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May 15, 2018
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for
the Fiscal Year Ended March 31, 2018**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Mitsuhiko Uehira, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018).

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1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of March 31	2017				2018			
	Number of policies		Policy amount		Number of policies		Policy amount	
		% of March 31, 2016 total		% of March 31, 2016 total		% of March 31, 2017 total		% of March 31, 2017 total
Individual insurance	17,150	111.7	50,097.9	112.8	17,921	104.5	52,359.7	104.5
Individual annuities	1,363	99.7	3,131.1	90.1	1,333	97.8	2,742.5	87.6
Group insurance	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-

Note: Policy amounts 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.

▪ New Policies

(Thousands of policies, billions of yen, %)

Fiscal years ended March 31	2017						2018					
	Number of policies		Policy amount				Number of policies		Policy amount			
		% of March 31, 2016 total	% of March 31, 2016 total	New policies	Net increase arising from the conversion		% of March 31, 2017 total	% of March 31, 2017 total	New policies	Net increase arising from the conversion		
Individual insurance	2,441	101.8	7,847.4	109.5	7,847.4	-	1,739	71.2	5,464.1	69.6	5,464.1	-
Individual annuities	10	16.7	39.7	18.1	39.7	-	0	6.0	3.0	7.5	3.0	-
Group insurance	-	-	-	-	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-	-	-	-	-

Note: Policy amounts for individual annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.

(2) Annualized Premiums

▪ Policies in Force

(Billions of yen, %)

As of March 31	2017		2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Individual insurance	3,207.9	112.0	3,367.3	105.0
Individual annuities	569.3	86.8	491.1	86.3
Total	3,777.3	107.3	3,858.5	102.2
Medical coverage, living benefits and other	333.8	113.8	382.1	114.5

▪ New Policies

(Billions of yen, %)

Fiscal years ended March 31	2017		2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Individual insurance	507.9	104.7	376.2	74.1
Individual annuities	19.4	18.5	0.2	1.4
Total	527.4	89.3	376.5	71.4
Medical coverage, living benefits and other	55.7	112.4	59.2	106.2

Notes: 1. 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.

2. Medical coverage, living benefits and other includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

(3) Key Income and Expenses

(Billions of yen, %)

Fiscal years ended March 31	2017		2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Insurance premiums and others	5,041.8	93.1	4,236.4	84.0
Investment income	1,367.9	101.0	1,284.5	93.9
Insurance claims and others	7,550.3	88.3	6,890.0	91.3
Investment expenses	160.4	1,645.3	106.0	66.1
Ordinary profit	279.3	67.6	308.8	110.6

(4) Total Assets

(Billions of yen, %)

As of March 31	2017		2018	
		% of March 31, 2016 total		% of March 31, 2017 total
Total assets	80,336.4	98.5	76,832.5	95.6

2. Policy in Force by Benefit Type as of March 31, 2018

(Thousands of policies, billions of yen)

Items		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Death benefit	General death	16,369	49,054.1	-	-	-	-	16,369	49,054.1
	Accidental death	24,864	59,860.5	3	14.3	-	-	24,868	59,874.8
	Other conditional death	-	-	-	-	-	-	-	-
Survival benefit		1,551	3,305.5	1,333	2,742.5	-	-	2,885	6,048.1
Hospitalization benefit	Hospitalization due to accident	13,247	52.3	6	0.0	-	-	13,254	52.3
	Hospitalization due to illness	13,055	51.7	1	0.0	-	-	13,057	51.7
	Other conditional hospitalization	12,169	7.9	6	0.0	-	-	12,175	7.9
Disability benefit		11,033	-	3	-	-	-	11,037	-
Surgery benefit		13,248	-	6	-	-	-	13,254	-

Items	Group annuities		Asset-formation insurance / asset-formation annuities		Total	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Survival benefit	-	-	0	0.1	0	0.1

Items	Medical benefit insurance	
	Number of policies	Policy amount
Hospitalization benefit	-	-

Items	Occupational disability insurance	
	Number of policies	Policy amount
Occupational disability benefit	-	-

- Notes: 1. Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.
2. For survival benefit, policy amounts for individual annuities and asset-formation 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, and the policy amount for asset-formation insurance is the amount of policy reserves.
3. Amount for hospitalization benefit is the amount of daily hospitalization benefits.
4. As reinsurance from the Management Organization for Postal Savings and Postal Life Insurance, the Company holds 12,484 thousand policies or ¥33,077.1 billion for insurance, and 1,940 thousand policies or ¥682.8 billion for annuities.

3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2018

(1) The overview of policyholder dividends based on the financial results for the fiscal year ended March 31, 2018 is as follows:

1. Japan Post Insurance Policies (individual insurance / individual annuities, etc. purchased on and after October 1, 2007)
 The Company revised the determination of the payout ratio of policyholder dividends. As a result, policyholder dividends on Japan Post Insurance policies increased overall.
 - (1) The Company raised the payout ratio for dividends from mortality and morbidity rate margin.
 - (2) The Company lowered the payout ratio for dividends from administrative expense margin.
 - (3) The Company revised the payout ratio for dividends from spread so that the ratio depends on the fiscal year of purchase.
2. Former Postal Life Insurance Policies (Postal Life Insurance Policies concluded by September 30, 2007)
 The Company posted provision for reserve for policyholder dividends of ¥96,174 million under the reinsurance contract concluded with the Management Organization for Postal Savings and Postal Life Insurance based on the performance of the category of the reinsurance.
 Policyholder dividends on former Postal Life Insurance Policies will be determined by the Management Organization for Postal Savings and Postal Life Insurance.

(2) Policyholder dividends on Japan Post Insurance policies based on the financial results for the fiscal year ended March 31, 2018 are as detailed below:

Ex. 1 Ordinary endowment insurance

[Concluded at age of 40 and matured at 50; monthly premium by direct debit; ¥1 million maturity benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥103,320	¥0
	Female	¥102,840	¥0
Fiscal year ended March 31, 2014 <five years>	Male	¥103,320	¥0
	Female	¥102,840	¥0

Ex. 2 Special endowment insurance

[Concluded at age of 40 and matured at 60; monthly premium by direct debit; ¥2 million death benefit; ¥1 million maturity benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥55,440	¥1,500
	Female	¥52,800	¥352
Fiscal year ended March 31, 2014 <five years>	Male	¥55,440	¥19
	Female	¥52,800	¥0

Ex. 3 Ordinary term insurance

[Concluded at age of 40 and matured at 50; monthly premium by direct debit; ¥2 million death benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥10,080	¥3,096
	Female	¥7,680	¥1,439
Fiscal year ended March 31, 2014 <five years>	Male	¥10,080	¥1,914
	Female	¥7,680	¥1,057

Ex. 4 Educational endowment insurance

[Concluded at when the insured is at age of 0 and the policyholder is at age of 40, and matured at when the insured is at age of 18 (with living benefit); monthly premium by direct debit; ¥1 million insured amount on insurance policy]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥56,760	¥206
	Female	¥56,280	¥0
Fiscal year ended March 31, 2014 <five years>	Male	¥56,760	¥0
	Female	¥56,280	¥0

Notes: 1. The sex of the policyholder and the insured are assumed to be the same.

2. The living benefit of ¥100,000 is paid when the insured turns 12 and 15, with a maturity benefit of ¥800,000.

Ex. 5 Ordinary whole life insurance

[Concluded at age of 40; premium paid until the age of 60; monthly premium by direct debit; ¥1 million death benefit (¥200,000 after completion of premium payment)]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥12,600	¥1,632
	Female	¥10,200	¥828
Fiscal year ended March 31, 2014 <five years>	Male	¥12,600	¥914
	Female	¥10,200	¥497

Ex. 6 Accidental rider

[Concluded at age of 40; monthly premium by direct debit; ¥1 million rider benefit; added to ordinary endowment insurance policy (concluded at the age of 40 and matured at the age of 50)]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2009 <ten years>	Male	¥600	¥240
	Female	¥360	¥160
Fiscal year ended March 31, 2014 <five years>	Male	¥600	¥260
	Female	¥360	¥190

These dividends are the total of a., b., c., and d., summed up on the basic policy and each rider respectively:

a. Dividends from mortality rate margin [Increased]

Calculated by multiplying the amount at risk by a payout ratio for dividends from mortality rate margin according to the insured's age, sex and category in an expected mortality table, etc.

(Ex.) Ordinary endowment insurance, age 40, male

Period of purchase	Payout ratio for dividends from mortality rate margin (per amount at risk of ¥1 million)
October 2007 to March 2015	¥660

b. Dividends from morbidity rate margin [Increased]

Calculated by multiplying the rider benefit by a payout ratio for dividends from morbidity rate margin according to the insured's age, sex and category in an expected rider payment rate table, etc.

(Ex.) Accidental rider, age 40, male

Period of purchase	Payout ratio for dividends from morbidity rate margin (per rider benefit of ¥1 million)
October 2007 to March 2015	¥280

c. Dividends from administrative expense margin [Decreased]

Calculated by multiplying the insured amount on the insurance policy, etc. by a payout ratio for dividends from administrative expense margin

(Ex.) Ordinary endowment insurance

Payout ratio for dividends from administrative expense margin	
Payout ratio for dividends from administrative expense margin in proportion to claim payment (per insured amount of ¥1 million)	¥0
Payout ratio for dividends from administrative expense margin in proportion to premium (per monthly premium by direct debit of ¥10,000)	¥0

d. Dividends from spread [Revised]

Calculated by multiplying the policy reserve by a payout ratio for dividends from spread

Period of purchase	Payout ratio for dividends from spread
October 2007 to March 2009	1.4% – assumed rates of return
April 2009 to March 2010	1.3% – assumed rates of return
April 2010 to March 2011	1.2% – assumed rates of return
April 2011 to March 2012	1.1% – assumed rates of return
April 2012 to March 2013	1.0% – assumed rates of return
April 2013 to March 2014	0.9% – assumed rates of return
April 2014 to March 2015	0.8% – assumed rates of return
April 2015 to March 2016	0.6% – assumed rates of return
April 2016 to March 2017	0.4% – assumed rates of return
April 2017 to March 2018	0.5% – assumed rates of return

Please note that the dividend is ¥0 if the total of a., b., c., and d. is negative.
The dividend shall be ¥0 for single premium annuities insurance and their additional riders.

4. Investment Overview for the Fiscal Year Ended March 31, 2018 (General Account)

(1) Investment Environment

1) Investment environment

During the fiscal year ended March 31, 2018, the Japanese economy, along with improvement in personal consumption, saw a continuous moderate recovery mainly because of increased exports and production. As manufacturing production continuously increased globally, a steady economic recovery continued in the U.S., Europe, China and other countries as well.

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

Domestic Bond Market

The domestic long-term yield mostly moved within the range between 0.0% and 0.1% throughout the fiscal year, under the “Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control” conducted by the Bank of Japan. During the fiscal year, the yield fell to around 0.0% in April and September, due to heightened geopolitical risk surrounding North Korea and other factors making investors more risk-averse, while it increased, on the other hand, up to around 0.1% in July and February following factors including increased European interest rates reflecting growing expectations in the market concerning the normalization of monetary policy by the European Central Bank, as well as the forecast that arose expecting the earlier normalization of monetary policy by the Bank of Japan.

Domestic Stock Market

The Nikkei Stock Average, after dropping to around ¥18,300 in April in the wake of the continued appreciation of the yen caused by the sense of anxiety about the North Korean situations and the French presidential election, recovered and continued staying around ¥20,000 until July. It dropped to the ¥19,200 level in early September because from August onward, uncertainty involving North Korea was heightened again. Later, it increased in the wake of the slight depreciation of the yen and the rise of U.S. stock prices, etc., reaching the ¥24,100 level in January. However, the Nikkei Stock Average fell to the ¥21,400 level at the end of the fiscal year due mainly to investors becoming more risk-averse in view of the decline in the U.S. stock prices in February, along with the appreciation of the yen.

Foreign Exchange Markets

Regarding the USD/JPY exchange rate, the yen appreciated to around ¥108 because investors became more risk-averse in the wake of the concerns about the North Korean situations in April and September. On the other hand, the yen depreciated to the ¥114 level in May and July due to the rise of U.S. interest rates, etc. The USD/JPY was traded roughly between ¥108 and ¥114 from April to December. In January, however, a forecast arose in the market expecting the earlier normalization of monetary policy by the Bank of Japan, which, along with the fall of U.S. stock prices in February and other factors, pushed the yen to the ¥106 level at the end of the fiscal year.

Regarding the EUR/JPY exchange rate, the euro depreciated due to the political uncertainty involving the French presidential election, etc., with the yen temporarily appreciating to the ¥114 level in April. Subsequently, however, the euro appreciated because the inauguration of the far-right president was avoided in the French presidential election, and the normalization of monetary policy by the European Central Bank was increasingly expected. Consequently, the EUR/JPY was traded around the ¥136 level in January. The yen then appreciated, and as a result of this and other factors, the EUR/JPY was traded at the ¥130 level at the end of the fiscal year.

2) Investment Policies

The Company’s 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 high affinity to the characteristics of liabilities. With this approach the Company aims to earn stable profits while mitigating interest rate risk.

Moreover, the Company makes an effort to increase revenues through the investment of risk assets such as foreign securities and stocks under appropriate risk management.

3) Performance Overview

[Assets]

At March 31, 2018, total assets of the Company amounted to ¥76,832.5 billion, a decrease of ¥3,503.9 billion from ¥80,336.4 billion at the end of the previous fiscal year.

The Company increased investments in risk assets such as foreign securities and stocks because of the continued low domestic yield.

For corporate and government bonds, the Company invested primarily in long-term and super long-term bonds when domestic yields were relatively high, in view of their value as assets that secure stable income.

For loans, the Company 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 for Postal Savings and Postal Life Insurance.

[Investment Income and Expenses]

For the fiscal year ended March 31, 2018, investment income of the Company decreased by ¥83.4 billion from the previous corresponding period to ¥1,284.5 billion mainly due to a decrease in gains on sales of securities and a decrease in interest and dividend income, associated with a decrease in total assets.

Investment expenses decreased by ¥54.3 billion from the previous corresponding period to ¥106.0 billion mainly due to a decrease in losses on sales of securities.

As a result, investment income and expenses amounted to ¥1,178.4 billion, a decrease of ¥29.0 billion from the previous corresponding period.

(2) Asset Composition

(Billions of yen, %)

As of March 31	2017		2018	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,510.1	1.9	1,159.1	1.5
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,520.7	4.4	3,296.2	4.3
Monetary claims bought	27.5	0.0	176.0	0.2
Trading account securities	-	-	-	-
Money held in trust	2,127.0	2.6	2,814.8	3.7
Securities	63,486.2	79.0	60,131.8	78.3
Corporate and government bonds	57,658.1	71.8	53,576.4	69.7
Domestic stocks	59.3	0.1	196.3	0.3
Foreign securities	4,351.7	5.4	4,347.5	5.7
Foreign corporate and government bonds	4,346.7	5.4	4,235.4	5.5
Foreign stocks and other securities	4.9	0.0	112.0	0.1
Other securities	1,417.1	1.8	2,011.5	2.6
Loans	8,060.9	10.0	7,627.1	9.9
Real estate	119.0	0.1	83.9	0.1
Deferred tax assets	852.2	1.1	954.1	1.2
Other	633.1	0.8	589.7	0.8
Reserve for possible loan losses	(0.6)	(0.0)	(0.6)	(0.0)
Total	80,336.4	100.0	76,832.5	100.0
Foreign currency-denominated assets	4,753.6	5.9	4,748.5	6.2

Note: "Real estate" is booked as the sum total of land, buildings and construction in progress.

(3) Increase/Decrease in Assets

(Billions of yen)

Fiscal years ended March 31	2017	2018
Cash, deposits, call loans	(705.9)	(350.9)
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	512.1	(224.4)
Monetary claims bought	(402.5)	148.5
Trading account securities	-	-
Money held in trust	482.4	687.8
Securities	(124.6)	(3,354.3)
Corporate and government bonds	(2,162.9)	(4,081.6)
Domestic stocks	58.3	137.0
Foreign securities	662.9	(4.1)
Foreign corporate and government bonds	657.9	(111.2)
Foreign stocks and other securities	4.9	107.0
Other securities	1,317.0	594.4
Loans	(917.5)	(433.7)
Real estate	(4.7)	(35.0)
Deferred tax assets	139.6	101.8
Other	(186.2)	(43.4)
Reserve for possible loan losses	0.1	(0.0)
Total	(1,207.2)	(3,503.9)
Foreign currency-denominated assets	804.2	(5.1)

Note: "Real estate" is booked as the sum total of land, buildings and construction in progress.

(4) Investment Income

(Billions of yen)

Fiscal years ended March 31	2017	2018
Interest and dividend income	1,226.1	1,152.3
Interest on deposits	0.0	0.0
Interest and dividends on securities	1,037.3	986.4
Interest on loans	14.0	14.1
Interest on loans to the Management Organization	170.0	146.3
Rent revenue from real estate	-	-
Other interest and dividend income	4.6	5.3
Gains on trading account securities	-	-
Gains on money held in trust	56.5	95.1
Gains on trading securities	-	-
Gains on sales of securities	85.1	36.4
Gains on sales of Japanese government bonds and other bonds	1.3	0.0
Gains on sales of domestic stocks and other securities	0.3	4.6
Gains on sales of foreign securities	83.4	31.7
Other gains on sales of securities	-	-
Gains on redemption of securities	0.0	0.0
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	0.2
Reversal of reserve for possible loan losses	0.0	-
Other investment income	0.0	0.2
Total	1,367.9	1,284.5

(5) Investment Expenses

(Billions of yen)

Fiscal years ended March 31	2017	2018
Interest expenses	2.2	1.4
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	124.7	65.7
Losses on sales of Japanese government bonds and other bonds	0.1	0.3
Losses on sales of domestic stocks and other securities	0.0	1.1
Losses on sales of foreign securities	124.5	64.1
Other losses on sales of securities	-	0.0
Losses on valuation of securities	-	-
Losses on valuation of Japanese government bonds and other bonds	-	-
Losses on valuation of domestic stocks and other securities	-	-
Losses on valuation of foreign securities	-	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	7.4	5.9
Losses on derivative financial instruments	20.5	30.3
Losses on foreign exchanges	3.3	-
Provision for reserve for possible loan losses	-	0.0
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	2.0	2.6
Total	160.4	106.0

(6) Investment Related Efficiency

1) Yield by Asset Type

Fiscal years ended March 31	2017	2018
Cash, deposits and call loans	0.00	0.00
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	-	-
Monetary claims bought	0.23	0.91
Trading account securities	-	-
Money held in trust	3.49	4.75
Securities	1.52	1.48
Corporate and government bonds	1.59	1.54
Domestic stocks	5.23	6.68
Foreign securities	0.61	0.85
Loans	2.10	2.04
Real estate	-	-
General account total	1.50	1.51
Overseas loans and investments	0.82	1.01

Notes: 1. Yields are calculated by dividing investment income less investment expenses by the daily average balance based on book value.

2. General account total includes assets related securities trust.

3. "Overseas loans and investments" is the total of assets denominated in foreign-currencies and yen-denominated assets.

2) Net Valuation Gain/Loss of Trading Securities

The Company does not hold securities for trading.

3) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

(Billions of yen)

As of March 31	2017					2018						
	Book value	Fair value	Net unrealized gains			Book value	Fair value	Net unrealized gains				
			(losses)		Gains			Losses	(losses)		Gains	Losses
			Gains	Losses					Gains	Losses		
Held-to-maturity bonds	40,441.8	46,518.6	6,076.8	6,149.9	73.1	38,490.0	44,608.7	6,118.6	6,160.2	41.5		
Policy-reserve matching bonds	12,517.3	13,697.4	1,180.0	1,204.4	24.3	10,676.3	11,769.6	1,093.2	1,103.9	10.6		
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-		
Available-for-sale securities	12,522.6	12,966.2	443.6	657.8	214.1	13,667.1	14,225.6	558.4	758.5	200.1		
Corporate and government bonds	4,758.4	4,796.8	38.4	71.6	33.2	4,474.1	4,508.0	33.8	55.1	21.2		
Domestic stocks	1,302.3	1,626.0	323.6	342.4	18.7	1,587.4	2,040.6	453.1	491.9	38.8		
Foreign securities	4,658.6	4,748.6	90.0	237.2	147.2	4,835.1	4,923.0	87.9	202.1	114.1		
Foreign corporate and government bonds	4,219.6	4,248.7	29.1	175.0	145.8	4,129.0	4,137.4	8.4	122.5	114.1		
Foreign stocks and other securities	439.0	499.9	60.9	62.2	1.3	706.0	785.6	79.5	79.5	0.0		
Other securities	1,428.0	1,417.1	(10.8)	4.0	14.9	2,176.5	2,157.7	(18.7)	7.1	25.9		
Monetary claims bought	25.1	27.5	2.4	2.4	-	173.9	176.0	2.1	2.1	-		
Negotiable certificates of deposit	350.0	350.0	-	-	-	420.0	420.0	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-		
Total	65,481.8	73,182.3	7,700.5	8,012.2	311.6	62,833.5	70,603.9	7,770.3	8,022.7	252.3		
Corporate and government bonds	57,619.7	64,911.8	7,292.1	7,422.8	130.7	53,542.5	60,786.2	7,243.6	7,317.1	73.4		
Domestic stocks	1,302.3	1,626.0	323.6	342.4	18.7	1,587.4	2,040.6	453.1	491.9	38.8		
Foreign securities	4,756.6	4,849.8	93.1	240.4	147.2	4,933.1	5,023.2	90.1	204.2	114.1		
Foreign corporate and government bonds	4,317.6	4,349.8	32.2	178.1	145.8	4,227.0	4,237.6	10.5	124.7	114.1		
Foreign stocks and other securities	439.0	499.9	60.9	62.2	1.3	706.0	785.6	79.5	79.5	0.0		
Other securities	1,428.0	1,417.1	(10.8)	4.0	14.9	2,176.5	2,157.7	(18.7)	7.1	25.9		
Monetary claims bought	25.1	27.5	2.4	2.4	-	173.9	176.0	2.1	2.1	-		
Negotiable certificates of deposit	350.0	350.0	-	-	-	420.0	420.0	-	-	-		
Other	-	-	-	-	-	-	-	-	-	-		

Notes: 1. This table includes the handling of securities under the Financial Instruments and Exchange Act.

2. This table includes money held in trust other than trading securities and its book value is ¥2,153.2 billion with net unrealized gains of ¥516.4 billion as of March 31, 2018 and ¥1,686.1 billion with net unrealized gains of ¥380.7 billion as of March 31, 2017.

The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Billions of yen)

As of March 31	2017	2018
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	0.9	1.4
Available-for-sale securities	4.2	61.6
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	-	57.3
Total	5.2	63.1

Notes: 1. This table includes money held in trust other than trading securities (¥57.3 billion as of March 31, 2018).

2. Net unrealized gains (losses) based on foreign exchange valuation of the foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are as follows: (¥0.8) billion as of March 31, 2018)

4) Fair Value of Money Held in Trust

(Billions of yen)

As of March 31	2017					2018				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Money held in trust	2,127.0	2,127.0	-	-	-	2,755.3	2,755.3	-	-	-

- Money held in trust for trading purposes

The Company does not hold money held in trust for trading purposes.

- Assets held-to-maturity in trust/assets held for reserves in trust/other money held in trust

(Billions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Assets held-to-maturity in trust	-	-	-	-	-	-	-	-	-	-
Assets held for reserves in trust	-	-	-	-	-	-	-	-	-	-
Other money held in trust	1,746.3	2,127.0	380.7	400.4	19.7	2,238.8	2,755.3	516.4	555.5	39.0

Note: Fair value information of money held in trust does not include other money held in trust for which the fair value is deemed extremely difficult to determine (¥59.5 billion as of March 31, 2018).

5. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Year	As of March	As of March	Items	Year	As of March	As of March
		31, 2017	31, 2018			31, 2017	31, 2018
		Amount	Amount			Amount	Amount
ASSETS:				LIABILITIES:			
Cash and deposits		1,360,137	894,191	Policy reserves and others		72,525,176	69,948,383
Cash		1,464	1,118	Reserve for outstanding claims		577,376	548,196
Deposits		1,358,673	893,073	Policy reserves		70,175,234	67,777,297
Call loans		150,000	265,000	Reserve for policyholder dividends		1,772,565	1,622,889
Receivables under securities borrowing transactions		3,520,722	3,296,222	Reinsurance payables		4,774	6,033
Monetary claims bought		27,561	176,069	Other liabilities		5,101,380	3,893,916
Money held in trust		2,127,042	2,814,873	Payables under securities lending transactions		4,889,066	3,663,547
Securities		63,486,273	60,131,893	Income taxes payable		68,075	99,290
Japanese government bonds		42,732,364	39,589,896	Accounts payable		25,227	26,263
Japanese local government bonds		9,226,804	8,513,583	Accrued expenses		30,065	29,497
Japanese corporate bonds		5,698,945	5,472,945	Deposits received		2,660	2,542
Stocks		59,305	196,379	Deposits from the Management Organization		50,481	46,329
Foreign securities		4,351,731	4,347,564	Derivative financial instruments		26,653	6,227
Other securities		1,417,122	2,011,524	Lease obligations		2,153	2,327
Loans		8,060,902	7,627,147	Asset retirement obligation		15	5
Policy loans		118,141	135,314	Suspense receipt		6,411	17,332
Industrial and commercial loans		873,720	919,051	Other liabilities		568	552
Loans to the Management Organization		7,069,040	6,572,781	Reserve for employees' retirement benefits		67,040	67,649
Tangible fixed assets		136,928	100,568	Reserve for management board benefit trust		76	172
Land		68,272	43,066	Reserve for price fluctuations		788,712	916,743
Buildings		44,483	32,705				
Leased assets		2,004	2,161	Total liabilities		78,487,161	74,832,900
Construction in progress		6,255	8,149	NET ASSETS:			
Other tangible fixed assets		15,911	14,486	Capital stock		500,000	500,000
Intangible fixed assets		189,809	167,763	Capital surplus		500,044	500,044
Software		189,788	167,744	Legal capital surplus		405,044	405,044
Other intangible fixed assets		21	19	Other capital surplus		95,000	95,000
Agency accounts receivable		50,888	33,715	Retained earnings		527,775	596,084
Reinsurance receivables		2,293	3,227	Legal retained earnings		32,209	39,409
Other assets		372,248	368,394	Other retained earnings		495,565	556,674
Accounts receivable		160,780	121,686	Reserve for reduction entry of real estate		-	6,163
Prepaid expenses		1,589	2,223	Retained earnings brought forward		495,565	550,511
Accrued income		176,280	225,202	Treasury stock		(521)	(466)
Money on deposit		6,941	7,085	Total shareholders' equity		1,527,298	1,595,661
Derivative financial instruments		22,068	7,499	Net unrealized gains (losses) on available-for-sale securities		321,904	403,913
Suspense payments		2,990	2,206	Net deferred gains (losses) on hedges		50	32
Other assets		1,597	2,489	Total valuation and translation adjustments		321,954	403,946
Deferred tax assets		852,263	954,136				
Reserve for possible loan losses		(658)	(695)	Total net assets		1,849,253	1,999,608
Total assets		80,336,414	76,832,508	Total liabilities and net assets		80,336,414	76,832,508

6. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
		Amount	Amount
ORDINARY INCOME		8,659,442	7,952,949
Insurance premiums and others		5,041,868	4,236,461
Insurance premiums		5,034,273	4,225,050
Reinsurance income		7,594	11,410
Investment income		1,367,937	1,284,529
Interest and dividend income		1,226,193	1,152,306
Interest on deposits		22	15
Interest and dividends on securities		1,037,359	986,497
Interest on loans		14,037	14,128
Interest on loans to the Management Organization		170,098	146,327
Other interest and dividend income		4,676	5,337
Gains on money held in trust		56,535	95,189
Gains on sales of securities		85,142	36,468
Gains on redemption of securities		33	53
Gains on foreign exchanges		-	284
Reversal of reserve for possible loan losses		11	-
Other investment income		21	226
Other ordinary income		2,249,636	2,431,958
Reversal of reserve for outstanding claims		57,790	29,180
Reversal of policy reserves		2,187,268	2,397,936
Other ordinary income		4,577	4,841
ORDINARY EXPENSES		8,380,094	7,644,103
Insurance claims and others		7,550,323	6,890,020
Insurance claims		6,487,267	5,625,043
Annuity payments		371,216	394,681
Benefits		57,111	68,686
Surrender benefits		433,053	545,281
Other refunds		185,982	235,529
Reinsurance premiums		15,692	20,796
Provision for policy reserves and others		25	7
Provision for interest on policyholder dividends		25	7
Investment expenses		160,414	106,074
Interest expenses		2,218	1,450
Losses on sales of securities		124,734	65,733
Losses on redemption of securities		7,480	5,964
Losses on derivative financial instruments		20,599	30,301
Losses on foreign exchanges		3,362	-
Provision for reserve for possible loan losses		-	1
Other investment expenses		2,018	2,623
Operating expenses		560,206	532,843
Other ordinary expenses		109,124	115,158
Taxes		60,956	51,895
Depreciation and amortization		47,607	62,505
Provision for reserve for employees' retirement benefits		221	375
Other ordinary expenses		338	381
ORDINARY PROFIT		279,347	308,845
EXTRAORDINARY GAINS		-	86,053
Gains on sales of fixed assets		-	86,053
EXTRAORDINARY LOSSES		6,897	130,371
Losses on sales and disposal of fixed assets		453	336
Impairment loss		-	2,003
Provision for reserve for price fluctuations		6,444	128,031
Provision for reserve for policyholder dividends		152,679	117,792
Income before income taxes		119,770	146,735
Income taxes - Current		136,507	176,185
Income taxes - Deferred		(105,257)	(133,758)
Total income taxes		31,250	42,426
Net income		88,520	104,309

7. Unaudited Non-Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of real estate	Retained earnings brought forward	
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	25,489	-	447,365	472,855
Changes in the fiscal year								
Cash dividends					6,720		(40,320)	(33,600)
Net income							88,520	88,520
Purchases of treasury stock								
Disposals of treasury stock								
Provision of reserve for reduction entry of real estate						-	-	-
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	-	-	6,720	-	48,200	54,920
Balance at the end of the fiscal year	500,000	405,044	95,000	500,044	32,209	-	495,565	527,775

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	-	1,472,899	405,412	140	405,553	1,878,452
Changes in the fiscal year						
Cash dividends		(33,600)				(33,600)
Net income		88,520				88,520
Purchases of treasury stock	(538)	(538)				(538)
Disposals of treasury stock	17	17				17
Provision of reserve for reduction entry of real estate		-				-
Net changes in items other than shareholders' equity in the fiscal year			(83,507)	(90)	(83,598)	(83,598)
Net changes in the fiscal year	(521)	54,399	(83,507)	(90)	(83,598)	(29,199)
Balance at the end of the fiscal year	(521)	1,527,298	321,904	50	321,954	1,849,253

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of real estate	Retained earnings brought forward	
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	32,209	-	495,565	527,775
Changes in the fiscal year								
Cash dividends					7,200		(43,200)	(36,000)
Net income							104,309	104,309
Purchases of treasury stock								
Disposals of treasury stock								
Provision of reserve for reduction entry of real estate						6,163	(6,163)	-
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	-	-	-	-	7,200	6,163	54,945	68,309
Balance at the end of the fiscal year	500,000	405,044	95,000	500,044	39,409	6,163	550,511	596,084

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	(521)	1,527,298	321,904	50	321,954	1,849,253
Changes in the fiscal year						
Cash dividends		(36,000)				(36,000)
Net income		104,309				104,309
Purchases of treasury stock	-	-				-
Disposals of treasury stock	54	54				54
Provision of reserve for reduction entry of real estate		-				-
Net changes in items other than shareholders' equity in the fiscal year			82,009	(17)	81,991	81,991
Net changes in the fiscal year	54	68,363	82,009	(17)	81,991	150,355
Balance at the end of the fiscal year	(466)	1,595,661	403,913	32	403,946	1,999,608

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2018

(Notes to the Unaudited Non-Consolidated Balance Sheet)

1. Significant Accounting Policies

(1) Valuation Criteria and Methods for Securities

Securities including cash and deposits as well as monetary claims bought which are equivalent to securities, and securities invested in money held in trust, are recorded based on the following:

1) Held-to-maturity Bonds

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

2) Policy-reserve-matching Bonds

In accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Japanese Institute of Certified Public Accountants (“JICPA”) Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

3) Equities of Subsidiaries and Affiliates (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and closely related parties (excluding subsidiaries) and affiliates as defined in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act)

Carried at cost and the cost of these securities sold is calculated using the moving-average method.

4) Available-for-sale Securities

(i) Available-for-sale Securities, at Fair Value

Available-for-sale securities, at fair value are carried at their market price at the end of the fiscal year, of which average market prices during the final month of the fiscal year are used to value stocks. Cost of securities sold is calculated using the moving-average method.

(ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

(a) Government and corporate bonds (including foreign bonds) without market price whose premium or discount represents the interest adjustments are carried at amortized cost (the straight-line method) using the moving-average method.

(b) Other securities are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in net assets.

(2) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

(3) Depreciation Method for Fixed Assets

1) Tangible Fixed Assets (excluding leased assets)

Depreciation of tangible fixed assets is calculated using the straight-line method based on the following useful lives:

(i) Buildings: 2-60 years

(ii) Other tangible fixed assets: 2-20 years

2) Intangible Fixed Assets (excluding leased assets)

The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years using the straight-line method.

3) Leased Assets

Finance lease transactions that do not transfer ownership are depreciated to a residual value of zero using the straight-line method over the lease term.

(4) Recognition of Reserves

1) Reserve for Possible Loan Losses

Reserve for possible loan losses is provided pursuant to the Company’s standards for self-assessment of asset quality, and general allowance is provided using a rate based on historical collectability experience. In addition, specific allowances, which are determined based on individual collectability of accounts, are also recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant

departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the fiscal year ended March 31, 2018 was ¥65 million.

2) Reserve for Employees' Retirement Benefits

In order to provide for payment of retirement benefits to employees, a reserve for employees' retirement benefits is provided based on the projected amount of retirement benefit obligations at the end of the fiscal year.

(i) Method for Attributing Expected Benefits to Periods

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period.

(ii) Method for Recognizing Actuarial Differences and Prior Service Cost

Actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

Prior service cost is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service lives for employees in the fiscal year of incurrence.

3) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares of the Company to Executive Officers of the Company in accordance with the Stock Benefit Rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(5) Reserve for Price Fluctuations

Reserve for price fluctuations in security investments is calculated based on Article 115 of the Insurance Business Act.

(6) Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(7) Hedge Accounting

1) Methods for Hedge Accounting

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

2) Hedging Instruments and Hedged Items

- | | |
|--------------------------|-------------------------------------|
| (i) Hedging instrument: | Foreign currency exchange contracts |
| Hedged item: | Foreign-currency-denominated bonds |
| (ii) Hedging instrument: | Interest rate swaps |
| Hedged item: | Loans |

3) Hedging Policies

Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.

(8) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the fiscal year ended March 31, 2011 for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the “Management Organization”), which is an independent administrative institution. As a result, the amount of provision for the additional policy reserves for the fiscal year ended March 31, 2018 was ¥180,903 million.

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated at the fiscal year ended March 31, 2018, in preparation for future performance of obligations for single premium annuities. As a result, the amount of provision for the additional policy reserves for the year ended March 31, 2018, was ¥17,025 million. The ordinary profit and income before income taxes decreased by the same amount respectively, compared with the case where the accumulation is not made.

(9) Employees’ Retirement Benefits Accounting

Unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits are treated differently from the consolidated financial statements.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Transactions for Granting Shares and Others of the Company to Executive Officers of the Company through Trust

Notes to the transactions for granting shares and others of the Company to Executive Officers of the Company through trust are omitted as they are presented in NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2018 (Notes to the Unaudited Consolidated Balance Sheet).

3. The balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds were as follows:

- (1) The balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥10,676,330 million and ¥11,769,615 million, respectively.

- (2) The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts a management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

- 1) Postal Life Insurance Contracts (insurance policies with a remaining period within 20 years)
- 2) Japan Post Insurance life insurance contracts (general) (all insurance policies)
- 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

4. Securities lent under lending agreements in the amount of ¥4,477,886 million were included in “Securities” in the balance sheets as of March 31, 2018.

5. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of March 31, 2018. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). Interest accruals of such loans are suspended since the principal

or interest on such loans is unlikely to be collected due to delinquency in payments for them for a considerable period of time or other reasons.

Non-interest accrual loans are those loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their business.

Past due loans for three months or more are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date, excluding those classified as bankrupt loans and non-accrual loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as bankrupt loans, non-interest accrual loans and past due loans for three months or more.

6. The balance of the unused credit under loan commitment line agreements as of March 31, 2018 was ¥3,000 million.

7. With regard to the ¥413,259 million in principal and ¥64,718 million in interest of loans to the Management Organization which became due at the end of the fiscal year ended March 31, 2018, the due date has been moved to Monday, April 2, 2018, the following business day, pursuant to internal rules, as the end of the fiscal year ended March 31, 2018 fell on a bank holiday. Of this amount the ¥11,913 million which had been received in advance has been reported as suspense receipt, as its due date has not arrived.

8. Accumulated depreciation for tangible fixed assets as of March 31, 2018 was ¥32,584 million.

9. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥457 million and ¥15,029 million, respectively.

10. Total deferred tax assets and total deferred tax liabilities were ¥1,176,146 million and ¥218,115 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥3,894 million.

Significant components of deferred tax assets include ¥832,310 million of policy reserves, ¥207,552 million of reserve for price fluctuations, ¥44,659 million of reserve for outstanding claims, ¥18,943 million of reserve for employees' retirement benefits, and ¥56,264 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥209,916 million of unrealized gains on available-for-sale securities.

11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2018 were as follows:

a. Balance at the beginning of the fiscal year	¥1,772,565 million
b. Policyholder dividends paid	¥267,178 million
c. Interest accrual	¥7 million
d. Reduction due to the acquisition of additional annuity	¥297 million
e. Provision for reserve for policyholder dividends	¥117,792 million
f. Balance at the end of the fiscal year	¥1,622,889 million

12. Equities of subsidiaries and affiliates were ¥1,479 million.

13. Assets pledged as collateral consisted of the following:

Securities ¥3,117,013 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,663,547 million

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following has been pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

Securities ¥209,920 million

14. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter referred to as “reserve for outstanding claims-ceded”), as of March 31, 2018 was ¥515 million. Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter referred to as “policy reserves-ceded”) as of March 31, 2018 was ¥946 million.

15. Net assets per share were ¥3,333.78.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders’ equity in the financial statements, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

Total number of treasury stock at the end of the fiscal year which was deducted from the calculation of net assets per share for the fiscal year ended March 31, 2018 was 198,100 shares.

16. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥3,521,489 million as of March 31, 2018.

17. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥31,569 million as of March 31, 2018 pursuant to Article 259 of the Insurance Business Act.

This obligation is recognized as operating expenses when it is made.

18. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥38,351,137 million and are provided at amounts calculated based on the statement of calculation procedures for the Company’s insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,665,082 million and ¥665,523 million, respectively, for the category of the reinsurance.

19. Deposits from the Management Organization in the balance sheet refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance Policy.

(Notes to the Unaudited Non-Consolidated Statement of Income)

1. Total income from transactions with subsidiaries and affiliates amounted to ¥0 million, and total expenses amounted to ¥15,319 million.
2. Gains on sales of securities comprise domestic bonds of ¥1 million, domestic stocks of ¥4,692 million and foreign securities of ¥31,774 million.
3. Losses on sales of securities comprise domestic bonds of ¥334 million, domestic stocks of ¥1,152 million, foreign securities of ¥64,156 million and other securities of ¥90 million.
4. Gains on money held in trust include losses on valuation of ¥561 million.
5. Losses on derivative financial instruments include gains on valuation of ¥1,223 million.
6. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the fiscal year ended March 31, 2018 was ¥116 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the fiscal year ended March 31, 2018 was ¥177 million.
7. Gains on sales of fixed assets comprise land, etc. of ¥86,053 million.
8. In the fiscal year ended March 31, 2018, the Company recorded ¥86,053 million of gains on sales of fixed assets associated with land, etc., and the corresponding amount was included in provision for reserve for price fluctuations.
9. Net income per share was ¥173.91.
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the financial statements, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.
Average number of treasury stock during the fiscal year which were deducted from the calculation of net income per share for the fiscal year ended March 31, 2018 was 206,599 shares.
10. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the fiscal year ended March 31, 2018 were ¥755,221 million.
11. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2018 were ¥5,124,383 million.
12. Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Organization, was ¥96,174 million for the fiscal year ended March 31, 2018.

13. Transactions of the Company with related parties are as follows:

(1) Parent company, major shareholders (limited only to companies), and others

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Directly owned 89%	Group management Interlocking officers	Payment of brand royalty fees (Note 1)	¥3,194 million	Accounts Payable	¥287 million

Conditions of transactions and policies to decide the conditions

Notes: (1) Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group is reflected on the Company's performance, brand royalty fees are calculated by multiplying the amount of insurance policies in force as of the end of the previous fiscal year, which is a financial indicator whereupon such benefits have been reflected, by a fixed rate.

(2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Companies, etc. sharing the same parent company and subsidiaries, etc. of other related companies

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Subsidiary of parent company	Japan Post Co., Ltd.	None	Insurance agency Interlocking officers	Payments for commission of agency services (Note 1)	¥372,265 million	Agency accounts payable	¥39,153 million

Conditions of transactions and policies to decide the conditions

Notes:(1) The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and insurance premiums of each contract by commission rates set for each class of insurance, and commission of maintenance and collection calculated by multiplying unit prices set for each type of outsourcing services, such as collection of insurance premiums and payments for insurance money, by the volume of work.

(2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(Notes to the Unaudited Non-Consolidated Statement of Changes in Net Assets)

Type and Number of Treasury Stock

(Thousands of shares)

	April 1, 2017	Increase	Decrease	March 31, 2018
Treasury stock				
Common stock	221	-	23	198

(*1) Numbers of treasury stock at the beginning and the end of the fiscal year ended March 31, 2018 were shares of the Company held in the BBT, and were 221,000 shares and 198,000 shares, respectively.

(*2) The decrease of 23,000 shares in the number of treasury stock was attributable to the granting of shares via the BBT.

8. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Fiscal years ended March 31		2017	2018
Core profit	A	390,070	386,199
Capital gains		141,677	131,942
Gains on money held in trust		56,535	95,189
Gains on trading securities		-	-
Gains on sales of securities		85,142	36,468
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	284
Other capital gains		-	-
Capital losses		192,860	151,046
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		124,734	65,733
Losses on valuation of securities		-	-
Losses on derivative financial instruments		20,599	30,301
Losses on foreign exchanges		3,362	-
Other capital losses		44,163	55,010
Net capital gains (losses)	B	(51,182)	(19,103)
Core profit including net capital gains (losses)	A+B	338,887	367,096
Other one-time gains		120,819	139,678
Reinsurance income		-	-
Reversal of contingency reserve		120,819	139,678
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		180,359	197,929
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
Provision for specific reserve for possible loan losses		-	-
Provision for reserve for specific foreign loans		-	-
Write-off of loans		-	-
Other		180,359	197,929
Other one-time profits (losses)	C	(59,539)	(58,250)
Ordinary profit	A+B+C	279,347	308,845

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥44,130 million for 2017 and ¥55,010 million for 2018) is recognized as “other capital losses” and included in core profit.
2. The amount equivalent to income gains associated with derivative financial instruments (¥33 million for 2017) is recognized as “other capital losses” and included in core profit.
3. “Other” in “other one-time losses” includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥180,359 million for 2017 and ¥197,929 million for 2018).

9. Loans by Borrower Category

(Millions of yen, %)

As of March 31	2017	2018
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal	-	-
(Percentage in total)	(-)	(-)
Normal loans	9,070,318	9,161,528
Total	9,070,318	9,161,528

- Notes:
1. Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
 2. Doubtful loans are loans which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower is not fallen into bankruptcy.
 3. Substandard loans are past due loans for three months or more and restructured loans.
 "Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2).
 "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
 4. Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

10. Status of Risk-Monitored Loans

Not applicable.

11. Solvency Margin Ratio

(Millions of yen)

As of March 31	2017	2018
Total amount of solvency margin (A)	5,420,173	5,591,395
Capital stock, etc.	1,491,298	1,554,861
Reserve for price fluctuations	788,712	916,743
Contingency reserve	2,254,027	2,114,348
General reserve for possible loan losses	59	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes) + Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	(2,896)
Excess of continued Zillmerized reserve	486,674	506,467
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 $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	840,902	989,104
Insurance risk R ₁	153,070	147,403
Underwriting risk of third-sector insurance R ₈	69,104	63,087
Anticipated yield risk R ₂	158,838	150,450
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	631,173	792,377
Business management risk R ₄	20,243	23,066
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,289.1%	1,130.5%

Note: These figures are calculated based on the provisions set forth in the public notification No. 50 issued by the Ministry of Finance in 1996 and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act.

12. Separate Account for the Fiscal Year Ended March 31, 2018

Not applicable.

13. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Fiscal years ended March 31	2017	2018
Ordinary income	8,659,444	7,952,951
Ordinary profit	279,755	309,233
Net income attributable to Japan Post Insurance	88,596	104,487
Comprehensive income (loss)	4,342	185,868

As of March 31	2017	2018
Total assets	80,336,760	76,831,261
Consolidated solvency margin ratio	1,290.6%	1,131.8%

(2) Scope of Consolidation and Application of the Equity Method

- Number of consolidated subsidiaries: 1
- Number of non-consolidated subsidiaries accounted for under the equity method: 0
- Number of affiliates accounted for under the equity method: 0

(3) Unaudited Consolidated Balance Sheets

(Millions of yen)

Items	Year	As of March	As of March	Items	Year	As of March	As of March
		31, 2017	31, 2018			31, 2017	31, 2018
		Amount	Amount			Amount	Amount
ASSETS:				LIABILITIES:			
Cash and deposits		1,366,086	898,504	Policy reserves and others		72,525,176	69,948,383
Call loans		150,000	265,000	Reserve for outstanding claims		577,376	548,196
Receivables under securities borrowing transactions		3,520,722	3,296,222	Policy reserves		70,175,234	67,777,297
Monetary claims bought		27,561	176,069	Reserve for policyholder dividends		1,772,565	1,622,889
Money held in trust		2,127,042	2,814,873	Reinsurance payables		4,774	6,033
Securities		63,485,289	60,130,909	Payables under securities lending transactions		4,889,066	3,663,547
Loans		8,060,902	7,627,147	Other liabilities		213,565	229,514
Tangible fixed assets		137,262	100,915	Liability for retirement benefits		62,184	63,739
Land		68,272	43,066	Reserve for management board benefit trust		76	172
Buildings		44,664	32,888	Reserve for price fluctuations		788,712	916,743
Leased assets		2,047	2,194	Total liabilities		78,483,557	74,828,135
Construction in progress		6,255	8,149	NET ASSETS:			
Other tangible fixed assets		16,022	14,617	Capital stock		500,000	500,000
Intangible fixed assets		185,520	163,265	Capital surplus		500,044	500,044
Software		185,498	163,246	Retained earnings		527,358	595,846
Other intangible fixed assets		21	19	Treasury stock		(521)	(466)
Agency accounts receivable		50,888	33,715	Total shareholders' equity		1,526,882	1,595,424
Reinsurance receivables		2,293	3,227	Net unrealized gains (losses) on available-for-sale securities		321,904	403,913
Other assets		371,905	368,020	Net deferred gains (losses) on hedges		50	32
Deferred tax assets		851,942	954,085	Accumulated adjustments for retirement benefits		4,366	3,755
Reserve for possible loan losses		(658)	(695)	Total accumulated other comprehensive income		326,321	407,701
Total assets		80,336,760	76,831,261	Total net assets		1,853,203	2,003,126
				Total liabilities and net assets		80,336,760	76,831,261

(4) Unaudited Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
		Amount	Amount
ORDINARY INCOME		8,659,444	7,952,951
Insurance premiums and others		5,041,868	4,236,461
Investment income		1,367,937	1,284,529
Interest and dividend income		1,226,193	1,152,306
Gains on money held in trust		56,535	95,189
Gains on sales of securities		85,142	36,468
Gains on redemption of securities		33	53
Gains on foreign exchanges		-	284
Reversal of reserve for possible loan losses		11	-
Other investment income		21	226
Other ordinary income		2,249,639	2,431,960
Reversal of reserve for outstanding claims		57,790	29,180
Reversal of policy reserves		2,187,268	2,397,936
Other ordinary income		4,579	4,843
ORDINARY EXPENSES		8,379,689	7,643,717
Insurance claims and others		7,550,323	6,890,020
Insurance claims		6,487,267	5,625,043
Annuity payments		371,216	394,681
Benefits		57,111	68,686
Surrender benefits		433,053	545,281
Other refunds		185,982	235,529
Reinsurance premiums		15,692	20,796
Provision for policy reserves and others		25	7
Provision for interest on policyholder dividends		25	7
Investment expenses		160,414	106,074
Interest expenses		2,218	1,450
Losses on sales of securities		124,734	65,733
Losses on redemption of securities		7,480	5,964
Losses on derivative financial instruments		20,599	30,301
Losses on foreign exchanges		3,362	-
Provision for reserve for possible loan losses		-	1
Other investment expenses		2,018	2,623
Operating expenses		560,423	533,461
Other ordinary expenses		108,502	114,154
ORDINARY PROFIT		279,755	309,233
EXTRAORDINARY GAINS		-	86,053
Gains on sales of fixed assets		-	86,053
EXTRAORDINARY LOSSES		6,892	130,372
Losses on sales and disposal of fixed assets		448	337
Impairment loss		-	2,003
Provision for reserve for price fluctuations		6,444	128,031
Provision for reserve for policyholder dividends		152,679	117,792
Income before income taxes		120,182	147,122
Income taxes - Current		136,749	176,428
Income taxes - Deferred		(105,163)	(133,793)
Total income taxes		31,586	42,634
Net income		88,596	104,487
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		88,596	104,487

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
		Amount	Amount
Net income		88,596	104,487
Other comprehensive income (loss)		(84,254)	81,380
Net unrealized gains (losses) on available- for-sale securities		(83,507)	82,009
Net deferred gains (losses) on hedges		(90)	(17)
Adjustments for retirement benefits		(655)	(611)
Total comprehensive income (loss)		4,342	185,868
Comprehensive income (loss) attributable to Japan Post Insurance		4,342	185,868
Comprehensive income (loss) attributable to non-controlling interests		-	-

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
		Amount	Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes		120,182	147,122
Depreciation and amortization		46,819	61,321
Impairment loss		-	2,003
Net change in reserve for outstanding claims		(57,790)	(29,180)
Net change in policy reserves		(2,187,268)	(2,397,936)
Provision for interest on policyholder dividends		25	7
Provision for reserve for policyholder dividends		152,679	117,792
Net change in reserve for possible loan losses		(114)	37
Net change in liability for retirement benefits		1,381	1,554
Net change in reserve for management board benefit trust		76	96
Net change in reserve for price fluctuations		6,444	128,031
Interest and dividend income (accrual basis)		(1,226,193)	(1,152,306)
Net (gains) losses on securities		47,039	35,175
Interest expenses (accrual basis)		2,218	1,450
Net (gains) losses on foreign exchanges		3,362	(284)
Net (gains) losses on tangible fixed assets		183	(85,747)
Net change in agency accounts receivable		30,304	17,173
Net change in reinsurance receivables		(924)	(933)
Net change in other assets (excluding those related to investing activities and financing activities)		141,332	37,643
Net change in reinsurance payables		1,396	1,259
Net change in other liabilities (excluding those related to investing activities and financing activities)		(1,914)	4,810
Other, net		(30,292)	(63,709)
Subtotal		(2,951,050)	(3,174,619)
Interest and dividend received (cash basis)		1,315,932	1,178,908
Interest paid (cash basis)		(2,142)	(1,567)
Policyholder dividends paid		(316,351)	(267,178)
Income taxes paid		(137,326)	(134,029)
Net cash used in operating activities		(2,090,939)	(2,398,486)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of call loans		(26,495,000)	(8,090,000)
Proceeds from redemption of call loans		26,705,000	7,975,000
Net change in receivables under securities borrowing transactions		(512,131)	224,499
Purchases of monetary claims bought		(1,616,999)	(429,999)
Proceeds from sale and redemption of monetary claims bought		2,018,804	281,242
Purchases of money held in trust		(215,000)	(495,300)
Proceeds from decrease in money held in trust		-	30,000
Purchases of securities		(8,424,473)	(5,116,144)
Proceeds from sale and redemption of securities		8,107,266	8,298,957
Payments for loans		(1,065,448)	(911,162)
Proceeds from collection of loans		1,982,969	1,344,889
Net change in payables under securities lending transactions		1,240,587	(1,225,519)
Other, net		(43,843)	(588)
Total of net cash provided by investment transactions		1,681,731	1,885,875
Total of net cash provided by operating activities and investment transactions		(409,207)	(512,611)
Purchases of tangible fixed assets		(3,219)	(6,332)
Proceeds from sales of tangible fixed assets		-	115,849
Purchases of intangible fixed assets		(49,347)	(27,107)
Other, net		(152)	(759)
Net cash provided by investing activities		1,629,012	1,967,525
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease obligations		(519)	(636)
Purchases of treasury stock		(538)	-
Dividends paid		(33,564)	(35,984)
Net cash used in financing activities		(34,622)	(36,620)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		(496,549)	(467,581)
Cash and cash equivalents at the beginning of the fiscal year		1,862,636	1,366,086
Cash and cash equivalents at the end of the fiscal year		1,366,086	898,504

(6) Unaudited Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	500,000	500,044	472,362	-	1,472,406
Changes in the fiscal year					
Cash dividends			(33,600)		(33,600)
Net income attributable to Japan Post Insurance			88,596		88,596
Purchases of treasury stock				(538)	(538)
Disposals of treasury stock				17	17
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	-	54,996	(521)	54,475
Balance at the end of the fiscal year	500,000	500,044	527,358	(521)	1,526,882

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance at the beginning of the fiscal year	405,412	140	5,022	410,575	1,882,982
Changes in the fiscal year					
Cash dividends					(33,600)
Net income attributable to Japan Post Insurance					88,596
Purchases of treasury stock					(538)
Disposals of treasury stock					17
Net changes in items other than shareholders' equity in the fiscal year	(83,507)	(90)	(655)	(84,254)	(84,254)
Net changes in the fiscal year	(83,507)	(90)	(655)	(84,254)	(29,778)
Balance at the end of the fiscal year	321,904	50	4,366	326,321	1,853,203

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	500,000	500,044	527,358	(521)	1,526,882
Changes in the fiscal year					
Cash dividends			(36,000)		(36,000)
Net income attributable to Japan Post Insurance			104,487		104,487
Purchases of treasury stock				-	-
Disposals of treasury stock				54	54
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	-	68,487	54	68,542
Balance at the end of the fiscal year	500,000	500,044	595,846	(466)	1,595,424

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance at the beginning of the fiscal year	321,904	50	4,366	326,321	1,853,203
Changes in the fiscal year					
Cash dividends					(36,000)
Net income attributable to Japan Post Insurance					104,487
Purchases of treasury stock					-
Disposals of treasury stock					54
Net changes in items other than shareholders' equity in the fiscal year	82,009	(17)	(611)	81,380	81,380
Net changes in the fiscal year	82,009	(17)	(611)	81,380	149,922
Balance at the end of the fiscal year	403,913	32	3,755	407,701	2,003,126

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2018

(Basis for Preparation of the Unaudited Consolidated Financial Statements)

1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 1
Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.
- (2) Number of non-consolidated subsidiaries: 0

2. Application of the Equity Method

- (1) Number of non-consolidated subsidiaries and affiliates accounted for under the equity method: 0
- (2) Number of affiliates accounted for under the equity method: 0
- (3) Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method: 0
- (4) Affiliates not accounted for under the equity method

Japan Post Investment Corporation and one other company have been excluded from the scope of application of the equity method, as they both have become insignificant as a whole, with minimal influence on the consolidated financial statements, in terms of net income or loss (an amount corresponding to ownership), retained earnings (an amount corresponding to ownership) and other items.

3. Fiscal Year-end Date of the Consolidated Subsidiary

The consolidated subsidiary has the same fiscal year-end date as that of consolidated financial statements.

(Notes to the Unaudited Consolidated Balance Sheet)

1. Significant Accounting Policies

(1) Valuation Criteria and Methods for Securities

Securities including cash and deposits as well as monetary claims bought which are equivalent to securities, and securities invested in money held in trust, are recorded based on the following:

1) Held-to-maturity Bonds

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

2) Policy-reserve-matching Bonds

In accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (JICPA Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

3) Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method

Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method are carried at cost using the moving-average method.

4) Available-for-sale Securities

(i) Available-for-sale Securities, at Fair Value

Available-for-sale securities, at fair value are carried at their market price at the end of the fiscal year, of which average market prices during the final month of the fiscal year are used to value stocks. Cost of securities sold is calculated using the moving-average method.

(ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

(a) Government and corporate bonds (including foreign bonds) without market price whose premium or discount represents the interest adjustments are carried at amortized cost (the straight-line method) using the moving-average method.

(b) Other securities are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in net assets.

(2) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

- (3) Depreciation Methods for Significant Depreciable Assets
- 1) Tangible Fixed Assets (excluding leased assets)
Depreciation of tangible fixed assets is calculated using the straight-line method based on the following useful lives:
 - (i) Buildings: 2-60 years
 - (ii) Other tangible fixed assets: 2-20 years
 - 2) Intangible Fixed Assets (excluding leased assets)
The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years using the straight-line method.
 - 3) Leased Assets
Finance lease transactions that do not transfer ownership are depreciated to a residual value of zero using the straight-line method over the lease term.
- (4) Recognition of Significant Reserves
- 1) Reserve for Possible Loan Losses
Reserve for possible loan losses is provided pursuant to the Company's standards for self-assessment of asset quality, and general allowance is provided using a rate based on historical collectability experience. In addition, specific allowances, which are determined based on individual collectability of accounts, are also recorded.
All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.
For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the fiscal year ended March 31, 2018 was ¥65 million.
 - 2) Reserve for Management Board Benefit Trust
In order to provide for the granting of shares of the Company to Executive Officers of the Company in accordance with the Stock Benefit Rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.
- (5) Employees' Retirement Benefits Accounting
- 1) Method for Attributing Expected Benefits to Periods
In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period.
 - 2) Method for Recognizing Actuarial Differences and Prior Service Cost
Actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.
Prior service cost is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service lives for employees in the fiscal year of incurrence.
- (6) Reserve for Price Fluctuations
Reserve for price fluctuations in security investments is calculated based on Article 115 of the Insurance Business Act.
- (7) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(8) Significant Hedge Accounting

1) Methods for Hedge Accounting

The Company and its subsidiary (the “Group”) applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

2) Hedging Instruments and Hedged Items

- | | |
|--------------------------|-------------------------------------|
| (i) Hedging instrument: | Foreign currency exchange contracts |
| Hedged item: | Foreign-currency-denominated bonds |
| (ii) Hedging instrument: | Interest rate swaps |
| Hedged item: | Loans |

3) Hedging Policies

Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.

(9) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the fiscal year ended March 31, 2011 for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the “Management Organization”), which is an independent administrative institution. As a result, the amount of provision for the additional policy reserves for the fiscal year ended March 31, 2018 was ¥180,903 million.

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated at the fiscal year ended March 31, 2018, in preparation for future performance of obligations for single premium annuities. As a result, the amount of provision for the additional policy reserves for the year ended March 31, 2018, was ¥17,025 million. The ordinary profit and income before income taxes decreased by the same amount respectively, compared with the case where the accumulation is not made.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Transactions for Granting Shares and Others of the Company to Executive Officers of the Company through Trust

The Company has introduced a trust-based performance-linked stock compensation system for Executive Officers of the Company.

The Company has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force (“PITF”) No. 30, March 26, 2015) with respect to the accounting treatment of the aforementioned trust agreement.

(1) Outline of the Transaction

In accordance with the predetermined Stock Benefit Rules, the Company shall grant its Executive Officers a certain number of points depending on the performance for the fiscal year, and later shall have the Board Benefit Trust (BBT) grant Executive Officers who meet the requirement for eligibility at the time of their retirement a number of shares of the Company equivalent to the number of such points accumulated up to their retirement, as well as the amount of money equivalent to a certain portion of such number of shares, as calculated by the fair value at the time of their retirement.

Shares to be granted to Executive Officers, including the portion of shares to be granted in the future, are managed separately as trust assets through purchases by the trust bank from the stock market using the fund held in trust in advance by the Company.

(2) Shares of the Company Held by Trust

Shares of the Company held by Trust are recorded as treasury stock under the category of net assets at book value in the Trust (excluding accompanying expenses). Book value of such treasury stock at the end of the fiscal year ended March 31, 2018 was ¥466 million, while the number of such treasury stock was 198,000 shares.

3. Matters Regarding Status of Financial Instruments and Fair Value of Financial Instruments

(1) Matters Regarding Status of Financial Instruments

1) Policy for handling financial instruments

The Company promotes matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which yield is expected to be relatively higher than that of Japanese government bonds, as well as in risk assets including foreign bonds and stocks from the perspective of improving profitability as well as to strengthen the risk management system.

Derivative transactions are identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk to our investment assets, and these are not used for speculative purposes.

2) Features and risks of financial instruments

Financial assets owned by the Company consist mainly of securities and loans, and are managed by using an asset liability management (ALM) framework. Such securities are exposed to the credit risk of their issuing bodies as well as market price fluctuation risk and interest rate risk. In addition, foreign-currency-denominated bonds are exposed to the foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to the interest rate risk.

Derivative transactions which the Company uses are mainly foreign exchange contracts and interest rate swaps. These are used for the purpose of hedging interest rate risk and foreign exchange fluctuation risk limited to the purpose of hedging and are not meant for speculative purposes. The market-related risk of derivative transactions is therefore reduced and limited.

3) Risk management framework for financial instruments

(i) Management of market risk

Market risk is the risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance sheet assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stock prices. Market risk is categorized into interest rate risk and market price fluctuation risk for its management. Interest rate risk is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in yen and insurance liabilities due to fluctuations in yen interest rates, and the risk arises as the Company has a certain limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products

including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including the market risk, the Company identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of quantified risks.

(ii) Management of credit risk

Credit risk is the risk of losses resulting from a decline or elimination in the value of assets including off-balance sheet assets due to deterioration in financial conditions of borrowers and other reasons.

In order to control investment and lending to borrowers with high credit risk, the Company manages its investment and lending by prescribing credit eligibility rules based on internal rating. Moreover, to prevent concentration of credit risk on a particular borrower, group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

The results of their activities are reported to the risk management committee regularly.

4) Additional notes concerning the fair value of financial instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those whose market prices are not readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions may lead to changes in pricing.

The contract amounts of derivative transactions in “(5) Derivative Transactions” do not indicate the market risk related to derivative transactions.

(2) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2018 were as follows.

Financial instruments for which the fair values are deemed extremely difficult to determine are not included in the following table, but described in “Note 2” below.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and deposits	898,504	898,504	-
Available-for-sale securities (negotiable certificates of deposit)	420,000	420,000	-
2) Call loans	265,000	265,000	-
3) Receivables under securities borrowing transactions	3,296,222	3,296,222	-
4) Monetary claims bought	176,069	176,069	-
Available-for-sale securities	176,069	176,069	-
5) Money held in trust (*1)	2,755,347	2,755,347	-
6) Securities	60,126,174	67,338,137	7,211,962
Held-to-maturity bonds	38,490,055	44,608,732	6,118,677
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285
Available-for-sale securities	10,959,788	10,959,788	-
7) Loans	7,627,086	8,216,144	589,057
Policy loans	135,314	135,314	-
Industrial and commercial loans (*2)	919,051	985,547	66,556
Loans to the Management Organization (*2)	6,572,781	7,095,282	522,500
Reserve for possible loan losses (*3)	(60)	-	-
Total assets	75,144,405	82,945,425	7,801,020
Payables under securities lending transactions	3,663,547	3,663,547	-
Total liabilities	3,663,547	3,663,547	-
Derivative transactions (*4)			
Hedge accounting not applied	1	1	-
Hedge accounting applied	1,270	1,270	-
Total derivative transactions	1,271	1,271	-

(*1) Money held in trust classified as other than trading, held-to-maturities and policy-reserve-matching.

(*2) In the column of “Net unrealized gains (losses),” the difference between the consolidated balance sheet amount after deduction of reserve for possible loan losses and the fair value is provided.

(*3) Reserve for possible loan losses corresponding to loans has been deducted.

(*4) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Note 1: Calculation methods for fair values of financial instruments

Assets

1) Cash and deposits

Deposits (including negotiable certificates of deposit) mature within a short-term (one year), and their fair value approximates book value.

2) Call loans and 3) Receivables under securities borrowing transactions

These are settled within a short-term (one year), and their fair value approximates book value.

4) Monetary claims bought

The fair value of monetary claims bought accounted for as securities in the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) is calculated in a similar manner to the method described in “(6) Securities” below.

5) Money held in trust

The fair value of money held in trust is based on the price quoted by the exchange for shares and net asset value for mutual funds.

Money held in trust is provided in “(4) Money Held in Trust” in accordance with the purpose of the holdings.

6) Securities

The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or price offered by the financial institutions, while the fair value of stocks is based on the price quoted by the exchange. The fair value of mutual funds is based on net asset value.

Securities are described in “(3) Securities” in accordance with the purpose of keeping in possession.

7) Loans

For policy loans and those included in loans to the Management Organization of Postal Life Insurance Contracts, book values are used as fair values because amounts are limited to the values of corresponding cash surrender value and their fair value approximates book value considering their short maturities and interest conditions.

For industrial and commercial loans with floating interest rates, whose future cash flows follow market interest rates, their fair value approximates book value.

For industrial and commercial loans with fixed interest rates or loans to the Management Organization (excluding policy loans), fair value is based on a net discounted present value of future cash flows.

Liabilities

Payables under securities lending transactions

These are settled within a short-term (one year), and their fair value approximates book value.

Derivative transactions

Notes on the fair value of derivatives are presented in “(5) Derivative Transactions.”

Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

Note 2: Financial instruments for which the fair values are deemed extremely difficult to determine

(Millions of yen)

	Consolidated balance sheet amount
Money held in trust (*1)	59,526
Securities	4,735
Unlisted stocks (*2)	4,735
Total	64,262

(*1) Trust asset components such as unlisted stocks, etc., for which the fair values are deemed extremely difficult to determine, are not included in 5) Money held in trust.

(*2) Unlisted stocks are not included in 6) Securities, as there are no market prices, and are for which the fair values are deemed extremely difficult to determine.

Note 3: Redemption schedule of monetary claims and securities with maturities

(Millions of yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	897,386	-	-	-
Call loans	265,000	-	-	-
Receivables under securities borrowing transactions	3,296,222	-	-	-
Monetary claims bought	150,000	-	-	23,907
Securities	4,235,024	10,500,429	11,459,469	30,640,041
Held-to-maturity bonds	3,072,072	5,198,477	6,621,172	23,072,436
Bonds	3,072,072	5,100,477	6,621,172	23,072,436
Japanese government bonds	1,696,700	651,800	5,303,600	21,118,900
Japanese local government bonds	1,045,003	3,470,038	1,156,002	1,170,076
Japanese corporate bonds	330,369	978,639	161,570	783,460
Foreign securities	-	98,000	-	-
Policy-reserve-matching bonds	584,069	3,427,934	2,031,881	4,386,900
Bonds	584,069	3,427,934	2,031,881	4,386,900
Japanese government bonds	533,500	3,161,100	1,827,400	4,118,400
Japanese local government bonds	31,738	202,373	183,764	142,300
Japanese corporate bonds	18,831	64,461	20,717	126,200
Available-for-sale securities with maturities	578,882	1,874,017	2,806,415	3,180,705
Bonds	537,446	1,407,950	1,339,523	1,172,491
Japanese government bonds	-	-	-	425,200
Japanese local government bonds	148,049	336,629	616,026	-
Japanese corporate bonds	389,397	1,071,321	723,496	747,291
Foreign securities	41,436	466,066	1,466,892	2,001,483
Other securities	-	-	-	6,729
Loans	1,402,165	3,187,531	2,003,161	1,034,345
Total	10,245,799	13,687,960	13,462,631	31,698,294

Note 4: Redemption schedule of payables under securities lending transactions

(Millions of yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Payables under securities lending transactions	3,663,547	-	-	-	-	-

(3) Securities

1) Held-to-maturity Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	37,508,569	43,666,665	6,158,096
Japanese government bonds	28,550,124	34,212,064	5,661,940
Japanese local government bonds	6,764,070	7,119,995	355,924
Japanese corporate bonds	2,194,374	2,334,605	140,231
Foreign securities	98,000	100,160	2,160
Foreign bonds	98,000	100,160	2,160
Subtotal	37,606,569	43,766,825	6,160,256
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	883,486	841,906	(41,579)
Japanese government bonds	739,744	703,829	(35,915)
Japanese local government bonds	83,218	79,963	(3,254)
Japanese corporate bonds	60,523	58,114	(2,409)
Foreign securities	-	-	-
Foreign bonds	-	-	-
Subtotal	883,486	841,906	(41,579)
Total	38,490,055	44,608,732	6,118,677

2) Policy-reserve-matching Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	10,270,427	11,374,331	1,103,904
Japanese government bonds	9,509,563	10,578,002	1,068,439
Japanese local government bonds	532,353	558,501	26,148
Japanese corporate bonds	228,510	237,827	9,316
Subtotal	10,270,427	11,374,331	1,103,904
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	405,902	395,284	(10,618)
Japanese government bonds	375,098	364,827	(10,271)
Japanese local government bonds	29,100	28,753	(346)
Japanese corporate bonds	1,704	1,704	(0)
Subtotal	405,902	395,284	(10,618)
Total	10,676,330	11,769,615	1,093,285

3) Available-for-sale Securities

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated balance sheet amount exceeds cost			
Bonds	2,800,357	2,745,231	55,126
Japanese government bonds	-	-	-
Japanese local government bonds	353,748	353,253	495
Japanese corporate bonds	2,446,608	2,391,977	54,630
Stocks	131,824	118,021	13,802
Foreign securities	2,173,272	2,048,490	124,782
Foreign bonds	2,061,193	1,938,619	122,573
Other foreign securities	112,079	109,870	2,208
Other (*)	732,227	722,907	9,319
Subtotal	5,837,681	5,634,651	203,030
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	1,707,683	1,728,931	(21,248)
Japanese government bonds	415,365	424,274	(8,909)
Japanese local government bonds	751,093	754,135	(3,041)
Japanese corporate bonds	541,224	550,522	(9,297)
Stocks	58,835	62,363	(3,527)
Foreign securities	2,076,291	2,190,427	(114,136)
Foreign bonds	2,076,291	2,190,427	(114,136)
Other foreign securities	-	-	-
Other (*)	1,875,365	1,897,534	(22,169)
Subtotal	5,718,176	5,879,257	(161,081)
Total	11,555,857	11,513,909	41,948

(*) "Other" includes negotiable certificates of deposit (cost: ¥420,000 million, consolidated balance sheet amount: ¥420,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥173,907 million, consolidated balance sheet amount: ¥176,069 million).

4) Available-for-sale Securities Sold during the Fiscal Year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Sales	Gains	Losses
Bonds	16,223	1	334
Japanese corporate bonds	16,223	1	334
Stocks	37,437	4,692	1,152
Foreign securities	1,385,474	31,774	64,156
Foreign bonds	1,385,474	31,774	64,156
Other securities	24,909	-	90
Total	1,464,045	36,468	65,733

(4) Money Held in Trust

Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching

(Millions of yen)

Consolidated balance sheet amount	Cost	Difference	Difference	
			Those for which the consolidated balance sheet amount exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
2,755,347	2,238,862	516,484	555,532	(39,047)

(*) The Group recognized losses on valuation of ¥561 million for the fiscal year ended March 31, 2018.

With respect to stocks in money held in trust managed as trust assets, losses on valuation are recognized for those with significant decline in fair values below their acquisition costs and no likelihood of fair values recovering to the acquisition costs.

A significant decline in fair values is determined based on the following criteria.

- Stocks with fair values declining by 50% or more of their acquisition costs

- Stocks with fair values declining by more than 30%, but less than 50% of their acquisition costs, and with market prices remaining lower than a certain level

(5) Derivative Transactions

1) Derivative transactions to which the hedge accounting is not applied

Currency-related derivatives

(Millions of yen)

Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net Valuation Gain/Loss
OTC	Forward foreign exchange Sold	185	-	1	1
	U.S. dollars	185	-	1	1
Total		-	-	-	1

(*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate as of the consolidated fiscal year-end date.

2) Derivative transactions to which the hedge accounting is applied

(i) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange Sold	Foreign currency-denominated bonds	2,704,514	-	1,222
	U.S. dollars		1,696,376	-	(3,992)
	Euros		657,080	-	3,116
	Australian dollars		224,994	-	1,794
	Other		126,062	-	304
Total			-	-	1,222

(*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate as of the consolidated fiscal year-end date.

(ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	11,750	6,150	47
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	39,750	30,100	(*2)
Total			-	-	47

(*1) Method for calculating fair value

Fair value is calculated using discounted present value.

(*2) Interest rate swap amounts measured by the exceptional treatment for interest rate swaps are disclosed with the loans that are subject to the hedge. Therefore such fair value is included in the fair value of the relevant loans.

4. The consolidated balance sheet amount, fair value and the outline of risk management policy of policy-reserve-matching bonds were as follows:

(1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥10,676,330 million and ¥11,769,615 million, respectively.

(2) The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts a management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

- 1) Postal Life Insurance Contracts (insurance policies with a remaining period within 20 years)
- 2) Japan Post Insurance life insurance contracts (general) (all insurance policies)
- 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

5. Securities lent under lending agreements in the amount of ¥4,477,886 million were included in “Securities” in the consolidated balance sheets as of March 31, 2018.

6. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, or restructured loans as of March 31, 2018. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). Interest accruals of such loans are suspended since the principal or interest on such loans is unlikely to be collected due to delinquency in payments for them for a considerable period of time or other reasons.

Non-interest accrual loans are those loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their business.

Past due loans for three months or more are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date, excluding those classified as bankrupt loans and non-accrual loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as bankrupt loans, non-interest accrual loans and past due loans for three months or more.

7. The balance of the unused credit under loan commitment line agreements, etc. as of March 31, 2018 was ¥3,000 million.

8. With regard to the ¥413,259 million in principal and ¥64,718 million in interest of loans (to the Management Organization) which became due at the end of the fiscal year ended March 31, 2018, the due date has been moved to Monday, April 2, 2018, the following business day, pursuant to internal rules, as the end of the fiscal year ended March 31, 2018 fell on a bank holiday. Of this amount the ¥11,913 million which had been received in advance has been reported as other liabilities (suspense receipt), as its due date has not arrived.

9. Accumulated depreciation for tangible fixed assets as of March 31, 2018 was ¥32,715 million.

10. Total deferred tax assets and total deferred tax liabilities were ¥1,176,118 million and ¥218,125 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥3,907 million.

Significant components of deferred tax assets include ¥832,310 million of policy reserves, ¥207,552 million of reserve for price fluctuations, ¥44,659 million of reserve for outstanding claims, ¥17,881 million of liability for retirement benefits, and ¥56,264 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥209,916 million of unrealized gains on available-for-sale securities.

11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2018 were as follows:

a. Balance at the beginning of the fiscal year	¥1,772,565 million
b. Policyholder dividends paid	¥267,178 million
c. Interest accrual	¥7 million
d. Reduction due to the acquisition of additional annuity	¥297 million
e. Provision for reserve for policyholder dividends	¥117,792 million
f. Balance at the end of the fiscal year	¥1,622,889 million

12. Equities of subsidiaries and affiliates was ¥495 million.

13. Assets pledged as collateral consisted of the following:

Securities ¥3,117,013 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,663,547 million

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following has been pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

Securities ¥209,920 million

14. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter referred to as “reserve for outstanding claims-ceded”), as of March 31, 2018 was ¥515 million. Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter referred to as “policy reserves-ceded”) as of March 31, 2018 was ¥946 million.

15. Net assets per share were ¥3,339.65.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the consolidated financial statements, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

Total number of treasury stock at the end of the fiscal year which was deducted from the calculation of net assets per share for the fiscal year ended March 31, 2018 was 198,100 shares.

16. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥3,521,489 million as of March 31, 2018.

17. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥31,569 million as of March 31, 2018 pursuant to Article 259 of the Insurance Business Act.

This obligation is recognized as operating expenses when it is made.

18. Matters related to retirement benefits are as follows:

(1) Outline of retirement benefits

The Company and its consolidated subsidiary have lump-sum severance indemnity plans which are an unfunded defined benefit plan.

In addition, starting from October 1, 2015, the Company has joined the retirement pension plan based on the Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012) and introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension, and the pension contribution amount required of the Company for the fiscal year ended March 31, 2018 was ¥360 million.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

	(Millions of yen)
Balance at the beginning of the fiscal year	62,184
Service cost	4,075
Interest cost	431
Actuarial differences	298
Benefits paid	(3,292)
Other	42
Balance at the end of the fiscal year	<u>63,739</u>

2) Balance of retirement benefit obligations and reconciliations of liability for retirement benefits recorded on the consolidated balance sheets

	(Millions of yen)
Unfunded retirement benefit obligations	<u>63,739</u>
Liability for retirement benefits recorded on the consolidated balance sheet	<u>63,739</u>

3) Retirement benefit costs

	(Millions of yen)
Service cost	4,075
Interest cost	431
Amortization of actuarial differences	(239)
Amortization of prior service cost	(369)
Other	175
Retirement benefit expenses of defined benefit plans	<u>4,072</u>

4) Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of yen)
Prior service cost	(308)
Actuarial differences	<u>(537)</u>
Total	<u>(846)</u>

5) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of yen)
Unrecognized prior service cost	4,095
Unrecognized actuarial differences	<u>1,122</u>
Total	<u>5,218</u>

6) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2018 was as follows:

Discount rate	0.3 to 0.7%
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19. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥38,351,137 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,665,082 million and ¥665,523 million, respectively, for the category of the reinsurance.

20. "Other liabilities" in the consolidated balance sheet includes ¥46,329 million of deposits from the Management Organization.

Deposits from the Management Organization refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance Policy.

(Notes to the Unaudited Consolidated Statement of Income)

1. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the fiscal year ended March 31, 2018 was ¥116 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the fiscal year ended March 31, 2018 was ¥177 million.
2. Gains on sales of fixed assets comprise land, etc. of ¥86,053 million.
3. In the fiscal year ended March 31, 2018, the Company recorded ¥86,053 million of gains on sales of fixed assets associated with land, etc., and the corresponding amount is included in provision for reserve for price fluctuations.
4. Net income per share was ¥174.21.
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the consolidated financial statements, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.
Average number of treasury stock during the fiscal year which were deducted from the calculation of net income per share for the fiscal year ended March 31, 2018 was 206,599 shares.
5. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the fiscal year ended March 31, 2018 were ¥755,221 million.
6. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2018 were ¥5,124,383 million.
7. Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Organization, was ¥96,174 million for the fiscal year ended March 31, 2018.

(Notes to the Unaudited Consolidated Statement of Comprehensive Income)

(Millions of yen)

Net unrealized gains (losses) on available-for-sale securities:	
Amount arising during the fiscal year	124,111
Reclassification adjustments	(10,210)
Before tax effect adjustments	113,901
Tax effect	(31,892)
Net unrealized gains (losses) on available-for-sale securities	82,009
Net deferred gains (losses) on hedges:	
Amount arising during the fiscal year	(24)
Reclassification adjustments	-
Before tax effect adjustments	(24)
Tax effect	6
Net deferred gains (losses) on hedges	(17)
Adjustments for retirement benefits:	
Amount arising during the fiscal year	(237)
Reclassification adjustments	(609)
Before tax effect adjustments	(846)
Tax effect	235
Adjustments for retirement benefits	(611)
Total other comprehensive income (loss)	81,380

(Notes to the Unaudited Consolidated Statement of Cash Flows)

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents consists of “Cash and deposits” in the consolidated balance sheet.

2. The reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and deposits in the consolidated balance sheet as of March 31, 2018 was as follows:

Cash and deposits	¥898,504 million
Cash and cash equivalents	¥898,504 million

(Notes to the Unaudited Consolidated Statement of Changes in Net Assets)

1. Type and Number of Shares Issued and Treasury Stock

(Thousands of shares)

	April 1, 2017	Increase	Decrease	March 31, 2018
Shares issued				
Common stock	600,000	-	-	600,000
Treasury stock				
Common stock	221	-	23	198

(*1) Numbers of treasury stock at the beginning and the end of the fiscal year ended March 31, 2018 were shares of the Company held in the BBT, and were 221,000 shares and 198,000 shares, respectively.

(*2) The decrease of 23,000 shares in the number of treasury stock was attributable to the granting of shares via the BBT.

2. Stock Acquisition Rights Including Those Owned by the Company

Not applicable.

3. Information on Dividends

(1) Dividends Paid

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017	Common stock	36,000	60.00	March 31, 2017	June 22, 2017

(*1) Total amount of dividends includes ¥13 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

(*2) The amount of dividends per share includes a commemorative dividend of ¥2 per share, in celebration of the 100th anniversary of the establishment of Postal Life Insurance Services.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2018

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2018	Common stock	40,800	Retained earnings	68.00	March 31, 2018	June 19, 2018

(*1) Total amount of dividends includes ¥13 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

(*2) The amount of dividends per share includes a special dividend of ¥4 per share.

(7) Status of Risk-Monitored Loans (Consolidated)

Not applicable.

(8) Status of Insurance Claims Paying Ability of the Company and its Subsidiaries

(Consolidated Solvency Margin Ratio)

(Millions of yen)

As of March 31	2017	2018
Total amount of solvency margin (A)	5,425,821	5,595,880
Capital stock, etc.	1,490,882	1,554,624
Reserve for price fluctuations	788,712	916,743
Contingency reserve	2,254,027	2,114,348
Catastrophe loss reserve	-	-
General reserve for possible loan losses	59	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	(2,896)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	6,064	5,218
Excess of continued Zillmerized reserve	486,674	506,467
Capital raised through debt financing	-	-
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	-	(495)
Other	-	-
Total amount of risk	840,767	988,803
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)		
Insurance risk R ₁	153,070	147,403
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
Underwriting risk of third-sector insurance R ₈	69,104	63,087
Small amount and short-term insurance risk R ₉	-	-
Anticipated yield risk R ₂	158,838	150,450
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	631,036	792,075
Business management risk R ₄	20,240	23,060
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.6%	1,131.8%

Note: These figures are calculated based on the provisions set forth in the 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.

(9) Segment Information

Segment information is omitted as the Company has only one segment.