

Kampo

**Outline of Financial Results for
the Three Months Ended June 30, 2017**

August 10, 2017

 **JAPAN POST INSURANCE**

Summary of Financial Results

- **Net income was ¥24.1 billion (a 24.3% increase year on year) that represented 28.1% towards the full-year financial results forecasts.**
- **Annualized premiums from new policies for individual insurance were ¥104.5 billion, a 27.4% decrease year on year. Annualized premiums from new policies for medical care were ¥13.2 billion, a 9.7% increase year on year.**
- **Annualized premiums from policies in force for individual insurance were ¥4,946.3 billion, a slight decrease year on year. Annualized premiums from policies in force for medical care were ¥734.7 billion, nearly the same level as the end of the previous fiscal year.**
- **Under the continued low interest rate environment, we increased investments in risk assets (foreign securities and domestic stocks) to ¥8,586.6 billion (10.9% of total assets).**
- **Embedded value (EV) increased by ¥16.7 billion from the end of the previous fiscal year to ¥3,372.4 billion. The value of new business was ¥47.5 billion (a ¥47.0 billion increase year on year).**

Financial Highlights

Financial Highlights

(¥bn)

	3 months ended Jun-16	3 months ended Jun-17	Year on year
Ordinary income	2,261.4	2,113.5	(6.5) %
Ordinary profit	44.3	83.2	+ 87.7 %
Net income ¹	19.4	24.1	+ 24.3 %

Financial Results Forecasts

(¥bn)

Year ending Mar-18 (Full-year forecasts)	Progress
7,690.0	27.5 %
250.0	33.3 %
86.0	28.1 %

(¥bn)

	Mar-17	Jun-17	Change
Total assets	80,336.7	78,925.9	(1.8) %
Net assets	1,853.2	1,935.1	+ 4.4 %
Total shareholders' equity	1,526.8	1,515.0	(0.8) %

1. Net income attributable to Japan Post Insurance

Overview of Financial Statements (Consolidated)

Statement of Income

	3 months ended Jun-16	3 months ended Jun-17	Change	(Reference) Year ended Mar-17
Ordinary income	2,261.4	2,113.5	(147.8)	8,659.4
Insurance premiums and others	1,415.1	1,123.6	(291.5)	5,041.8
Investment income	344.1	321.3	(22.7)	1,367.9
Reversal of policy reserves	489.5	640.4	150.9	2,187.2
Ordinary expenses	2,217.0	2,030.3	(186.7)	8,379.6
Insurance claims and others	1,988.7	1,850.7	(137.9)	7,550.3
Investment expenses	68.3	16.3	(52.0)	160.4
Operating expenses	134.6	130.8	(3.7)	560.4
Ordinary profit	44.3	83.2	38.8	279.7
Extraordinary profit and loss	23.3	(16.0)	(39.3)	(6.8)
Provision for reserve for policyholder dividends	41.6	32.5	(9.1)	152.6
Income before income taxes	25.9	34.5	8.6	120.1
Total income taxes	6.5	10.4	3.8	31.5
Net income attributable to Japan Post Insurance	19.4	24.1	4.7	88.5

(¥bn)

Balance Sheets

	Mar-17	Jun-17	Change
Assets	80,336.7	78,925.9	(1,410.7)
Cash and deposits	1,366.0	746.7	(619.3)
Money held in trust	2,127.0	2,302.6	175.6
Securities	63,485.2	62,549.2	(936.0)
Loans	8,060.9	8,063.2	2.3
Fixed assets	322.7	308.1	(14.6)
Deferred tax assets	851.9	845.3	(6.5)
Liabilities	78,483.5	76,990.8	(1,492.6)
Policy reserves	70,175.2	69,534.7	(640.4)
Reserve for price fluctuations	788.7	804.7	16.0
Net assets	1,853.2	1,935.1	81.8
Total shareholders' equity	1,526.8	1,515.0	(11.8)
Total accumulated other comprehensive income	326.3	420.0	93.7

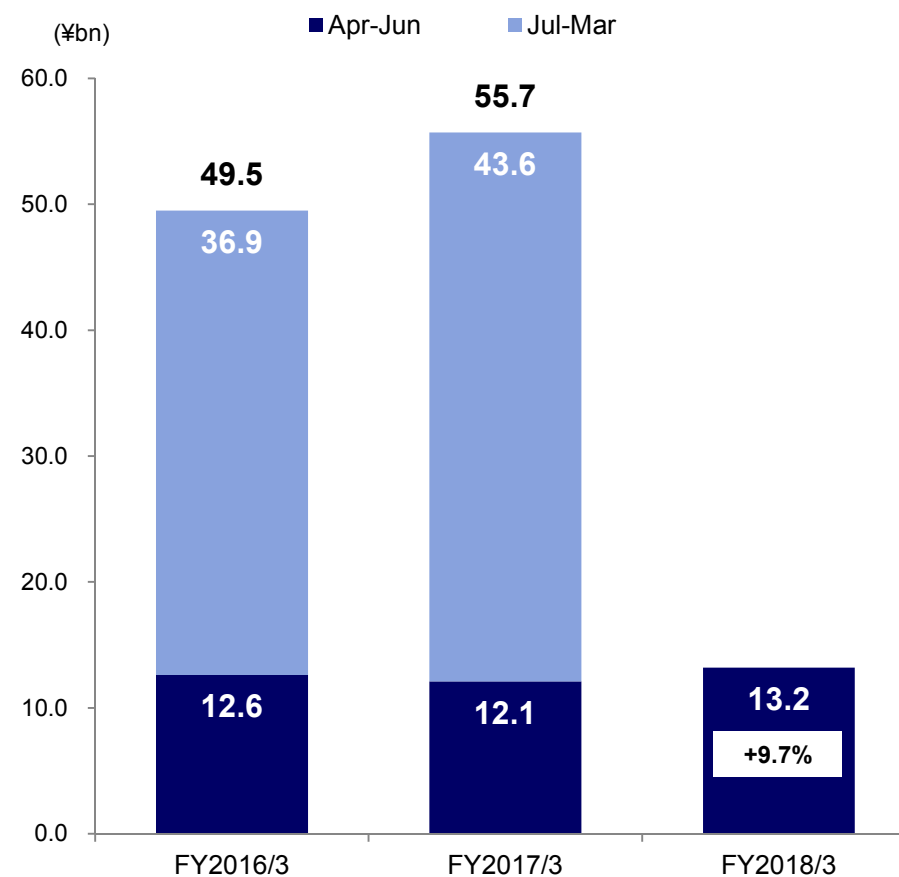
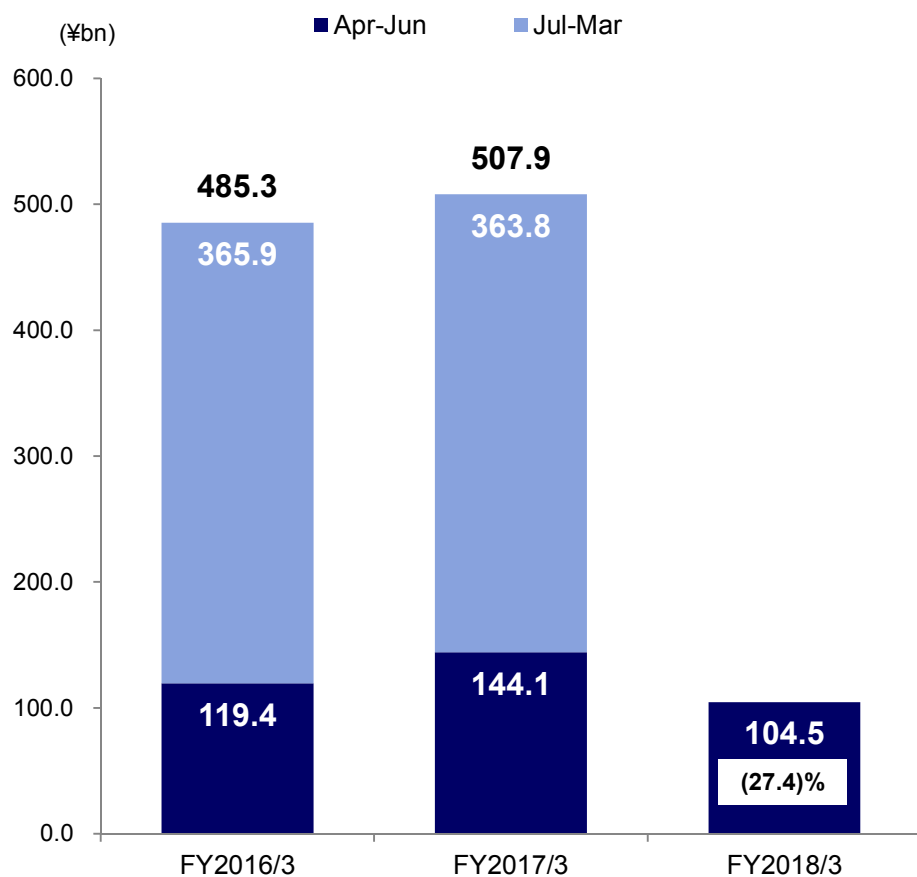
(¥bn)

Note: Only major line items are shown.

Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies
(Individual Insurance)

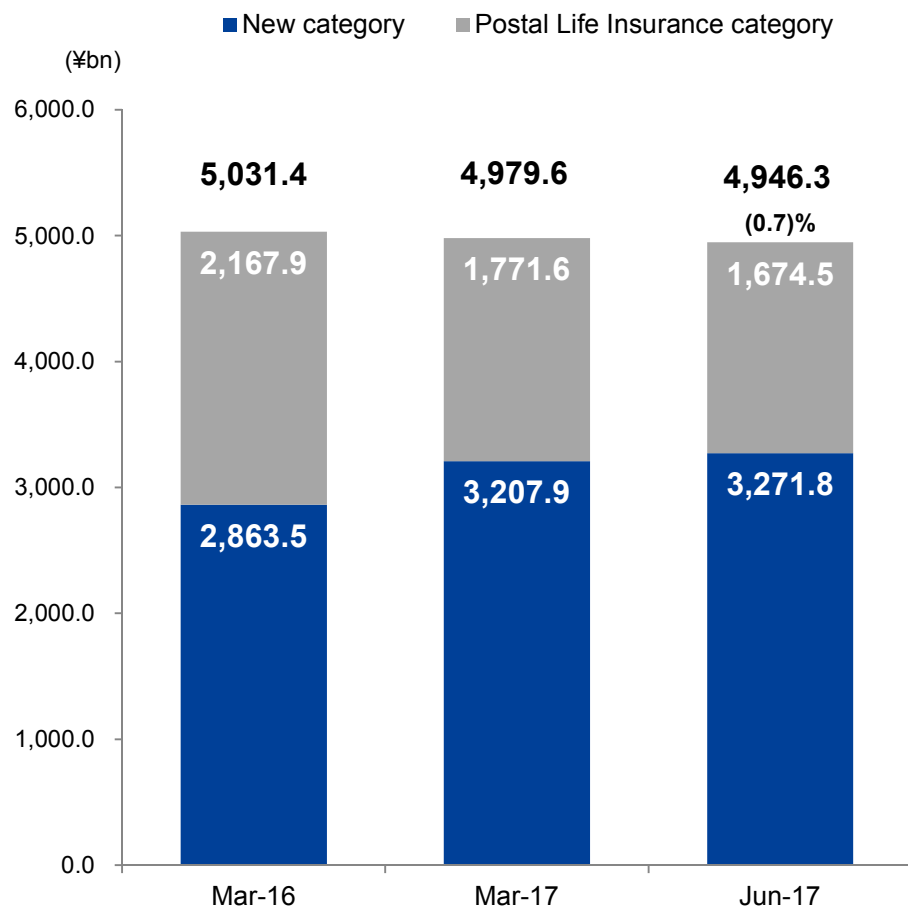
Annualized Premiums from New Policies
(Medical Care)



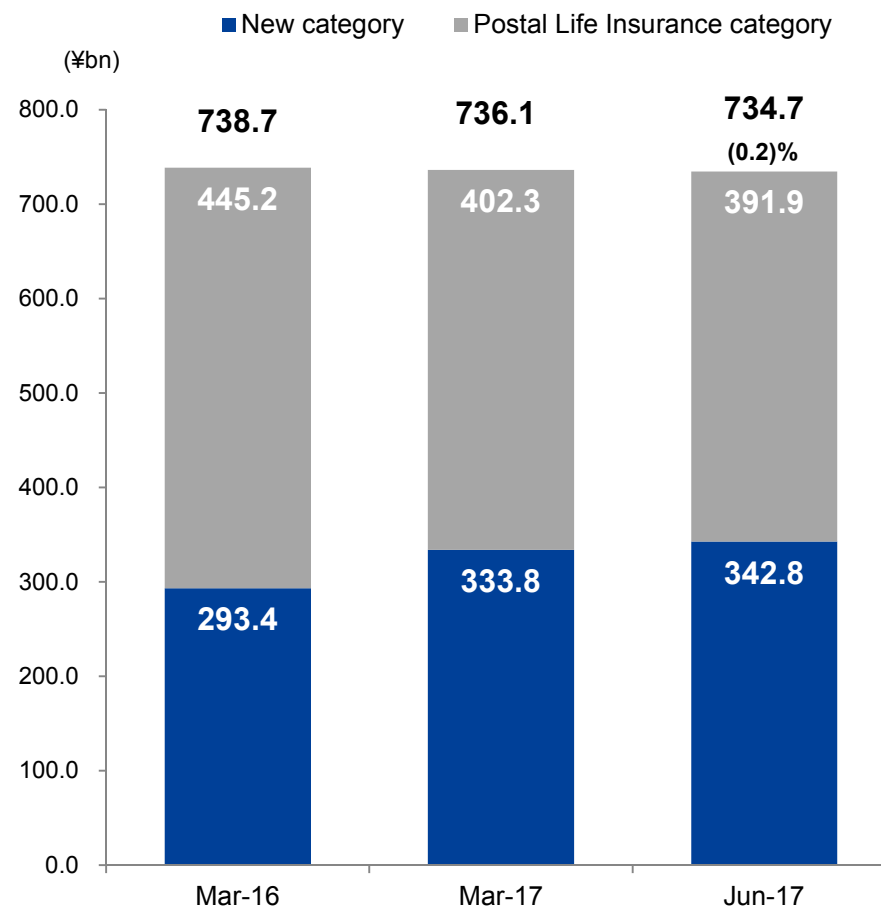
Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

Policy Sales (2) Annualized Premiums from Policies in Force

Annualized Premiums from Policies in Force
(Individual Insurance)



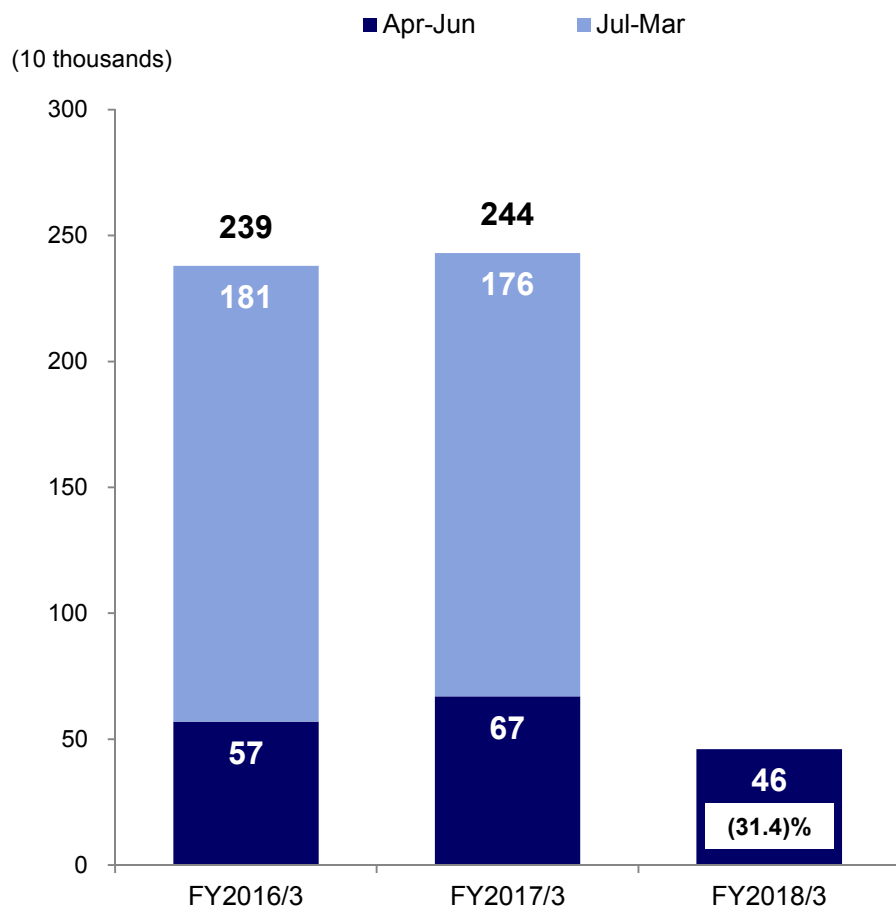
Annualized Premiums from Policies in Force
(Medical Care)



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

Policy Sales (3) Number of New Policies

Number of New Policies (Individual Insurance)



Breakdown of New Policies

(10 thousands)

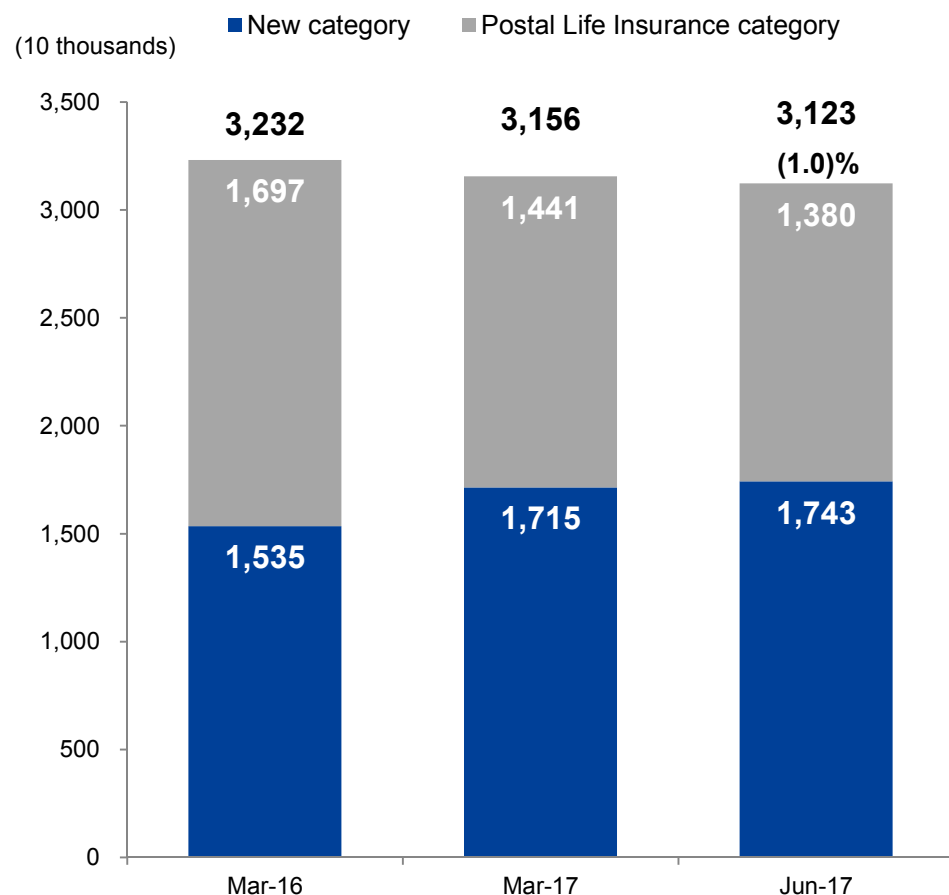
	3 months ended Jun-16		3 months ended Jun-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	67	100.0 %	46	100.0 %
Endowment insurance	36	54.9 %	23	49.9 %
Ordinary endowment insurance	30	44.8 %	14	30.9 %
Special endowment insurance ¹	6	10.1 %	8	18.9 %
Whole life insurance	18	27.2 %	19	42.7 %
Ordinary whole life insurance (Fixed amount type)	6	9.4 %	8	18.0 %
Ordinary whole life insurance (Increased amount type)	5	7.9 %	7	16.7 %
Special whole life insurance	6	9.9 %	3	8.0 %
Educational endowment insurance	12	17.9 %	3	7.4 %
Other insurance	0	0.0 %	0	0.0 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

Policy Sales (4) Number of Policies in Force

Number of Policies in Force (Individual Insurance)



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

Breakdown of Policies in Force

(10 thousands)

	Mar-17		Jun-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,156	100.0 %	3,123	100.0 %
Endowment insurance	1,349	42.8 %	1,320	42.3 %
Ordinary endowment insurance	846	26.8 %	833	26.7 %
Special endowment insurance ¹	482	15.3 %	468	15.0 %
Whole life insurance	1,279	40.6 %	1,285	41.2 %
Ordinary whole life insurance (Fixed amount type)	406	12.9 %	409	13.1 %
Ordinary whole life insurance (Increased amount type)	239	7.6 %	243	7.8 %
Special whole life insurance	633	20.1 %	631	20.2 %
Educational endowment insurance	512	16.2 %	503	16.1 %
Other insurance	14	0.5 %	14	0.5 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

Investments (1) Asset Portfolio

Asset Portfolio

(¥bn, %)

	Mar-17		Jun-17	
	Amount	Share	Amount	Share
Bonds	57,581.2	71.7	56,137.2	71.1
Japanese government bonds	42,732.3	53.2	41,465.2	52.5
Japanese local government bonds	9,226.8	11.5	9,121.8	11.6
Japanese corporate bonds ²	5,622.0	7.0	5,550.2	7.0
Risk assets	7,963.7	9.9	8,586.6	10.9
Domestic stocks ¹	1,626.0	2.0	1,752.5	2.2
Foreign stocks ¹	309.0	0.4	325.2	0.4
Foreign bonds etc. ^{1,2}	6,028.6	7.5	6,505.4	8.2
Loans	8,060.9	10.0	8,063.2	10.2
Others	6,730.9	8.4	6,138.8	7.8
Cash and deposits, call loans	1,516.0	1.9	846.7	1.1
Receivables under securities borrowing transactions	3,520.7	4.4	3,567.8	4.5
Total assets	80,336.7	100.0	78,925.9	100.0

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)

	3 months ended Jun-16	3 months ended Jun-17	(Reference) Year ended Mar-17
Positive spread	8.7	14.7	78.5
Average assumed rates of return ¹	1.74 %	1.71 %	1.73 %
Investment return on core profit ²	1.79 %	1.80 %	1.84 %
Net capital gains (losses)	(35.1)	1.2	(51.1)
	Jun-16	Jun-17	Mar-17
Interest rate (10Y JGB)	(0.230) %	0.075 %	0.065 %
USD/JPY	¥ 102.91	¥ 112.00	¥ 112.19

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

Investments (2) Fair Value Information of Securities

Fair Value Information of Securities

(¥bn)

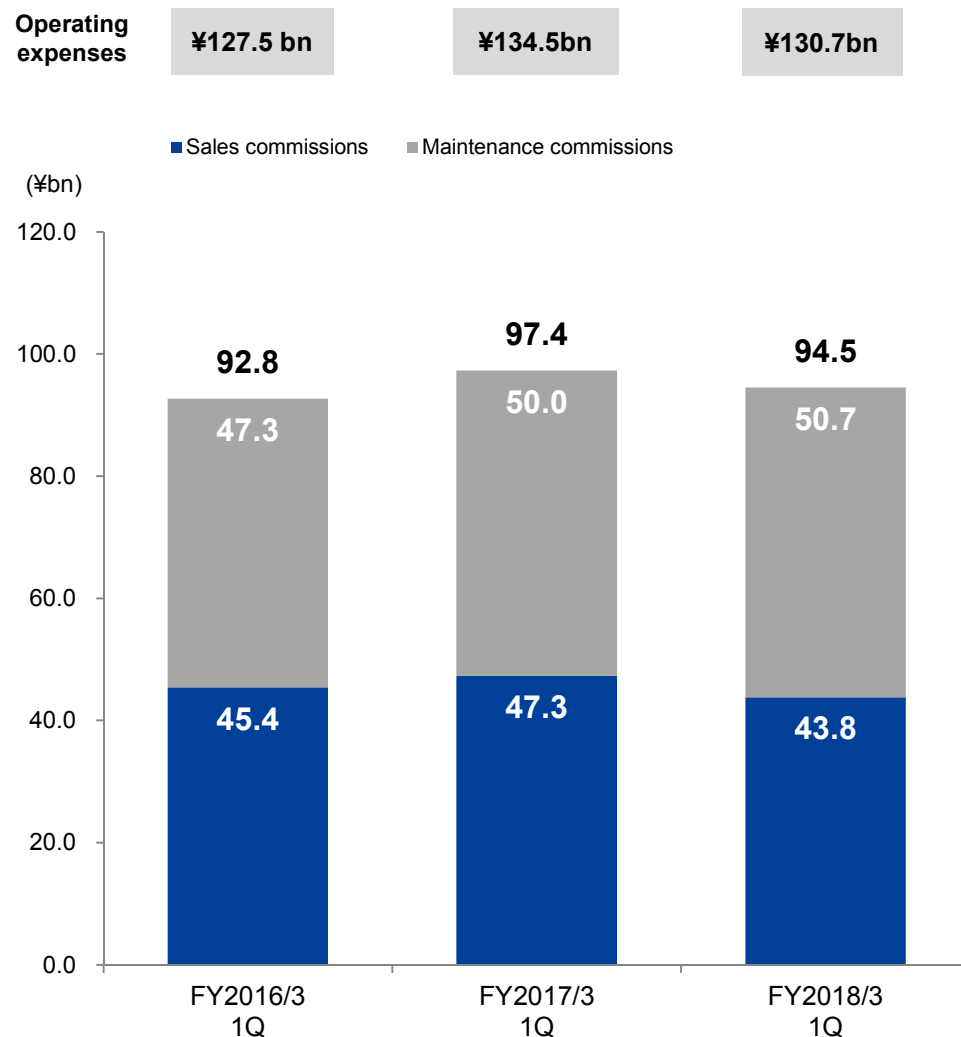
	Mar-17			Jun-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	64,627.4	72,318.3	7,690.9
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,715.6	45,706.8	5,991.2
Policy-reserve-matching bonds	12,517.3	13,697.4	1,180.0	11,806.1	12,932.1	1,125.9
Available-for-sale securities	12,582.7	13,026.4	443.6	13,105.5	13,679.3	573.7
Securities etc.	10,836.4	10,899.3	62.9	11,241.0	11,380.2	139.2
Bonds	4,758.4	4,796.8	38.4	4,761.7	4,794.7	32.9
Domestic stocks	50.2	54.0	3.8	81.5	89.6	8.1
Foreign securities	4,224.6	4,253.7	29.1	4,389.9	4,481.3	91.4
Other securities	1,428.0	1,417.1	(10.8)	1,653.0	1,657.4	4.4
Deposits etc.	375.1	377.5	2.4	354.7	357.1	2.3
Money held in trust ¹	1,746.3	2,127.0	380.7	1,864.5	2,299.0	434.5
Domestic stocks	1,252.1	1,571.9	319.8	1,307.2	1,662.9	355.6
Foreign stocks	267.1	309.0	41.9	268.2	325.2	56.9
Foreign bonds	166.9	185.9	18.9	168.4	190.3	21.8

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

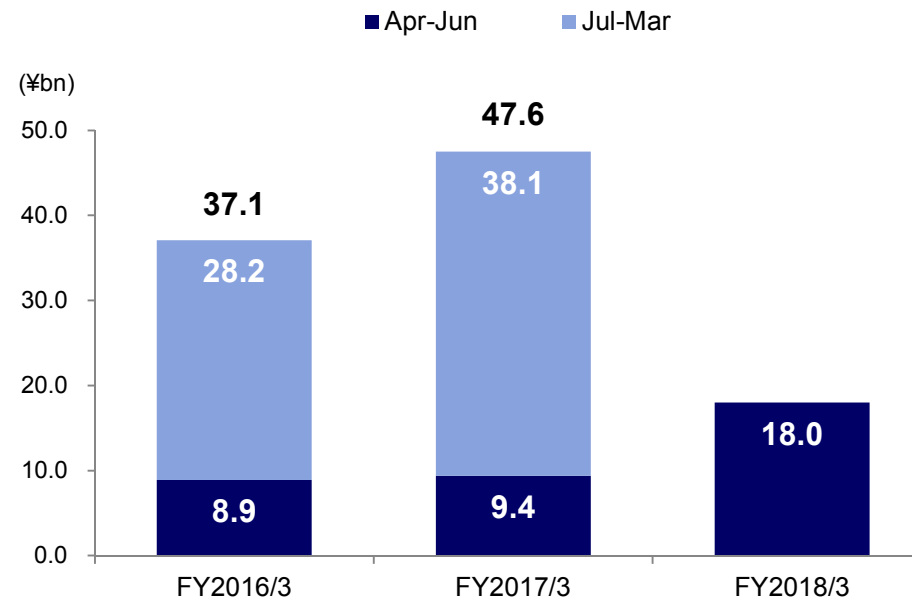
1.Total money held in trust includes cash and deposits and others.

Expenses (Non-Consolidated)

Commissions to Japan Post Co.



Depreciation and amortization



(Reference) Reasons for Increase in Depreciation and Amortization

- Increase in depreciation and amortization due to renewal of core IT system (January 2017): approximately ¥5.0 billion
- Short-term depreciation and amortization due to relocation of IT Systems Management Center, etc.: approximately ¥3.5 billion (temporary factor in 1Q)

Financial Soundness

Internal Reserves

	Mar-17	Jun-17	(¥bn)
			Provisions in the period ²
Contingency reserve	2,254.0	2,220.5	(33.4)
Postal Life Insurance category	1,838.8	1,795.4	(43.3)
New category	415.2	425.1	9.9
Price fluctuations reserve	788.7	804.7	16.0
Postal Life Insurance category	648.4	654.2	5.7
New category	140.2	150.5	10.2
Additional policy reserve ¹	5,961.0	5,949.1	(11.9)
Postal Life Insurance category	5,961.0	5,949.1	(11.9)
New category	-	-	-

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

1. Additional policy reserve includes the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for reinsured annuity assumed from the Management Organization for Postal Savings and Postal Life Insurance (for the Three months ended June 30, 2017, the amount of additional provision was ¥45.2 bn and the accumulated amount was ¥1,255.6 bn).
2. Provisions in the period includes the excess provision of ¥18.6 bn exceeding the provision requirements for contingency reserve and price fluctuations reserve.

Solvency Margin Ratio (Consolidated)

	Mar-17	Jun-17	(¥bn)
Solvency Margin Ratio (Consolidated)	1,290.6 %	1,249.6 %	
Total amount of solvency margin	5,425.8	5,550.8	
Total amount of risk	840.7	888.4	
Real net assets (Consolidated)	12,763.1	12,730.9	

Embedded Value

Breakdown of EV

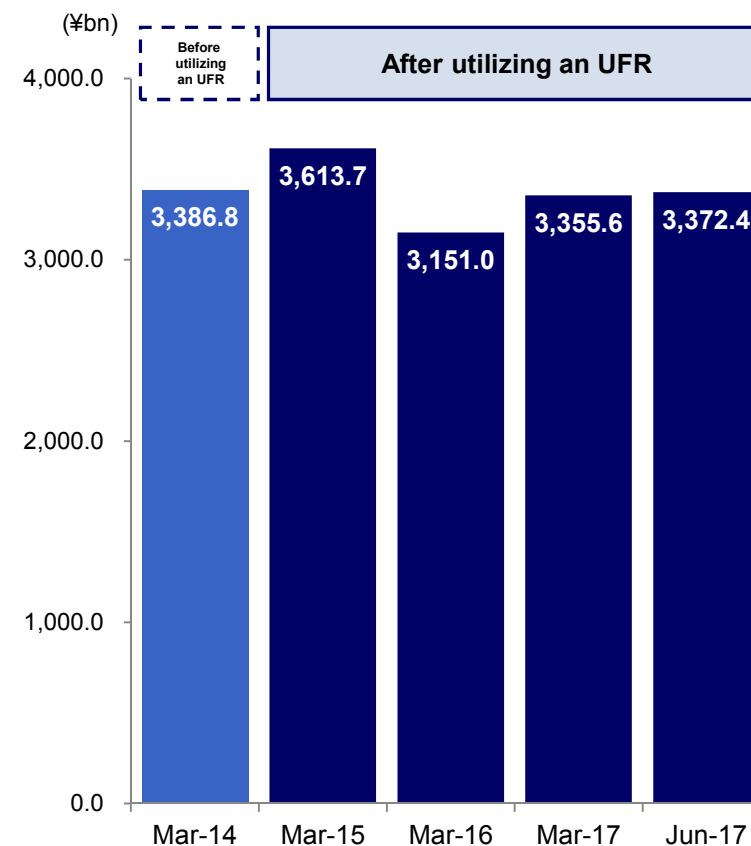
(¥bn)

	Mar-17	Jun-17 ¹	Change
EV	3,355.6	3,372.4	16.7
Adjusted net worth	1,965.2	1,964.5	(0.7)
Value of in- force covered business	1,390.4	1,407.8	17.4

	3 months ended Jun-16 ^{1,2}	3 months ended Jun-17 ^{1,3}	Change
Value of new business	0.5	47.5	47

1. Provisional calculations have not been verified by a third party
2. Using the same economic assumptions as for the value of new business for FY2017/3, based on the new policies written in the period from April to June 2016
3. Using the economic assumptions as of the end of June 2017, based on the new policies written in the period from April to June 2017

EV



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.

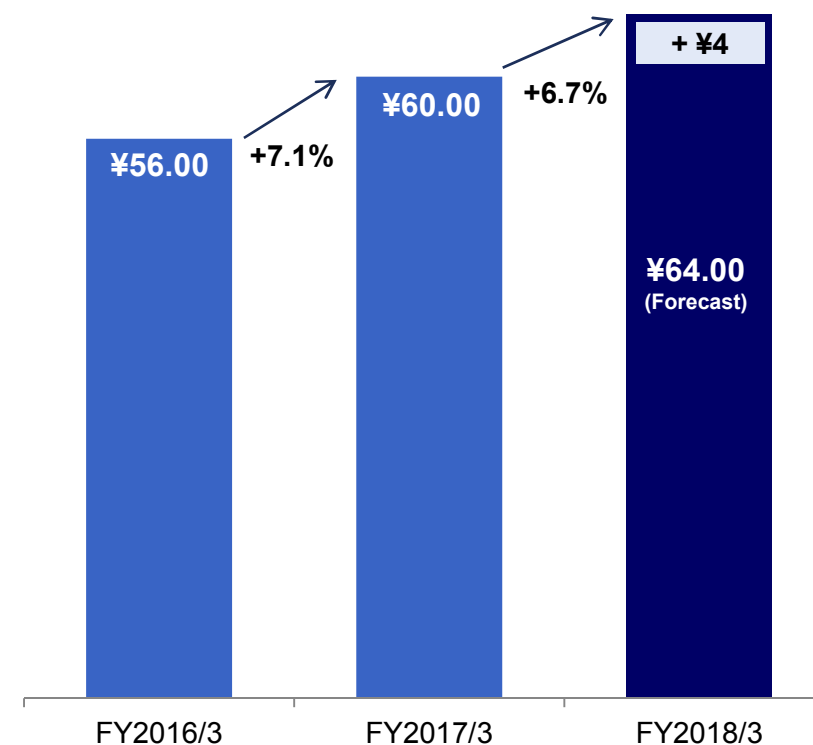
Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

44.6 %



APPENDIX

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

		FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 1Q	FY2018/3 1Q
Total assets	¥mn	87,088,626	84,911,946	81,543,623	80,336,414	80,905,744	78,925,601
Postal Life Insurance category		67,560,915	61,703,013	55,832,787	51,447,550	54,480,700	49,782,353
New category		19,527,711	23,208,932	25,710,836	28,888,864	26,425,044	29,143,248
Number of policies in force	(000)	34,864	33,489	32,323	31,562	32,140	31,239
Postal Life Insurance category (insurance)		23,195	19,949	16,972	14,411	16,276	13,804
New category (individual insurance)		11,668	13,539	15,350	17,150	15,864	17,435
Insurance premiums and others	¥mn	5,911,643	5,956,716	5,413,862	5,041,868	1,415,193	1,123,687
Postal Life Insurance category		2,155,398	1,697,140	1,322,308	1,002,816	274,992	206,542
New category		3,756,245	4,259,576	4,091,554	4,039,051	1,140,201	917,145
Ordinary profit	¥mn	463,506	493,169	413,023	279,347	44,344	83,101
Postal Life Insurance category		382,325	377,145	258,059	185,250	39,143	36,567
New category		81,181	116,024	154,963	94,097	5,201	46,534
Net income	¥mn	63,428	81,758	86,338	88,520	19,519	24,072
Postal Life Insurance category		43,689	36,969	32,850	26,044	6,991	4,056
New category		19,739	44,789	53,487	62,475	12,528	20,015
Contingency reserve (reversal) provision	¥mn	(94,807)	(90,087)	(123,864)	(120,819)	(30,370)	(33,435)
Postal Life Insurance category		(164,732)	(167,144)	(171,199)	(172,881)	(43,016)	(43,387)
New category		69,924	77,057	47,335	52,061	12,646	9,951
Price fluctuations reserve (reversal) provision	¥mn	91,360	97,934	70,100	6,444	(23,326)	16,070
Postal Life Insurance category		73,857	72,126	8,957	12,625	(7,875)	5,771
New category		17,502	25,808	61,143	(6,181)	(15,450)	10,298
Additional policy reserve (reversal) provision	¥mn	(77,134)	(68,347)	(55,533)	(50,454)	(11,990)	(11,912)
Postal Life Insurance category		(77,134)	(68,347)	(55,533)	(50,454)	(11,990)	(11,912)
New category		-	-	-	-	-	-

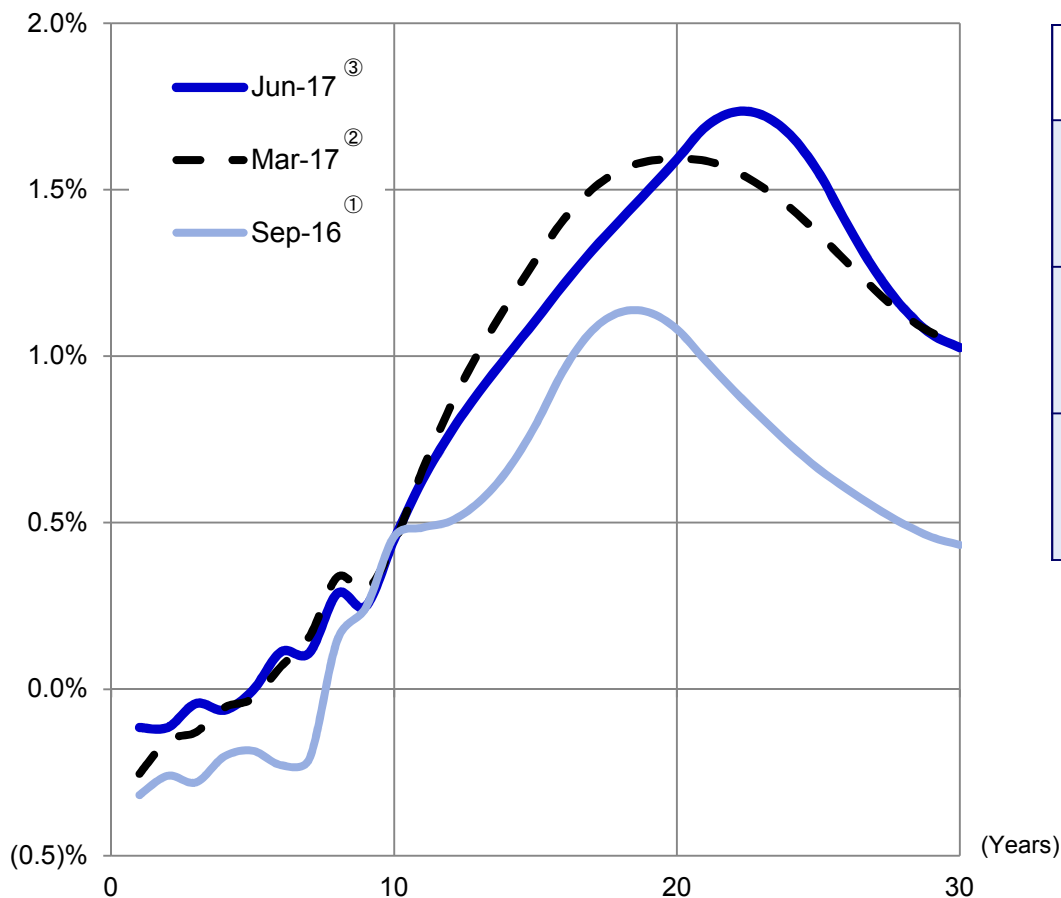
Note: "Postal Life Insurance category" shows the amounts generated from the Postal Life Insurance policies, and "New category" shows the figure after deduction of "Postal Life Insurance category" from the total.

Major Financial Results (Consolidated)

	(¥bn)					
	FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 1Q	FY2018/3 1Q
Insurance premiums and others	5,911.6	5,956.7	5,413.8	5,041.8	1,415.1	1,123.6
Ordinary profit	462.7	492.6	411.5	279.7	44.3	83.2
Provision for reserve for policyholder dividends	242.1	200.7	178.0	152.6	41.6	32.5
Net income	62.8	81.3	84.8	88.5	19.4	24.1
Net assets	1,538.1	1,975.7	1,882.9	1,853.2	1,745.2	1,935.1
Total assets	87,092.8	84,915.0	81,545.1	80,336.7	80,909.8	78,925.9
Return on equity	4.2 %	4.6 %	4.4 %	4.7 %	-	-
Return on shareholders' equity	4.7 %	5.9 %	5.9 %	5.9 %	-	-
Dividends to shareholders	16.8	24.5	33.6	36.0	-	-
Payout ratio	26.8 %	30.2 %	39.6 %	40.6 %	-	-
[Reference] Core profit (Non-consolidated)	482.0	515.4	464.2	390.0	94.1	93.6

Fluctuations of Interest Rates (EV Assumptions)¹

Forward Rate (Sep-16 to Jun-17)



Forward Rate

(%)	Sep-16 ^①	Mar-17 ^②	Jun-17 ^③
10 years	0.458	0.439	0.449
20 years	1.081	1.592	1.591
30 years	0.433	1.043	1.026

Note: The economic assumptions used for the calculation of EV and the value of new business are as follows.

Value of new business for FY2017/3 : ①

EV as of the end of March 2017 : ②

EV as of the end of June 2017 and the value of new business for 1Q of FY2018/3 : ③

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

<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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