Business Overview and Results

Performance for the Year Ended March 31, 2017

Key Business Indicators (Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2013	2014	2015	2016	2017
Ordinary income	¥11,834.9	¥11,234.1	¥10,169.2	¥9,605.7	¥8,659.4
Ordinary profit	528.9	462.7	492.6	411.5	279.7
Core profit (non-consolidated)	570.0	482.0	515.4	464.2	390.0
Net income attributable to Japan Post Insurance	90.6	62.8	81.3	84.8	88.5
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(20,000)	(20,000)	(20,000)	(600,000)	(600,000)
Total assets	90,463.5	87,092.8	84,915.0	81,545.1	80,336.7
Separate account	–	–	–	–	–
Policy reserves	81,401.9	77,745.4	75,112.6	72,362.5	70,175.2
Loans	12,691.5	11,020.5	9,977.3	8,978.4	8,060.9
Securities	72,557.1	69,377.9	66,276.2	63,609.9	63,485.2
Solvency margin ratio (%)	1,468.8	1,625.1	1,644.2	1,570.3	1,290.6
Number of employees (persons)	–	7,367	7,606	7,890	7,965
Policy amount in force	31,675.3	37,179.5	42,774.9	47,882.7	53,229.1
Individual insurance	28,480.7	33,735.6	39,159.0	44,406.2	50,097.9
Individual annuities	3,194.6	3,443.8	3,615.9	3,476.4	3,131.1
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.

Assets and Liabilities

Key Line Items in the Consolidated Balance Sheets

(Billions of yen)

As of March 31	2015	2016	2017
Total assets	¥84,915.0	¥81,545.1	¥80,336.7
Cash and deposits	2,213.7	1,862.6	1,366.0
Money held in trust	1,434.9	1,644.5	2,127.0
Securities ❶	66,276.2	63,609.9	63,485.2
Loans	9,977.3	8,978.4	8,060.9
Fixed assets	286.8	331.1	322.7
Deferred tax assets	547.0	712.1	851.9
Total liabilities	¥82,939.2	¥79,662.2	¥78,483.5
Policy reserves ❷	75,112.6	72,362.5	70,175.2
Reserve for price fluctuations ❸	712.1	782.2	788.7
Total net assets	¥ 1,975.7	¥ 1,882.9	¥ 1,853.2
Total shareholders' equity	1,412.0	1,472.4	1,526.8
Total accumulated other comprehensive income	563.6	410.5	326.3

Compared with the end of March 2016, total assets fell by ¥1,208.4 billion to ¥80,336.7 billion.

Total net assets were ¥1,853.2 billion due to factors such as a decrease in net unrealized gains (losses) on available-for-sale securities.

❶ Securities

From an ALM perspective, we mainly hold corporate and government bonds. However, in light of the low interest rate environment in Japan, we also hold risk assets such as foreign securities and stocks under appropriate risk management, with the aim of raising investment income.

❷ Policy reserves

Policy reserves, provided in accordance with Article 116 of the Insurance Business Act, are reserves that life insurance companies accumulate through financing sources such as insurance premiums and investment income to provide for the future payment of insurance claims, annuity payments and benefits.

❸ 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.

Profits and Losses

Key Line Items in the Consolidated Statements of Income

(Billions of yen)

Years ended March 31	2015 (April 1, 2014 to March 31, 2015)	2016 (April 1, 2015 to March 31, 2016)	2017 (April 1, 2016 to March 31, 2017)
Ordinary income	¥10,169.2	¥9,605.7	¥8,659.4
Insurance premiums and others ❶	5,956.7	5,413.8	5,041.8
Investment income ❷	1,460.7	1,354.9	1,367.9
Reversal of policy reserves	2,632.8	2,750.0	2,187.2
Ordinary expenses	¥ 9,676.6	¥9,194.2	¥8,379.6
Insurance claims and others ❸	9,059.5	8,550.4	7,550.3
Investment expenses ❹	10.9	9.7	160.4
Operating expenses	513.1	538.5	560.4
Ordinary profit	492.6	411.5	279.7
Extraordinary gains and losses	(99.3)	(71.5)	(6.8)
Provision for reserve for policyholder dividends	200.7	178.0	152.6
Income before income taxes	192.5	161.9	120.1
Total income taxes	111.2	77.0	31.5
Net income attributable to Japan Post Insurance	¥ 81.3	¥ 84.8	¥ 88.5

Ordinary income amounted to ¥8,659.4 billion (a 9.9% decrease year on year), comprising the sum of insurance premiums and others of ¥5,041.8 billion (a 6.9% decrease year on year), investment income of ¥1,367.9 billion (a 1.0% increase year on year), and reversal of policy reserves to provide for payments of insurance claims and others of ¥2,187.2 billion (a 20.5% decrease year on year).

Ordinary expenses amounted to ¥8,379.6 billion (a 8.9% decrease year on year), comprising the sum of insurance claims and others of ¥7,550.3 billion (a 11.7% decrease year on year), investment expenses of ¥160.4 billion (a 1,595.3% increase year on year), operating expenses of ¥560.4 billion (a 4.1% increase year on year) and other ordinary expenses.

As a result, ordinary profit amounted to ¥279.7 billion (a 32.0% decrease year on year) and net income attributable to Japan Post Insurance amounted to ¥88.5 billion (a 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.

❶ Insurance premiums and others

The income from the insurance premiums paid by policyholders is the primary source of our income.

- Insurance premiums included ¥1,002.8 billion of insurance premiums based on reinsurance contracts with the Management Organization.

❷ 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 ¥1,226.1 billion, gains on money held in trust were ¥56.5 billion and gains on sales of securities, etc., were ¥85.1 billion.

❸ 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 ¥6,413.7 billion of insurance claims based on reinsurance contracts with the Management Organization.

❹ Investment expenses

This refers to expenses incurred when generating investment income, including losses on sales of securities and losses on derivative financial instruments.

- Losses on sales of securities were ¥124.7 billion, while losses on derivative financial instruments were ¥20.5 billion.

Insurance Policies

During the year ended March 31, 2017, Japan Post Insurance Co., Ltd. sold 2.44 million individual insurance policies with a total policy amount of ¥7,847.4 billion. Annualized premiums of individual insurance policies amounted to ¥507.9 billion, whereas annualized premiums related to third-sector insurance amounted to ¥55.7 billion.

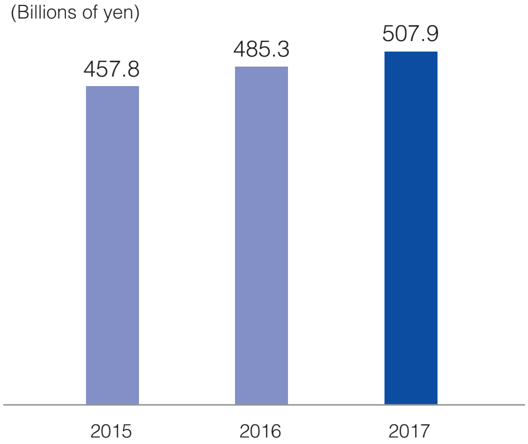
As of March 31, 2017, we had 17.15 million individual insurance policies in force with a total policy amount of ¥50,097.9 billion. Annualized premiums of individual insurance policies amounted to ¥3,207.9 billion (or ¥4,979.6 billion when reinsured Postal Life Insurance Policies (Insurance) are included), whereas annualized premiums related to third-sector insurance amounted to ¥333.8 billion (or ¥736.1 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, 2017, policies reinsured by us amounted to 14.41 million insurance policies with an insured amount of ¥38,605.4 billion and 2.24 million annuity policies with an annuity amount of ¥799.1 billion.

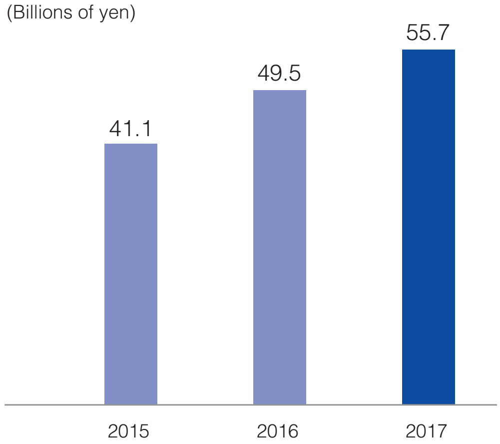
New Policies

Annualized Premiums

Individual Insurance
For the years ended March 31



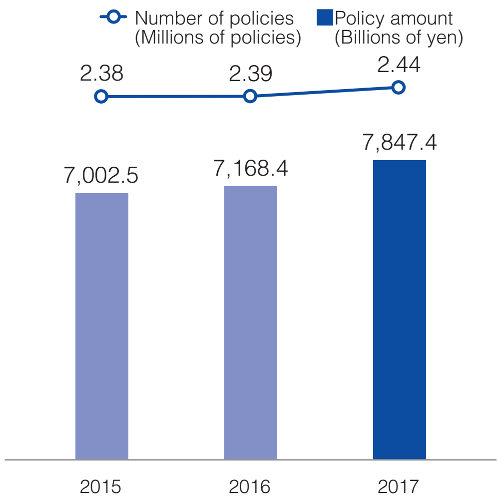
Third-Sector
For the years ended March 31

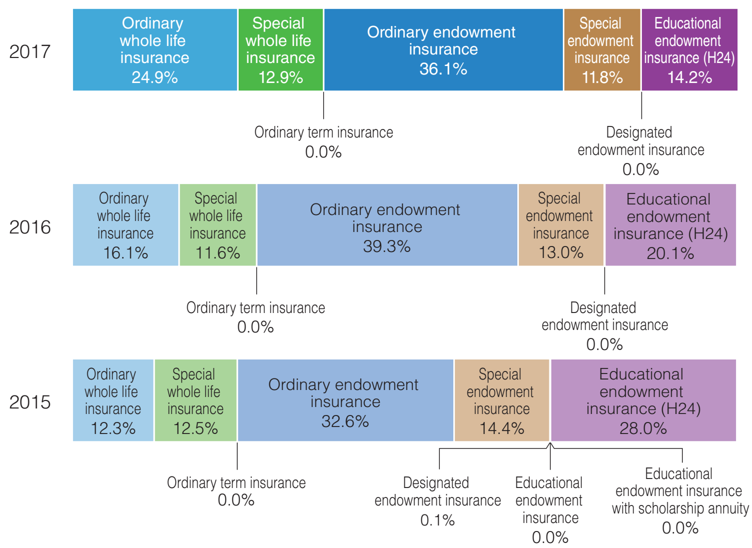


Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

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

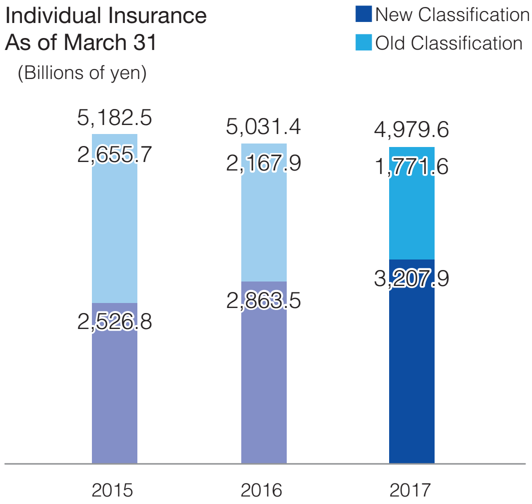
For the years ended March 31

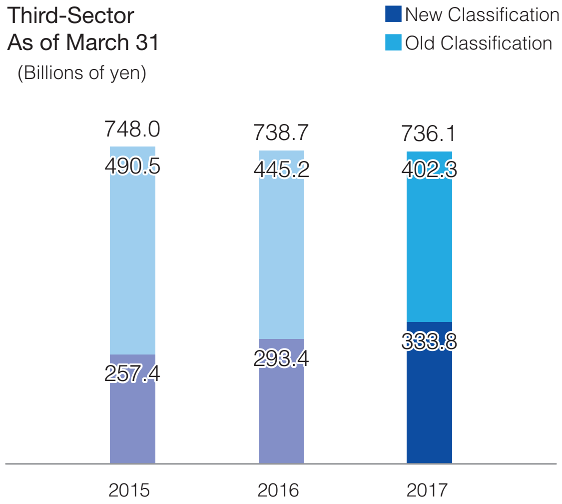




Policies in Force

Annualized Premiums

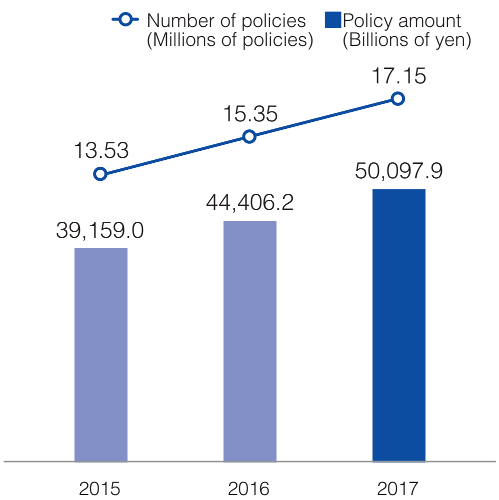


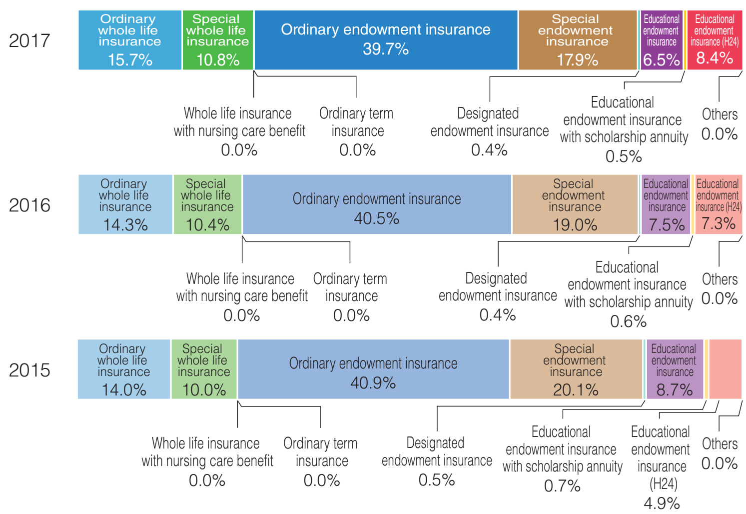


Notes: 1. “New Classification” indicates policies in force underwritten by Japan Post Insurance, whereas “Old Classification” indicates Postal Life Insurance Policies (individual insurance policies are limited to Postal Life Insurance Policies) which we have received from the Management Organization in the form of reinsurance.
2. Regarding Postal Life Insurance Policies which we have received from the Management Organization in the form of reinsurance, the annualized premiums under “Old Classification” are calculated based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities underwritten by us.
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





Note: The number of policies and policy amounts do not include the Postal Life Insurance Policies which we have 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	2015		2016		2017	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Insurance	19.95	¥54,322.4	16.97	¥46,114.5	14.41	¥38,605.4
Annuities	2.95	¥ 1,077.9	2.58	¥ 932.1	2.24	¥ 799.1

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

Asset Management Overview (General Account)

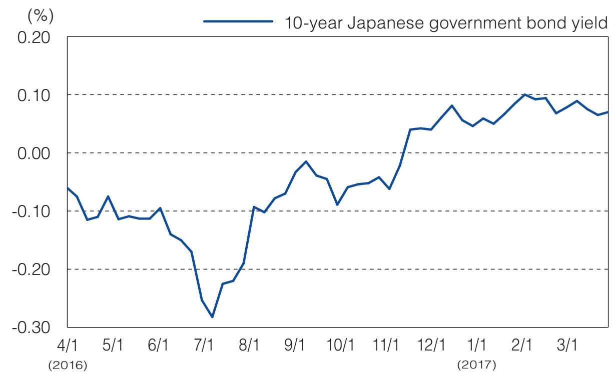
Investment Environment in the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, the Japanese economy continued to recover gradually due to improvements in exports and production, despite a slump in consumer spending. The U.S. and European economies continued a steady recovery, while there was a pause in the decline of China's growth rate.

Under these economic conditions, the investment environment was as follows.

Domestic Bond Market

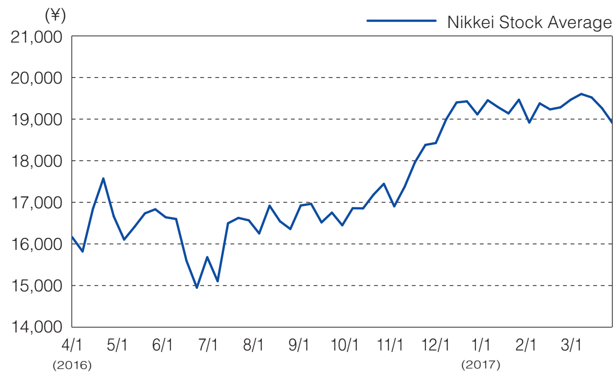
The domestic long-term yield declined to the minus 0.2% level as investors worldwide became more risk-averse after the majority vote in favor of leaving the European Union in the U.K. referendum in late June. However, in August, the yield rose to levels just under 0.0%, due to the possibility of changes in the Bank of Japan (BOJ)'s monetary policy, and remained at about that level after the BOJ introduced quantitative and qualitative monetary easing with yield curve control in September. Domestic interest rates, mainly for super-long-term bonds, subsequently increased owing to Donald Trump's victory in the U.S. presidential election in November and the resulting rise in U.S. interest rates in anticipation of economic stimulus measures such as tax cuts and infrastructure investment, and 10-year Japanese government bond yields remained in positive territory, ranging from 0.0 to 0.1%.



Data source: Bloomberg

Domestic Stock Market

The Nikkei Stock Average rose to the ¥17,500 level in April due to the surge in U.S. stock prices as crude oil prices picked up. However, stock prices plunged globally, and the Nikkei Stock Average fell substantially to the ¥14,900 level, due to the unexpected results of the U.K. referendum in late June. Stock prices subsequently improved owing to high U.S. stock prices and an increase in ETF purchases by the BOJ, and recovered to the ¥17,400 level in October. After the U.S. presidential election in November, the stronger dollar and weaker yen that followed the surge in U.S. interest rates drew a positive reaction, and stock prices rose to the ¥18,900 level at year-end.

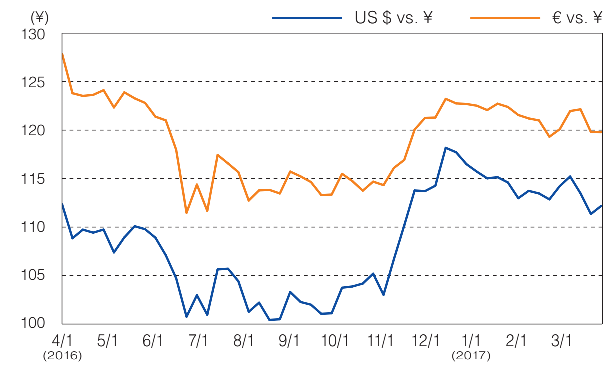


Data source: ©Nikkei Inc.

Foreign Exchange Markets

The USD/JPY exchange rate temporarily reached the ¥99 range as the yen appreciated due to the results of the U.K. referendum in late June. Subsequently, although the yen returned to the ¥107 range at one point in July due to expectations of fiscal spending by the government and additional easing by the BOJ, the USD/JPY exchange rate stayed mainly around the ¥100 - ¥103 level. Entering the second half, the yen depreciated to the ¥118 level in December, owing to the growing strength of the dollar stemming from rising U.S. interest rates. The yen subsequently returned temporarily to the ¥110 range as adjustments were made to the USD/JPY exchange market in March due to a lull in expectations of U.S. fiscal and economic policies and a drop in U.S. interest rates.

The euro depreciated due to comprehensive monetary easing by the European Central Bank and concerns about an economic downturn in the euro-zone following the U.K. referendum, and the EUR/JPY rate reached the ¥109 level at one point in June. However, the euro appreciated subsequently due to rising interest rates in Europe, and stayed mainly around the ¥120 - ¥122 level from December onwards.



Data source: Nomura Research Institute, Ltd.

Performance Overview

Assets

As of March 31, 2017, total assets of Japan Post Insurance Co., Ltd. amounted to ¥80,336.4 billion, a decrease of ¥1,207.2 billion from ¥81,543.6 billion at the previous fiscal year-end.

As domestic interest rates shifted downward, we increased investments in risk assets, such as foreign securities and stocks.

Corporate and government bonds [Decrease]

For corporate and government bonds, we limited investment based on the domestic interest rate environment. In this context, we made some investments mainly in super long-term bonds capturing a rise in interest rates in the latter half of the year.

As a result, corporate and government bonds amounted to ¥57,658.1 billion, a decrease of ¥2,162.9 billion from ¥59,821.0 billion at the previous fiscal year-end.

Stocks [Increase]

For stocks, we commenced in-house investment starting in the second half of the fiscal year ended March 31, 2017.

As a result, stocks amounted to ¥59.3 billion, an increase of ¥58.3 billion from ¥0.9 billion 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 ¥4,351.7 billion, an increase of ¥662.9 billion from ¥3,688.8 billion at the previous fiscal year-end.

Other securities [Increase]

For other securities, we expanded investment in global credit and other funds, in line with diversification of asset management.

As a result, other securities amounted to ¥1,417.1 billion, an increase of ¥1,317.0 billion from ¥100.0 billion 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 ¥2,127.0 billion, an increase of ¥482.4 billion from ¥1,644.5 billion at the previous fiscal year-end.

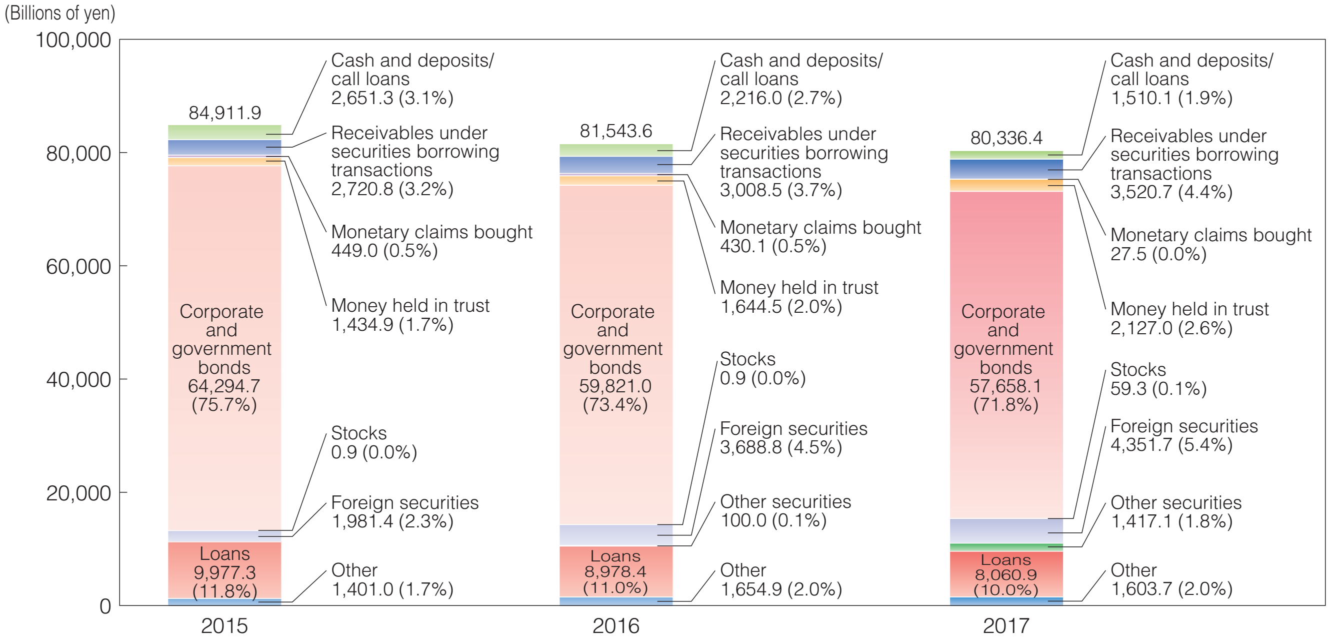
Loans [Decrease]

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 ¥8,060.9 billion, a decrease of ¥917.5 billion from ¥8,978.4 billion 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	2015	2016	2017
Yield	1.70%	1.62%	1.50%

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, with the aim of gaining stable income while reducing interest risk.

We will also work to increase income by investing in risk assets such as foreign securities and stocks under appropriate risk management.

Investment Diversification Initiatives

In the fiscal year ended March 31, 2017, we strengthened our asset management system by recruiting specialist human resources, and steadily diversified our asset management by launching in-house investment of stocks and expanding investments in global credit and other funds.

For the fiscal year ending March 31, 2018, we will continue to enhance our asset management divisions, and promote further diversification of asset management through efforts such as launching investments in new areas including real estate and private equity.

Sound Management Indicators

Core Profit

¥390.0 billion

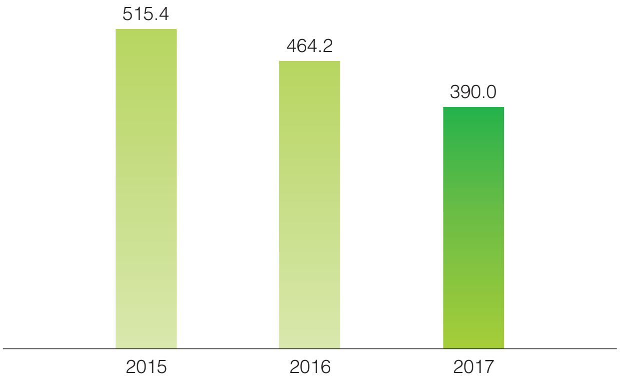
(Non-Consolidated Core Profit)

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, 2017 was ¥390.0 billion.

Core Profit
For the year ended March 31

(Billions of yen)



(Billions of yen)

Years ended March 31	2015	2016	2017
Core income ①	¥10,185.7	¥9,653.5	¥8,621.4
Insurance premiums and others	5,956.7	5,413.8	5,041.8
Investment income (Note 1)	1,366.0	1,308.7	1,226.2
Reversal of policy reserves (Note 2)	2,719.2	2,805.7	2,246.8
Core expenses ②	9,670.3	9,189.2	8,231.3
Insurance claims and others	9,059.5	8,550.4	7,550.3
Provision for policy reserves and others	1.4	0.1	0.0
Investment expenses (Note 1)	5.2	6.2	11.7
Operating expenses	512.4	537.0	560.2
Core profit (①-②) A	515.4	464.2	390.0
Net capital gains B	64.1	4.4	(51.1)
Other one-time profits C	(86.4)	(55.6)	(59.5)
Ordinary profit A+B+C	493.1	413.0	279.3

Notes: 1. Excluding the amount regarding net capital gains
2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others) (Please see page 173 for more details.)

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, 2017, there was a positive spread of ¥78.5 billion.

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

Positive spread [¥78.5 billion] = [investment return on core profit [1.84%] − average assumed rate of return] [1.73%] × general account policy reserves [¥68,364.3 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 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.

Status of Accumulation of Internal Reserves

¥3,042.7 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, 2017, we had a contingency reserve of ¥2,254.0 billion and a reserve for price fluctuations of ¥788.7 billion, a total of ¥3,042.7 billion.

In addition, as of March 31, 2017, we have additional policy reserves to cover for a negative spread and other risks amounting to ¥5,961.0 billion.

Consolidated Solvency Margin Ratio

1,290.6%

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, 2017 was 1,290.6%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

● Calculation method of consolidated solvency margin ratio ●

$$\text{Consolidated solvency margin ratio} = \frac{\text{Total amount of solvency margin}}{\text{Total amount of risk} \times 1/2} \times 100\,(\%)$$

Consolidated Real Net Assets

¥12,763.1 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, 2017, we had ¥12,763.1 billion in consolidated real net assets, an amount deemed to be sufficient.

Net Unrealized Gains (Losses) on Securities

¥7,700.5 billion

(Unrealized gain)

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

As of March 31, 2017, Japan Post Insurance recorded a net unrealized gain on securities of ¥7,700.5 billion.

We recorded a ¥380.7 billion net unrealized gain on money held in trust and a ¥443.6 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.

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.

Credit Ratings

In order to provide our customers and shareholders with a deeper understanding of Japan Post Insurance Co., Ltd., we have acquired credit ratings from rating agencies.

(As of June 1, 2017)

Rating and Investment Information, Inc. (R&I)	Japan Credit Rating Agency, Ltd. (JCR)	Standard & Poor's (S&P)
AA-	**AA**	**A+**
Insurance Claim Paying Ability (Definition of AA)	Ability to Pay Insurance Claims Rating (Definition of AA)	Insurer Financial Strength Ratings (Definition of A)
Very high claims paying ability supported by some excellent factors.	A very high level of certainty to honor the financial obligations.	An insurer rated 'A' has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

Note: Ratings are the opinion of the ratings agencies, and do not represent any guarantee by the rating agencies regarding the payment of insurance claims or other matters. Ratings may be changed in the future based on the judgment of the ratings agencies.

Policyholder Dividends

¥152.6 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, 2017, we posted a provision for reserve for policyholder dividends of ¥152.6 billion.

- For Japan Post Insurance Policies, we accounted for a provision for reserve for policyholder dividends of ¥15.6 billion.
- For Postal Life Insurance Policies, we posted a provision for reserve for policyholder dividends of ¥137.0 billion under the reinsurance agreement concluded with the Management Organization, based on the performance of the category related to the reinsurance. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

Embedded Value (EV)

¥3,355.6 billion

What is Embedded Value?

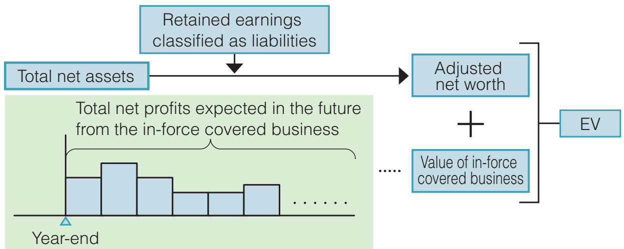
Embedded value ("EV") is one of the corporate value indicators for life insurance companies.

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, 2017

The EV of Japan Post Insurance Co., Ltd. as of March 31, 2017 was ¥3,355.6 billion, an increase of ¥204.6 billion from March 31, 2016.

Breakdown of EV

(Billions of yen)

As of March 31	2015	2016	2017
EV	¥3,613.7	¥3,151.0	¥3,355.6
Adjusted net worth	1,739.6	1,894.3	1,965.2
Value of in-force covered business	1,874.0	1,256.7	1,390.4

Years ended March 31	2015	2016	2017
Value of new business	¥ 154.9	¥ 192.7	¥ 36.8

*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. 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 had previously taken an approach of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

However, in light of the points below, from the EV as of March 31, 2016, and the value of new business for the fiscal year ended March 31, 2016, we have adopted 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.

- In the previous approach, any change in the level of the risk-free rate at the last available duration of the market data resulted in a significant impact on the valuation of long-duration insurance liabilities. Considering recent movements in the risk-free rate, use of an ultimate forward rate approach should result in more stability than the previous approach.
- The method utilizing an ultimate forward rate is being considered for adoption as an extrapolation method for interest rates at longer durations in international regulations as well.

For consistency of valuations, the EV as of March 31, 2015 and value of new business for the fiscal year ended March 31, 2015, have been reevaluated based on the same revised method.

2. From the fiscal year ended March 31, 2017, we have opted to calculate the value of new business as the difference between EV calculated on the basis of gain/loss of total in-force covered business if new business had been obtained, and EV calculated on the basis of gain/loss of total in-force covered business if new business had not been obtained. For consistency of valuations, the value of new business for the fiscal year ended March 31, 2016 has been reevaluated based on the same revised method.

3. Please see pages 181 to 183 for more details.

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.