

Kampo

**Outline of Financial Results for
the Nine Months Ended December 31, 2017**

February 14, 2018

 **JAPAN POST INSURANCE**

Summary of Financial Results

- **Net income was ¥75.0billion (a 10.3% increase year on year) that represented 87.2% towards the full-year financial results forecasts.**
- **Annualized premiums from new policies for individual insurance were ¥294.5billion, a 23.2% decrease year on year. Annualized premiums from new policies for medical care were ¥43.6 billion, a 9.7% increase year on year.**
- **Annualized premiums from policies in force for individual insurance were ¥4,899.5 billion, a 1.6% decrease from the end of the previous fiscal year. Annualized premiums from policies in force for medical care were ¥745.4 billion, a 1.3% increase from 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, etc.) to ¥9,163.4 billion (11.9% of total assets).**
- **Embedded value (EV) increased by ¥469.0 billion from the end of the previous fiscal year to ¥3,824.7 billion. The value of new business was ¥185.2 billion (a ¥159.5 billion increase year on year).**

Financial Highlights

Financial Highlights

(¥bn)

	9 months ended Dec-16	9 months ended Dec-17	Year on year
Ordinary income	6,498.1	5,995.1	(7.7) %
Ordinary profit	220.5	254.8	15.6 %
Net income ¹	68.0	75.0	10.3 %

Financial Results Forecasts

(¥bn)

Year ending Mar-18 (Full-year forecasts)	Progress
7,690.0	78.0 %
250.0	102.0 %
86.0	87.2 %

(¥bn)

	Mar-17	Dec-17	Change
Total assets	80,336.7	77,181.7	(3.9) %
Net assets	1,853.2	2,205.4	19.0 %
Total shareholders' equity	1,526.8	1,565.9	2.6 %

1. Net income attributable to Japan Post Insurance

Overview of Financial Statements (Consolidated)

Statement of Income

	9 months ended Dec-16	9 months ended Dec-17	Change	(Reference) Year ended Mar-17
Ordinary income	6,498.1	5,995.1	(502.9)	8,659.4
Insurance premiums and others	3,877.7	3,220.3	(657.4)	5,041.8
Investment income	1,037.0	971.6	(65.3)	1,367.9
Reversal of policy reserves	1,509.8	1,747.9	238.0	2,187.2
Ordinary expenses	6,277.5	5,740.2	(537.2)	8,379.6
Insurance claims and others	5,663.8	5,184.6	(479.1)	7,550.3
Investment expenses	129.9	69.5	(60.4)	160.4
Operating expenses	411.8	397.0	(14.7)	560.4
Ordinary profit	220.5	254.8	34.3	279.7
Extraordinary profit and loss	(5.7)	(48.1)	(42.3)	(6.8)
Provision for reserve for policyholder dividends	122.9	101.3	(21.6)	152.6
Income before income taxes	91.7	105.4	13.6	120.1
Total income taxes	23.7	30.3	6.6	31.5
Net income attributable to Japan Post Insurance	68.0	75.0	6.9	88.5

(¥bn)

Balance Sheets

	Mar-17	Dec-17	Change
Assets	80,336.7	77,181.7	(3,155.0)
Cash and deposits	1,366.0	871.8	(494.2)
Money held in trust	2,127.0	2,778.2	651.1
Securities	63,485.2	61,155.6	(2,329.5)
Loans	8,060.9	7,638.3	(422.5)
Fixed assets	322.7	293.3	(29.4)
Deferred tax assets	851.9	818.3	(33.5)
Liabilities	78,483.5	74,976.2	(3,507.3)
Policy reserves	70,175.2	68,427.2	(1,747.9)
Reserve for price fluctuations	788.7	835.5	46.8
Net assets	1,853.2	2,205.4	352.2
Total shareholders' equity	1,526.8	1,565.9	39.0
Total accumulated other comprehensive income	326.3	639.5	313.2

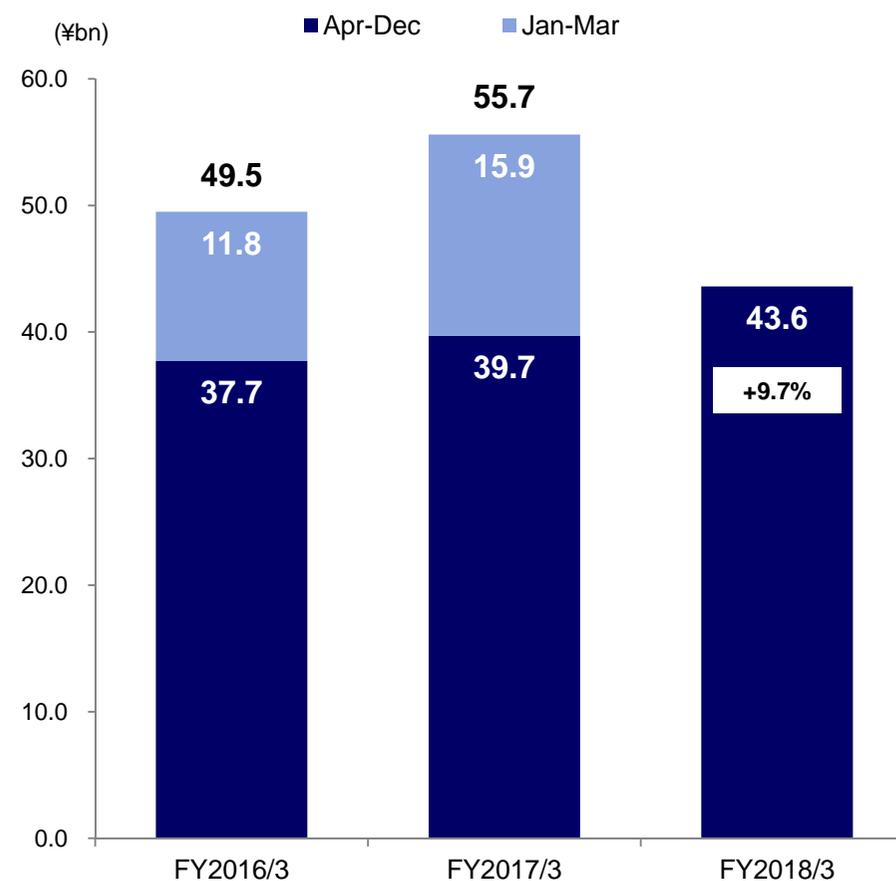
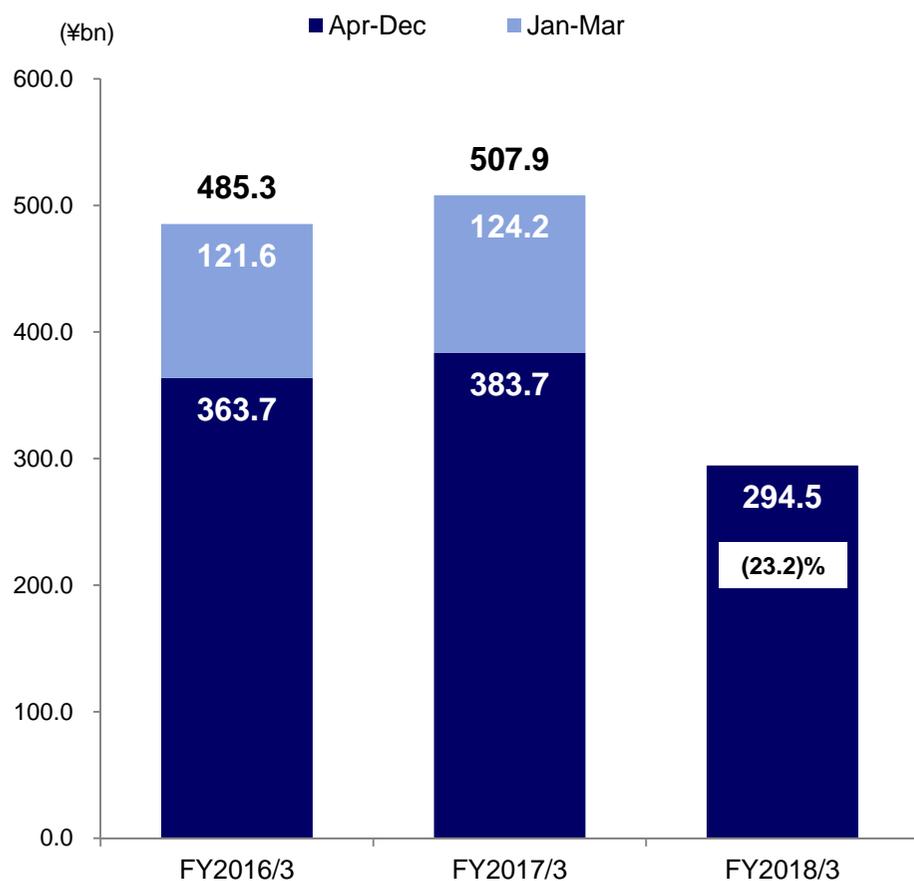
(¥bn)

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)

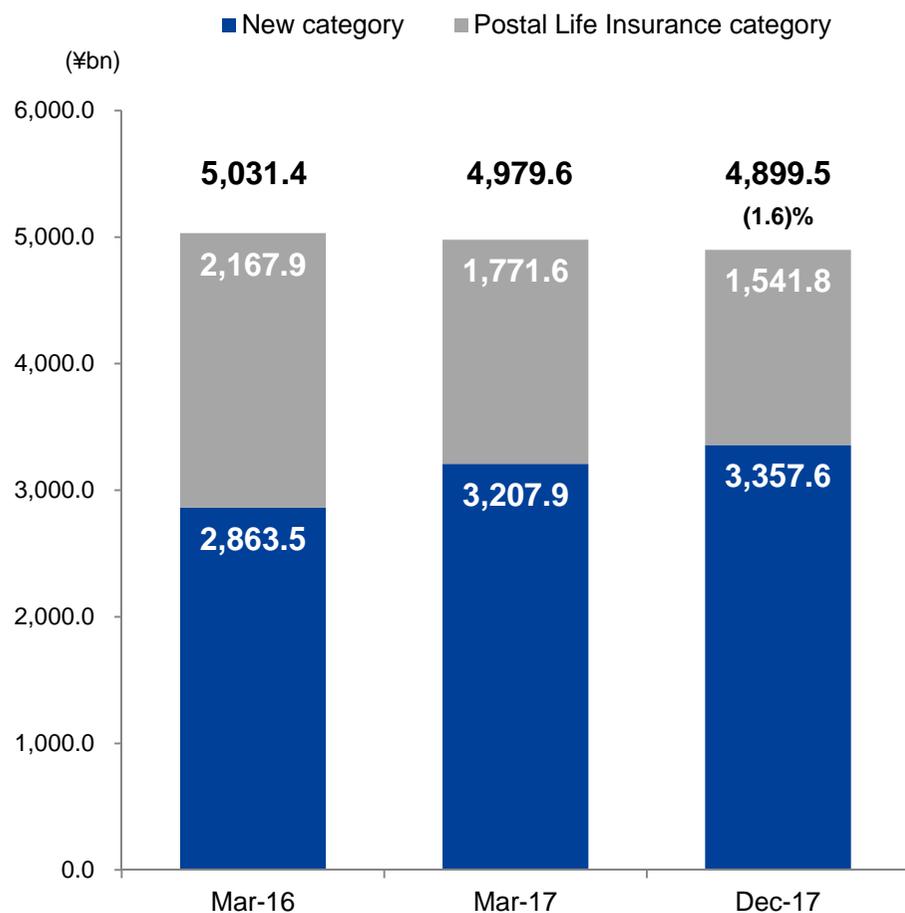


Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium 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.

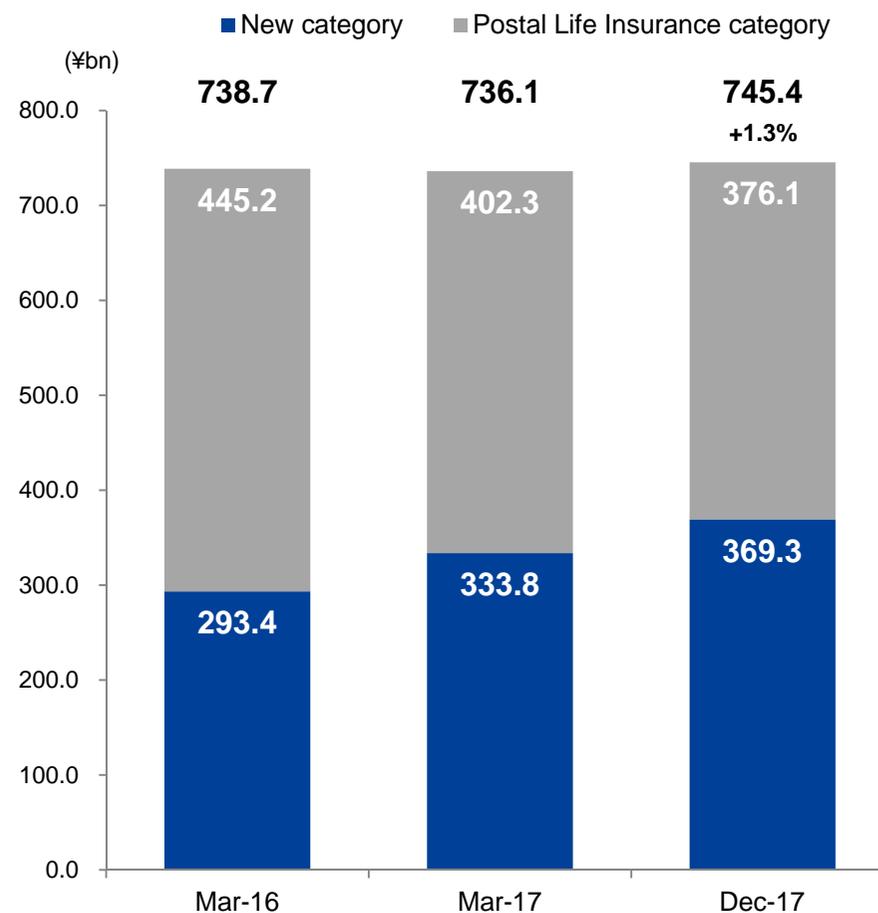
Note 2: In addition to the above, the FY2018/3 period saw a net increase of ¥8.4 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.

Policy Sales (2) Annualized Premiums from Policies in Force

Annualized Premiums from Policies in Force
(Individual Insurance)



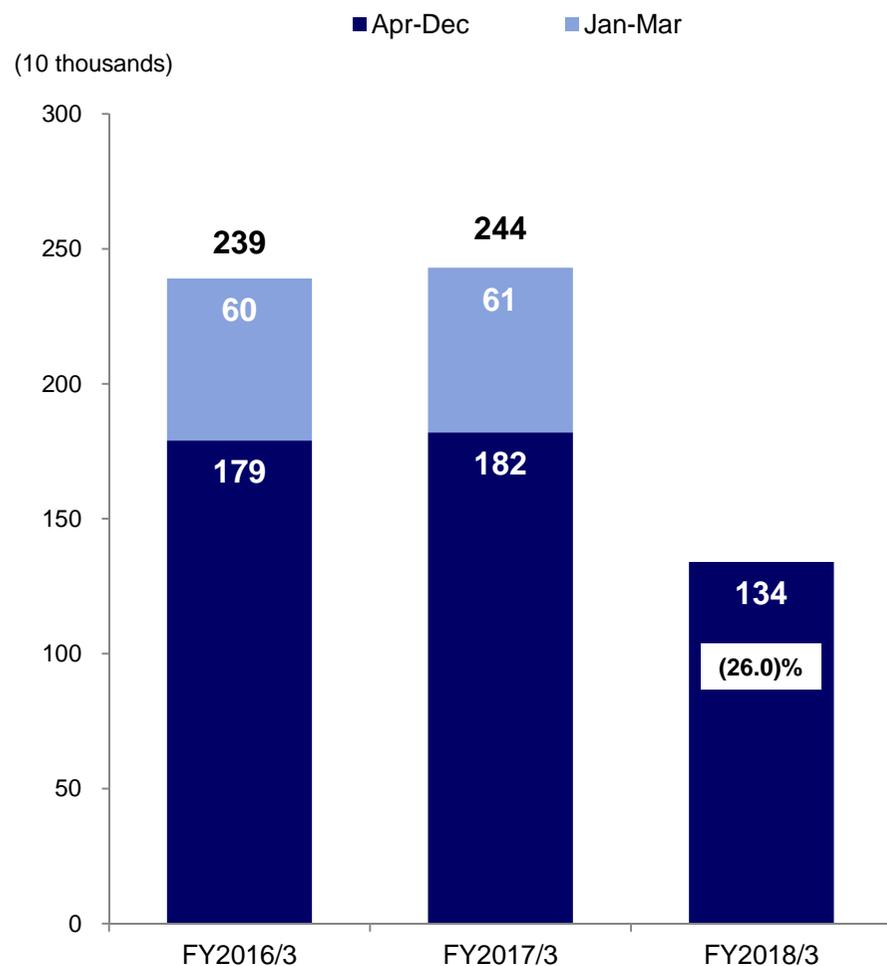
Annualized Premiums from Policies in Force
(Medical Care)



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)

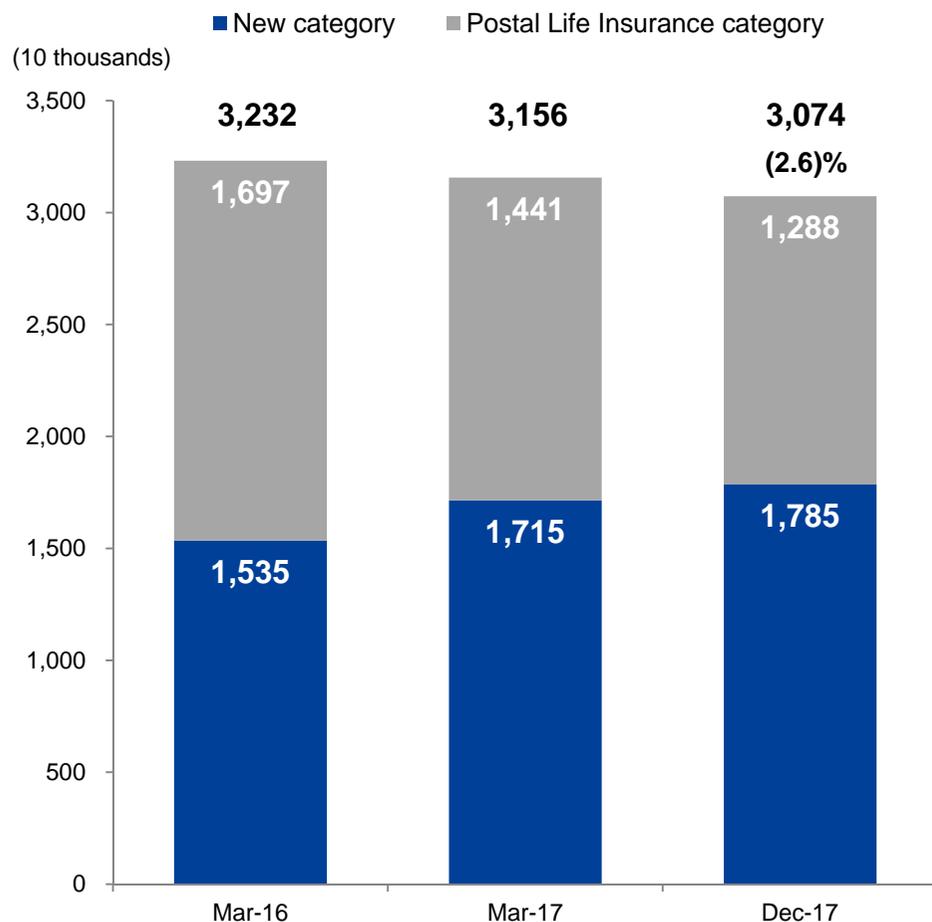
	9 months ended Dec-16		9 months ended Dec-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	182	100.0 %	134	100.0 %
Endowment insurance	92	50.9 %	64	47.6 %
Ordinary endowment insurance	71	39.5 %	38	28.9 %
Special endowment insurance ¹	20	11.4 %	25	18.6 %
Whole life insurance	63	34.9 %	60	44.8 %
Ordinary whole life insurance (Fixed amount type)	23	12.7 %	23	17.1 %
Ordinary whole life insurance (Increased amount type)	18	10.2 %	27	20.2 %
Special whole life insurance	21	11.9 %	10	7.5 %
Educational endowment insurance	25	14.2 %	10	7.6 %
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		Dec-17	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,156	100.0 %	3,074	100.0 %
Endowment insurance	1,349	42.8 %	1,279	41.6 %
Ordinary endowment insurance	846	26.8 %	813	26.4 %
Special endowment insurance ¹	482	15.3 %	449	14.6 %
Whole life insurance	1,279	40.6 %	1,297	42.2 %
Ordinary whole life insurance (Fixed amount type)	406	12.9 %	414	13.5 %
Ordinary whole life insurance (Increased amount type)	239	7.6 %	256	8.3 %
Special whole life insurance	633	20.1 %	625	20.4 %
Educational endowment insurance	512	16.2 %	484	15.8 %
Other insurance	14	0.5 %	13	0.5 %

Note: Only major products are shown.

1. Increased amount type endowment insurance

Investments (1) Asset Portfolio

Asset Portfolio

(¥bn,%)

	Mar-17		Dec-17	
	Amount	Share	Amount	Share
Bonds	57,581.2	71.7	54,656.3	70.8
Japanese government bonds	42,732.3	53.2	40,403.7	52.3
Japanese local government bonds	9,226.8	11.5	8,793.0	11.4
Japanese corporate bonds ²	5,622.0	7.0	5,459.6	7.1
Risk assets	7,963.7	9.9	9,163.4	11.9
Domestic stocks ¹	1,626.0	2.0	2,058.2	2.7
Foreign stocks ¹	309.0	0.4	358.1	0.5
Foreign bonds etc. ^{1,2}	6,028.6	7.5	6,713.9	8.7
Loans	8,060.9	10.0	7,638.3	9.9
Others	6,730.9	8.4	5,723.5	7.4
Cash and deposits, call loans	1,516.0	1.9	1,036.8	1.3
Receivables under securities borrowing transactions	3,520.7	4.4	2,802.9	3.6
Total assets	80,336.7	100.0	77,181.7	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)

	9 months ended Dec-16	9 months ended Dec-17	(Reference) Year ended Mar-17
Positive spread	51.0	46.3	78.5
Average assumed rates of return ¹	1.73 %	1.71 %	1.73 %
Investment return on core profit ²	1.83 %	1.80 %	1.84 %
Net capital gains (losses)	(37.2)	0.4	(51.1)

	Dec-16	Dec-17	Mar-17
Interest rate (10Y JGB)	0.040 %	0.045 %	0.065 %
USD/JPY	¥ 116.49	¥ 113.00	¥ 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)

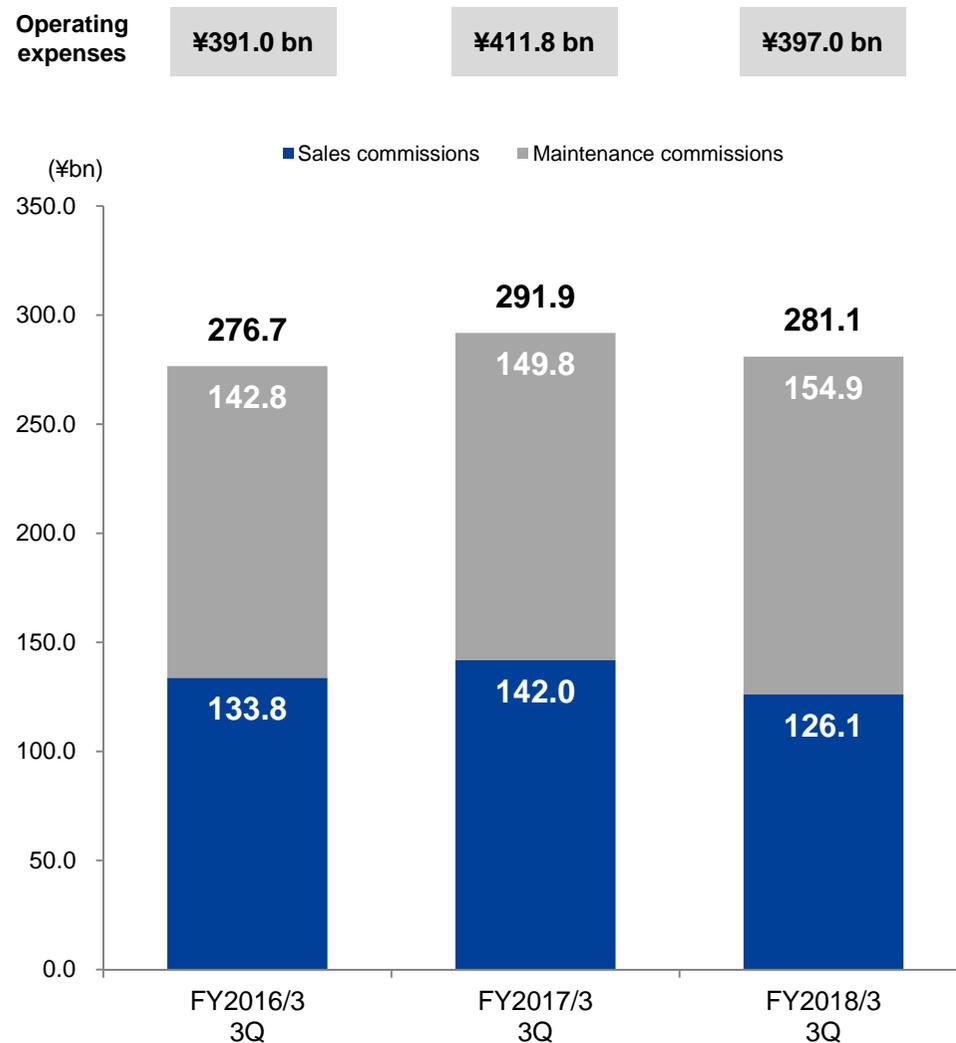
	Mar-17			Dec-17		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,541.9	73,242.5	7,700.5	63,682.0	71,675.7	7,993.6
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	39,342.3	45,361.2	6,018.8
Policy-reserve-matching bonds	12,517.3	13,697.4	1,180.0	10,931.2	12,027.0	1,095.8
Available-for-sale securities	12,582.7	13,026.4	443.6	13,408.5	14,287.4	878.9
Securities etc.	10,836.4	10,899.3	62.9	11,325.6	11,544.2	218.6
Bonds	4,758.4	4,796.8	38.4	4,565.9	4,601.8	35.8
Domestic stocks	50.2	54.0	3.8	102.6	120.9	18.3
Foreign securities	4,224.6	4,253.7	29.1	4,176.0	4,317.8	141.7
Other securities	1,428.0	1,417.1	(10.8)	1,816.7	1,837.1	20.4
Deposits etc.	375.1	377.5	2.4	664.1	666.3	2.2
Money held in trust ¹	1,746.3	2,127.0	380.7	2,082.8	2,743.2	660.3
Domestic stocks	1,252.1	1,571.9	319.8	1,389.0	1,937.2	548.1
Foreign stocks	267.1	309.0	41.9	271.2	358.1	86.9
Foreign bonds	166.9	185.9	18.9	321.5	346.7	25.2

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

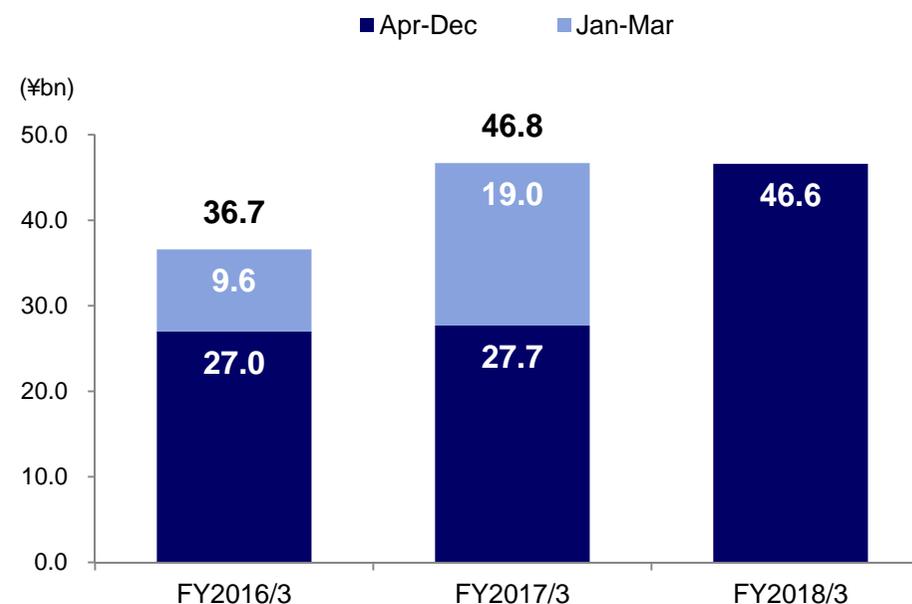
1.Total money held in trust includes cash and deposits and others.

Expenses

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 ¥15.0 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	Dec-17	(¥bn)
			Provisions in the period ²
Contingency reserve	2,254.0	2,151.2	(102.7)
Postal Life Insurance category	1,838.8	1,707.9	(130.8)
New category	415.2	443.2	28.0
Price fluctuations reserve	788.7	835.5	46.8
Postal Life Insurance category	648.4	667.9	19.4
New category	140.2	167.6	27.3
Additional policy reserve ¹	5,961.0	5,927.3	(33.7)
Postal Life Insurance category	5,961.0	5,927.3	(33.7)
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 Nine months ended December 31, 2017, the amount of additional provision was ¥136.0 bn and the accumulated amount was ¥1,346.4 bn).
2. Provisions in the period includes the excess provision of ¥52.9 bn exceeding the provision requirements for contingency reserve and price fluctuations reserve.

Solvency Margin Ratio (Consolidated)

	Mar-17	Dec-17	(¥bn)
Solvency Margin Ratio (Consolidated)	1,290.6 %	1,207.8 %	
Total amount of solvency margin	5,425.8	5,832.2	
Total amount of risk	840.7	965.7	
Real net assets (Consolidated)	12,763.1	13,048.5	

Embedded Value

Breakdown of EV

(¥bn)

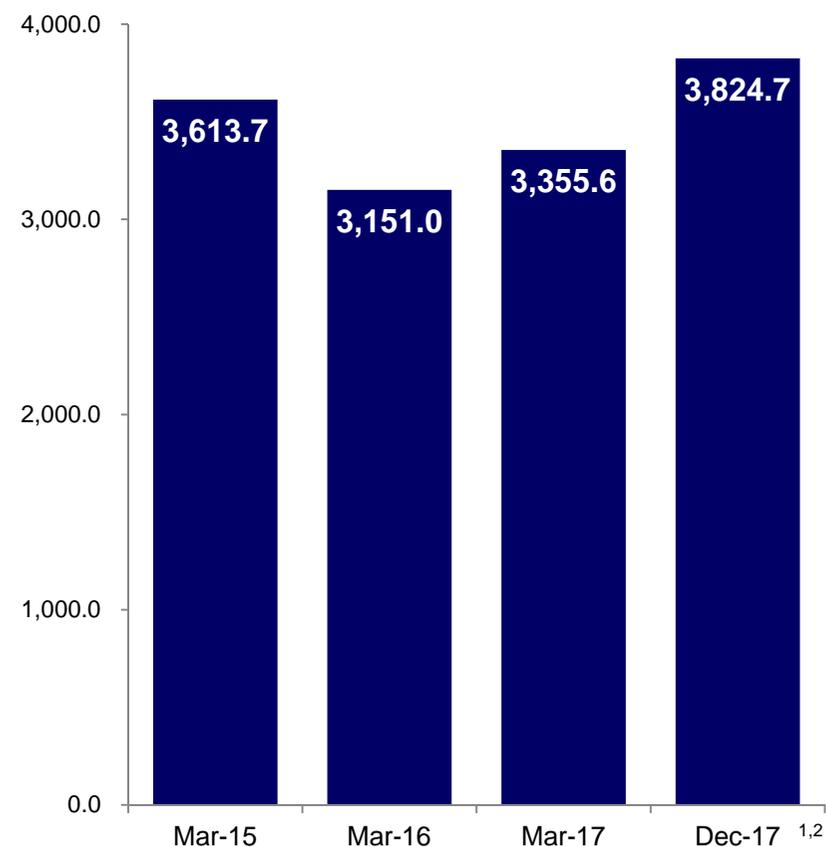
	Mar-17	Dec-17 ^{1,2}	Change
EV	3,355.6	3,824.7	469.0
Adjusted net worth	1,965.2	2,103.5	138.3
Value of in-force covered business	1,390.4	1,721.1	330.7

	9 months ended Dec-16 ^{1,3}	9 months ended Dec-17 ^{1,4}	Change
Value of new business	25.6	185.2	159.5

1. Provisional calculations have not been verified by a third party.
2. The adjusted net worth was calculated by reflecting the effect of a gain on transfer of fixed assets (¥85.0 billion) announced on February 1, 2018.
3. Using the economic assumptions as of the end of September 2016, based on the new policies written in the period from April to December 2016.
4. Using the economic assumptions as of the end of September 2017, based on the new policies written in the period from April to December 2017. The value of new business includes an increase or decrease due to a switchover of riders.

EV

(¥bn)



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. Although a gain on transfer of ¥85.0 billion will occur due to the transfer of fixed assets announced on February 1, 2018, we decided to allocate the gain to increase the reserve for price fluctuations in preparation for possible losses from price fluctuations in stocks and bonds, beginning from the second quarter of the fiscal year ending March 2018. Therefore, there is no change in the financial results forecasts.

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.

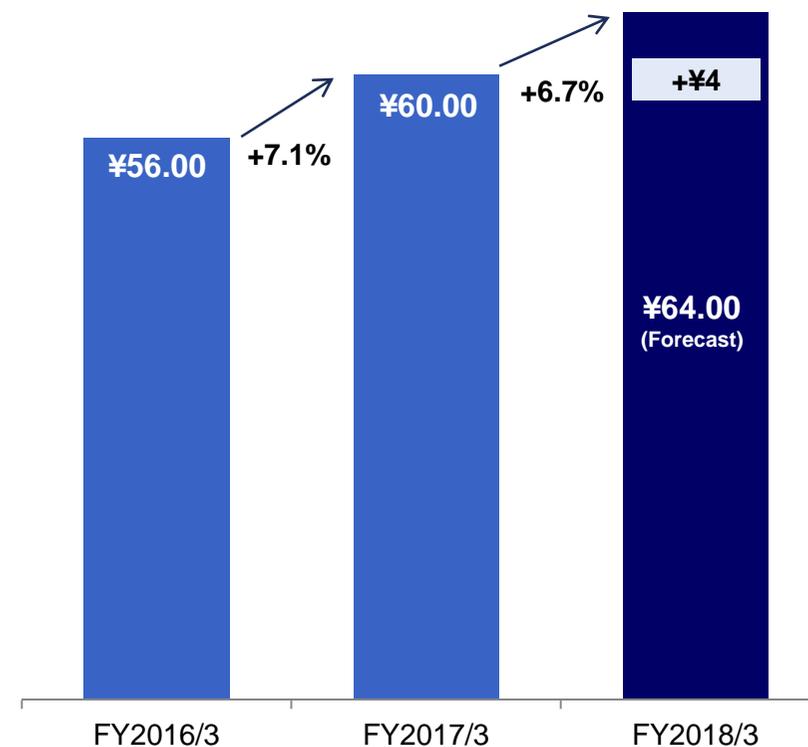
Dividends Per Share

(Payout Ratio)

39.6 %

40.6 %

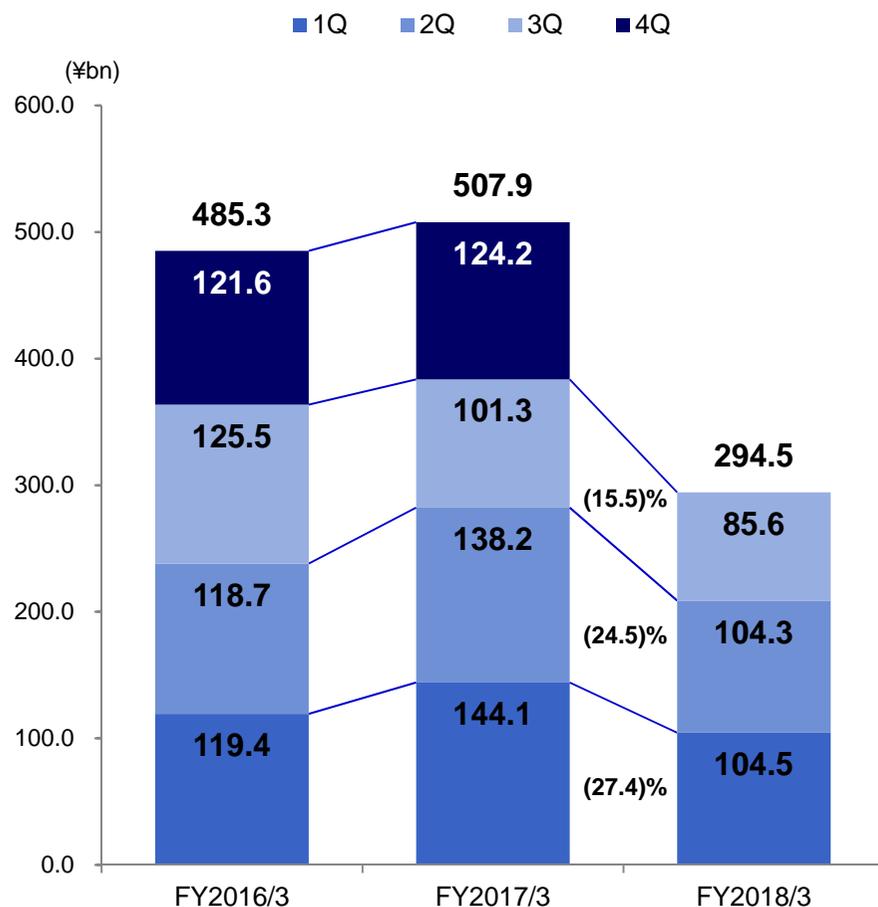
44.6 %



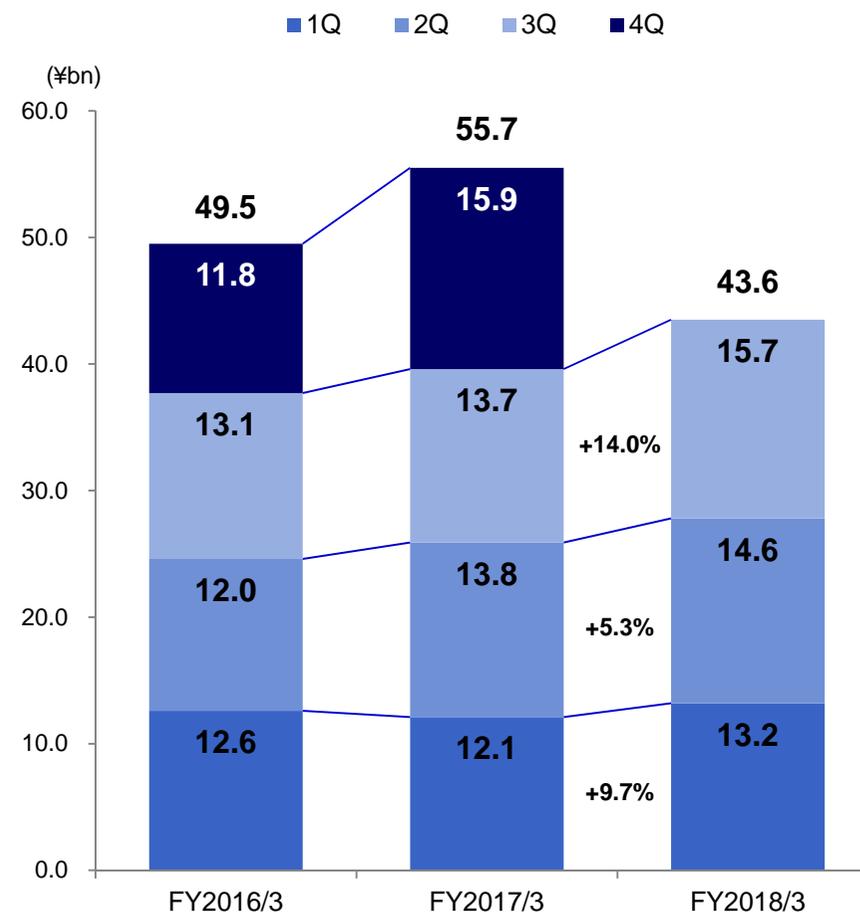
APPENDIX

Quarterly Trends in Annualized Premiums from New Policies

Annualized Premiums from New Policies (Individual Insurance)



Annualized Premiums from New Policies (Medical Care)

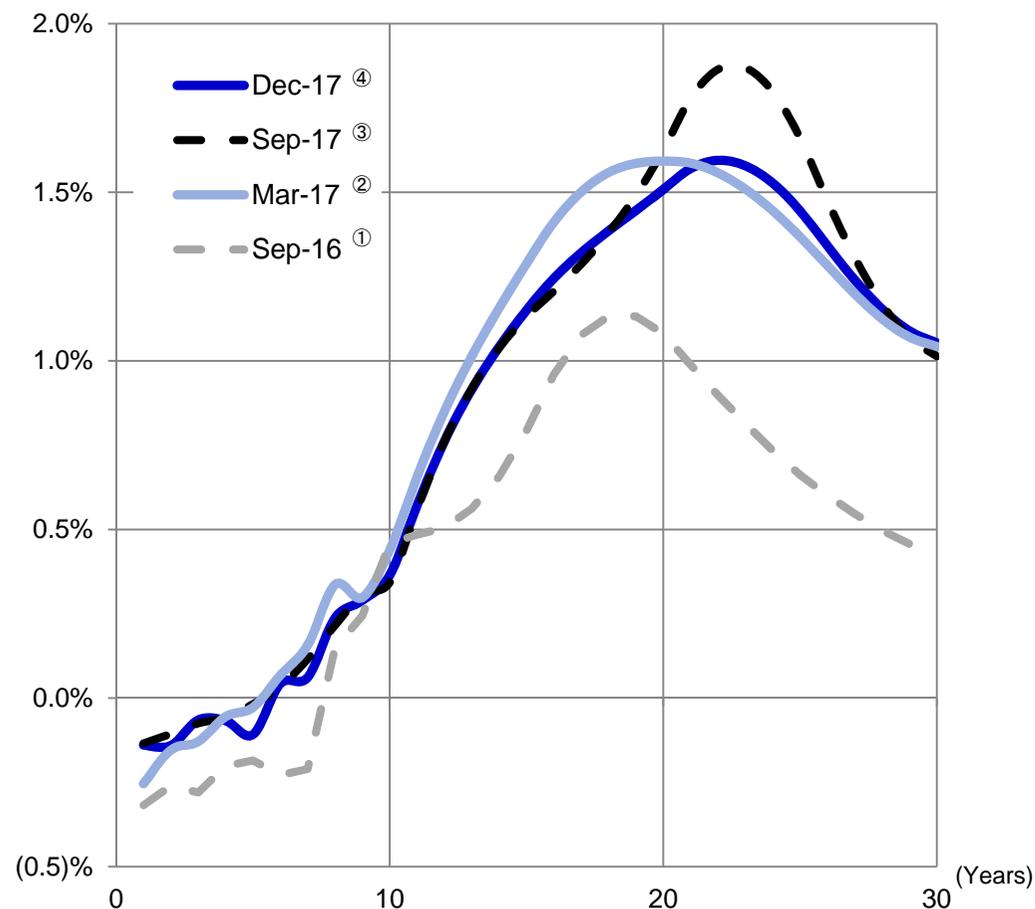


Note 1: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium 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 ¥8.4 billion in annualized premiums due to a switchover to the rider launched in October 2017 and an additional rider purchase.

Fluctuations of Interest Rates (EV Assumptions)¹

Forward Rate (Sep-16 to Dec-17)



Forward Rate

(%)	Sep-16 ^①	Mar-17 ^②	Sep-17 ^③	Dec-17 ^④
10 years	0.458	0.439	0.343	0.364
20 years	1.081	1.592	1.626	1.508
30 years	0.433	1.043	1.014	1.053

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

- Value of new business for 3Q of FY2017/3 : ①
- EV as of the end of March 2017 : ②
- Value of new business for 3Q of FY2018/3 : ③
- EV as of the end of December 2017 : ④

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.

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

		FY2014/3	FY2015/3	FY2016/3	FY2017/3	FY2017/3 3Q	FY2018/3 3Q
Total assets	¥mn	87,088,626	84,911,946	81,543,623	80,336,414	80,300,398	77,182,581
Postal Life Insurance category		67,560,915	61,703,013	55,832,787	51,447,550	51,759,285	47,152,475
New category		19,527,711	23,208,932	25,710,836	28,888,864	28,541,113	30,030,106
Number of policies in force	(000)	34,864	33,489	32,323	31,562	31,761	30,746
Postal Life Insurance category (insurance)		23,195	19,949	16,972	14,411	15,065	12,887
New category (individual insurance)		11,668	13,539	15,350	17,150	16,695	17,859
Insurance premiums and others	¥mn	5,911,643	5,956,716	5,413,862	5,041,868	3,877,753	3,220,309
Postal Life Insurance category		2,155,398	1,697,140	1,322,308	1,002,816	773,480	580,596
New category		3,756,245	4,259,576	4,091,554	4,039,051	3,104,272	2,639,712
Ordinary profit	¥mn	463,506	493,169	413,023	279,347	220,398	254,523
Postal Life Insurance category		382,325	377,145	258,059	185,250	141,758	111,322
New category		81,181	116,024	154,963	94,097	78,640	143,201
Net income	¥mn	63,428	81,758	86,338	88,520	68,171	74,903
Postal Life Insurance category		43,689	36,969	32,850	26,044	20,692	12,815
New category		19,739	44,789	53,487	62,475	47,479	62,087
Contingency reserve (reversal) provision	¥mn	(94,807)	(90,087)	(123,864)	(120,819)	(90,855)	(102,759)
Postal Life Insurance category		(164,732)	(167,144)	(171,199)	(172,881)	(129,900)	(130,821)
New category		69,924	77,057	47,335	52,061	39,045	28,062
Price fluctuations reserve (reversal) provision	¥mn	91,360	97,934	70,100	6,444	5,660	46,848
Postal Life Insurance category		73,857	72,126	8,957	12,625	5,008	19,486
New category		17,502	25,808	61,143	(6,181)	652	27,361
Additional policy reserve (reversal) provision	¥mn	(77,134)	(68,347)	(55,533)	(50,454)	(35,326)	(33,712)
Postal Life Insurance category		(77,134)	(68,347)	(55,533)	(50,454)	(35,326)	(33,712)
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 3Q	FY2018/3 3Q
Insurance premiums and others	5,911.6	5,956.7	5,413.8	5,041.8	3,877.7	3,220.3
Ordinary profit	462.7	492.6	411.5	279.7	220.5	254.8
Provision for reserve for policyholder dividends	242.1	200.7	178.0	152.6	122.9	101.3
Net income	62.8	81.3	84.8	88.5	68.0	75.0
Net assets	1,538.1	1,975.7	1,882.9	1,853.2	1,875.9	2,205.4
Total assets	87,092.8	84,915.0	81,545.1	80,336.7	80,300.6	77,181.7
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	302.5	287.3

<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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