

*Kampo*

**Outline of Financial Results for  
the Six Months Ended September 30, 2016**

November 14, 2016

 **JAPAN POST INSURANCE**

# Summary of Financial Results

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- **Net income was ¥42.5 billion that represented 49.4% towards the full-year financial results forecasts.**
- **As a result of our efforts for strengthening sales promotion including the 100th anniversary of Postal Life Insurance campaign activities, annualized premiums from new policies for individual insurance were ¥282.3 billion, an 18.6% increase year on year. Annualized premiums from new policies for medical care were ¥26.0 billion, a 5.5% increase year on year.**
- **Annualized premiums from policies in force for individual insurance were ¥5,031.3 billion, nearly the same level as the end of the previous fiscal year and indicating signs of a bottoming out (¥5.7 billion increase from June 30, 2016).**
- **Under the current low interest rate environment, we increased investment in risk assets (foreign securities and domestic stocks) to ¥7,093.1 billion (8.8% of total assets).**
- **Embedded value (EV) recovered to ¥2,993.6 billion (¥855.3 billion increase from the end of June) due to interest rates returning to the levels of the end of March.**

# Financial Highlights

## Financial Highlights

(¥bn)

	6 months ended Sep-15	6 months ended Sep-16	Year on year
Ordinary income	4,881.3	4,333.8	(11.2) %
Ordinary profit	218.7	107.8	(50.7) %
Net income <sup>1</sup>	48.5	42.5	(12.3) %

## Financial Results Forecasts

(¥bn)

Year ending Mar-17 (Full-year forecasts)	Progress
8,490.0	51.0 %
310.0	34.8 %
86.0	49.4 %

(¥bn)

	Mar-16	Sep-16	Change
Total assets	81,545.1	80,492.2	(1.3) %
Net assets	1,882.9	1,782.5	(5.3) %
Total shareholders' equities	1,472.4	1,480.8	+0.6 %

1. Net income attributable to Japan Post Insurance

# Overview of Financial Statements (Consolidated)

## Statement of Income

	6 months ended Sep-15	6 months ended Sep-16	Change	(Reference) Year ended Mar-16
Ordinary income	4,881.3	4,333.8	(547.4)	9,605.7
Insurance premiums and others	2,746.7	2,812.5	65.7	5,413.8
Investment income	688.8	678.3	(10.5)	1,354.9
Reversal of policy reserves	1,412.8	805.2	(607.6)	2,750.0
Ordinary expenses	4,662.5	4,226.0	(436.5)	9,194.2
Insurance claims and others	4,349.8	3,793.1	(556.6)	8,550.4
Investment expenses	4.2	105.2	100.9	9.7
Operating expenses	260.9	278.0	17.0	538.5
Ordinary profit	218.7	107.8	(110.9)	411.5
Extraordinary profit and loss	(30.9)	29.5	60.5	(71.5)
Provision for reserve for policyholder dividends	119.5	77.9	(41.5)	178.0
Income before income taxes	68.2	59.4	(8.8)	161.9
Total income taxes	19.7	16.9	(2.8)	77.0
Net income attributable to Japan Post Insurance	48.5	42.5	(5.9)	84.8

(¥bn)

## Balance Sheets

	Mar-16	Sep-16	Change
Assets	81,545.1	80,492.2	(1,052.9)
Cash and deposits	1,862.6	1,352.1	(510.4)
Money held in trust	1,644.5	1,771.6	127.0
Securities	63,609.9	63,612.6	2.7
Loans	8,978.4	8,571.9	(406.4)
Fixed assets	331.1	335.6	4.4
Deferred tax assets	712.1	803.0	90.9
Liabilities	79,662.2	78,709.6	(952.5)
Policy reserves	72,362.5	71,557.2	(805.2)
Reserve for price fluctuations	782.2	752.6	(29.6)
Net assets	1,882.9	1,782.5	(100.3)
Total shareholders' equity	1,472.4	1,480.8	8.3
Total accumulated other comprehensive income	410.5	301.7	(108.7)

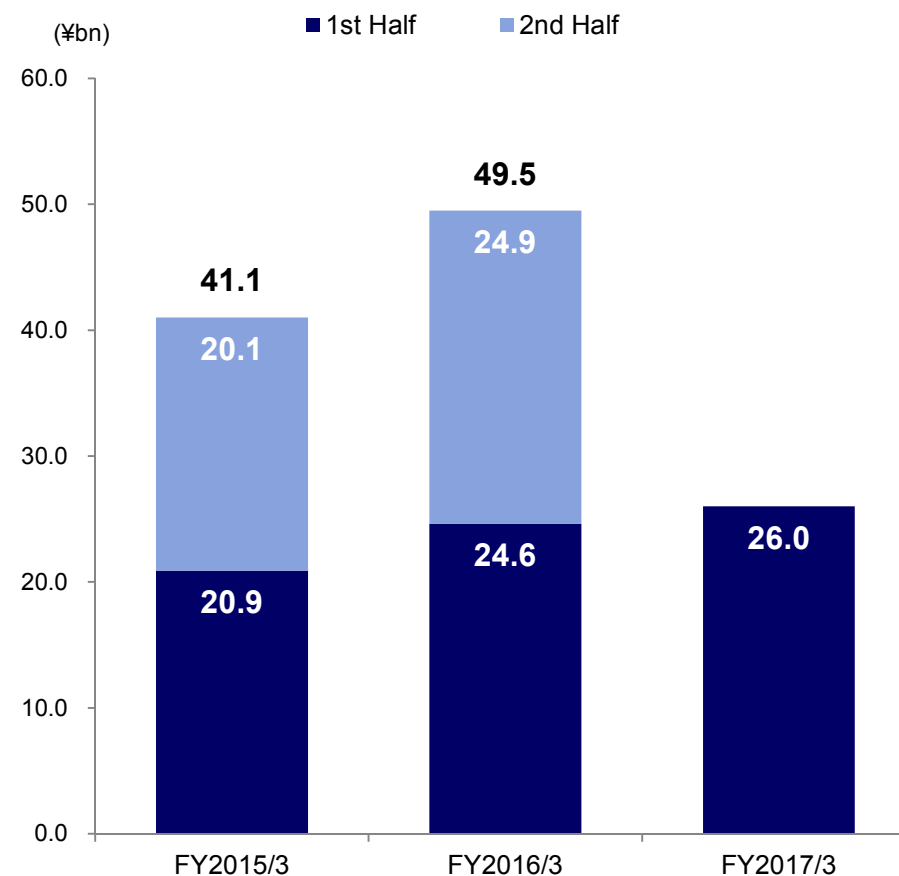
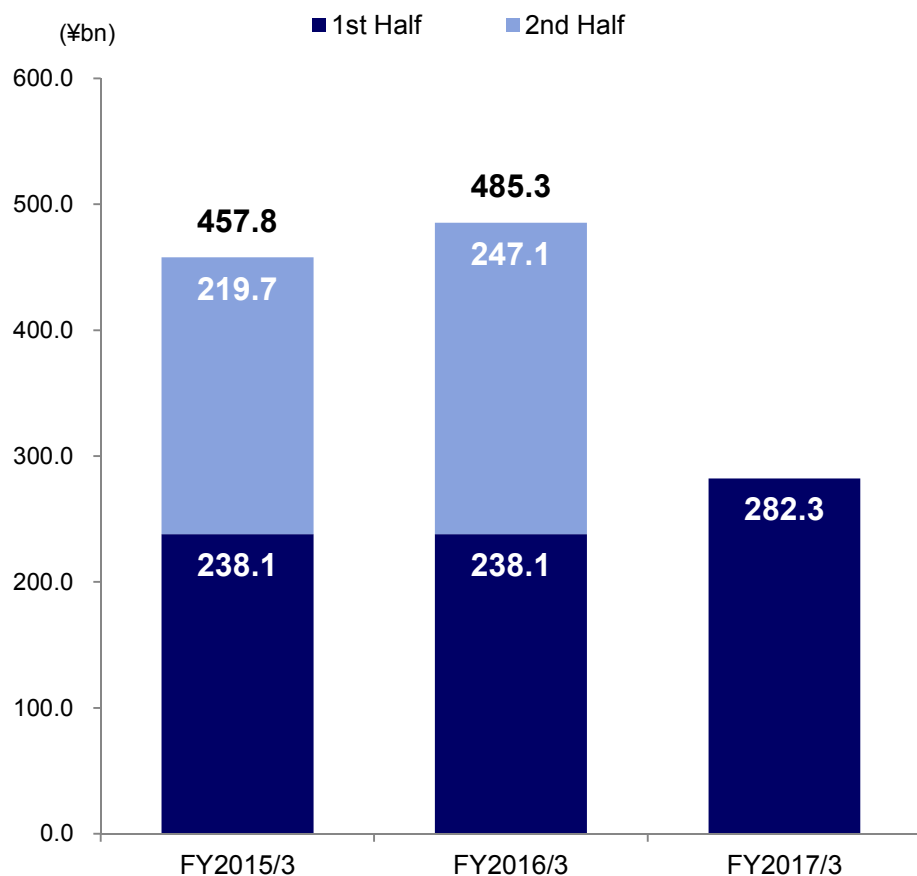
(¥bn)

Note: Only major line items are shown.

# Policy Sales (1) Annualized Premiums from New Policies

Annualized Premiums from New Policies  
(Individual Insurance)

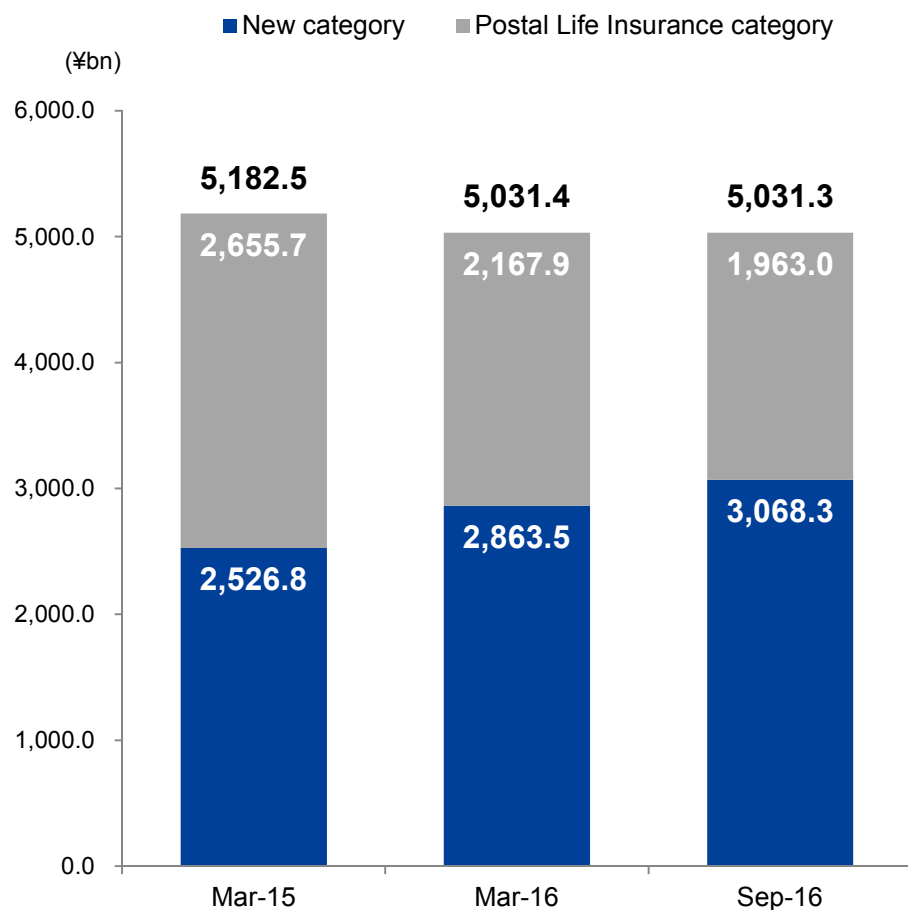
Annualized Premiums from New Policies  
(Medical Care)



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.

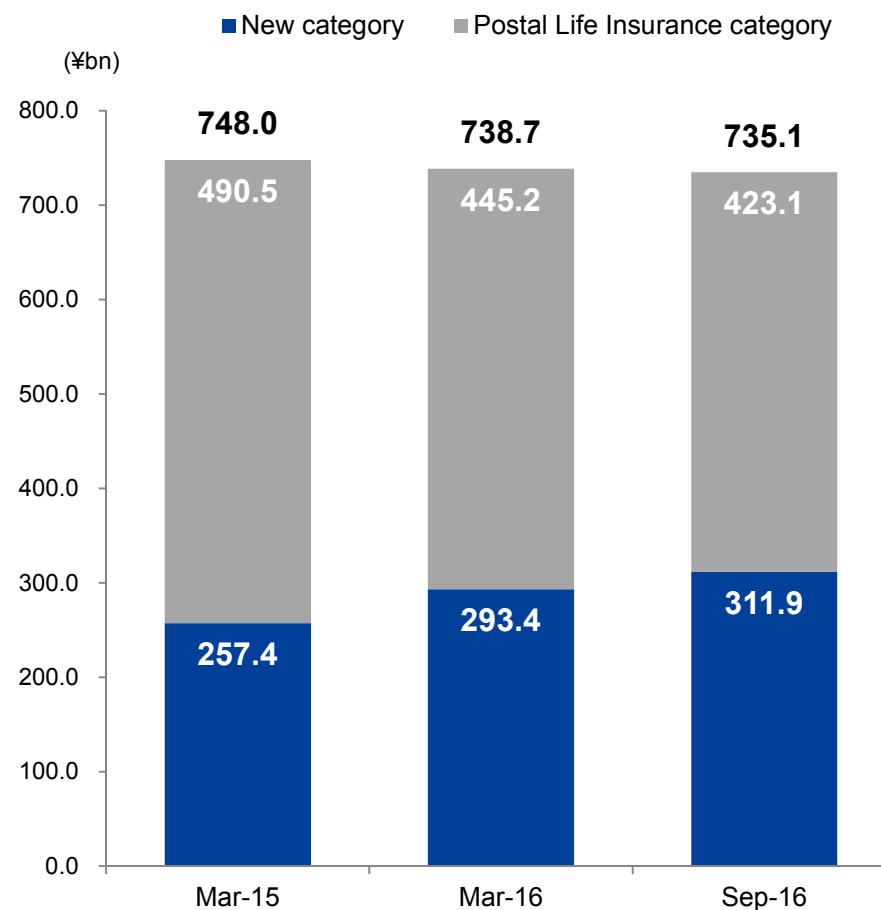
# Policy Sales (2) Annualized Premiums from Policies in Force

Annualized Premiums from Policies in Force  
(Individual Insurance)



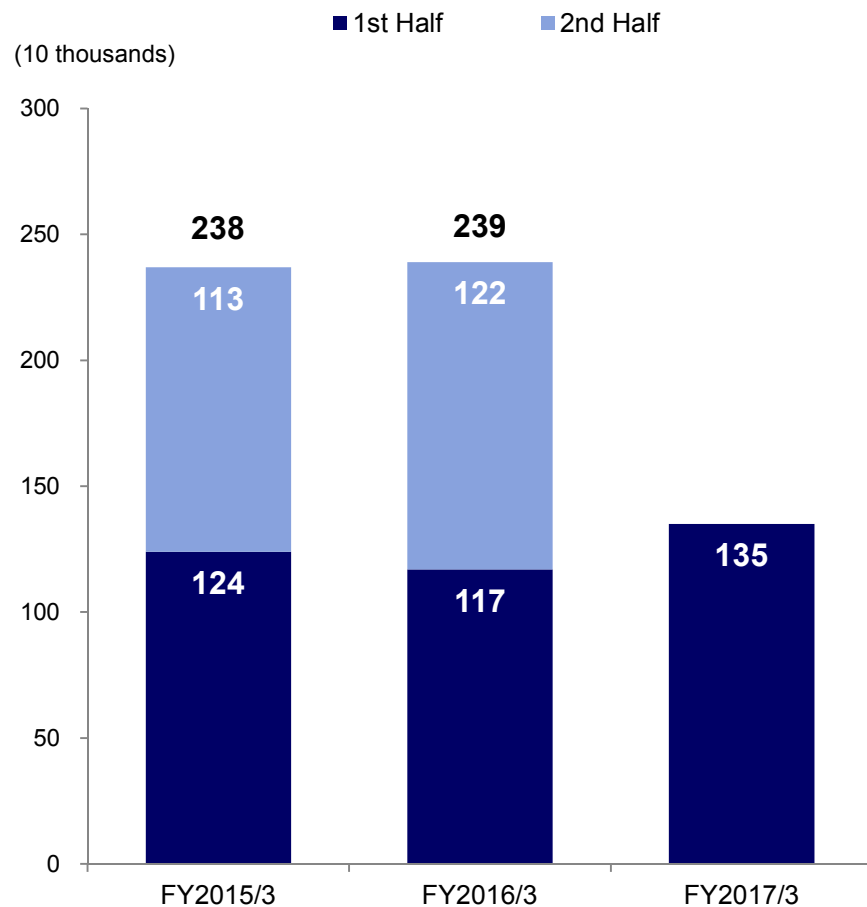
Note: "New category" shows individual insurance policies underwritten by Japan Post Insurance.  
 "Postal Life Insurance category" shows postal life insurance policies reinsured by Japan Post Insurance from the Management Organization for Postal Savings and Postal Life Insurance.

Annualized Premiums from Policies in Force  
(Medical Care)



# Policy Sales (3) Number of New Policies

## Number of New Policies (Individual Insurance)



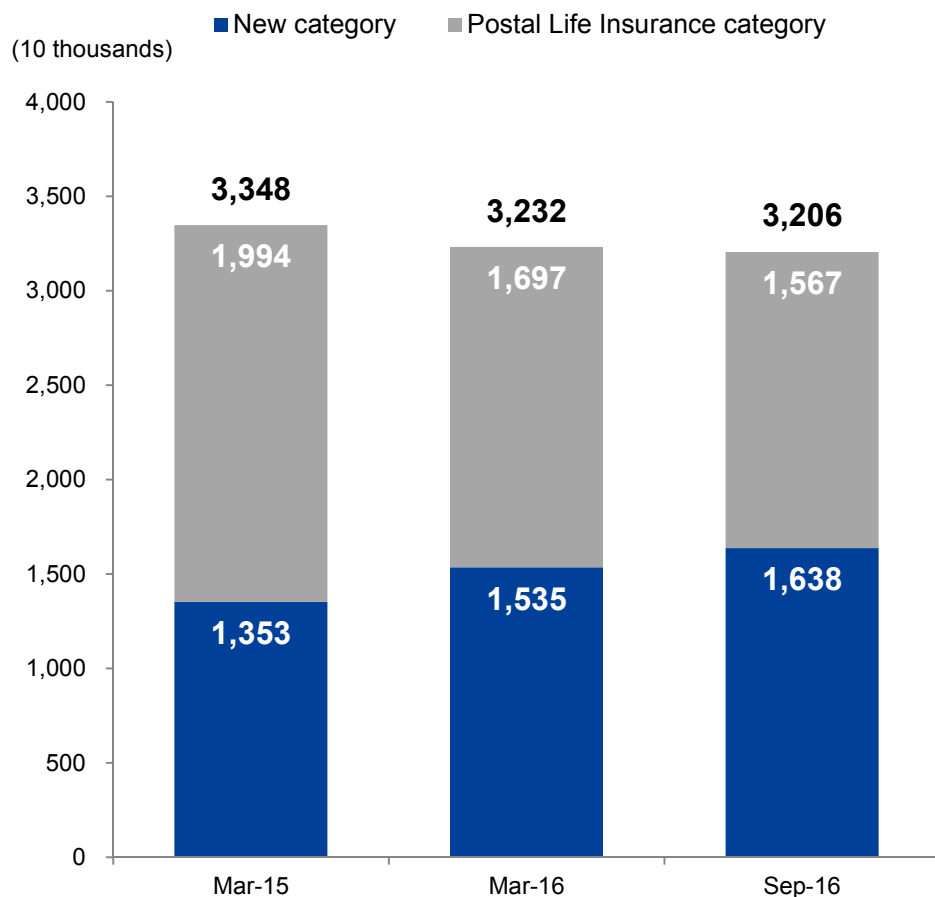
## Breakdown of New Policies

(10 thousands)

	6 months ended Sep-15		6 months ended Sep-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	117	100.0 %	135	100.0 %
Endowment insurance	62	53.6 %	72	53.8 %
Whole life insurance	31	26.7 %	41	30.8 %
Educational endowment insurance	22	19.6 %	20	15.4 %
Other insurance	0	0.0 %	0	0.0 %

# Policy Sales (4) Number of Policies in Force

## Number of Policies in Force (Individual Insurance)



Note: "New category" shows individual insurance policies underwritten by Japan Post Insurance.  
 "Postal Life Insurance category" shows postal life insurance policies reinsured by Japan Post Insurance from the Management Organization for Postal Savings and Postal Life Insurance.

## Breakdown of Policies in Force

(10 thousands)

	Mar-16		Sep-16	
	Number of policies	Share	Number of policies	Share
Individual insurance	3,232	100.0 %	3,206	100.0 %
Endowment insurance	1,440	44.6 %	1,402	43.7 %
Whole life insurance	1,241	38.4 %	1,257	39.2 %
Educational endowment insurance	535	16.6 %	532	16.6 %
Other insurance	14	0.5 %	14	0.4 %



# Investments (1) Asset Portfolio

## Asset Portfolio

(¥bn, %)

	Mar-16		Sep-16	
	Amount	Share	Amount	Share
Bonds	59,821.0	73.4	58,212.7	72.3
Japanese government bonds	44,178.6	54.2	42,566.5	52.9
Japanese local government bonds	9,405.4	11.5	9,585.8	11.9
Japanese corporate bonds <sup>2</sup>	6,236.9	7.6	6,060.2	7.5
Risk assets	5,401.6	6.6	7,093.1	8.8
Domestic stocks <sup>1</sup>	1,202.5	1.5	1,297.9	1.6
Foreign stocks <sup>1</sup>	229.4	0.3	228.8	0.3
Foreign bonds etc. <sup>1,2</sup>	3,969.7	4.9	5,566.4	6.9
Loans	8,978.4	11.0	8,571.9	10.6
Others	7,344.0	9.0	6,614.3	8.2
Cash and deposits, call loans	2,222.6	2.7	1,707.1	2.1
Receivables under securities borrowing transactions	3,008.5	3.7	3,054.0	3.8
<b>Total assets</b>	<b>81,545.1</b>	<b>100.0</b>	<b>80,492.2</b>	<b>100.0</b>

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)

	6 months ended Sep-15	6 months ended Sep-16	(Reference) Year ended Mar-16
Positive spread	42.0	29.9	97.4
Average assumed rates of return <sup>1</sup>	1.77 %	1.73 %	1.76 %
Investment return on core profit <sup>2</sup>	1.89 %	1.82 %	1.90 %
Net capital gains (losses)	8.2	(56.7)	4.4

	Sep-15	Sep-16	Mar-16
Interest rate (10Y JGB)	0.350 %	(0.085) %	(0.050) %
USD/JPY	¥119.96	¥101.12	¥112.68

1. Average assumed rates of return is 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)

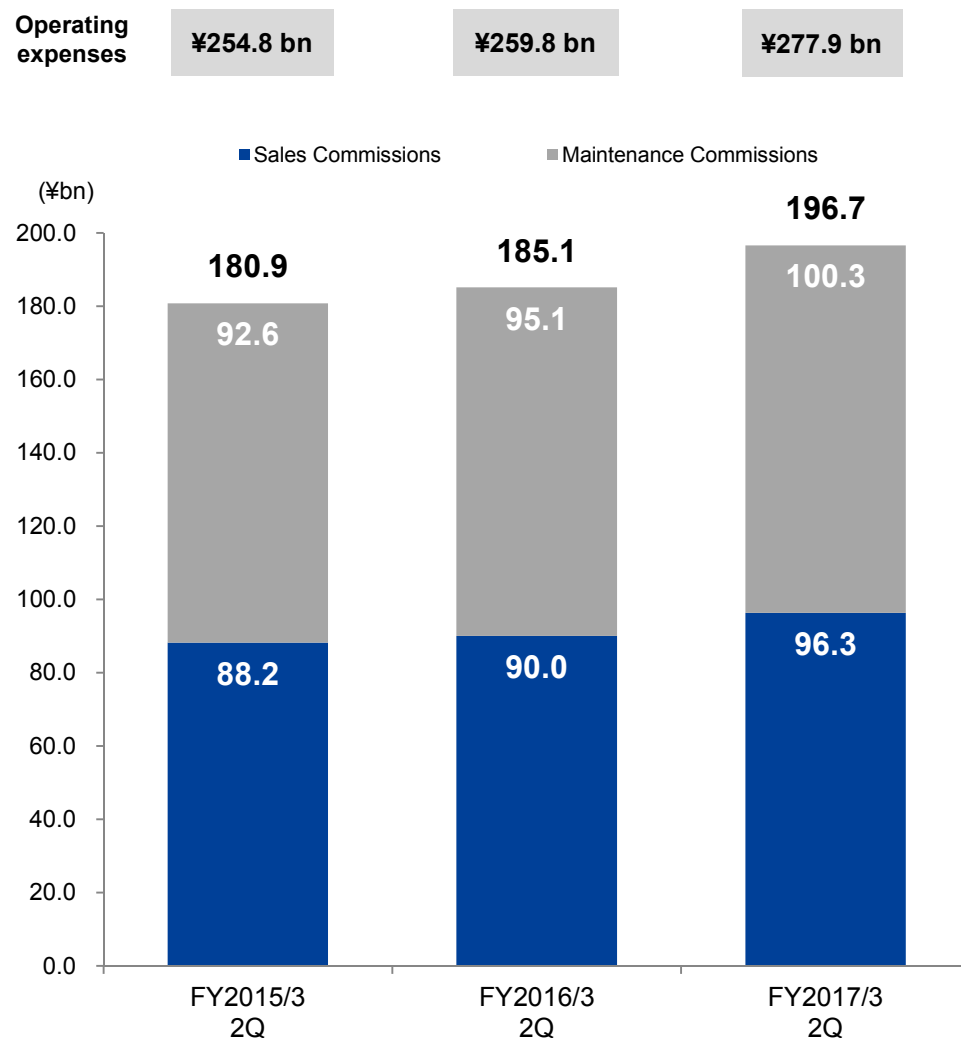
	Mar-16			Sep-16		
	Book value	Fair value	Net unrealized gains (losses)	Book value	Fair value	Net unrealized gains (losses)
Total	65,753.0	75,326.4	9,573.3	6,5427.0	74,997.4	9,570.3
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	40,976.5	48,676.4	7,699.8
Policy-reserve-matching bonds	13,563.4	15,062.1	1,498.7	12,582.7	14,043.1	1,460.4
Available-for-sale securities	9,949.8	10,511.3	561.5	11,867.7	12,277.8	410.0
Securities	8,469.2	8,866.8	397.5	10,217.8	10,506.2	288.3
Bonds	4,012.9	4,115.7	102.8	4,678.5	4,776.9	98.3
Foreign bonds	3,299.3	3,590.8	291.4	4,385.4	4,570.1	184.7
Other securities	100.0	100.0	0.0	700.0	702.0	2.0
Deposits	1,056.9	1,060.1	3.1	453.9	457.0	3.1
Money held in trust <sup>1</sup>	1,480.5	1,644.5	163.9	1,649.8	1,771.6	121.7
Domestic stocks	1,065.4	1,202.5	137.0	1,179.7	1,297.9	118.2
Foreign stocks	222.2	229.4	7.1	232.0	228.8	(3.2)
Foreign bonds	161.1	180.9	19.7	163.9	170.6	6.7

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

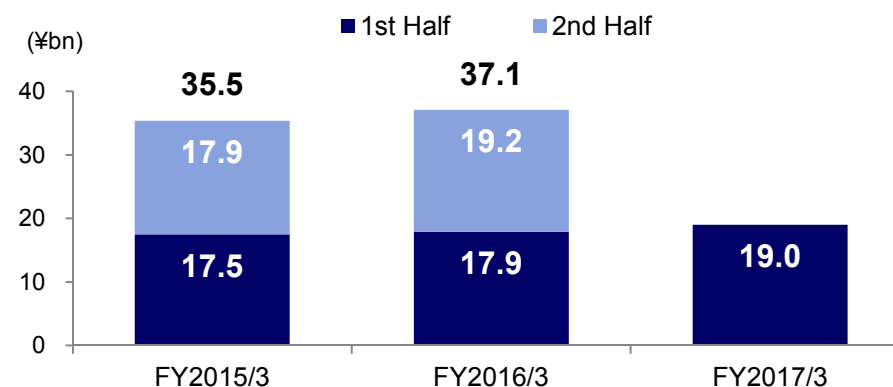
1.Total money held in trust includes cash and deposits and others.

# 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 business plan

# Financial Soundness

## Internal Reserves

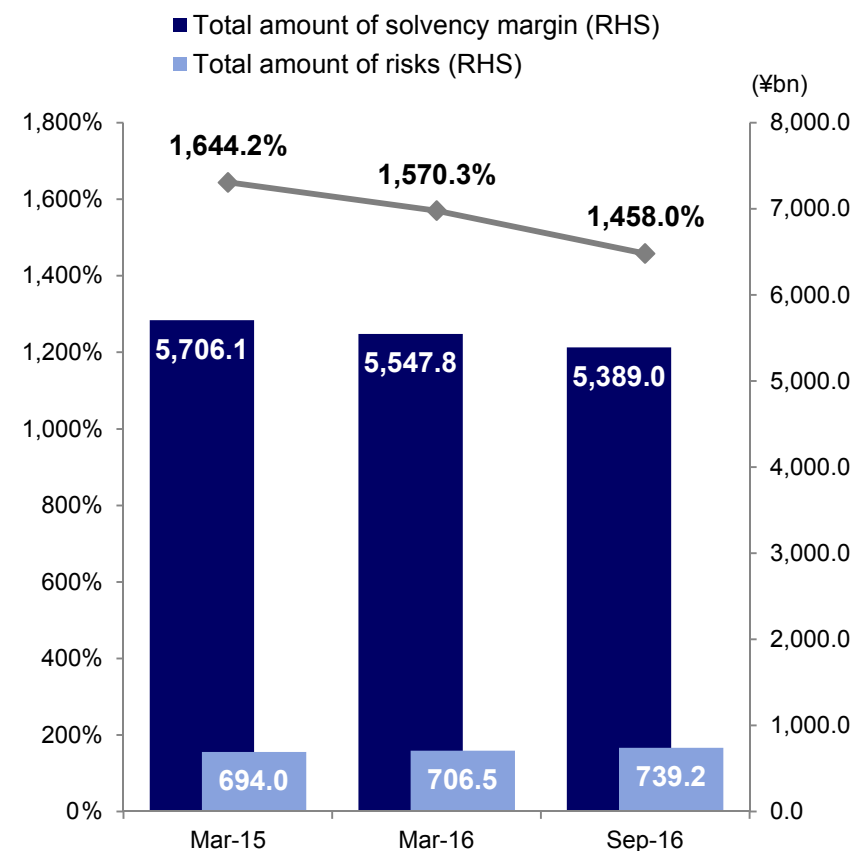
	Mar-16	Sep-16	(¥bn)
			Provisions in the period <sup>2</sup>
Contingency reserve	2,374.8	2,314.2	(60.6)
Postal Life Insurance Category	2,011.6	1,925.1	(86.5)
New Category	363.1	389.1	25.9
Price fluctuations reserve	782.2	752.6	(29.6)
Postal Life Insurance Category	635.8	613.0	(22.7)
New Category	146.4	139.5	(6.9)
Additional policy reserve <sup>1</sup>	6,011.5	5,988.8	(22.6)
Postal Life Insurance Category	6,011.5	5,988.8	(22.6)
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 six months ended September 30, 2016, the amount of additional provision was ¥90.5 bn and the accumulated amount was ¥1,120.5 bn ).

2. Provisions in the period includes the excess provision of ¥20.6 bn exceeding the provision requirements for contingency reserve.

## Solvency Margin Ratio (Consolidated)



### (Real Net Assets)

¥11,521.1bn

¥14,649.5bn

¥14,601.4bn

# Embedded Value

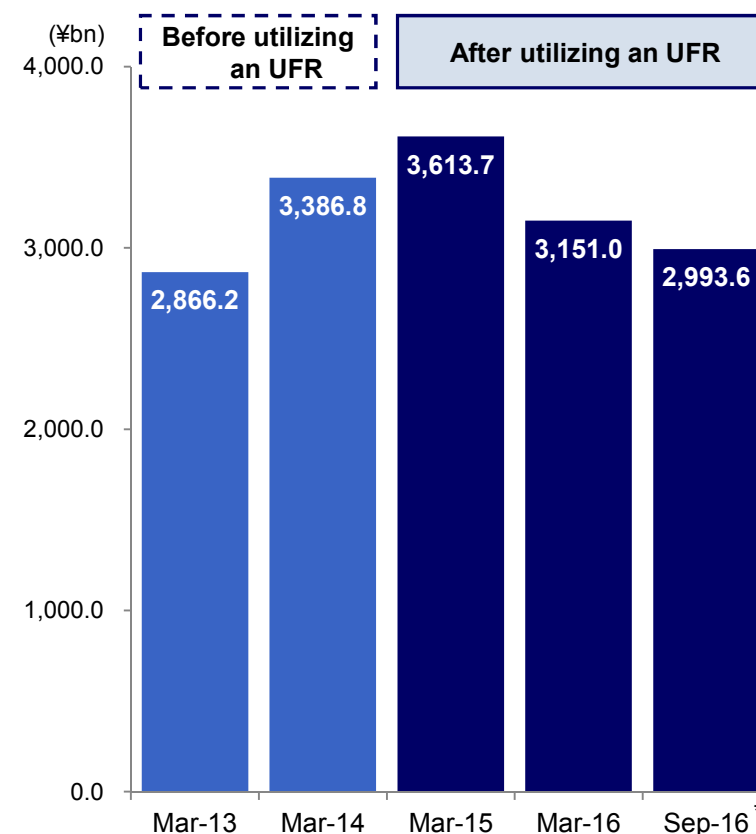
## Breakdown of EV

(¥bn)

	Mar-16	Sep-16*	Change
EV	3,151.0	2,993.6	(157.4)
Adjusted net worth	1,894.3	1,919.5	25.2
Value of in-force covered business	1,256.7	1,074.0	(182.6)

	6 months ended Sep-15	6 months ended Sep-16*	Change
Value of new business	110.9	5.7	(105.1)

## EV



\* Please note that the validity of calculation of EV as of September 30, 2016 and the value of new business for the first half of FY2017/3 above has not been verified by a third party. For details on EV verified by a third party, please refer to “Disclosure of European Embedded Value as of September 30, 2016” to be announced on November 18. The above calculations of the value of new business for the first half of FY2017/3 are based on economic assumptions as of September 30, 2016.

# 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

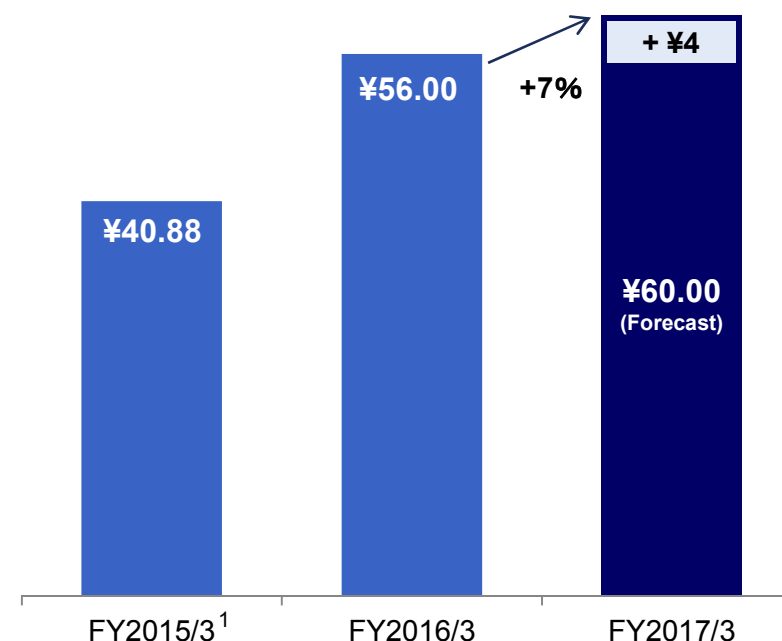
(Payout Ratio)

30.2 %

39.6 %

41.9 %

¥2 increase of ordinary dividends,  
¥2 commemorative dividend  
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 was calculated assuming that the stock split was conducted on April 1, 2014.

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 2Q	FY2017/3 2Q
<b>Total assets</b>	¥mn	90,462,364	87,088,626	84,911,946	81,543,623	84,688,745	80,492,247
Postal Life Insurance category		73,793,953	67,560,915	61,703,013	55,832,787	60,158,783	52,827,292
New category		16,668,410	19,527,711	23,208,932	25,710,836	24,529,961	27,664,955
<b>Number of policies in force</b>	(000)	36,805	34,864	33,489	32,323	32,829	32,067
Postal Life Insurance category (insurance)		26,933	23,195	19,949	16,972	18,402	15,678
New category (individual insurance)		9,871	11,668	13,539	15,350	14,426	16,388
<b>Insurance premiums and others</b>	¥mn	6,481,772	5,911,643	5,956,716	5,413,862	2,746,776	2,812,554
Postal Life Insurance category		2,685,558	2,155,398	1,697,140	1,322,308	700,116	534,645
New category		3,796,214	3,756,245	4,259,576	4,091,554	2,046,659	2,277,909
<b>Ordinary profit</b>	¥mn	529,375	463,506	493,169	413,023	219,778	107,711
Postal Life Insurance category		424,511	382,325	377,145	258,059	141,516	73,545
New category		104,864	81,181	116,024	154,963	78,262	34,165
<b>Net income</b>	¥mn	91,000	63,428	81,758	86,338	49,300	42,604
Postal Life Insurance category		56,816	43,689	36,969	32,850	20,977	14,361
New category		34,184	19,739	44,789	53,487	28,323	28,242
<b>Contingency reserve (reversal) provision</b>	¥mn	(100,149)	(94,807)	(90,087)	(123,864)	(61,235)	(60,602)
Postal Life Insurance category		(159,710)	(164,732)	(167,144)	(171,199)	(85,201)	(86,548)
New category		59,561	69,924	77,057	47,335	23,965	25,945
<b>Price fluctuations reserve (reversal) provision</b>	¥mn	64,656	91,360	97,934	70,100	30,388	(29,627)
Postal Life Insurance category		43,374	73,857	72,126	8,957	6,508	(22,711)
New category		21,282	17,502	25,808	61,143	23,879	(6,915)
<b>Additional policy reserve (reversal) provision</b>	¥mn	(92,835)	(77,134)	(68,347)	(55,533)	(26,991)	(22,650)
Postal Life Insurance category		(92,835)	(77,134)	(68,347)	(55,533)	(26,991)	(22,650)
New category		-	-	-	-	-	-

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

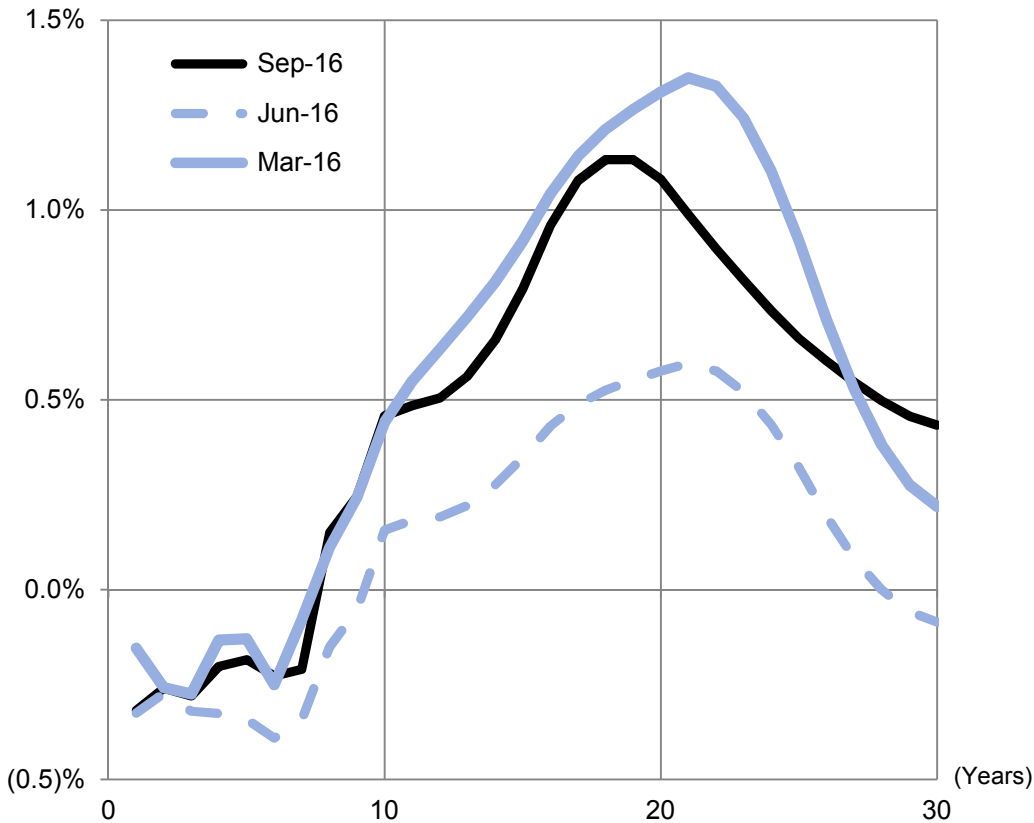


# Major Financial Results (Consolidated)

	(¥bn)					
	FY2013/3	FY2014/3	FY2015/3	FY2016/3	FY2016/3 2Q	FY2017/3 2Q
Insurance premiums and others	6,481.7	5,911.6	5,956.7	5,413.8	2,746.7	2,812.5
Ordinary profit	528.9	462.7	492.6	411.5	218.7	107.8
Provision for reserve for policyholder dividends	307.4	242.1	200.7	178.0	119.5	77.9
Net income	90.6	62.8	81.3	84.8	48.5	42.5
Net assets	1,466.7	1,538.1	1,975.7	1,882.9	1,908.6	1,782.5
Total assets	90,463.5	87,092.8	84,915.0	81,545.1	84,691.8	80,492.2
Return on equity	6.6%	4.2%	4.6%	4.4%	-	-
Return on shareholders' equity	7.1%	4.7%	5.9%	5.9%	-	-
Dividend 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	239.9	194.4

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

Forward Rate (Mar-16, Jun-16 and Sep-16)



Forward Rate

	Sep-16	Jun-16	Mar-16
10 years	0.458%	0.157 %	0.441%
20 years	1.081%	0.576 %	1.311%
30 years	0.433%	(0.086) %	0.219%

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.

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**<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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