

*Kampo*

**Outline of Financial Results for  
the Nine Months Ended December 31, 2016**

February 14, 2017

 **JAPAN POST INSURANCE**

- I am Susumu Miyamoto of Japan Post Insurance.
- Thank you for joining our conference call for “Financial Results for the Nine Months Ended December 31, 2016.”
- I will first begin with a summary of the financial results in line with the presentation materials prepared for this meeting, followed by a question and answer session.
- Please look at page 1.

## Summary of Financial Results

- Net income was ¥68.0 billion that represented 79.1% towards the full-year financial results forecasts.
- Annualized premiums from new policies for individual insurance were ¥383.7 billion, a 5.5% increase year on year. Annualized premiums from new policies for medical care were ¥39.7 billion, a 5.4% increase year on year.
- Annualized premiums from policies in force for individual insurance were ¥4,997.2 billion, nearly the same level as the end of the previous fiscal year. Among these, policies underwritten after the privatization (new category) amounted to ¥3,128.9 billion, representing more than 60% of the total.
- Under the current low interest rate environment, we increased investment in risk assets (foreign securities and domestic stocks) to ¥7,967.9 billion (9.9% of total assets).
- Embedded value (EV) increased by ¥44.1 billion from the end of the previous fiscal year to ¥3,195.2 billion.

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- The financial results can be summed up in five points.
- Firstly, net income for the current period was ¥68.0 billion, which represented 79.1% towards our full-year financial results forecasts.
- Secondly, annualized premiums from new policies for individual insurance increased by 5.5% year on year to ¥383.7 billion, while annualized premiums from new policies for medical care increased by 5.4% year on year to ¥39.7 billion.
- Thirdly, annualized premiums from policies in force for individual insurance were ¥4,997.2 billion, nearly the same level as the end of the previous fiscal year. Among these, policies underwritten after the privatization (new category) amounted to ¥3,128.9 billion, representing more than 60% of the total.
- On to the fourth point, in view of the current low interest rate environment, while keeping a focus on ALM, we increased investment in risk assets such as foreign securities and domestic stocks, and accordingly, increased the exposure of risk assets to 9.9% of total assets.
- Lastly, the fifth point; EV increased by ¥44.1 billion from the end of the previous fiscal year to ¥3,195.2 billion.
- Please look at page 2.

## Financial Highlights

### Financial Highlights

(¥bn)

	9 months ended Dec-15	9 months ended Dec-16	Year on year
Ordinary income	7,293.7	6,498.1	(10.9) %
Ordinary profit	327.7	220.5	(32.7) %
Net income <sup>1</sup>	72.7	68.0	(6.5) %

### Financial Results Forecasts

(¥bn)

Year ending Mar-17 (Full-year forecasts)	Progress
8,490.0	76.5 %
310.0	71.2 %
86.0	79.1 %

(¥bn)

	Mar-16	Dec-16	Change
Total assets	81,545.1	80,300.6	(1.5) %
Net assets	1,882.9	1,875.9	(0.4) %
Total shareholders' equity	1,472.4	1,506.3	+2.3 %

1. Net income attributable to Japan Post Insurance

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- Next, I would like to explain the financial highlights.
- For the current period, ordinary income was ¥6,498.1 billion, ordinary profit was ¥220.5 billion, and net income was ¥68.0 billion.
- Although ordinary profit for the current period represented progress of 71.2% of the full-year financial results forecasts due to the effect of posting a capital loss, net income for the current period was mostly as planned, representing 79.1% of the full-year financial results forecasts as this loss was offset by a decrease in provision for price fluctuations reserve.
- Furthermore, total assets were ¥80,300.6 billion. Net assets were ¥1,875.9 billion.
- Please look at page 3.

## Overview of Financial Statements (Consolidated)

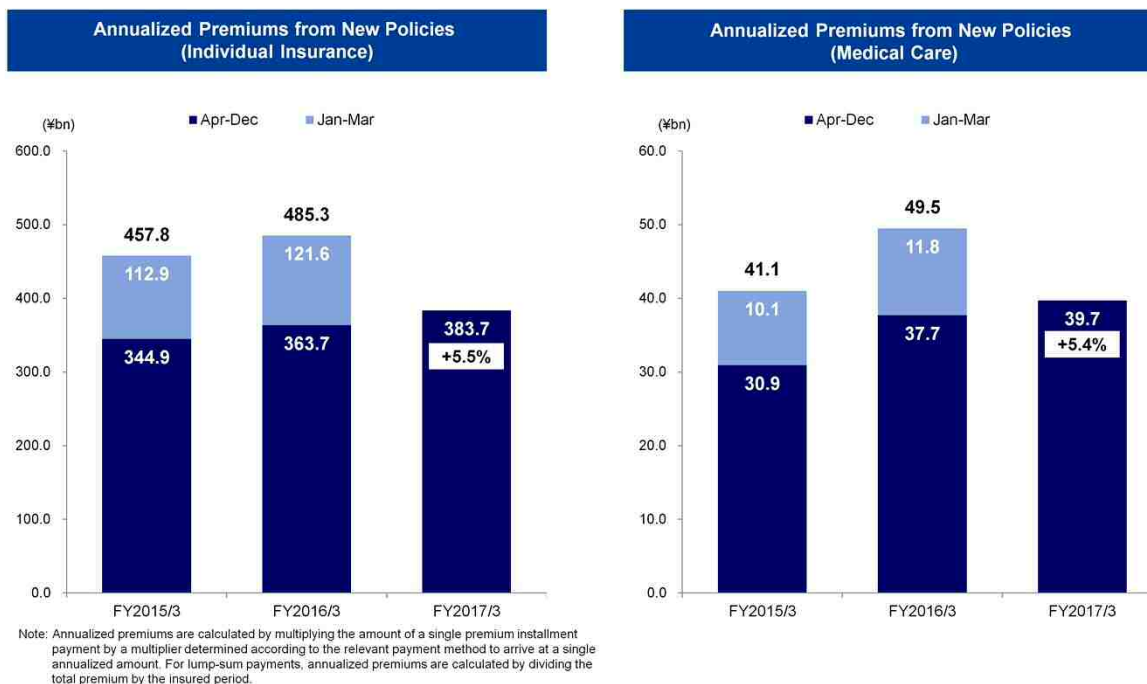
Statement of Income				Balance Sheets				
				(#bn)				
	9 months ended Dec-15	9 months ended Dec-16	Change	(Reference) Year ended Mar-16		Mar-16	Dec-16	Change
Ordinary income	7,293.7	6,498.1	(795.5)	9,605.7	Assets	81,545.1	80,300.6	(1,244.4)
Insurance premiums and others	4,003.9	3,877.7	(126.1)	5,413.8	Cash and deposits	1,862.6	801.6	(1,060.9)
Investment income	1,035.3	1,037.0	1.6	1,354.9	Money held in trust	1,644.5	2,045.4	400.8
Reversal of policy reserves	2,160.5	1,509.8	(650.7)	2,750.0	Securities	63,609.9	64,291.2	681.3
Ordinary expenses	6,965.9	6,277.5	(688.4)	9,194.2	Loans	8,978.4	8,557.8	(420.6)
Insurance claims and others	6,495.4	5,663.8	(831.6)	8,550.4	Fixed assets	331.1	336.0	4.9
Investment expenses	7.2	129.9	122.7	9.7	Deferred tax assets	712.1	807.2	95.1
Operating expenses	391.0	411.8	20.8	538.5	Liabilities	79,662.2	78,424.7	(1,237.4)
Ordinary profit	327.7	220.5	(107.1)	411.5	Policy reserves	72,362.5	70,852.6	(1,509.8)
Extraordinary profit and loss	(52.6)	(5.7)	46.8	(71.5)	Reserve for price fluctuations	782.2	787.9	5.6
Provision for reserve for policyholder dividends	172.2	122.9	(49.2)	178.0	Net assets	1,882.9	1,875.9	(7.0)
Income before income taxes	102.8	91.7	(11.0)	161.9	Total shareholders' equity	1,472.4	1,506.3	33.9
Total income taxes	30.0	23.7	(6.2)	77.0	Total accumulated other comprehensive income	410.5	369.6	(40.9)
Net income attributable to Japan Post Insurance	72.7	68.0	(4.7)	84.8				

Note: Only major line items are shown.

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

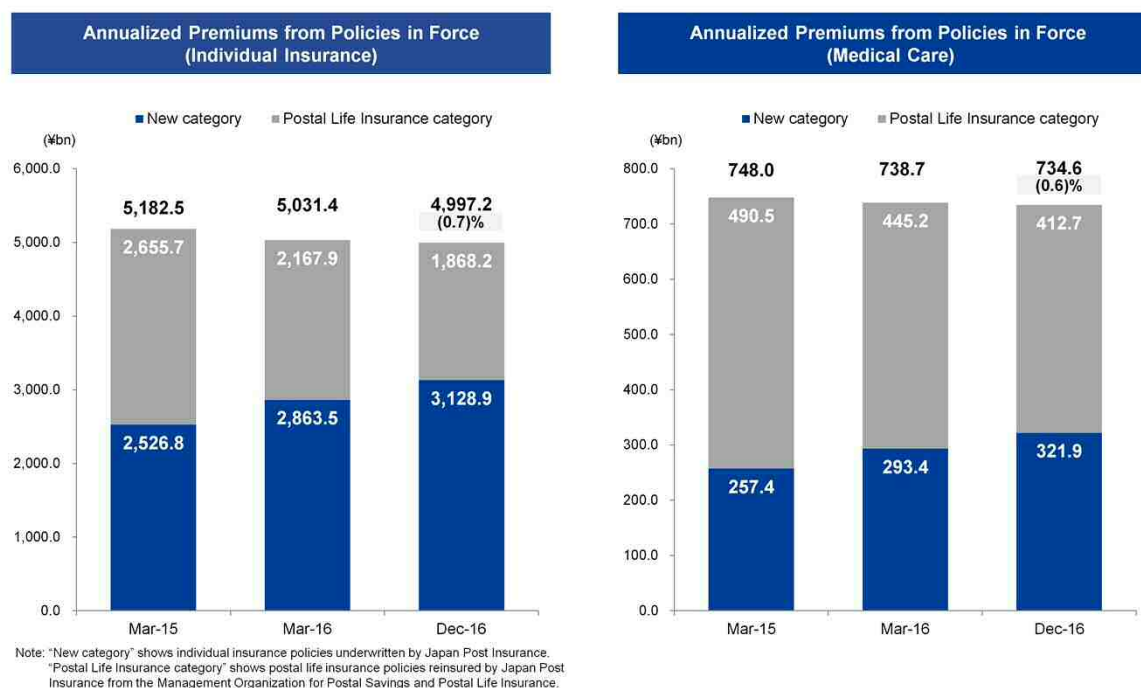
## Policy Sales (1) Annualized Premiums from New Policies



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- From here, I would like to explain our policy sales.
- Annualized premiums from new policies for individual insurance were ¥383.7 billion, a 5.5% increase year on year.
- Although the growth rate was down compared with the second quarter due to the impact of the revision of insurance premiums in August, policy sales have continued to progress favorably, exceeding the level in the previous fiscal year.
- As shown in the chart on the right, annualized premiums from new policies for medical care for the current period increased by 5.4% year on year to ¥39.7 billion, which also exceeded the level of the previous fiscal year.
- We will continue to collaborate with Japan Post Co. and strive to conduct consistent sales activities with an emphasis on customer protection.
- Please look at page 5.

## Policy Sales (2) Annualized Premiums from Policies in Force

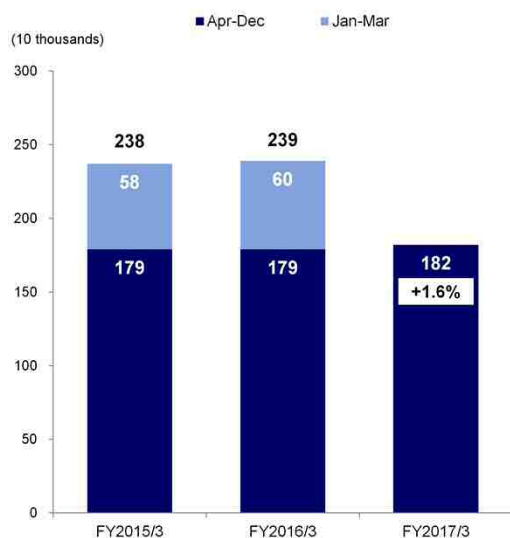


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- Annualized premiums from policies in force are shown in “Postal Life Insurance category” and “New category.”
- As shown in the chart on the left, annualized premiums from policies in force for individual insurance were ¥4,997.2 billion, maintaining almost the same level as the end of the previous fiscal year.
- Furthermore, annualized premiums from policies in force for medical care were ¥734.6 billion, of which ¥321.9 billion was from “New category.”
- Please look at page 6.

## Policy Sales (3) Number of New Policies

Number of New Policies (Individual Insurance)



Breakdown of New Policies

(10 thousands)

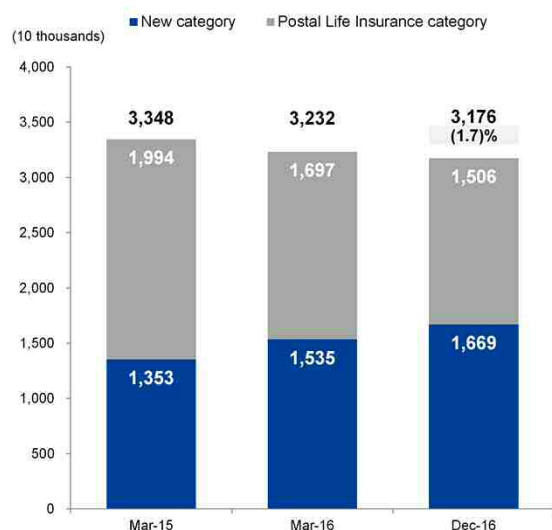
	9 months ended Dec-15		9 months ended Dec-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	179	100.0 %	182	100.0 %
Endowment insurance	94	52.8 %	92	50.9 %
Whole life insurance	49	27.7 %	63	34.9 %
Educational endowment insurance	34	19.5 %	25	14.2 %
Other insurance	0	0.0 %	0	0.0 %

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- The chart on the left shows changes in the number of new policies, with a breakdown by product on the right.
- The number of new policies acquired during the current period increased by 20 thousand year on year to 1.82 million.
- By product, although the number of new policies of savings-featured endowment insurance and educational endowment insurance decreased slightly due to the impact of the revision of insurance premiums, as a result of sales promotion activities to capture protection needs, that of whole life insurance increased by 130 thousand year on year.
- Please look at page 7.

## 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

	Mar-16		Dec-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,232	100.0 %	3,176	100.0 %
Endowment insurance	1,440	44.6 %	1,373	43.2 %
Whole life insurance	1,241	38.4 %	1,265	39.9 %
Educational endowment insurance	535	16.6 %	522	16.5 %
Other insurance	14	0.5 %	14	0.5 %

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- Changes in the number of policies in force and its breakdown are presented on this page.
- The number of policies in force, which is the total of "New category" and "Postal Life Insurance category," decreased by 560 thousand from the end of the previous fiscal year to 31.76 million.
- Although the moderate decrease of policies in force has continued, the number of policies in "New category," which represents those policies underwritten after the privatization, has built up to reach a level above the "Postal Life Insurance category."
- Please look at page 8.



## Investments (1) Asset Portfolio

Asset Portfolio					Investment Yield			
					(#bn)			
	Mar-16		Dec-16			9 months ended Dec-15	9 months ended Dec-16	(Reference) Year ended Mar-16
	Amount	Share	Amount	Share				
Bonds	59,821.0	73.4	58,289.9	72.6				
Japanese government bonds	44,178.6	54.2	43,075.3	53.6	Positive spread	67.4	51.0	97.4
Japanese local government bonds	9,405.4	11.5	9,471.9	11.8	Average assumed rates of return <sup>1</sup>	1.77 %	1.73 %	1.76 %
Japanese corporate bonds <sup>2</sup>	6,236.9	7.6	5,742.6	7.2	Investment return on core profit <sup>2</sup>	1.89 %	1.83 %	1.90 %
Risk assets	5,401.6	6.6	7,967.9	9.9	Net capital gains (losses)	18.6	(37.2)	4.4
Domestic stocks <sup>1</sup>	1,202.5	1.5	1,544.2	1.9				
Foreign stocks <sup>1</sup>	229.4	0.3	287.2	0.4				
Foreign bonds etc. <sup>1,2</sup>	3,969.7	4.9	6,136.4	7.6				
Loans	8,978.4	11.0	8,557.8	10.7				
Others	7,344.0	9.0	5,484.9	6.8				
Cash and deposits, call loans	2,222.6	2.7	1,001.6	1.2	Interest rate (10Y JGB)	0.270 %	0.040 %	(0.050) %
Receivables under securities borrowing transactions	3,008.5	3.7	2,705.0	3.4	USD/JPY	¥ 120.61	¥ 116.49	¥ 112.68
Total assets	81,545.1	100.0	80,300.6	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.

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.

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- I would like to move on to the results of investments.
- As shown on the left, we mainly invest in bonds from the standpoint of ALM to match yen-denominated interest-bearing assets with yen-denominated interest-bearing liabilities.
- As a result of our efforts to diversify our investment assets under the current low interest rate environment, the amount and proportion of risk assets such as domestic stocks and foreign bonds reached ¥7.9 trillion. This accounts for 9.9% of total assets as of the end of the current period, almost reaching “around 10%” as planned in the Medium-term Management Plan.
- As shown in the chart on the right, the positive spread of ¥51.0 billion was achieved, despite a drop under the recent low interest environment in both the average assumed rates of return and investment return on core profit.
- Capital loss was ¥37.2 billion. However, the impact of this loss on net income for the current period is limited as this loss was offset by a decrease in provision of price fluctuations reserve.
- Please look at page 9.

## Investments (2) Fair Value Information of Securities

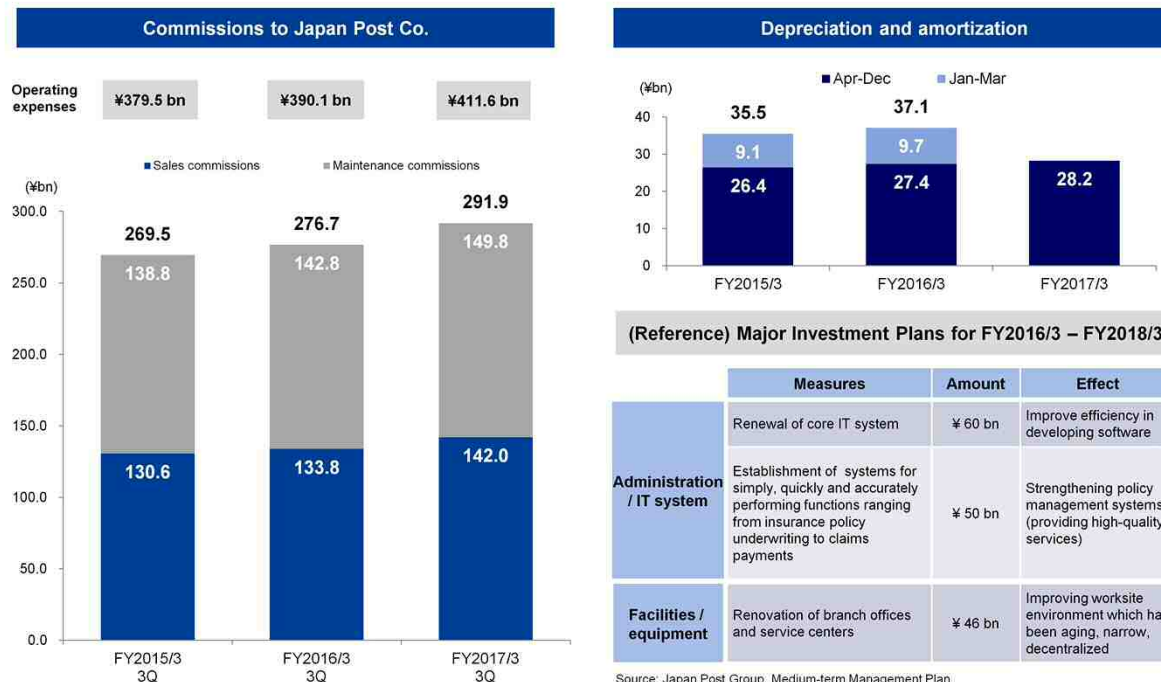
Fair Value Information of Securities						
	Mar-16			Dec-16		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,753.0	75,326.4	9,573.3	66,307.8	74,636.6	8,328.7
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	40,975.4	47,540.6	6,565.1
Policy-reserve-matching bonds	13,563.4	15,062.1	1,498.7	12,559.7	13,820.6	1,260.8
Available-for-sale securities	9,949.8	10,511.3	561.5	12,772.6	13,275.4	502.7
Securities etc.	8,469.2	8,866.8	397.5	11,079.5	11,229.9	150.4
Bonds	4,012.9	4,115.7	102.8	4,872.0	4,925.2	53.2
Domestic stocks	-	-	-	49.9	51.4	1.5
Foreign bonds	3,299.3	3,590.8	291.4	4,406.9	4,516.3	109.3
Other securities	100.0	100.0	0.0	1,275.0	1,258.7	(16.2)
Deposits etc.	1,056.9	1,060.1	3.1	475.6	478.1	2.5
Money held in trust <sup>1</sup>	1,480.5	1,644.5	163.9	1,693.1	2,045.4	352.2
Domestic stocks	1,065.4	1,202.5	137.0	1,200.1	1,492.8	292.6
Foreign stocks	222.2	229.4	7.1	252.9	287.2	34.2
Foreign bonds	161.1	180.9	19.7	165.4	190.8	25.3

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

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- This slide shows the fair value of securities and net unrealized gains or losses.
- Net unrealized gains on held-to-maturity bonds and policy-reserve-matching bonds decreased by ¥1,185.8 billion due to the rise in domestic interest rate.
- Net unrealized gains on available-for-sale securities decreased by ¥58.7 billion due to decreased net unrealized gains on bonds as a result of a rise in domestic and foreign interest rates, while net unrealized gains on money held in trust increased as a result of a rise in stock markets.
- In total, net unrealized gains on securities decreased by ¥1,244.6 billion to ¥8,328.7 billion from the end of the previous fiscal year.
- Please look at page 10.

## Expenses (Non-Consolidated)



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- Expenses for the period are presented on this page.
- Operating expenses for the current period were ¥411.6 billion on a non-consolidated basis, of which approximately 70% consists of commissions paid to Japan Post Co.
- Approximately half of the commissions are sales commissions corresponding to actual sales of new policies, and the remaining half are maintenance commissions paid for outsourced operations of maintenance and payment services.
- Commissions for the current period were ¥291.9 billion, as a result of steady growth of new policies at post offices after the privatization, and the strengthening of initiatives to have customers register bank accounts for depositing insurance payments.
- Depreciation and amortization for the current period was ¥28.2 billion, as shown in the chart on the upper right.
- In addition, the core IT system has been renewed in January as scheduled. As a result of this, the development of the base for simple, prompt and accurate administrative and IT systems is nearing completion. Further, depreciation and amortization is expected to increase from the fourth quarter and onward.
- Please look at page 11.

## Financial Soundness

### Internal Reserves

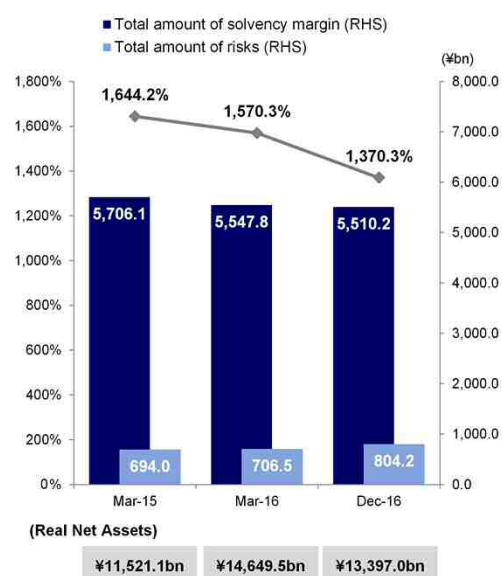
	Mar-16	Dec-16	(¥bn)
Contingency reserve	2,374.8	2,283.9	(90.8)
Postal Life Insurance category	2,011.6	1,881.7	(129.9)
New category	363.1	402.2	39.0
Price fluctuations reserve	782.2	787.9	5.6
Postal Life Insurance category	635.8	640.8	5.0
New category	146.4	147.1	0.6
Additional policy reserve <sup>1</sup>	6,011.5	5,976.1	(35.3)
Postal Life Insurance category	6,011.5	5,976.1	(35.3)
New category	-	-	-

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

1. Additional policy reserve includes the amount determined to be additionally provided over 10 years from the year ended March 31, 2011 for reinsured annuity assumed from the Management Organization for Postal Savings and Postal Life Insurance (for the Nine months ended December 31, 2016, the amount of additional provision was ¥135.6 bn and the accumulated amount was ¥1,165.7 bn).

2. Provisions in the period includes the excess provision of ¥31.2 bn exceeding the provision requirements for contingency reserve.

### Solvency Margin Ratio (Consolidated)



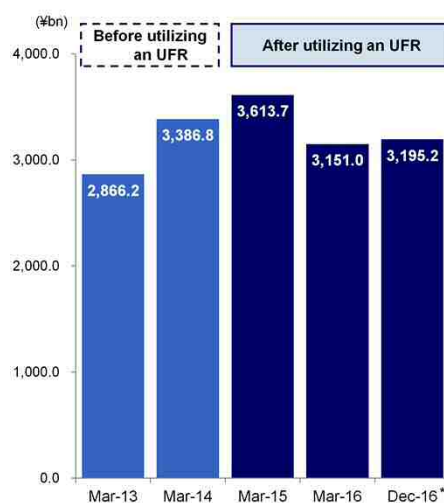
- I would like to report on our financial soundness.
- In order to maintain financial soundness for the stable management in the future, as well as counter risks associated with changes in the business environment, we have accumulated contingency reserve of ¥2,283.9 billion and price fluctuations reserve of ¥787.9 billion.
- Additional policy reserve accumulated mainly to cover negative spreads was ¥5,976.1 billion at the end of the current period.
- Please refer to the chart on the right for changes in the consolidated solvency margin ratio.
- Although the consolidated solvency margin ratio at the end of the current period was 1,370.3%, mainly due to the increased investment in risk assets, a high level of soundness has been maintained.
- Please look at page 12.

## Embedded Value

### Breakdown of EV

(¥bn)			
	Mar-16	Dec-16*	Change
EV	3,151.0	3,195.2	44.1
Adjusted net worth	1,894.3	1,944.2	49.9
Value of in-force covered business	1,256.7	1,251.0	(5.7)
	9 months ended Dec-15*	9 months ended Dec-16*	Change
Value of new business	159.6	25.6	(134.0)

### EV



\* The above is the provisionally calculated EV using the economic assumptions as of the end of December, based on the policies in force at the end of December. (Value of new business is calculated by using the economic assumptions as of the end of September, based on the new policies written in the period from April to December). Please note that none of the aforementioned values have been verified by a third party.

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- I would like to talk about the current status of EV.
- For the current period, EV increased by ¥44.1 billion to ¥3,195.2 billion from the end of the previous fiscal year.
- Adjusted net worth was ¥1,944.2 billion, an increase of ¥49.9 billion from the end of the previous fiscal year, due mainly to an increase in net income.
- Value of in-force covered business recovered to the levels of the end of the previous fiscal year at ¥1,251.0 billion, mainly as a result of interest rates returning to the levels at the end of March 2016.
- The value of new business for the current period is calculated based on economic assumptions as of the end of September 2016, which is close to the average interest rates from April to December.
- As a result, the value of new business for the current period was ¥25.6 billion due to a fall in interest rates from the end of September 2015. However, the value of new business after the revision of insurance premiums during August and December is calculated at around ¥32.4 billion.
- Please note EVs for the current period are estimated values that have not been subject to third-party verification.
- Please look at page 13.

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

### Financial Results Forecasts (Consolidated)

(¥bn)

	Year ended Mar-16 (Actual)	Year ending Mar-17 (Forecast)	Change
Ordinary income	9,605.7	8,490.0	(11.6) %
Ordinary profit	411.5	310.0	(24.7) %
Net income <sup>1</sup>	84.8	86.0	+ 1.3 %

1. Net income attributable to Japan Post Insurance

### Shareholder Return Policy

Stable growth in dividends

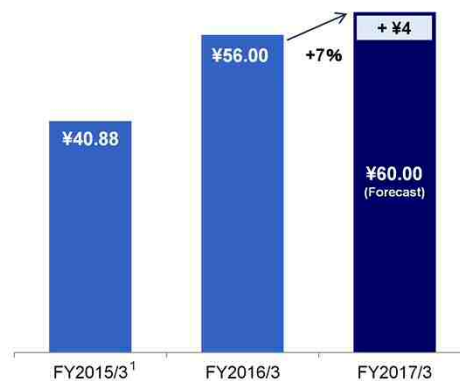
- Determine the shareholder dividends considering earning prospects, financial soundness and the balance between shareholder and policyholder dividends.
- Aim for a steady increase in dividends per share through the year ending March 31, 2018, while maintaining a dividend payout ratio within the range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

### Dividends Per Share

(Payout Ratio)

30.2 %      39.6 %      41.9 %

¥2 increase of ordinary dividends, ¥2 commemorative dividends for the 100th anniversary



1. The Company conducted a 30-for-1 stock split of its common stock effective August 1, 2015. Dividends per share for the year ended March 31, 2015 were calculated assuming that the stock split was conducted on April 1, 2014.

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- Finally, I would like to explain about the consolidated financial results forecasts and dividends forecasts.
- Although our financial results for the current fiscal year were partially affected by market fluctuations and the impact of the revision of insurance premiums, our business has been progressing mostly as planned. At this point of time, there is no change to our consolidated financial results forecasts for the year ending March 31, 2017 and dividends forecasts.
- This concludes my explanation.

APPENDIX

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

		FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 3Q	FY2017/3 3Q
<b>Total assets</b>	¥mn	90,462,364	87,088,626	84,911,946	81,543,623	82,677,021	80,300,398
Postal Life Insurance category		73,793,953	67,560,915	61,703,013	55,832,787	57,833,478	51,759,285
New category		16,668,410	19,527,711	23,208,932	25,710,836	24,843,542	28,541,113
<b>Number of policies in force</b>	(000)	36,805	34,864	33,489	32,323	32,590	31,761
Postal Life Insurance category (insurance)		26,933	23,195	19,949	16,972	17,693	15,065
New category (individual insurance)		9,871	11,668	13,539	15,350	14,896	16,695
<b>Insurance premiums and others</b>	¥mn	6,481,772	5,911,643	5,956,716	5,413,862	4,003,912	3,877,753
Postal Life Insurance category		2,685,558	2,155,398	1,697,140	1,322,308	1,016,484	773,480
New category		3,796,214	3,756,245	4,259,576	4,091,554	2,987,427	3,104,272
<b>Ordinary profit</b>	¥mn	529,375	463,506	493,169	413,023	328,424	220,398
Postal Life Insurance category		424,511	382,325	377,145	258,059	206,535	141,758
New category		104,864	81,181	116,024	154,963	121,889	78,640
<b>Net income</b>	¥mn	91,000	63,428	81,758	86,338	73,468	68,171
Postal Life Insurance category		56,816	43,689	36,969	32,850	29,925	20,692
New category		34,184	19,739	44,789	53,487	43,542	47,479
<b>Contingency reserve (reversal) provision</b>	¥mn	(100,149)	(94,807)	(90,087)	(123,864)	(91,980)	(90,855)
Postal Life Insurance category		(159,710)	(164,732)	(167,144)	(171,199)	(128,143)	(129,900)
New category		59,561	69,924	77,057	47,335	36,163	39,045
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	64,656	91,360	97,934	70,100	51,921	5,660
Postal Life Insurance category		43,374	73,857	72,126	8,957	13,599	5,008
New category		21,282	17,502	25,808	61,143	38,322	652
<b>Additional policy reserve (reversal) provision</b>	¥mn	(92,835)	(77,134)	(68,347)	(55,533)	(41,281)	(35,326)
Postal Life Insurance category		(92,835)	(77,134)	(68,347)	(55,533)	(41,281)	(35,326)
New category		-	-	-	-	-	-

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

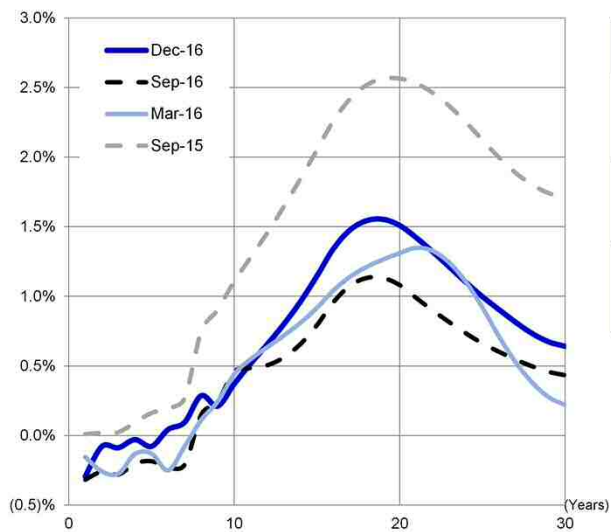


## Major Financial Results (Consolidated)

	(#bn)					
	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 3Q	FY2017/3 3Q
Insurance premiums and others	6,481.7	5,911.6	5,956.7	5,413.8	4,003.9	3,877.7
Ordinary profit	528.9	462.7	492.6	411.5	327.7	220.5
Provision for reserve for policyholder dividends	307.4	242.1	200.7	178.0	172.2	122.9
Net income	90.6	62.8	81.3	84.8	72.7	68.0
Net assets	1,466.7	1,538.1	1,975.7	1,882.9	1,971.4	1,875.9
Total assets	90,463.5	87,092.8	84,915.0	81,545.1	82,682.8	80,300.6
Return on equity	6.6%	4.2%	4.6%	4.4%	-	-
Return on shareholders' equity	7.1%	4.7%	5.9%	5.9%	-	-
Dividends to shareholders	22.7	16.8	24.5	33.6	-	-
Payout ratio	25.1%	26.8%	30.2%	39.6%	-	-
[Reference] Core profit (Non-consolidated)	570.0	482.0	515.4	464.2	352.3	302.5

# Fluctuations of Interest Rates (EV Assumptions)<sup>1</sup>

Forward Rate (Sep-15 to Dec-16)



Forward Rate

(%)	Dec-16	Sep-16	Mar-16	Sep-15
10 years	0.371	0.458	0.441	1.109
20 years	1.509	1.081	1.311	2.565
30 years	0.641	0.433	0.219	1.709

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

**<Disclaimer>**

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

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