Business Overview and Results

Performance Overview for the Year Ended March 31, 2016

The Japanese economy in the fiscal year ended March 31, 2016 achieved only a gradual recovery, for although capital investment picked up, consumer spending was sluggish. Likewise, the growth of the global economy was weak as in the previous fiscal year partly owing to the continued slow recovery in emerging countries including China, although the United States (U.S.) economy was strong and Europe showed signs of a gradual recovery.

The role of the life insurance industry is growing ever more to support self-help efforts of customers by strengthening sales channels and developing products in response to customers' diversifying needs and heightened selectivity, which mirrors such trends as the aging of society with declining birthrates, a growing number of one-person households and evolving lifestyles.

Under these conditions, Japan Post Insurance has inherited its social mission of "providing basic measures of life with simple procedures for the people of Japan," which was the original goal of Postal Life Insurance Services when it was created in 1916, while taking initiatives toward improving corporate value and realizing better customer service with the aim of becoming "a big, unique and heartfelt company," as per our policy of "aiming to be the No. 1 Japanese insurance company selected by customers."

Profit and loss in the fiscal year ended March 31, 2016 were as follows.

Ordinary income amounted to ¥9,605.7 billion (5.5% decrease year on year), comprising the sum of insurance premiums and others of ¥5,413.8 billion (9.1% decrease year on year), investment income of ¥1,354.9 billion (7.2% decrease year on year), and reversal of policy reserves to provide for payments of insurance claims and others of ¥2,750.0 billion (4.5% increase year on year).

Ordinary expenses amounted to ¥9,194.2 billion (5.0% decrease year on year), comprising the sum of insurance claims and others of ¥8,550.4 billion (5.6% decrease year on year), investment expenses of ¥9.7 billion (11.3% decrease year on year), operating expenses of ¥538.5 billion (4.9% increase year on year) and other ordinary expenses.

As a result, ordinary profit amounted to ¥411.5 billion (16.5% decrease year on year) and net income attributable to Japan Post Insurance amounted to ¥84.8 billion (4.4% increase year on year), which is calculated by subtracting provision for reserve for price fluctuations, provision for reserve for policyholder dividends and total income taxes from ordinary profit.

Five-Year Summary of Key Business Indicators (Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2012	2013	2014	2015	2016
Ordinary income	¥12,538.6	¥11,834.9	¥11,234.1	¥10,169.2	¥9,605.7
Ordinary profit	531.2	528.9	462.7	492.6	411.5
Core profit (non-consolidated)	571.6	570.0	482.0	515.4	464.2
Net income attributable to Japan Post Insurance	70.0	90.6	62.8	81.3	84.8
Capital stock (Number of shares issued: thousands of shares)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (600,000)
Total assets	93,690.8	90,463.5	87,092.8	84,915.0	81,545.1
Separate account	–	–	–	–	–
Policy reserves	85,143.8	81,401.9	77,745.4	75,112.6	72,362.5
Loans	13,929.0	12,691.5	11,020.5	9,977.3	8,978.4
Securities	74,586.1	72,557.1	69,377.9	66,276.2	63,609.9
Solvency margin ratio (%)	1,337.0	1,468.8	1,625.1	1,644.2	1,570.3
Number of employees (persons)	–	–	7,367	7,606	7,890
Policy amount in force	25,824.7	31,675.3	37,179.5	42,774.9	47,882.7
Individual insurance	23,043.1	28,480.7	33,735.6	39,159.0	44,406.2
Individual annuities	2,781.5	3,194.6	3,443.8	3,615.9	3,476.4
Group insurance	–	–	–	–	–
Policy amount in force for group annuities	–	–	–	–	–

Notes: 1. The number of shares issued reflects the 30:1 stock split effective August 1, 2015.

2. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance.
Figures for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

Core Profit

¥464.2 billion

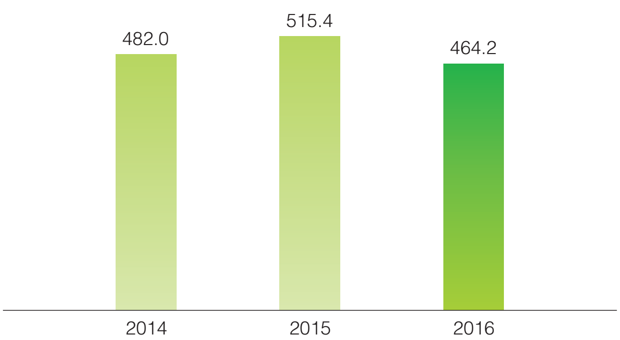
(Non-Consolidated Core Profit)

Core profit is a basic periodic earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premiums and others, insurance claims and others, and operating expenses, as well as investment-related income and expenses, which consist primarily of interest and dividend income.

Our core profit for the year ended March 31, 2016 was ¥464.2 billion.

Core Profit
Years ended March 31

(Billions of yen)



(Billions of yen)

Years ended March 31	2014	2015	2016
Core income ①	¥11,240.1	¥10,185.7	¥9,653.5
Insurance premiums and others	5,911.6	5,956.7	5,413.8
Investment income (Note 1)	1,458.3	1,366.0	1,308.7
Reversal of policy reserves (Note 2)	3,736.8	2,719.2	2,805.7
Core expenses ②	10,758.0	9,670.3	9,189.2
Insurance claims and others	10,160.8	9,059.5	8,550.4
Provision for policy reserves and others	4.6	1.4	0.1
Investment expenses (Note 1)	5.7	5.2	6.2
Operating expenses	513.0	512.4	537.0
Core profit (①-②) A	482.0	515.4	464.2
Net capital gains B	61.7	64.1	4.4
Other one-time profits C	(80.3)	(86.4)	(55.6)
Ordinary profit A+B+C	463.5	493.1	413.0

Notes: 1. Excluding the amount regarding net capital gains
2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a “positive spread.” Conversely, a “negative spread” exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2016, there was a positive spread of ¥97.4 billion.

The spread (positive/negative spread) is calculated according to the following formula:

Positive spread [¥97.4 billion] = [investment return on core profit [1.90%] − average assumed rate of return] [1.76%] × general account policy reserves [¥70,679.1 billion]

- Investment return on core profit is the return on general account policy reserves after deducting the provision for interest on policyholder dividends from the general account investment revenue included in core profit.
- Average assumed rate of return is the return of assumed interest on general account policy reserves.
- General account policy reserves are calculated as follows for policy reserves in the general account, excluding the contingency reserve:
  (Policy reserves at beginning of period + policy reserves at end of period − assumed interest) × 1/2
- Policy reserves and assumed interest are calculated based on the actual cumulative amount.

Consolidated Solvency Margin Ratio

1,570.3%

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and others. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which the regulatory agency determines whether or not an insurance company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or a stock market collapse.

If the ratio is less than 200%, the regulatory agency will take prompt corrective action. On the other hand, if the ratio is greater than or equal to 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Our consolidated solvency margin ratio as of March 31, 2016 was 1,570.3%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

(Billions of yen)

As of March 31	2014	2015	2016
Total amount of solvency margin (A)	¥5,134.7	¥5,706.1	¥5,547.8
Capital stock, etc.	1,334.2	1,387.5	1,438.8
Reserve for price fluctuations	614.2	712.1	782.2
Contingency reserve	2,588.7	2,498.7	2,374.8
Catastrophe loss reserve	–	–	–
General reserve for possible loan losses	0.0	0.0	0.0
(Net unrealized gains (losses) on available-for-sale securities (before taxes)·Net deferred gains (losses) on hedges (before taxes)) x 90% (if negative, x 100%)	238.9	703.5	505.3
Net unrealized gains (losses) on real estate x 85% (if negative, x 100%)	(3.4)	(10.0)	(3.4)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	3.3	7.9	6.9
Excess of continued Zillmerized reserve	358.5	406.2	442.9
Capital raised through debt financing	–	–	–
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin	–	–	–
Deductions	–	–	–
Other	–	–	–
Total amount of risk (B) $\sqrt{(\sqrt{R_1^2+R_5^2}+R_8+R_9)^2+(R_2+R_3+R_7)^2}+R_4+R_6$	631.8	694.0	706.5
Insurance risk R_1	168.4	163.7	159.0
General Insurance risk R_5	–	–	–
Catastrophe risk R_6	–	–	–
Underwriting risk of third-sector insurance R_8	99.9	88.5	78.2
Small amount and short-term insurance risk R_9	–	–	–
Anticipated yield risk R_2	198.1	184.4	170.7
Minimum guarantee risk R_7	–	–	–
Investment risk R_3	355.7	443.1	476.0
Business management risk R_4	16.4	17.5	17.6
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,625.1%	1,644.2%	1,570.3%

Note: These figures are calculated based on the provisions set forth in public notification No. 23 issued by the Financial Services Agency in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.
For the above figures as of March 31, 2016, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016 (The figures as of March 31, 2014 and 2015 provided above were determined based on existing standards.).

Status of Accumulation of Internal Reserves

¥3,157.1 billion

(Total of contingency reserve and reserve for price fluctuations)

Life insurance companies accumulate contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating environment of the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2016, we had a contingency reserve of ¥2,374.8 billion and a reserve for price fluctuations of ¥782.2 billion, a total of ¥3,157.1 billion.

In addition, as of March 31, 2016, we have additional policy reserves to cover for a negative spread and other risks amounting to ¥6,011.5 billion.

(Billions of yen)

As of March 31	2014	2015	2016
Total	¥3,203.0	¥3,210.8	¥3,157.1
Contingency reserve	2,588.7	2,498.7	2,374.8
Reserve for price fluctuations	614.2	712.1	782.2

Consolidated Real Net Assets

¥14,649.5 billion

"Consolidated real net assets" is calculated by subtracting liabilities, other than contingency reserve, reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses consolidated real net assets as an indicator of an insurance company's financial soundness at the end of a fiscal period. A negative figure might lead to an order to suspend operations or other regulatory action. (Such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy-reserve-matching bonds is positive and liquid assets have been set aside.)

As of March 31, 2016, we had ¥14,649.5 billion in consolidated real net assets, an amount deemed to be sufficient.

(Billions of yen)

As of March 31	2014	2015	2016
Real net assets	¥9,446.9	¥11,521.1	¥14,649.5

Net Unrealized Gains (Losses) on Securities

¥9,573.3 billion

(Unrealized gain)

Net unrealized gains and losses on assets reflect the differential between market value and book value.

As of March 31, 2016, Japan Post Insurance recorded a net unrealized gain on securities of ¥9,573.3 billion.

We recorded a ¥163.9 billion net unrealized gain on money held in trust and a ¥561.5 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Consolidated Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

As of March 31	2014	2015	2016
	Net unrealized gains (losses) (before tax effects)		
Total	¥4,534.4	¥6,494.0	¥9,573.3
Held-to-maturity securities	3,169.7	4,537.1	7,513.0
Policy-reserve-matching bonds	1,099.1	1,175.2	1,498.7
Available-for-sale securities (before tax effects)	(Note 1) 265.5	(Note 2) 781.7	(Note 3) 561.5
Money held in trust	82.5	355.2	163.9

Notes: 1. After applying tax-effect accounting, a gain of ¥184.7 billion
2. After applying tax-effect accounting, a gain of ¥558.0 billion
3. After applying tax-effect accounting, a gain of ¥405.4 billion

Risk-Monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance's loans fall into this category.

Policyholder Dividends

¥178.0 billion

(Provision for reserve for policyholder dividends)

Insurance premiums of life insurance policies are calculated based on assumed mortality rates, assumed rates of return and projected expenses for policy administration. If there is a positive difference between the assumed and actual figures, the surplus will be returned to policyholders in the form of dividends ("policyholder dividends") in accordance with the terms of their respective policies.

For the year ended March 31, 2016, we posted a provision for reserve for policyholder dividends of ¥178.0 billion.

- For Japan Post Insurance Policies, we accounted for a provision for reserve for policyholder dividends of ¥7.5 billion.
- For Postal Life Insurance Policies, we posted a provision for reserve for policyholder dividends of ¥170.4 billion under the reinsurance agreement concluded with the Management Organization, based on the performance of the segment related to reinsurance. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

Insurance Policies

During the year ended March 31, 2016, Japan Post Insurance sold 2.39 million individual insurance policies with a total policy amount of ¥7,168.4 billion. Annualized premiums of individual insurance policies amounted to ¥485.3 billion, whereas annualized premiums related to third-sector amounted to ¥49.5 billion.

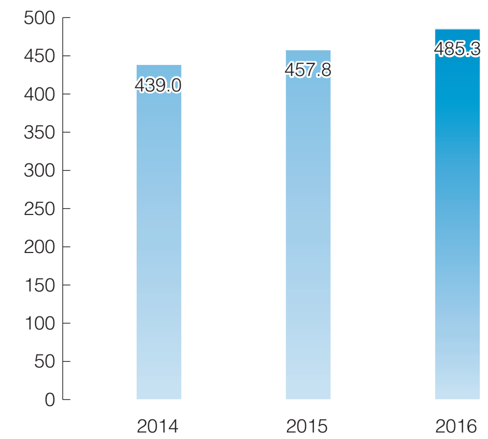
As of March 31, 2016, we had 15.35 million individual insurance policies in force with a total policy amount of ¥44,406.2 billion. Annualized premiums of individual insurance policies amounted to ¥2,863.5 billion (or ¥5,031.4 billion when reinsured Postal Life Insurance Policies (Insurance) are included), whereas annualized premiums related to third-sector amounted to ¥293.4 billion (or ¥738.7 billion when reinsured Postal Life Insurance Policies are included).

Regarding the Postal Life Insurance Policies received from the Management Organization in the form of reinsurance, as of March 31, 2016, policies reinsured by Japan Post Insurance amounted to 16.97 million insurance policies with an insured amount of ¥46,114.5 billion and 2.58 million annuity policies with an annuity amount of ¥932.1 billion.

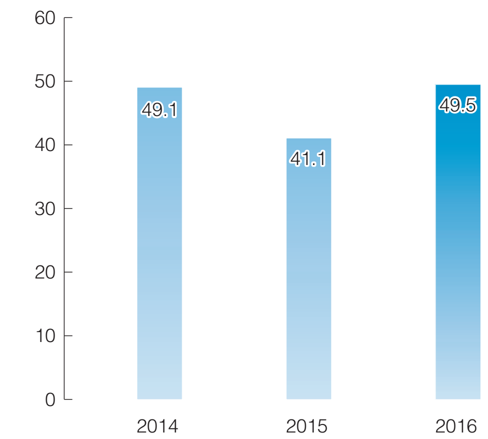
New Policies

Annualized Premiums

Individual Insurance
For the years ended March 31



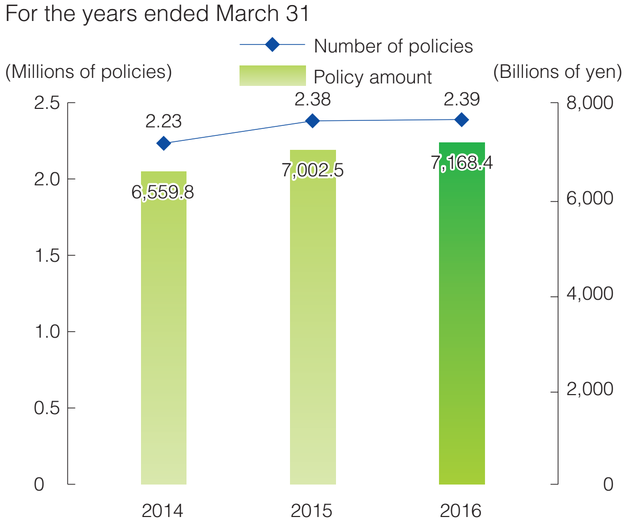
Third-Sector
For the years ended March 31



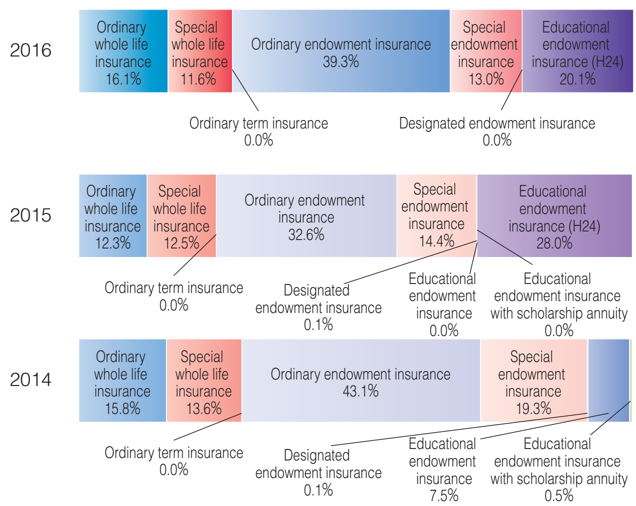
Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

For the years ended March 31



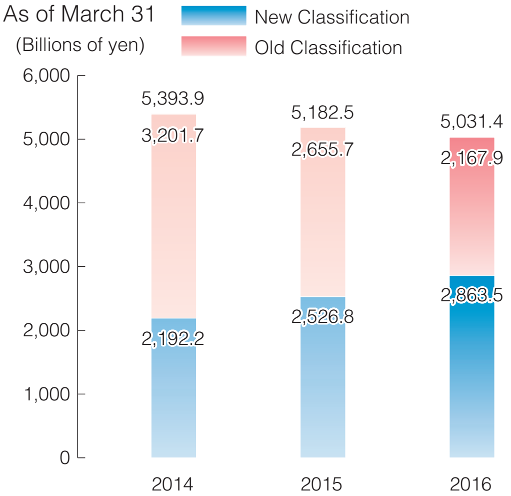
For the years ended March 31



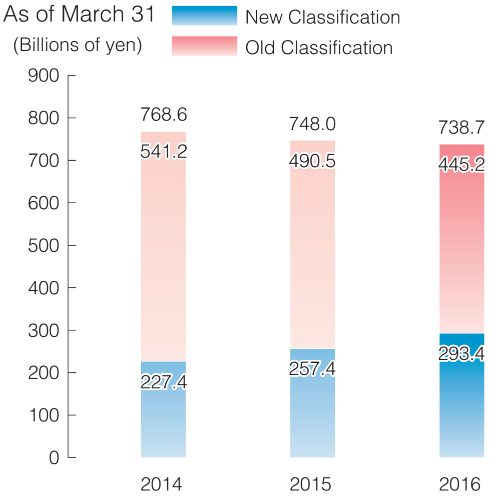
Policies in Force

Annualized Premiums

Individual Insurance
As of March 31



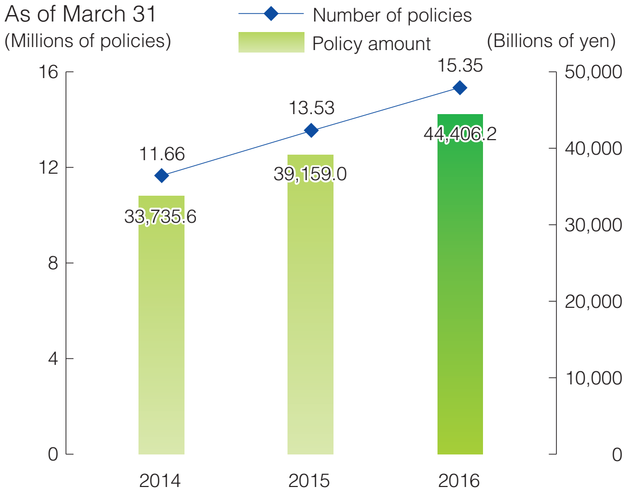
Third-Sector
As of March 31



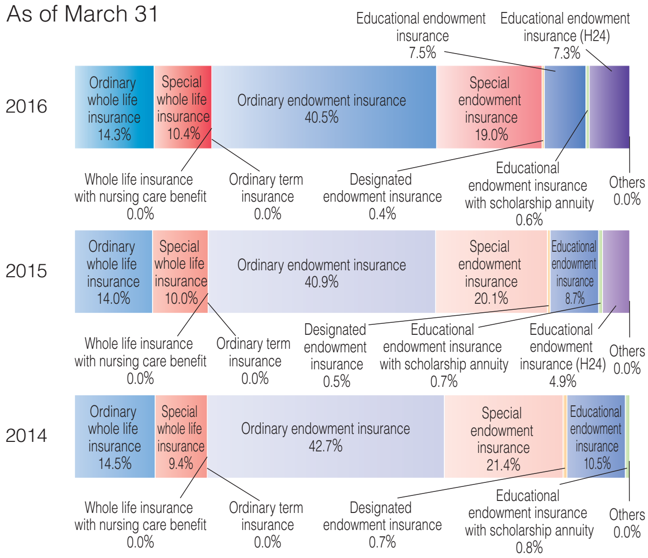
Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies (individual insurance policies are limited to Postal Life Insurance Policies) it has received from the Management Organization in the form of reinsurance.
2. Regarding Postal Life Insurance Policies that Japan Post Insurance has received from the Management Organization in the form of reinsurance, it calculated its annualized premiums under "Old Classification" based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities it has underwritten.
3. "Third-sector" includes medical benefits (including hospitalization and surgery benefits) and living benefits (including specified diseases and nursing care benefits).

Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

As of March 31



As of March 31



Note: The number of policies and policy amounts do not include the Postal Life Insurance Policies that Japan Post Insurance has received from the Management Organization in the form of reinsurance.

[Reference] Reinsured Postal Life Insurance Policies

(Millions of policies, billions of yen)

As of March 31	2014		2015		2016	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Insurance	23.20	¥63,358.9	19.95	¥54,322.4	16.97	¥46,114.5
Annuities	3.40	¥ 1,250.6	2.95	¥ 1,077.9	2.58	¥ 932.1

Note: These figures are based on standards applied by the Management Organization when it calculates published numerical data.

Assets and Liabilities

Compared with the end of March 2015, total assets fell by ¥3,369.8 billion to ¥81,545.1 billion.
Total net assets was ¥1,882.9 billion due to factors such as a decrease in net unrealized gains (losses) on available-for-sale securities.

Key Line Items in the Consolidated Balance Sheets

(Billions of yen)

As of March 31	2014	2015	2016
Total assets	¥87,092.8	¥84,915.0	¥81,545.1
Cash and deposits 1	1,670.8	2,213.7	1,862.6
Money held in trust 2	581.6	1,434.9	1,644.5
Securities	69,377.9	66,276.2	63,609.9
Loans 3	11,020.5	9,977.3	8,978.4
Tangible fixed assets	89.4	131.7	145.8
Intangible fixed assets	124.1	155.0	185.3
Agency accounts receivable 4	102.6	95.0	81.1
Other assets 5	374.0	468.7	525.8
Deferred tax assets 6	592.5	547.0	712.1
Total liabilities and net assets	¥87,092.8	¥84,915.0	¥81,545.1
Total liabilities	¥85,554.6	¥82,939.2	¥79,662.2
Policy reserves and others 7	80,799.9	77,905.6	74,934.1
Other liabilities 8	377.5	602.5	233.1
Liability for retirement benefits	56.6	58.3	60.8
Reserve for price fluctuations 9	614.2	712.1	782.2
Total net assets	¥ 1,538.1	¥ 1,975.7	¥ 1,882.9
Capital stock	500.0	500.0	500.0
Capital surplus	500.0	500.0	500.0
Retained earnings	351.0	411.9	472.3
Net unrealized gains (losses) on available-for-sale securities 10	184.7	558.0	405.4

Note: For details, please see the Consolidated Financial Statements.

1 Cash and deposits	Although insurance premiums that Japan Post Insurance receives from policyholders are invested in securities and loans, a portion is held as cash and deposits as a reserve for payments of insurance claims, etc.
2 Money held in trust	This refers to money that we have entrusted to a trust bank account. The policy of investment is based on a policy recommended by an investment advisory company, etc. The investments are carried out and managed by the trust bank.
3 Loans	This includes policy loans, industrial and commercial loans, as well as loans to the Management Organization. ● **Loans to the Management Organization were ¥8,053.7 billion, and industrial and commercial loans were ¥829.0 billion, while policy loans were ¥95.6 billion.**
4 Agency accounts receivable	We commission and consign to agencies insurance solicitation and collection operations. The total amount of accounts receivable from such agencies is recorded under this item.
5 Other assets	This includes assets that are not classified under any other item (accounts receivable, accrued income, money on deposit, etc.). ● **Accounts receivable was ¥301.5 billion, while accrued income was ¥189.2 billion.**
6 Deferred tax assets	In line with the application of tax-effect accounting, this item aggregates the amount of tax expected to be recovered in future accounting periods.
7 Policy reserves and others	Pursuant to the Insurance Business Act, we are obliged to set aside some funds for future payments of insurance claims and others. Therefore, we keep a reserve for outstanding claims, policy reserves and a reserve for policyholder dividends.
8 Other liabilities	This includes liabilities that are not classified under any other item (accounts payable, accrued expenses, etc.). ● **Income taxes payable were ¥75.4 billion, and deposits from the Management Organization were ¥53.7 billion.**
9 Reserve for price fluctuations	The purpose of this reserve, computed based on Article 115 of the Insurance Business Act, is to prepare for future losses in the event that the price falls for assets that are prone to significant price fluctuations, such as securities.
10 Net unrealized gains (losses) on available-for-sale securities	This represents “other securities” held by Japan Post Insurance that are not classified under “trading securities,” “policy-reserve-matching bonds,” “held-to-maturity bonds” or “equities of subsidiaries and affiliates.” It is computed based on the fair value of the securities, and their net unrealized gains or losses, after considering tax effects, are recorded on the Consolidated Balance Sheet.

Profits and Losses

In the fiscal year ended March 31, 2016, ordinary income was ¥9,605.7 billion, ordinary expenses were ¥9,194.2 billion and ordinary profit was ¥411.5 billion. Regarding ordinary profit, after recording extraordinary gains of ¥0.3 billion, extraordinary losses of ¥71.8 billion and provision for reserve for policyholder dividends of ¥178.0 billion, income before income taxes and net income attributable to Japan Post Insurance were ¥161.9 billion and ¥84.8 billion, respectively.

Key Line Items in the Consolidated Statements of Income

(Billions of yen)

Years ended March 31	2014	2015	2016
Ordinary income	¥11,234.1	¥10,169.2	¥9,605.7
Insurance premiums and others 1	5,911.6	5,956.7	5,413.8
Investment income 2	1,540.6	1,460.7	1,354.9
Other ordinary income 3	3,781.8	2,751.7	2,836.9
Ordinary expenses	¥10,771.3	¥ 9,676.6	¥9,194.2
Insurance claims and others 4	10,160.8	9,059.5	8,550.4
Provision for policy reserves and others 5	4.6	1.4	0.1
Investment expenses 6	18.1	10.9	9.7
Operating expenses 7	513.9	513.1	538.5
Other ordinary expenses 8	73.7	91.4	95.3
Ordinary profit	462.7	492.6	411.5
Extraordinary gains 9	—	—	0.3
Extraordinary losses 10	100.0	99.3	71.8
Provision for reserve for policyholder dividends 11	242.1	200.7	178.0
Income before income taxes	120.5	192.5	161.9
Total income taxes 12	57.7	111.2	77.0
Net income attributable to Japan Post Insurance	¥ 62.8	¥ 81.3	¥ 84.8

Note: For details, please see the Consolidated Financial Statements.

1 Insurance premiums and others	The income from the insurance premiums paid by policyholders is the primary source of our income. ●Insurance premiums included ¥1,322.3 billion of insurance premiums based on reinsurance contracts with the Management Organization.
2 Investment income	This refers to income from investments. In addition to income from interest and dividends, this includes gains on money held in trust and gains on sales of securities, etc. ●Interest and dividend income was ¥1,308.6 billion, gains on money held in trust were ¥44.9 billion and gains on sales of securities, etc., were ¥1.2 billion.
3 Other ordinary income	This refers to reversal of policy reserves, reversal of reserve for outstanding claims and other ordinary income, etc. ●Reversal of policy reserves was ¥2,750.0 billion, while reversal of reserve for outstanding claims was ¥82.9 billion.
4 Insurance claims and others	This refers to the payments according to insurance policies, including insurance claims, annuity payments, benefits and refunds, etc. ●Insurance claims included ¥7,518.7 billion of insurance claims based on reinsurance contracts with the Management Organization.
5 Provision for policy reserves and others	This records the provision for interest on policyholder dividends.
6 Investment expenses	This refers to expenses incurred when generating investment income, including interest expenses and losses on sales of securities. ●Interest expenses were ¥4.3 billion, while losses on sales of securities were ¥1.5 billion.
7 Operating expenses	Expenses required for solicitation of new policies, maintenance of policies in force and payments of insurance claims and others are recorded under this item. This is similar to the selling, general and administrative expenses of companies in general.
8 Other ordinary expenses	This includes taxes, depreciation and amortization, etc. ●Taxes were ¥56.9 billion, while depreciation and amortization were ¥36.7 billion.
9 Extraordinary gains	This refers to extraordinary gains obtained through a sudden occurrence.
10 Extraordinary losses	This refers to extraordinary losses incurred through a sudden occurrence—one that does not usually take place under the normal operations of Japan Post Insurance. This primarily includes losses on sales and disposal of fixed assets and provision for reserve for price fluctuations. ●Provision for reserve for price fluctuations was ¥70.1 billion.
11 Provision for reserve for policyholder dividends	This records the amount that will be provided to the reserve for policyholder dividends, which is the source of funds for paying out dividends to policyholders.
12 Total income taxes	This is the sum of income taxes-current and income taxes-deferred.

Embedded Value (EV)

¥2,718.3 billion

(Reference) EV based on the ultimate forward rate: ¥3,151.0 billion

What is Embedded Value?

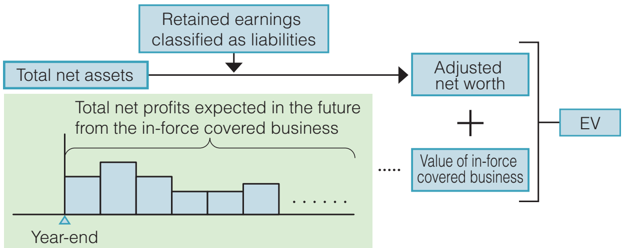
Embedded value ("EV") is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the present value of the expected future profits from the in-force covered business.

Since the end of the year ended March 31, 2013, we have been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") as additional information supplementary to the financial data provided under the current statutory accounting practices.

Outline of EV



EV as of March 31, 2016

The EV of Japan Post Insurance as of March 31, 2016 was ¥2,718.3 billion, a decrease of ¥782.9 billion from March 31, 2015.

Breakdown of EV

(Billions of yen)

As of March 31	2015	2016
EV	¥3,501.3	¥2,718.3
Adjusted net worth	1,739.6	1,894.3
Value of in-force covered business	1,761.6	824.0

Years ended March 31	2015	2016
Value of new business*	¥ 134.2	¥ 118.2

*Value of new business is the present value of the future profits, as at the time of sale, expected from the new business obtained during the said fiscal year.

Notes: 1. For the EV as of March 31, 2016, we have revised the allocation of unrealized gains/losses on securities and certain other assets in respect of insurance policies, such that the unrealized gains/losses are included within the VIF rather than the ANW. For consistency, the EV as of March 31, 2015 is revised to reflect equivalent allocation of unrealized gains/losses. As a result, the total EV is unchanged by the revision.

2. Please see pages 179 to 181 for more details.

(Reference) EV based on the ultimate forward rate(Note)

The EVs measured by using the ultimate forward rate as of March 31, 2015 and March 31, 2016 were ¥3,613.7 billion and ¥3,151.0 billion, respectively and the values of new business for the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016 were ¥154.9 billion and ¥143.5 billion, respectively.

Note: The risk-free rate is an important assumption for the valuation of life insurance liabilities. Regarding the level of interest rates at longer durations, for which sufficiently liquid markets and reliable data are not available, we take an approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods instead of by the previous method of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

Third-Party Review

We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third-party opinion, please refer to our website.

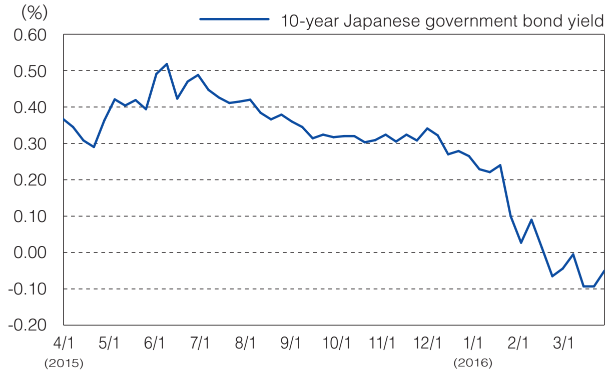
The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that users exercise caution.

Investment Environment in the Fiscal Year Ended March 31, 2016

In the fiscal year ended March 31, 2016, the Japanese economy recovered marginally mainly due to the recovery of capital investment, despite sluggish consumer spending. The global economy remained on a sluggish growth track following the fiscal year ended March 31, 2015. While the U.S. economy was firm and the European economy continued to recover gradually, the growth rates of emerging countries such as China continued to slow down.

Domestic Bond Market

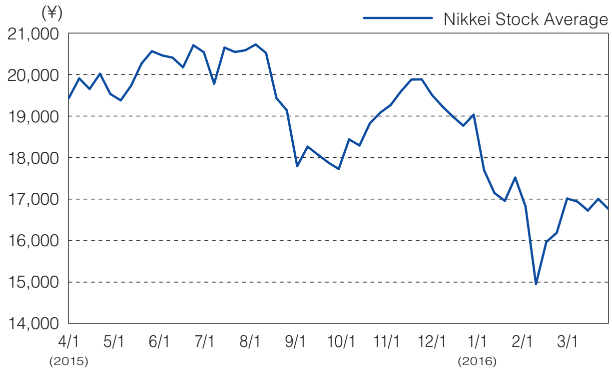
The domestic long-term yield declined to the 0.2% level in late April due to tight supply-demand in the bond market owing to the bond buying operations of the Bank of Japan (BOJ) and falling interest rates in Europe due to the implementation of quantitative easing policy by the European Central Bank (ECB). The domestic yield then temporarily surged to the 0.5% level in the wake of soaring interest rates in Europe from a rebound to an excessive drop in interest rates. However, due to the decline in crude oil prices, concerns about economic slowdowns in emerging countries, China in particular, and the possibility of additional monetary easing, the yield again trended downward. In addition, triggered by the BOJ's decision on January 29 to introduce a negative interest rate policy, the yield on 10-year or less Japanese government bonds (JGBs) turned negative, and caused a sudden plunge in interest rates primarily in super-long-term bonds.



Data source: Bloomberg

Domestic Stock Market

The Nikkei Stock Average rose and stayed around the ¥20,000 level from mid-May to mid-August because the U.S. stock prices rose due to strong corporate performance, and the dollar surged against the yen owing to rising interest rates in the U.S. However, due to the plunge of Chinese stocks in late August, investors became more risk-averse. As a result, the Nikkei Stock Average temporarily fell below the ¥17,000 level. Entering the second half, the Nikkei Stock Average recovered and briefly reached ¥20,000 in early December owing to high U.S. stock prices and yen depreciation. However, triggered by the decline in crude oil prices, turmoil in the Chinese financial market from the beginning of the new year and the sharp appreciation of the yen, the Nikkei Stock Average subsequently fell to the ¥14,900 level at one point in February.

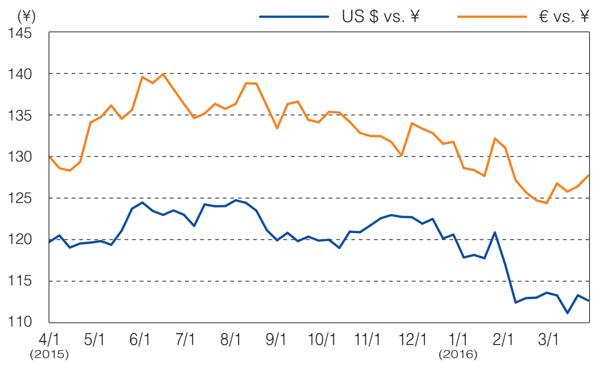


Data source: ©Nikkei Inc.

Foreign Exchange Markets

The USD/JPY exchange rate was traded around the ¥123 – ¥125 range from June to mid-August as the dollar surged, driven by expectations of an interest rate hike in the U.S. However, triggered by the sudden plunge in Chinese stock prices in late August, investors became more risk-averse. Consequently, the yen temporarily appreciated to the ¥116 level. Entering the second half, USD/JPY rate returned to the ¥123 level. However, investors resumed the risk-averse attitude due to factors such as the decline in crude oil prices, the turmoil in the Chinese financial market from the beginning of the new year and the substantial decline in expectations of an additional interest rate hike in the U.S., and therefore the yen rose as high as the ¥110/USD level at one point.

The euro appreciated due to the sudden rise in European interest rates in late April and EUR/JPY rate reached the ¥141 level briefly in June. However, as the trend of yen appreciation continued, EUR/JPY rate subsequently reached the ¥122 level in February.



Data source: Nomura Research Institute, Ltd.

Performance Overview

Assets

As of March 31, 2016, total assets of Japan Post Insurance amounted to ¥81.5 trillion, a decrease of ¥3.3 trillion from ¥84.9 trillion at the end of the previous fiscal year.

In terms of investment, we continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income. We also invested in risk assets, such as foreign securities and stocks, while enforcing adequate risk management.

Corporate and government bonds [Decrease]

For corporate and government bonds, we invested primarily in long-term and super-long-term bonds capturing a rise in interest rates, in view of their value as assets that secure stable income. However, as domestic interest rates shifted downward, we limited our investments.

As a result, corporate and government bonds amounted to ¥59.8 trillion, a decrease of ¥4.4 trillion from ¥64.2 trillion at the previous fiscal year-end.

Foreign securities [Increase]

For foreign securities, in view of the trends of both domestic and foreign interest rates, with the aim of raising investment income, we increased investments with a focus on hedged foreign bonds.

As a result, foreign securities amounted to ¥3.6 trillion, an increase of ¥1.7 trillion from ¥1.9 trillion at the previous fiscal year-end.

Money held in trust [Increase]

For money held in trust, investments were carried out with close attention paid to market trends. With the aim of raising investment income, we increased investments, centering on domestic stocks.

As a result, money held in trust amounted to ¥1.6 trillion, an increase of ¥0.2 trillion from ¥1.4 trillion at the previous fiscal year-end.

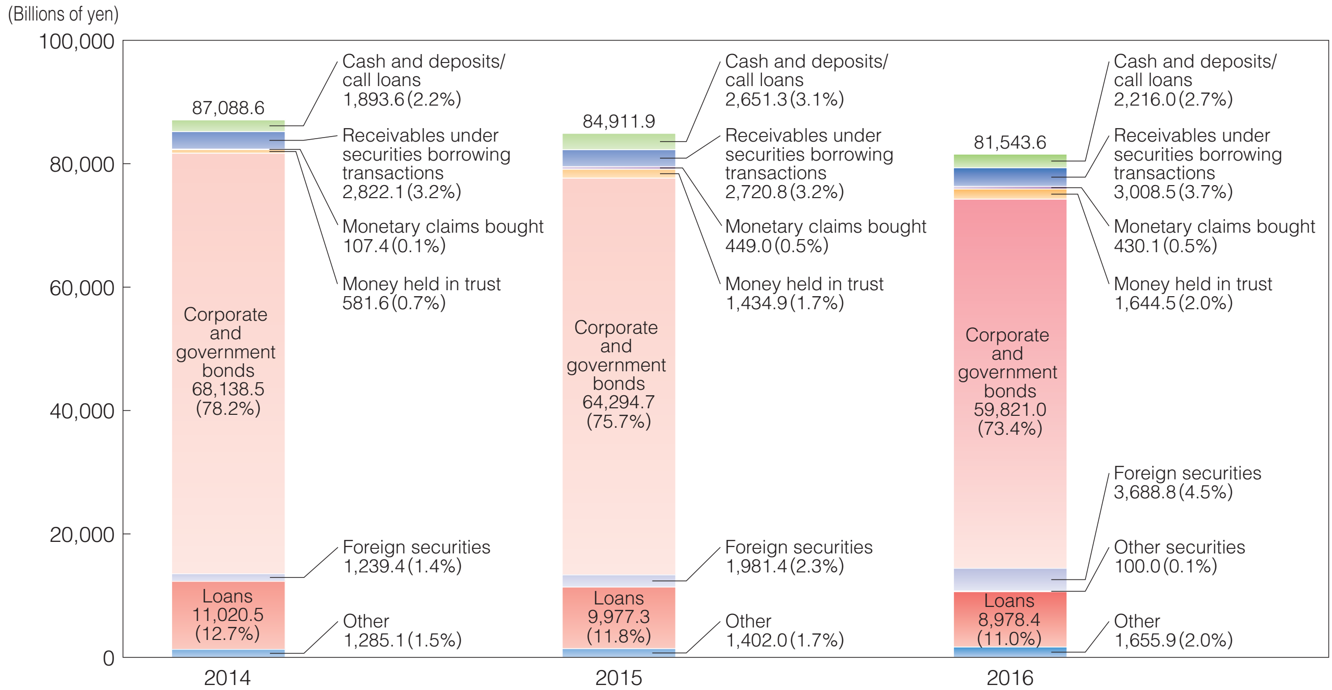
Loans [Decrease]

For loans, we provided loans including syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans to the Management Organization.

As a result, loans amounted to ¥8.9 trillion, a decrease of ¥0.9 trillion from ¥9.9 trillion at the previous fiscal year-end.

Composition of Assets (Non-Consolidated)

As of March 31



Asset Management Yield

Asset Management Yield

Years ended March 31	2014	2015	2016
Yield	1.71%	1.70%	1.62%

Note: Asset management yield includes capital gains and losses, etc.

Investment Policies of Japan Post Insurance

Our operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others.

Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets with a high affinity to the characteristics of liabilities, and investments in risk assets such as foreign securities and stocks under appropriate risk management.

We aim to enhance profitability by strengthening the investment divisions and accelerating the diversification of asset management.

Investment Diversification Initiatives

We intend to promote our diversification of asset management while improving our asset management capabilities and plan to expand the proportion of risk assets to 10% of our total assets by the year ending March 31, 2018.

For the year ending March 31, 2017, we aim to strengthen our investment divisions by such measures as nurturing human resources and forming business alliances. In addition, we aim to enhance profitability via commencing in-house investments of stocks and initiatives to increase the amount of alternative investment assets.