

Kampo

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

February 14, 2017

 **JAPAN POST INSURANCE**

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.**

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 ¹	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

Overview of Financial Statements (Consolidated)

Statement of Income

	9 months ended Dec-15	9 months ended Dec-16	Change	(Reference) Year ended Mar-16
Ordinary income	7,293.7	6,498.1	(795.5)	9,605.7
Insurance premiums and others	4,003.9	3,877.7	(126.1)	5,413.8
Investment income	1,035.3	1,037.0	1.6	1,354.9
Reversal of policy reserves	2,160.5	1,509.8	(650.7)	2,750.0
Ordinary expenses	6,965.9	6,277.5	(688.4)	9,194.2
Insurance claims and others	6,495.4	5,663.8	(831.6)	8,550.4
Investment expenses	7.2	129.9	122.7	9.7
Operating expenses	391.0	411.8	20.8	538.5
Ordinary profit	327.7	220.5	(107.1)	411.5
Extraordinary profit and loss	(52.6)	(5.7)	46.8	(71.5)
Provision for reserve for policyholder dividends	172.2	122.9	(49.2)	178.0
Income before income taxes	102.8	91.7	(11.0)	161.9
Total income taxes	30.0	23.7	(6.2)	77.0
Net income attributable to Japan Post Insurance	72.7	68.0	(4.7)	84.8

(¥bn)

Balance Sheets

	Mar-16	Dec-16	Change
Assets	81,545.1	80,300.6	(1,244.4)
Cash and deposits	1,862.6	801.6	(1,060.9)
Money held in trust	1,644.5	2,045.4	400.8
Securities	63,609.9	64,291.2	681.3
Loans	8,978.4	8,557.8	(420.6)
Fixed assets	331.1	336.0	4.9
Deferred tax assets	712.1	807.2	95.1
Liabilities	79,662.2	78,424.7	(1,237.4)
Policy reserves	72,362.5	70,852.6	(1,509.8)
Reserve for price fluctuations	782.2	787.9	5.6
Net assets	1,882.9	1,875.9	(7.0)
Total shareholders' equity	1,472.4	1,506.3	33.9
Total accumulated other comprehensive income	410.5	369.6	(40.9)

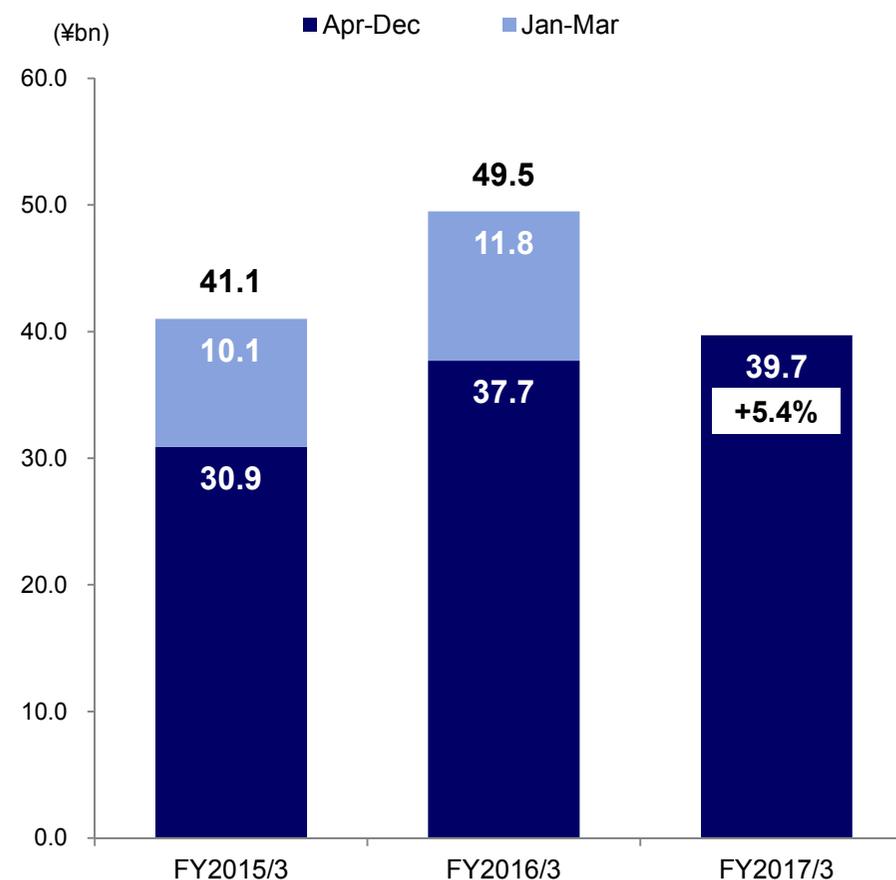
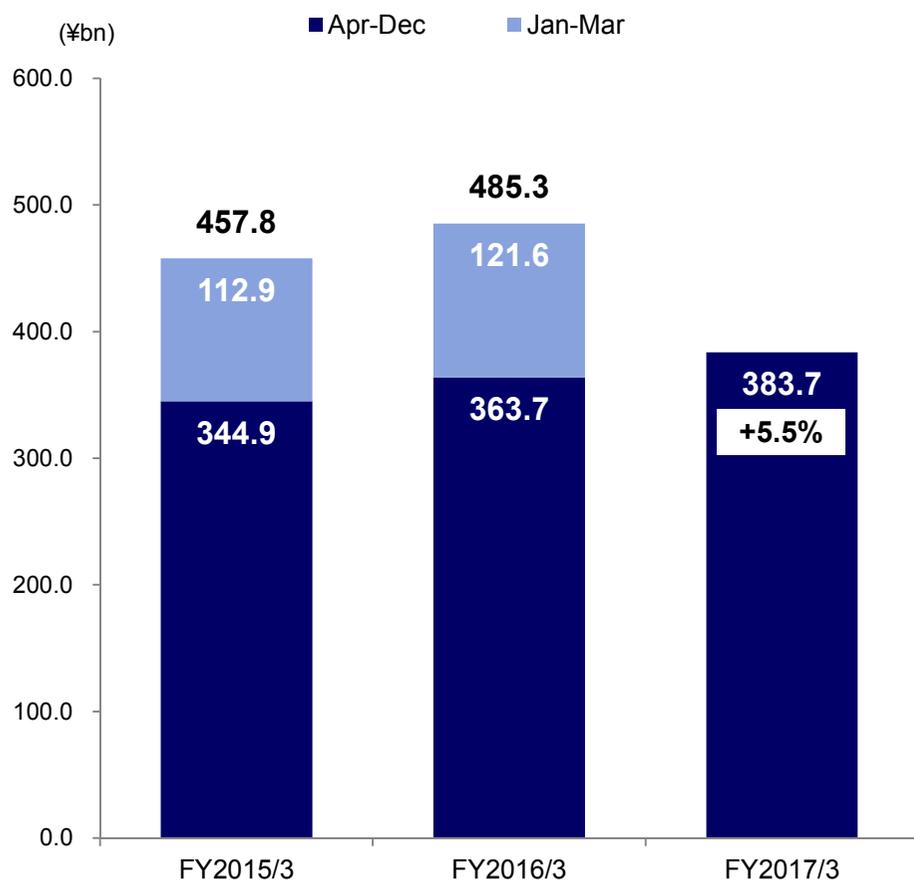
(¥bn)

Note: Only major line items are shown.

Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies
(Individual Insurance)

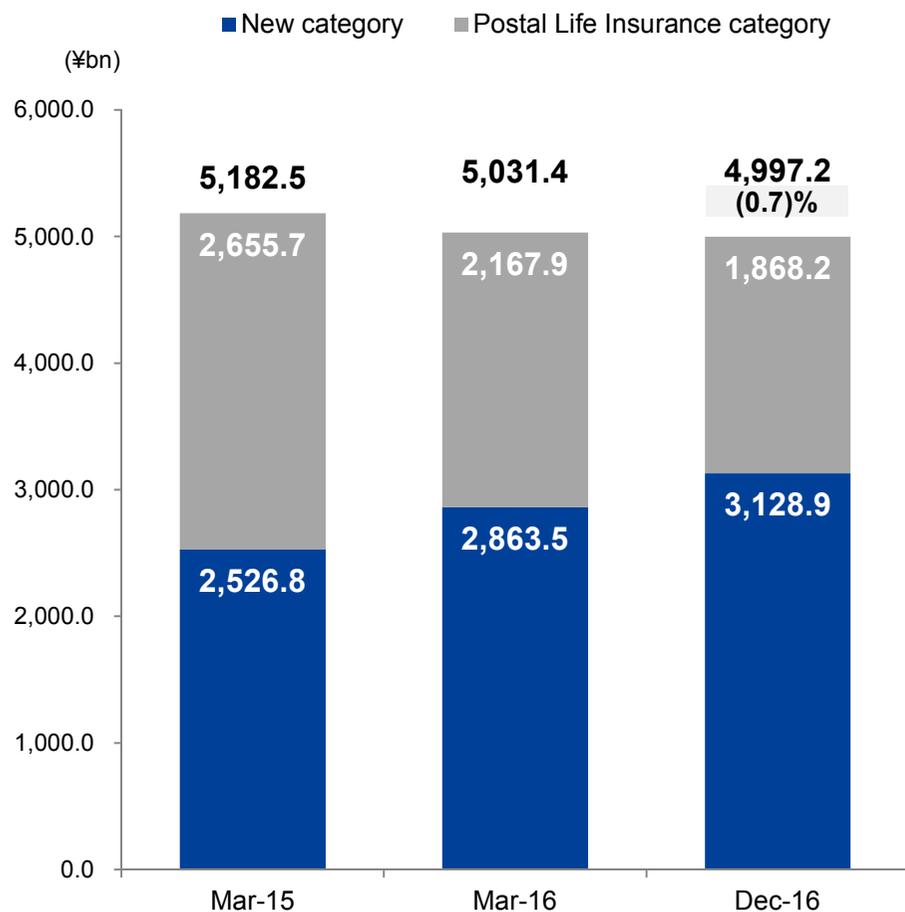
Annualized Premiums from New Policies
(Medical Care)



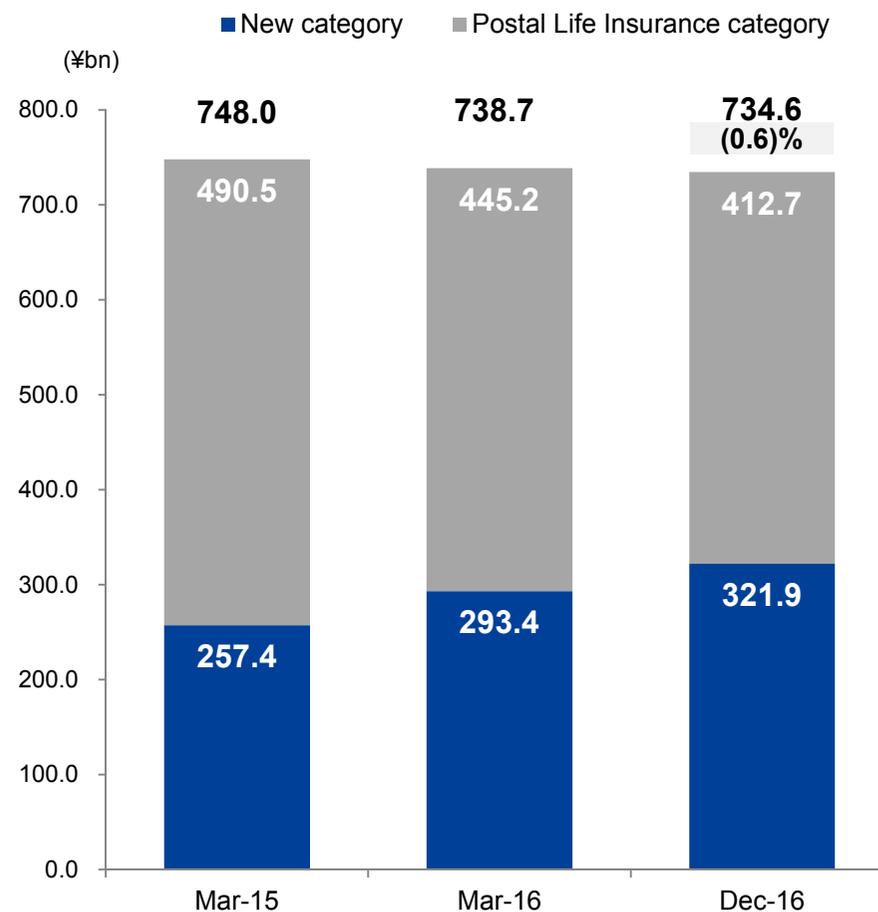
Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium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

Policy Sales (2) Annualized Premiums from Policies in Force

Annualized Premiums from Policies in Force
(Individual Insurance)



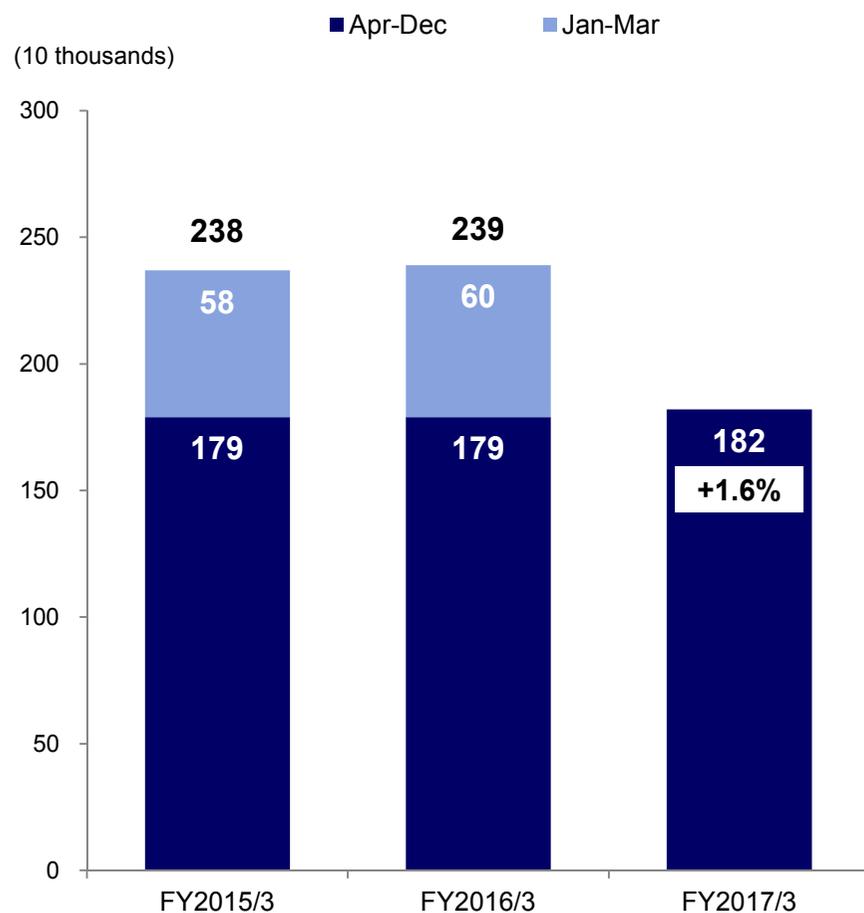
Annualized Premiums from Policies in Force
(Medical Care)



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)



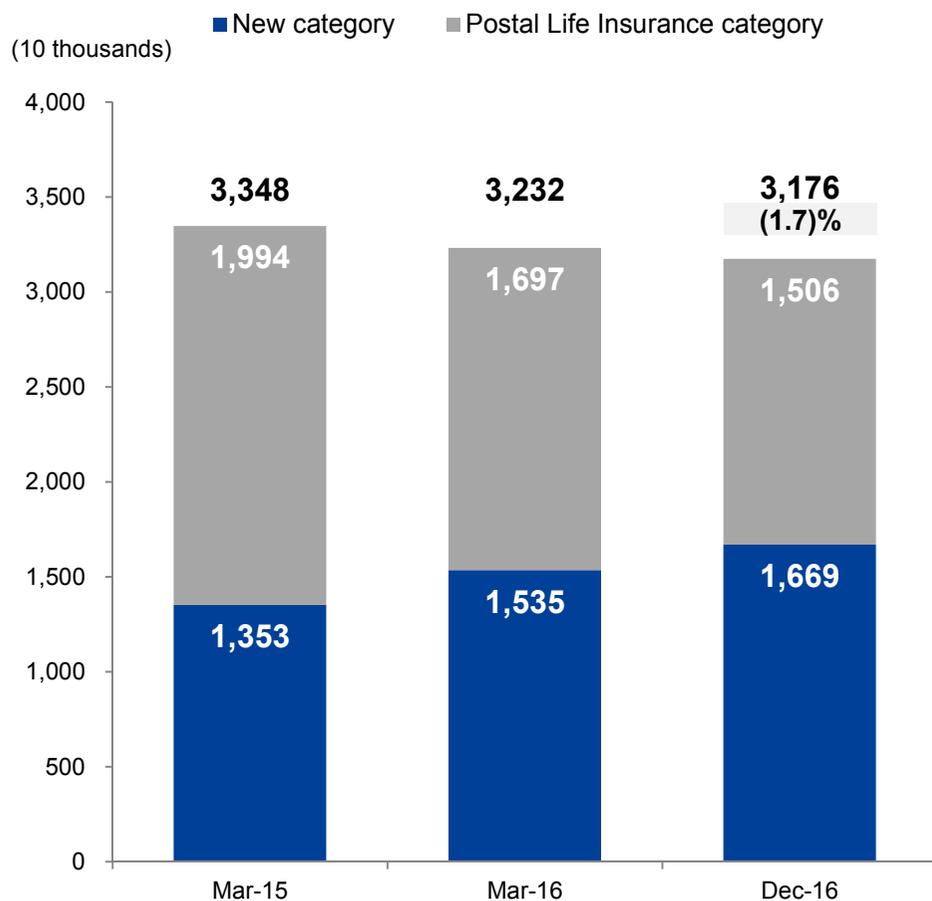
Breakdown of New Policies

(10 thousands)

	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 %

Policy Sales (4) Number of Policies in Force

Number of Policies in Force (Individual Insurance)



Breakdown of Policies in Force

(10 thousands)

	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 %

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 (1) Asset Portfolio

Asset Portfolio

(¥bn, %)

		Mar-16		Dec-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
Japanese local government bonds		9,405.4	11.5	9,471.9	11.8
Japanese corporate bonds ²		6,236.9	7.6	5,742.6	7.2
Risk assets		5,401.6	6.6	7,967.9	9.9
Domestic stocks ¹		1,202.5	1.5	1,544.2	1.9
Foreign stocks ¹		229.4	0.3	287.2	0.4
Foreign bonds etc. ^{1,2}		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
Receivables under securities borrowing transactions		3,008.5	3.7	2,705.0	3.4
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.

Investment Yield

(¥bn)

	9 months ended Dec-15	9 months ended Dec-16	(Reference) Year ended Mar-16
Positive spread	67.4	51.0	97.4
Average assumed rates of return ¹	1.77 %	1.73 %	1.76 %
Investment return on core profit ²	1.89 %	1.83 %	1.90 %
Net capital gains (losses)	18.6	(37.2)	4.4

	Dec-15	Dec-16	Mar-16
Interest rate (10Y JGB)	0.270 %	0.040 %	(0.050) %
USD/JPY	¥ 120.61	¥ 116.49	¥ 112.68

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)

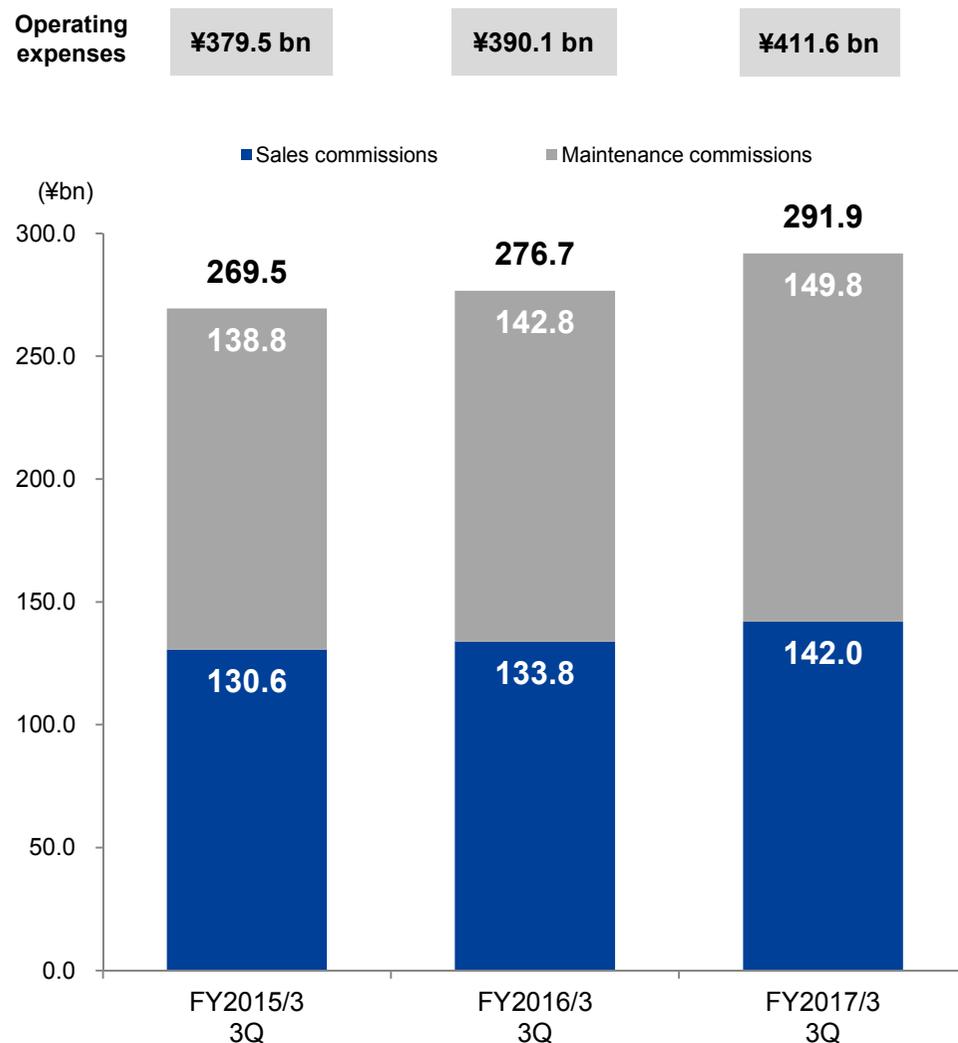
	Mar-16			Dec-16		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,753.0	75,326.4	9,573.3	66,307.8	74,636.6	8,328.7
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	40,975.4	47,540.6	6,565.1
Policy-reserve-matching bonds	13,563.4	15,062.1	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 ¹	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.

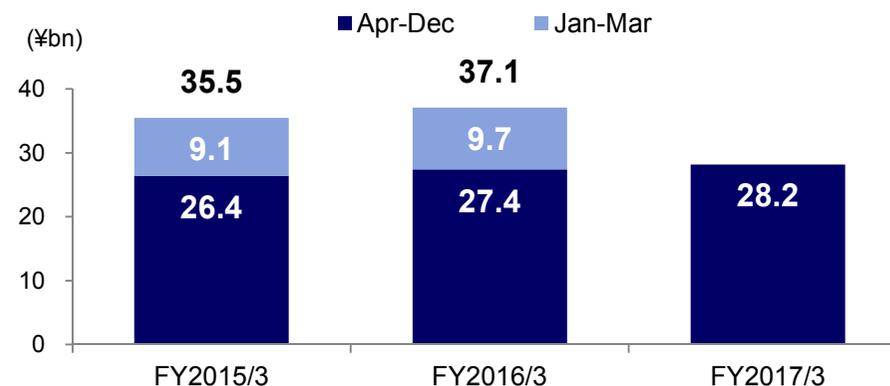
1.Total money held in trust includes cash and deposits and others.

Expenses (Non-Consolidated)

Commissions to Japan Post Co.



Depreciation and amortization



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

	Measures	Amount	Effect
Administration / IT system	Renewal of core IT system	¥ 60 bn	Improve efficiency in developing software
	Establishment of systems for simply, quickly and accurately performing functions ranging from insurance policy underwriting to claims payments	¥ 50 bn	Strengthening policy management systems (providing high-quality services)
Facilities / equipment	Renovation of branch offices and service centers	¥ 46 bn	Improving worksite environment which has been aging, narrow, decentralized

Source: Japan Post Group, Medium-term Management Plan

Financial Soundness

Internal Reserves

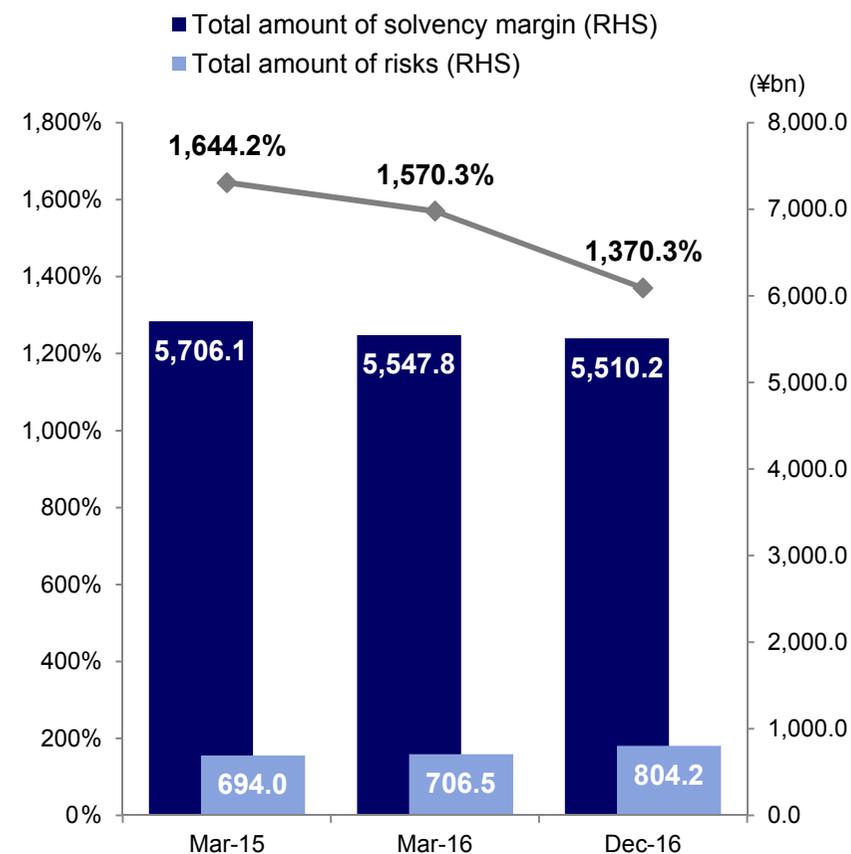
	Mar-16	Dec-16	(¥bn)
			Provisions in the period ²
Contingency reserve	2,374.8	2,283.9	(90.8)
Postal Life Insurance category	2,011.6	1,881.7	(129.9)
New category	363.1	402.2	39.0
Price fluctuations reserve	782.2	787.9	5.6
Postal Life Insurance category	635.8	640.8	5.0
New category	146.4	147.1	0.6
Additional policy reserve ¹	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)



(Real Net Assets)

¥11,521.1bn

¥14,649.5bn

¥13,397.0bn

Embedded Value

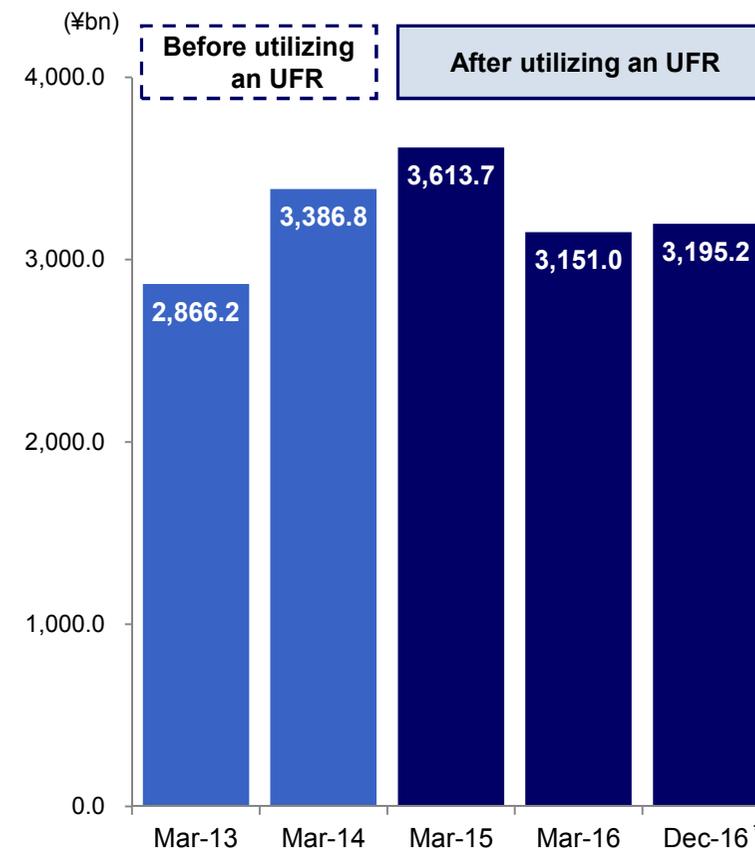
Breakdown of EV

(¥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.

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 ¹	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

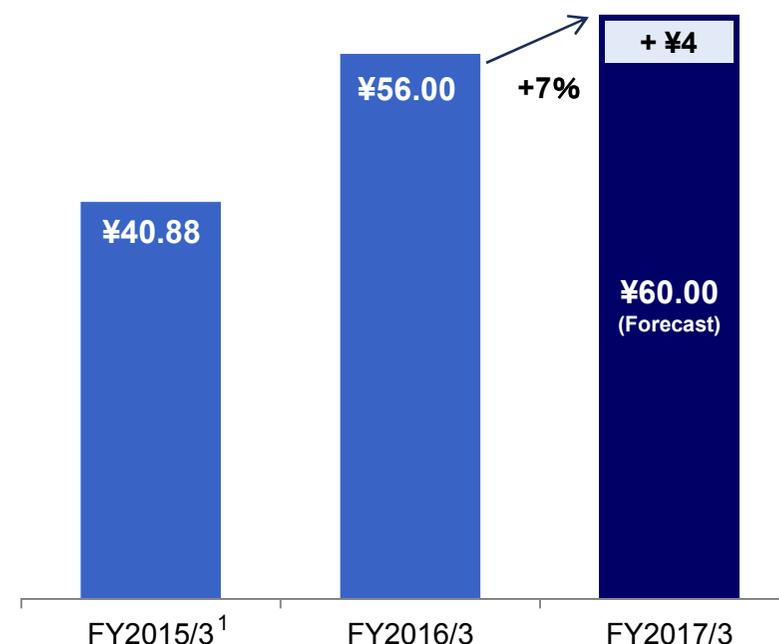
(Payout Ratio)

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.

APPENDIX

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

		FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 3Q	FY2017/3 3Q
Total assets	¥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
Number of policies in force	(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
Insurance premiums and others	¥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
Ordinary profit	¥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
Net income	¥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
Contingency reserve (reversal) provision	¥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
Price fluctuations reserve (reversal) provision	¥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
Additional policy reserve (reversal) provision	¥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		-	-	-	-	-	-

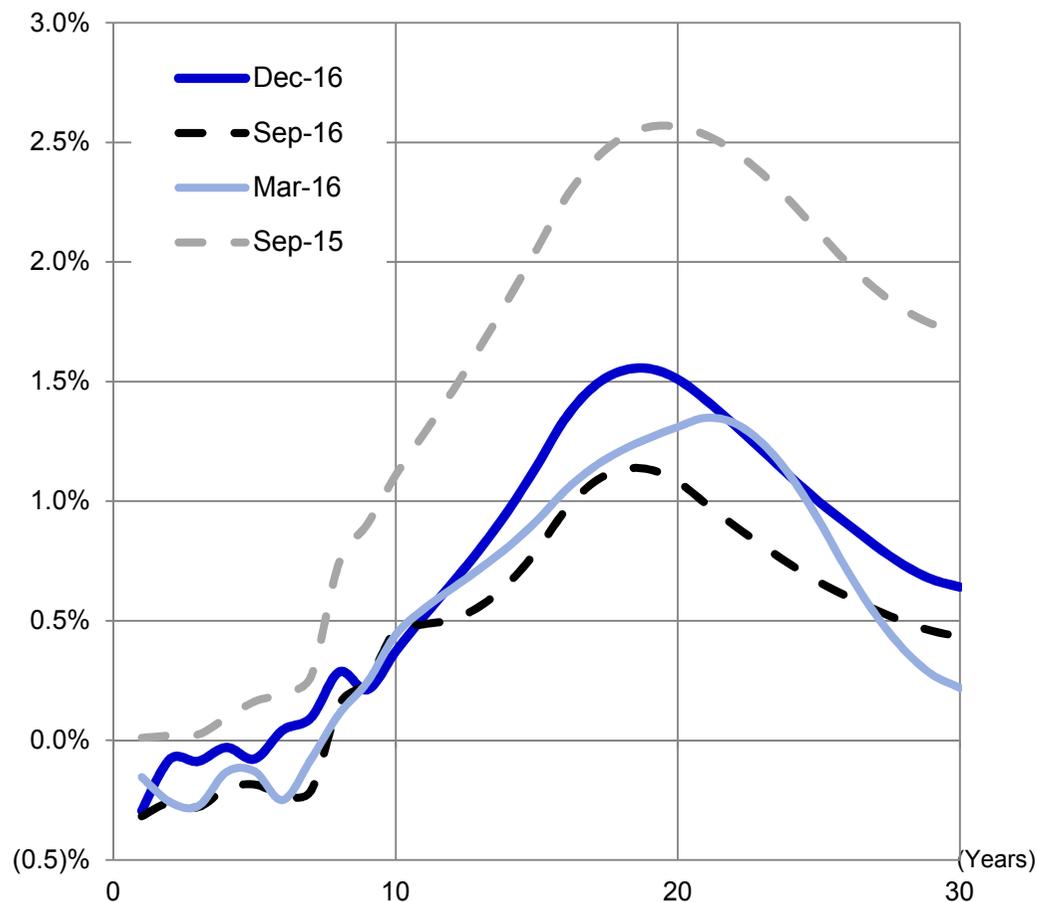
Note: "New category" shows the figure after deduction of "Postal Life Insurance category" from the total.

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)¹

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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