Items Disclosed on the Internet Concerning the Convocation Notice of the 11th Ordinary General Meeting of Shareholders

The 11th Fiscal Year (from April 1, 2016 to March 31, 2017)

1. Notes to the Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2017
2. Notes to the Non-Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2017

JAPAN POST INSURANCE Co., Ltd.

Pursuant to laws and regulations and the provision of Article 15 of the Articles of Incorporation, notes to the consolidated financial statements and notes to the non-consolidated financial statements are disclosed to our shareholders through postings on our website (http://www.jp-life.japanpost.jp/en/index.html).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2017

(Basis for Preparation of the Consolidated Financial Statements)

1. Scope of Consolidation
   All subsidiaries are consolidated.
   Number of consolidated subsidiaries: 1
   Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.

2. Application of the Equity Method
   Not applicable.

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 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) 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, 2017 was ¥214 million.

2) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares and others 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" (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.

(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, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period 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 policy reserves for the fiscal year ended March 31, 2017 was ¥180,359 million.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. 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 from the fiscal year ended March 31, 2017.

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 in Trust

Shares of the Company held in 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, 2017 was ¥521 million, while the number of such treasury stock was 221,000 shares.

4. 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, 2017 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	1,366,086	1,366,086	-
Available-for-sale securities (negotiable certificates of deposit)	350,000	350,000	-
2) Call loans	150,000	150,000	-
3) Receivables under securities borrowing transactions	3,520,722	3,520,722	-
4) Monetary claims bought	27,561	27,561	-
Available-for-sale securities	27,561	27,561	-
5) Money held in trust (*1)	2,127,042	2,127,042	-
6) Securities	63,481,050	70,737,937	7,256,887
Held-to-maturity bonds	40,441,881	46,518,693	6,076,812
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075
Available-for-sale securities	10,521,834	10,521,834	-
7) Loans	8,060,843	8,767,861	707,018
Policy loans	118,141	118,141	-
Industrial and commercial loans (*2)	873,720	941,241	67,580
Loans to the Management Organization (*2)	7,069,040	7,708,478	639,438
Reserve for possible loan losses (*3)	(59)	-	-
Total assets	78,733,306	86,697,213	7,963,906
Payables under securities lending transactions	4,889,066	4,889,066	-
Total liabilities	4,889,066	4,889,066	-
Derivative transactions (*4)			
Hedge accounting not applied	-	-	-
Hedge accounting applied	(4,585)	(4,585)	-
Total derivative transactions	(4,585)	(4,585)	-

(*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 stocks 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
Unlisted stocks (*)	4,239

(*) Unlisted stocks are not included in "6) Securities," as there are no market prices and the fair values for which 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	1,364,622	-	-	-
Call loans	150,000	-	-	-
Receivables under securities borrowing transactions	3,520,722	-	-	-
Monetary claims bought	-	-	-	25,149
Securities	6,649,154	12,516,396	10,831,362	31,028,793
Held-to-maturity bonds	3,083,603	6,945,392	5,525,129	24,331,730
Bonds	3,083,603	6,847,392	5,525,129	24,331,730
Japanese government bonds	1,835,700	2,157,400	3,121,600	22,776,200
Japanese local government bonds	788,814	3,823,086	1,808,457	1,037,670
Japanese corporate bonds	459,089	866,906	595,072	517,860
Foreign securities	-	98,000	-	-
Policy-reserve-matching bonds	2,863,055	3,206,932	2,680,153	3,638,100
Bonds	2,863,055	3,206,932	2,680,153	3,638,100
Japanese government bonds	2,844,400	3,009,200	2,356,000	3,533,100
Japanese local government bonds	18,655	150,462	267,414	77,200
Japanese corporate bonds	-	47,270	56,739	27,800
Available-for-sale securities with maturities	702,495	2,364,070	2,626,079	3,058,963
Bonds	692,495	1,746,447	1,218,189	1,081,599
Japanese government bonds	20,000	-	-	425,200
Japanese local government bonds	140,508	463,130	637,891	-
Japanese corporate bonds	531,987	1,283,317	580,298	656,399
Foreign securities	10,000	617,623	1,407,890	1,974,363
Other securities	-	-	-	3,000
Loans	993,472	3,454,804	2,383,943	1,229,022
Total	12,677,972	15,971,200	13,215,305	32,282,966

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	4,889,066	-	-	-	-	-

(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	39,056,981	45,203,787	6,146,805
Japanese government bonds	29,312,721	34,888,584	5,575,863
Japanese local government bonds	7,378,941	7,799,456	420,514
Japanese corporate bonds	2,365,318	2,515,746	150,427
Foreign securities	98,000	101,136	3,136
Foreign bonds	98,000	101,136	3,136
Subtotal	39,154,981	45,304,923	6,149,942
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	1,286,899	1,213,770	(73,129)
Japanese government bonds	1,127,623	1,064,333	(63,290)
Japanese local government bonds	85,787	80,372	(5,414)
Japanese corporate bonds	73,487	69,063	(4,424)
Foreign securities	-	-	-
Foreign bonds	-	-	-
Subtotal	1,286,899	1,213,770	(73,129)
Total	40,441,881	46,518,693	6,076,812

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	12,120,004	13,324,449	1,204,445
Japanese government bonds	11,478,995	12,645,862	1,166,866
Japanese local government bonds	508,507	537,126	28,619
Japanese corporate bonds	132,501	141,461	8,960
Subtotal	12,120,004	13,324,449	1,204,445
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	397,330	372,960	(24,370)
Japanese government bonds	390,130	366,244	(23,886)
Japanese local government bonds	7,200	6,715	(484)
Japanese corporate bonds	-	-	-
Subtotal	397,330	372,960	(24,370)
Total	12,517,334	13,697,410	1,180,075

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	3,157,699	3,086,086	71,613
Japanese government bonds	20,184	20,002	181
Japanese local government bonds	500,487	499,155	1,331
Japanese corporate bonds	2,637,028	2,566,928	70,100
Stocks	44,117	39,912	4,205
Foreign securities	1,872,573	1,697,544	175,028
Foreign bonds	1,872,573	1,697,544	175,028
Other foreign securities	-	-	-
Other (*1)	631,648	625,149	6,498
Subtotal	5,706,039	5,448,692	257,346
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	1,639,199	1,672,403	(33,204)
Japanese government bonds	402,709	424,227	(21,517)
Japanese local government bonds	745,880	751,267	(5,386)
Japanese corporate bonds	490,609	496,909	(6,299)
Stocks	9,963	10,294	(331)
Foreign securities	2,381,158	2,527,056	(145,898)
Foreign bonds	2,376,159	2,522,058	(145,898)
Other foreign securities	4,998	4,998	-
Other (*1)	1,163,035	1,178,000	(14,964)
Subtotal	5,193,356	5,387,754	(194,398)
Total	10,899,395	10,836,447	62,948

(*1) "Other" includes negotiable certificates of deposit (cost: ¥350,000 million, consolidated balance sheet amount: ¥350,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥25,149 million, consolidated balance sheet amount: ¥27,561 million).

(*2) Bonds among available-for-sale securities denominated in foreign currencies, in the event of significant yen appreciation causing a significant drop in their yen values, are subject to recognition of losses on valuation. Although the existence of "significant yen appreciation" was determined based on the exchange rate at the end of each period so far, the Company decided to make such determination based on the average exchange rate during the final month of the period from the fiscal year ended March 31, 2017. As investments in bonds denominated in foreign currencies are on the rise, this change intends to present business results more appropriately reflecting the Company's investment policy to ensure stable profits over the medium to long term.

As of the end of the fiscal year ended March 31, 2017, there was no recognition of losses on valuation, and no impact due to such change.

4) Available-for-sale Securities Sold during the Fiscal Year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Sales	Gains	Losses
Bonds	202,108	1,384	147
Japanese local government bonds	55,716	126	138
Japanese corporate bonds	146,392	1,258	8
Stocks	4,703	352	53
Foreign securities	2,488,583	83,406	124,533
Foreign bonds	2,488,583	83,406	124,533
Total	2,695,395	85,142	124,734

(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		
			Those for which the consolidated balance sheet amount exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
2,127,042	1,746,326	380,716	400,483	19,767

(*) The Group recognized losses on valuation of ¥1,066 million.

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 30% or more, but less than 50% of their acquisition costs, and with market prices remaining lower than a certain level

In the past, the company recognized losses on valuation of the stocks with fair values other than trading securities if the fair values decline by 30% or more of the acquisition costs, based on the judgment that their fair values “declined significantly.” Lately, however, given an increase in stock investment balance, the Company has decided to change the method of recognizing losses on valuation from the fiscal year ended March 31, 2017 in order to present business results more appropriately reflecting the Company’s investment policy of long term investments. In the new method, in principle, losses on valuation will be recognized for stocks with fair values declining by 50% or more of their acquisition costs. For stocks with fair values declining by 30% or more, but less than 50%, losses on valuation will be recognized, after determining whether the decline of fair value falls under “significant decline” in light of trends of market prices, when there is no likelihood of fair values recovering to the acquisition costs.

As a result of adopting the aforementioned method, losses on valuation decreased by ¥94 million compared with the figures based on the previous method.

(5) Derivative Transactions

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

Not applicable.

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 U.S. dollars	Foreign currency-denominated bonds	1,603,918	-	(5,630)
	Euros		834,472	-	973
Total			2,438,390	-	(4,657)

(*) 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	11,750	71
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	46,050	39,750	(*2)
Total			-	-	71

(*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.

5. 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 ¥12,517,334 million and ¥13,697,410 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)

The sub-group covering Japan Post Insurance life insurance contracts (general) was formerly a sub-group consisting of insurance policies with a remaining period within 20 years; however, effective from the fiscal year ended March 31, 2017, the said sub-group has been changed to a sub-group consisting of all general insurance policies due to recent increase in policy reserves for the contracts with a remaining period of more than 20 years. This change has no effect on profit or loss.

6. Securities lent under lending agreements in the amount of ¥4,341,253 million were included in "Securities" in the consolidated balance sheets as of March 31, 2017.

7. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, or restructured loans as of March 31, 2017.

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.

8. Accumulated depreciation for tangible fixed assets as of March 31, 2017 was ¥75,722 million.

9. Total deferred tax assets and total deferred tax liabilities were ¥1,042,615 million and ¥186,191 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥4,482 million.

Significant components of deferred tax assets include ¥736,401 million of policy reserves, ¥165,422 million of reserve for price fluctuations, ¥42,646 million of reserve for outstanding claims, ¥17,456 million of liability for retirement benefits, and ¥59,950 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥181,710 million of unrealized gains on available-for-sale securities.

10. The statutory tax rate for the fiscal year ended March 31, 2017 was 28.24%. Primary factors for the difference between the statutory tax rate and the effective income tax rate after tax effect accounting include net decrease of 2.61% in valuation allowance.

11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2017 were as follows:

a.	Balance at the beginning of the fiscal year	¥1,936,494 million
b.	Policyholder dividends paid	¥316,351 million
c.	Interest accrual	¥25 million
d.	Reduction due to the acquisition of additional annuity	¥283 million
e.	Provision for reserve for policyholder dividends	¥152,679 million
f.	Balance at the end of the fiscal year	¥1,772,565 million

12. Assets pledged as collateral consisted of the following:

Securities ¥4,184,239 million

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

Payables under securities lending transactions ¥4,889,066 million

All of the above securities were 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 exchange settlements.

Securities ¥15,489 million

13. 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, 2017 was ¥399 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, 2017 was ¥768 million.

14. Net assets per share were ¥3,089.81.

The Company established a Board Benefit Trust (BBT) from the fiscal year ended March 31, 2017, whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders’ equity, 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.

The number of treasury stock at the end of the fiscal year which were deducted from the calculation of net assets per share for the fiscal year ended March 31, 2017 was 221,200 shares.

15. The Group has the right to sell or pledge securities borrowed under borrowing agreements and securities received as collateral for transactions such as exchange settlements. The fair value of such securities held in hand was ¥3,532,340 million as of March 31, 2017.

16. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥28,868 million as of March 31, 2017 pursuant to Article 259 of the Insurance Business Act.

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

17. 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, 2017 is ¥345 million.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

	(Millions of yen)
Balance at the beginning of the fiscal year	60,803
Service cost	3,993
Interest cost	421
Actuarial differences	281
Benefits paid	(3,342)
Other	27
Balance at the end of the fiscal year	62,184

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	62,184
Liability for retirement benefits recorded on the consolidated balance sheet	62,184

3) Retirement benefit costs

	(Millions of yen)
Service cost	3,993
Interest cost	421
Amortization of actuarial differences	(259)
Amortization of prior service cost	(369)
Other	166
Retirement benefit expenses of defined benefit plans	3,952

4) Adjustments for retirement benefits

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

	(Millions of yen)
Prior service cost	(369)
Actuarial differences	(541)
Total	(911)

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	4,404
Unrecognized actuarial differences	1,660
Total	6,064

6) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2017 was as follows:

Discount rate	0.3 to 0.7%

18. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization amounted to ¥42,010,637 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. Such amount is set not to fall below the amount 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 ¥1,838,804 million and ¥648,432 million, respectively, for the category of the reinsurance.

19. "Other liabilities" in the consolidated balance sheet includes ¥50,481 million of deposits from the Management Organization.

    Deposits from the Management Organization in the consolidated 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 and which remains unpaid at the end of the fiscal year ended March 31, 2017.

(Notes to the 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, 2017 was ¥84 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, 2017 was ¥210 million.

2. Net income per share was ¥147.71.

   The Company established a Board Benefit Trust (BBT) from the fiscal year ended March 31, 2017, whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year, 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, 2017 was 195,660 shares.

3. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the fiscal year ended March 31, 2017 were ¥1,002,816 million.

4. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2017 were ¥6,413,751 million.

5. 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 ¥137,061 million for the fiscal year ended March 31, 2017.

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

1. Class and Number of Shares Issued and Treasury Stock (Thousands of shares)

	April 1, 2016	Increase	Decrease	March 31, 2017
Shares issued				
Common stock	600,000	-	-	600,000
Treasury stock				
Common stock	-	228	7	221

(*1) Number of treasury stock at the end of the fiscal year ended March 31, 2017 was 221,000 shares of the Company held in the BBT.

(*2) The increase of 228,000 shares in the number of treasury stock is attributable to purchases by the BBT.

(*3) The decrease of 7,000 shares in the number of treasury stock is 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 13, 2016	Common stock	33,600	56.00	March 31, 2016	June 23, 2016

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2017

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, 2017	Common stock	36,000	Retained earnings	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.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2017

(Notes to the 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, 2017 was ¥214 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 and others 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, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period 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 policy reserves for the fiscal year ended March 31, 2017 was ¥180,359 million.

(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. Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. 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 CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2017 (Notes to the Consolidated Balance Sheet).

4. 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 ¥12,517,334 million and ¥13,697,410 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)

The sub-group covering Japan Post Insurance life insurance contracts (general) was formerly a sub-group consisting of insurance policies with a remaining period within 20 years; however, effective from the fiscal year ended March 31, 2017, the said sub-group has been changed to a sub-group consisting of all general insurance policies due to recent increase in policy reserves for the contracts with a remaining period of more than 20 years. This change has no effect on profit or loss.

5. Securities lent under lending agreements in the amount of ¥4,341,253 million were included in “Securities” in the balance sheets as of March 31, 2017.

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, 2017.

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. Accumulated depreciation for tangible fixed assets as of March 31, 2017 was ¥75,624 million.

8. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥378 million and ¥13,862 million, respectively.

9. Total deferred tax assets and total deferred tax liabilities were ¥1,042,912 million and ¥186,180 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥4,468 million.

Significant components of deferred tax assets include ¥736,401 million of policy reserves, ¥165,422 million of reserve for price fluctuations, ¥42,646 million of reserve for outstanding claims, ¥18,784 million of reserve for employees’ retirement benefits, and ¥59,950 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥181,710 million of unrealized gains on available-for-sale securities.

10. The statutory tax rate for the fiscal year ended March 31, 2017 was 28.24%. Primary factors for the difference between the statutory tax rate and the effective income tax rate after tax effect accounting include net decrease of 2.62% in valuation allowance.

11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2017 were as follows:

a.	Balance at the beginning of the fiscal year	¥1,936,494 million
b.	Policyholder dividends paid	¥316,351 million
c.	Interest accrual	¥25 million
d.	Reduction due to the acquisition of additional annuity	¥283 million
e.	Provision for reserve for policyholder dividends	¥152,679 million

f. Balance at the end of the fiscal year	¥1,772,565 million

12. Equities of subsidiaries and affiliates was ¥984 million.

13. Assets pledged as collateral consisted of the following:

    Securities ¥4,184,239 million

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

    Payables under securities lending transactions ¥4,889,066 million

    All of the above securities were 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 exchange settlements.

    Securities ¥15,489 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, 2017 was ¥399 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, 2017 was ¥768 million.

15. Net assets per share were ¥3,083.23.

    The Company established a Board Benefit Trust (BBT) from the fiscal year ended March 31, 2017, whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders' equity, 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.

    The number of treasury stock at the end of the fiscal year which were deducted from the calculation of net assets per share as of March 31, 2017 was 221,200 shares.

16. The Company has the right to sell or pledge securities borrowed under borrowing agreements and securities received as collateral for transactions such as exchange settlements. The fair value of such securities held in hand was ¥3,532,340 million as of March 31, 2017.

17. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥28,868 million as of March 31, 2017 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 ¥42,010,637 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. Such amount is set not to fall below the amount 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 ¥1,838,804 million and ¥648,432 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 and which remains unpaid at the end of the fiscal year ended March 31, 2017.

(Notes to the Non-Consolidated Statement of Income)

1. Total income from transactions with subsidiaries and affiliates amounted to ¥0 million, and total expenses amounted to ¥15,634 million.

2. Gains on sales of securities comprise domestic bonds of ¥1,384 million, domestic stocks of ¥352 million and foreign securities of ¥83,406 million.

3. Losses on sales of securities comprise domestic bonds of ¥147 million, domestic stocks of ¥53 million and foreign securities of ¥124,533 million.

4. Gains on money held in trust include losses on valuation of ¥1,066 million.

5. Losses on derivative financial instruments include losses on valuation of ¥4,657 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, 2017 was ¥84 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, 2017 was ¥210 million.

7. Net income per share was ¥147.58.
   The Company established a Board Benefit Trust (BBT) from the fiscal year ended March 31, 2017, whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year, 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, 2017 was 195,660 shares.

8. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the fiscal year ended March 31, 2017 were ¥1,002,816 million.

9. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2017 were ¥6,413,751 million.

10. 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 ¥137,061 million for the fiscal year ended March 31, 2017.

11. 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)	¥3,259 million	Accounts payable	¥293 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)	¥392,768 million	Agency accounts payable	¥43,812 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 Non-Consolidated Statement of Changes in Net Assets)

Type and number of treasury stock

(Thousands of shares)

	April 1, 2016	Increase	Decrease	March 31, 2017
Treasury stock				
Common stock	-	228	7	221

(*1) Number of treasury stock at the end of the fiscal year ended March 31, 2017 was 221,000 shares of the Company held in the BBT.

(*2) The increase of 228,000 shares in the number of treasury stock is attributable to purchases by the BBT.

(*3) The decrease of 7,000 shares in the number of treasury stock is attributable to the granting of shares via the BBT.