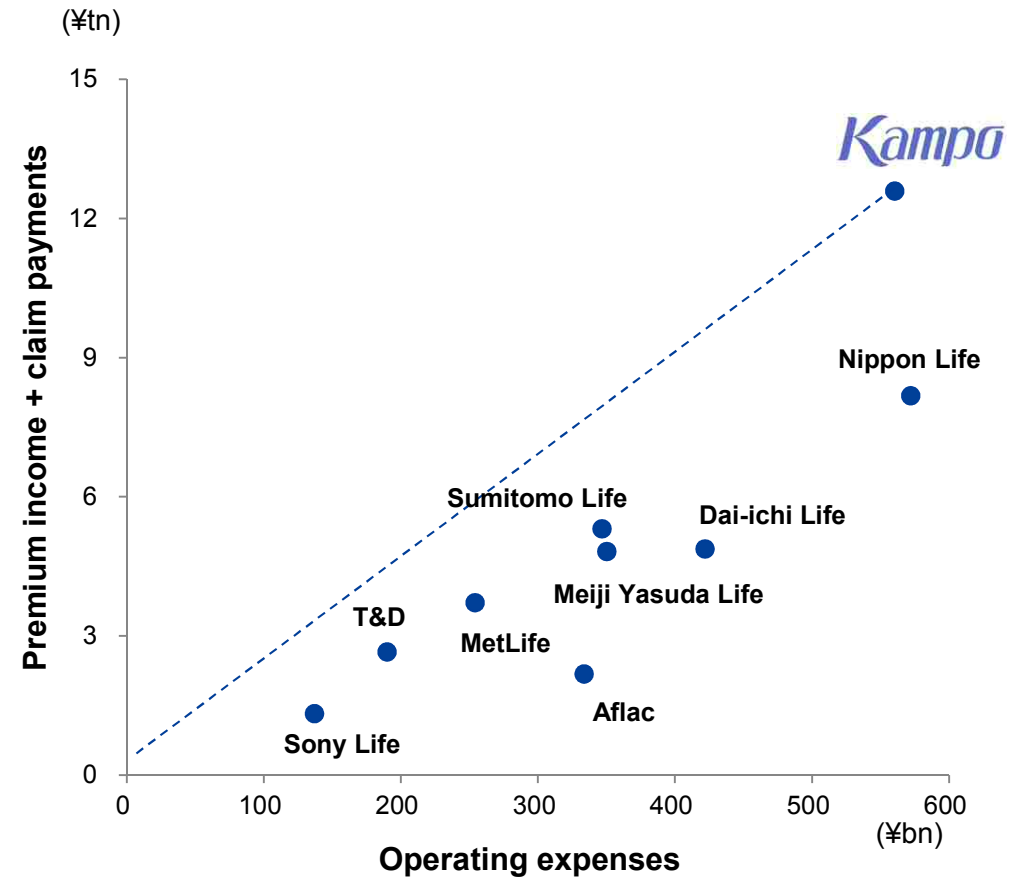
## Efficient business operations compared to other life insurers

### Operating Expenses and Annualized Premiums from New Policies (Individual Insurance) (FY2017/3)



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

### Operating Expenses and “Premium Income + Claim Payments” (FY2017/3)

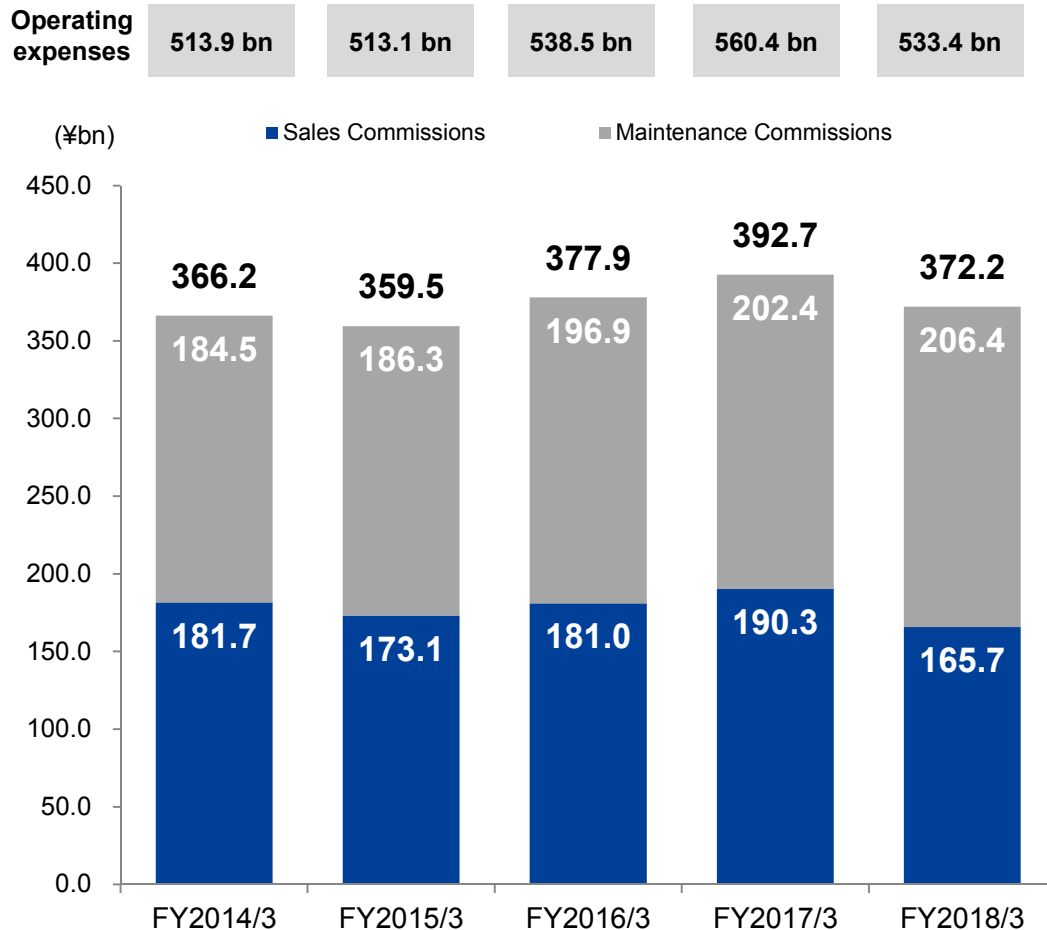


Source: Company disclosures  
 Note: Figures for T&D include life insurance subsidiaries within the groups.

# 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

### 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

# Level of Commissions

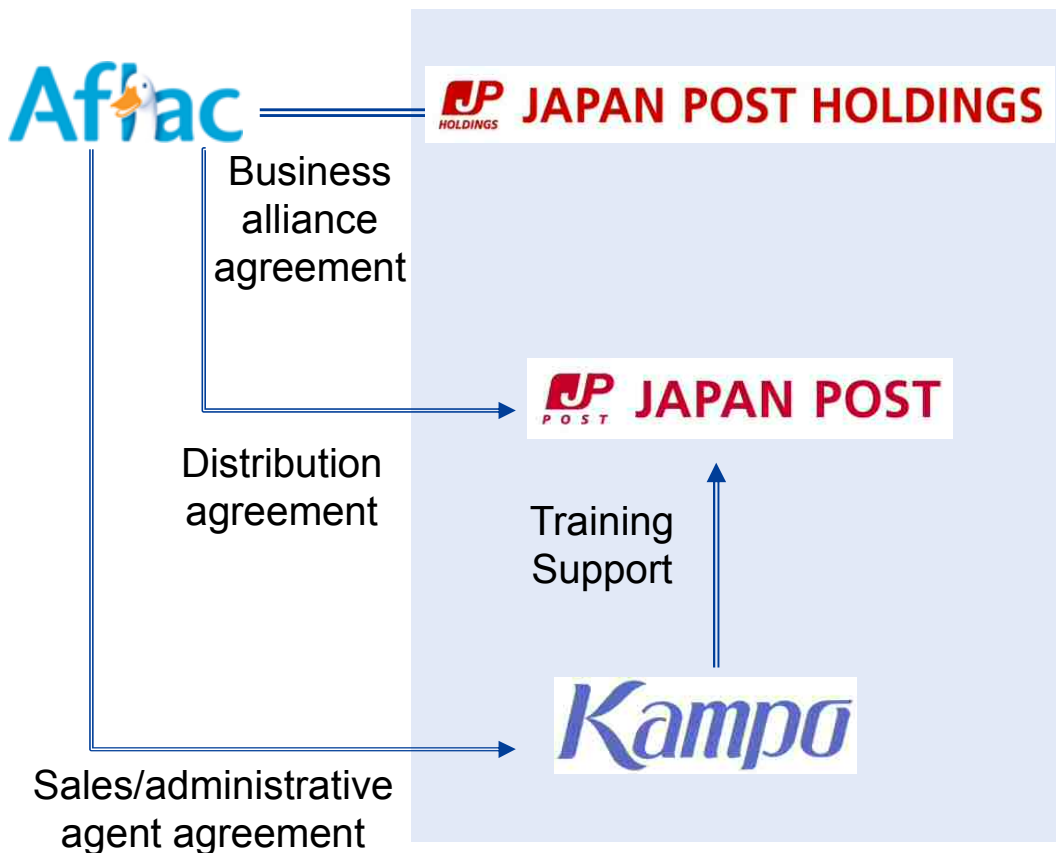
Examples			
Type of Insurance	Insurance Amount	Total Insurance Premiums	Sales Commission Rates <sup>1</sup>
Endowment Insurance [With medical care rider]	<p><b>Ordinary endowment insurance</b> ¥2 mn</p> <p>Policyholder: 40-year-old woman Insurance period: 10-year</p>	<p><b>¥2.27 mn</b></p>	<p><b>Approx. 3%</b></p>
Whole Life Insurance [With medical care rider]	<p><b>Ordinary whole life insurance</b> ¥2 mn</p> <p>Policyholder: 40-year-old woman Payment period: 20-year</p>	<p><b>¥3.68 mn</b></p>	<p><b>Approx. 3%</b></p>
Educational Endowment Insurance [With medical care rider]	<p><b>Educational endowment insurance</b> ¥2 mn</p> <p>Policyholder: 30-year-old man Insured person: 0 years old Payment period: 18-year</p>	<p><b>¥2.26 mn</b></p>	<p><b>Approx. 2%</b></p>

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 (Based on FY2018/3 actual results).) over insurance premium. The level of sales commission may vary as the incentive fee fluctuates.

# 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

## 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【March 2016】
- Implementing various measures in three areas: overseas life insurance business, asset management business and joint research on domestic life insurance business

	Cooperation Measures	Outcomes of Business Alliance
<b>Overseas Life Insurance Business</b>	<ul style="list-style-type: none"> <li>■ Cooperation for developing life insurance operations in overseas</li> </ul>	<ul style="list-style-type: none"> <li>■ As supporting for the distribution of life insurance through Vietnam Post, we implemented a training session for the Post Office Managers of Vietnam Post. 【July 2017】</li> </ul>
<b>Asset Management Business</b>	<ul style="list-style-type: none"> <li>■ Cooperation for making asset management approach more diversified and sophisticated in a low interest rate environment</li> </ul>	<ul style="list-style-type: none"> <li>■ Sharing of asset management administration platform by a joint investment in Trust &amp; Custody Services Bank. 【October 2016】</li> <li>■ Forming Investment Fund through utilizing Asset Management Company.</li> <li>■ Joint investments in mega-solar project in Japan.</li> </ul>
<b>Research on Domestic Life Insurance Business</b>	<ul style="list-style-type: none"> <li>■ Joint research for developing new products and information technology.</li> </ul>	<ul style="list-style-type: none"> <li>■ Commenced commissioned sales of Dai-ichi Life's insurance product for Management and Officers such as Top Plan Exceed U(periodical fixed benefit for disability) 【June 2017】</li> <li>■ Holding a business contest among Japan Post Insurance, Dai-ichi Life and NTT DATA as advancing initiatives to create innovations in life insurance business. 【March 2017】</li> </ul>

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

		FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3
<b>Total assets</b>	¥mn	87,088,626	84,911,946	81,543,623	80,336,414	76,832,508
Postal Life Insurance category		67,560,915	61,703,013	55,832,787	51,447,550	46,684,937
New category		19,527,711	23,208,932	25,710,836	28,888,864	30,147,570
<b>Number of policies in force</b>	(000)	34,864	33,489	32,323	31,562	30,405
Postal Life Insurance category (insurance)		23,195	19,949	16,972	14,411	12,484
New category (individual insurance)		11,668	13,539	15,350	17,150	17,921
<b>Insurance premiums and others</b>	¥mn	5,911,643	5,956,716	5,413,862	5,041,868	4,236,461
Postal Life Insurance category		2,155,398	1,697,140	1,322,308	1,002,816	755,221
New category		3,756,245	4,259,576	4,091,554	4,039,051	3,481,240
<b>Ordinary profit</b>	¥mn	463,506	493,169	413,023	279,347	308,845
Postal Life Insurance category		382,325	377,145	258,059	185,250	137,074
New category		81,181	116,024	154,963	94,097	171,771
<b>Net income</b>	¥mn	63,428	81,758	86,338	88,520	104,309
Postal Life Insurance category		43,689	36,969	32,850	26,044	16,878
New category		19,739	44,789	53,487	62,475	87,430
<b>Contingency reserve (reversal) provision</b>	¥mn	(94,807)	(90,087)	(123,864)	(120,819)	(139,678)
Postal Life Insurance category		(164,732)	(167,144)	(171,199)	(172,881)	(173,722)
New category		69,924	77,057	47,335	52,061	34,043
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	91,360	97,934	70,100	6,444	128,031
Postal Life Insurance category		73,857	72,126	8,957	12,625	17,090
New category		17,502	25,808	61,143	(6,181)	110,940
<b>Additional policy reserve (reversal) provision</b>	¥mn	(77,134)	(68,347)	(55,533)	(50,454)	(30,648)
Postal Life Insurance category		(77,134)	(68,347)	(55,533)	(50,454)	(47,674)
New category		-	-	-	-	17,025

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



# Major Financial Results (Consolidated)

(¥bn)

	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2018/3
Insurance premiums and others	5,911.6	5,956.7	5,413.8	5,041.8	4,236.4
Ordinary profit	462.7	492.6	411.5	279.7	309.2
Provision for reserve for policyholder dividends	242.1	200.7	178.0	152.6	117.7
Net income	62.8	81.3	84.8	88.5	104.4
Net assets	1,538.1	1,975.7	1,882.9	1,853.2	2,003.1
Total assets	87,092.8	84,915.0	81,545.1	80,336.7	76,831.2
Return on equity	4.2%	4.6%	4.4%	4.7%	5.4%
Return on shareholders' equity	4.7%	5.9%	5.9%	5.9%	6.7%
Dividends to shareholders	16.8	24.5	33.6	36.0	40.8
Payout ratio	26.8%	30.2%	39.6%	40.6%	39.0%
[Reference] Core profit (Non-consolidated)	482.0	515.4	464.2	390.0	386.1

### <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.