

UNOFFICIAL TRANSLATION

Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

May 15, 2017
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for the Fiscal Year Ended
March 31, 2017**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Masami Ishii, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017).

<Table of Contents>

1. Business Highlights	1
2. Policy in Force by Benefit Type as of March 31, 2017	3
3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2017	4
4. Investment Overview for the Fiscal Year Ended March 31, 2017 (General Account)	7
5. Unaudited Non-Consolidated Balance Sheets	16
6. Unaudited Non-Consolidated Statements of Income	17
7. Unaudited Non-Consolidated Statements of Changes in Net Assets	18
8. Breakdown of Ordinary Profit (Core Profit)	27
9. Loans by Borrower Category	28
10. Status of Risk-Monitored Loans	28
11. Solvency Margin Ratio	29
12. Separate Account for the Fiscal Year Ended March 31, 2017	30
13. Consolidated Financial Summary	30

End

1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of March 31	2016				2017			
	Number of policies		Policy amount		Number of policies		Policy amount	
		% of March 31, 2015 total		% of March 31, 2015 total		% of March 31, 2016 total		% of March 31, 2016 total
Individual insurance	15,350	113.4	44,406.2	113.4	17,150	111.7	50,097.9	112.8
Individual annuities	1,367	103.7	3,476.4	96.1	1,363	99.7	3,131.1	90.1
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	2016						2017					
	Number of policies		Policy amount				Number of policies		Policy amount			
		% of March 31, 2015 total	% of March 31, 2015 total	New policies	Net increase arising from the conversion		% of March 31, 2016 total	% of March 31, 2016 total	New policies	Net increase arising from the conversion		
Individual insurance	2,397	100.6	7,168.4	102.4	7,168.4	-	2,441	101.8	7,847.4	109.5	7,847.4	-
Individual annuities	63	46.1	219.7	44.5	219.7	-	10	16.7	39.7	18.1	39.7	-
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	2016		2017	
		% of March 31, 2015 total		% of March 31, 2016 total
Individual insurance	2,863.5	113.3	3,207.9	112.0
Individual annuities	656.0	97.4	569.3	86.8
Total	3,519.6	110.0	3,777.3	107.3
Medical coverage, living benefits and other	293.4	114.0	333.8	113.8

▪ New Policies

(Billions of yen, %)

Fiscal years ended March 31	2016		2017	
		% of March 31, 2015 total		% of March 31, 2016 total
Individual insurance	485.3	106.0	507.9	104.7
Individual annuities	105.1	64.6	19.4	18.5
Total	590.4	95.2	527.4	89.3
Medical coverage, living benefits and other	49.5	120.6	55.7	112.4

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	2016		2017	
		% of March 31, 2015 total		% of March 31, 2016 total
Insurance premiums and others	5,413.8	90.9	5,041.8	93.1
Investment income	1,354.9	92.8	1,367.9	101.0
Insurance claims and others	8,550.4	94.4	7,550.3	88.3
Investment expenses	9.7	88.7	160.4	1,645.3
Ordinary profit	413.0	83.7	279.3	67.6

(4) Total Assets

(Billions of yen, %)

As of March 31	2016		2017	
		% of March 31, 2015 total		% of March 31, 2016 total
Total assets	81,543.6	96.0	80,336.4	98.5

2. Policy in Force by Benefit Type as of March 31, 2017

(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	15,704	47,001.1	-	-	-	-	15,704	47,001.1
	Accidental death	23,495	55,809.0	4	14.7	-	-	23,499	55,823.8
	Other conditional death	-	-	-	-	-	-	-	-
Survival benefit		1,446	3,096.8	1,363	3,131.1	-	-	2,809	6,228.0
Hospitalization benefit	Hospitalization due to accident	12,576	50.0	6	0.0	-	-	12,583	50.1
	Hospitalization due to illness	12,375	49.4	1	0.0	-	-	12,376	49.4
	Other conditional hospitalization	12,577	8.2	6	0.0	-	-	12,583	8.2
Disability benefit		10,758	-	4	-	-	-	10,762	-
Surgery benefit		12,577	-	6	-	-	-	12,583	-

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 14,411 thousand policies or ¥38,605.4 billion for insurance, and 2,235 thousand policies or ¥799.1 billion for annuities.

3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2017

(1) The overview of policyholder dividends based on the financial results for the fiscal year ended March 31, 2017 is as follows:

1. Japan Post Insurance Policies (individual insurance / individual annuities, etc. purchased on and after October 1, 2007)
 - (1) The Company overall raised the payout ratio for dividends from mortality and morbidity rate margin. The ratio varies depending on the age and sex.
 - (2) The Company raised the payout ratio for dividend from administrative expense margin.
 - (3) The Company lowered the payout ratio for dividend from spread.
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 ¥137,061 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, 2017 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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <five years>	Male	¥55,440	¥86
	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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <five years>	Male	¥10,080	¥1,809
	Female	¥7,680	¥1,023

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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <five years>	Male	¥56,760	¥0
	Female	¥56,280	¥0

Notes: 1. The sexes 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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <five years>	Male	¥12,600	¥866
	Female	¥10,200	¥477

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)	Dividend for the fiscal year
Fiscal year ended March 31, 2013 <five years>	Male	¥600	¥230
	Female	¥360	¥140

These dividends are the total of a., b., c., and d., by type of basic policy and rider:

a. Dividend from mortality rate margin [Increased overall]

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

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

Period of purchase	Payout ratio for dividend from mortality rate margin (per amount at risk of ¥1 million)
October 2007 to March 2014	¥530
April 2014 to March 2017	¥0

b. Dividend from morbidity rate margin [Increased overall]

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

(Ex.) Accidental rider, age 40, male

Period of purchase	Payout ratio for dividend from morbidity rate margin (per rider benefit of ¥1 million)
October 2007 to March 2014	¥240
April 2014 to March 2017	¥0

c. Dividend from administrative expense margin [Increased]

Calculated by multiplying insured amount on insurance policy and others by a payout ratio for dividend from administrative expense margin

(Ex.) Ordinary endowment insurance

Period of purchase	Payout ratio for dividend from administrative expense margin	
October 2007 to March 2014	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per claim payment of ¥1 million)	¥130
	Payout ratio for dividend from administrative expense margin in proportion to premium (per monthly premium by direct debit of ¥10,000)	¥411
April 2014 to March 2017	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per claim payment of ¥1 million)	¥0
	Payout ratio for dividend from administrative expense margin in proportion to premium (per monthly premium by direct debit of ¥10,000)	¥0

d. Dividend from spread [Decreased]

Calculated by multiplying policy reserves by a payout ratio for dividend from spread

Period of purchase	Payout ratio for dividend from spread
October 2007 to March 2017	0.9% (standard yields for policyholder dividends) – 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 and their additional riders.

4. Investment Overview for the Fiscal Year Ended March 31, 2017 (General Account)

(1) Investment Environment

1) Investment environment

During the fiscal year ended March 31, 2017, the Japanese economy continued its gradual recovery as exports and production picked up, despite stagnant personal consumption. The U.S. and European economies continued solid recovery, while the slowdown in the growth rate in China came to a halt.

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

Domestic Bond Market

The domestic long-term yield declined to the -0.2% level as investors became more risk-averse as the U.K. referendum in late June resulted in a majority voting for Brexit. However, reflecting expectations for changes in the monetary policy of the Bank of Japan (“BOJ”) in August, the yield climbed to the level just below 0.0% and stayed at around the same level after the BOJ introduced the Quantitative and Qualitative Monetary Easing with Yield Curve Control in September. Following Mr. Donald Trump’s victory in the U.S. presidential elections in November, the U.S. interest rate rose due to expectations for an economic stimulus package which include a tax cut and infrastructure investments. Consequently, the yield on 10-year Japanese government bonds (“JGBs”) moved within the positive range between 0.0% and 0.1%, and super-long-term bonds rose also.

Domestic Stock Market

The Nikkei Stock Average rose to the ¥17,500 level in April, fueled mainly by the strong U.S. stock prices as a result of recovery in crude oil prices. However, the unexpected U.K. referendum results in late June triggered a sharp plunge in stock prices worldwide, also causing the Nikkei Stock Average to significantly fall to the ¥14,900 level. Stock prices then recovered with the rise in U.S. stock prices and increased purchase of exchange-traded fund (ETF) by the BOJ, reverting to the ¥17,400 level in October. After the U.S. presidential elections in November, the Nikkei Stock Average rose to the ¥18,900 level by the year-end, in positive response to the appreciation of the dollar against yen triggered by the rise in the U.S. interest rate.

Foreign Exchange Markets

The yen surged briefly to the ¥99 level against the dollar in the aftermath of the U.K. referendum results in late June. Afterwards, the USD/JPY exchange rate returned to the ¥107 level in July, supported by expectations of fiscal stimulus measures by the Japanese government and additional easing by the BOJ, but generally traded around the ¥100 - ¥103 range. In the second half, however, the USD/JPY came to the ¥118 level in December as the dollar surged associated with the rise in the U.S. interest rate. In March, the USD/JPY temporarily reached to the ¥110 level, partly because the expectations for the U.S. fiscal and economic policy subsided.

The EUR/JPY exchange rate temporarily reached the ¥109 level in June, due to the depreciating euro caused by a comprehensive monetary easing by the European Central Bank and concerns about declines in the Euro economy upon the U.K. referendum results. Euro then appreciated due to the rise in European interest rates, and the EUR/JPY was generally traded around the ¥120 - ¥122 range from December onward.

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, 2017, total assets of the Company amounted to ¥80,336.4 billion, a decrease of ¥1,207.2 billion from ¥81,543.6 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, 2017, investment income of the Company increased by ¥12.9 billion from the previous corresponding period to ¥1,367.9 billion mainly due to an increase in gains on sales of securities, despite a decrease in interest and dividend income, associated with a decrease in total assets of the Company.

Investment expenses increased by ¥150.6 billion from the previous corresponding period to ¥160.4 billion mainly due to an increase in losses on sales of securities associated with bond switching.

As a result, investment income and expenses amounted to ¥1,207.5 billion, a decrease of ¥137.6 billion from the previous corresponding period.

(2) Asset Composition

(Billions of yen, %)

As of March 31	2016		2017	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	2,216.0	2.7	1,510.1	1.9
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,008.5	3.7	3,520.7	4.4
Monetary claims bought	430.1	0.5	27.5	0.0
Trading account securities	-	-	-	-
Money held in trust	1,644.5	2.0	2,127.0	2.6
Securities	63,610.8	78.0	63,486.2	79.0
Corporate and government bonds	59,821.0	73.4	57,658.1	71.8
Domestic stocks	0.9	0.0	59.3	0.1
Foreign securities	3,688.8	4.5	4,351.7	5.4
Foreign corporate and government bonds	3,688.8	4.5	4,346.7	5.4
Foreign stocks and other securities	-	-	4.9	0.0
Other securities	100.0	0.1	1,417.1	1.8
Loans	8,978.4	11.0	8,060.9	10.0
Real estate	123.7	0.2	119.0	0.1
Deferred tax assets	712.6	0.9	852.2	1.1
Other	819.3	1.0	633.1	0.8
Reserve for possible loan losses	(0.7)	(0.0)	(0.6)	(0.0)
Total	81,543.6	100.0	80,336.4	100.0
Foreign currency-denominated assets	3,949.4	4.8	4,753.6	5.9

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	2016	2017
Cash, deposits, call loans	(435.3)	(705.9)
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	287.7	512.1
Monetary claims bought	(18.9)	(402.5)
Trading account securities	-	-
Money held in trust	209.6	482.4
Securities	(2,666.3)	(124.6)
Corporate and government bonds	(4,473.7)	(2,162.9)
Domestic stocks	-	58.3
Foreign securities	1,707.3	662.9
Foreign corporate and government bonds	1,727.3	657.9
Foreign stocks and other securities	(20.0)	4.9
Other securities	100.0	1,317.0
Loans	(998.9)	(917.5)
Real estate	11.4	(4.7)
Deferred tax assets	164.4	139.6
Other	77.8	(186.2)
Reserve for possible loan losses	0.1	0.1
Total	(3,368.3)	(1,207.2)
Foreign currency-denominated assets	1,753.0	804.2

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	2016	2017
Interest and dividend income	1,308.6	1,226.1
Interest on deposits	0.6	0.0
Interest and dividends on securities	1,090.5	1,037.3
Interest on loans	14.0	14.0
Interest on loans to the Management Organization	198.2	170.0
Rent revenue from real estate	-	-
Other interest and dividend income	5.2	4.6
Gains on trading account securities	-	-
Gains on money held in trust	44.9	56.5
Gains on trading securities	-	-
Gains on sales of securities	1.2	85.1
Gains on sales of Japanese government bonds and other bonds	0.0	1.3
Gains on sales of domestic stocks and other securities	-	0.3
Gains on sales of foreign securities	1.2	83.4
Other gains on sales of securities	-	-
Gains on redemption of securities	0.0	0.0
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Reversal of reserve for possible loan losses	0.0	0.0
Other investment income	0.0	0.0
Total	1,354.9	1,367.9

(5) Investment Expenses

(Billions of yen)

Fiscal years ended March 31	2016	2017
Interest expenses	4.3	2.2
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	1.5	124.7
Losses on sales of Japanese government bonds and other bonds	-	0.1
Losses on sales of domestic stocks and other securities	-	0.0
Losses on sales of foreign securities	1.5	124.5
Other losses on sales of securities	-	-
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	0.6	7.4
Losses on derivative financial instruments	1.5	20.5
Losses on foreign exchanges	0.4	3.3
Provision for reserve for possible loan losses	-	-
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	1.2	2.0
Total	9.7	160.4

(6) Investment Related Efficiency

1) Yield by Asset Type

Fiscal years ended March 31	2016	2017
Cash, deposits and call loans	0.05	0.00
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	-	-
Monetary claims bought	0.26	0.23
Trading account securities	-	-
Money held in trust	3.37	3.49
Securities	1.66	1.52
Corporate and government bonds	1.63	1.59
Domestic stocks	-	5.23
Foreign securities	2.10	0.61
Loans	2.19	2.10
Real estate	-	-
General account total	1.62	1.50
Overseas loans and investments	2.22	0.82

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	2016					2017				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	42,239.8	49,752.9	7,513.0	7,513.0	0.0	40,441.8	46,518.6	6,076.8	6,149.9	73.1
Policy-reserve matching bonds	13,563.4	15,062.1	1,498.7	1,498.7	-	12,517.3	13,697.4	1,180.0	1,204.4	24.3
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	9,918.1	10,479.6	561.5	658.1	96.6	12,522.6	12,966.2	443.6	657.8	214.1
Corporate and government bonds	4,012.9	4,115.7	102.8	103.5	0.7	4,758.4	4,796.8	38.4	71.6	33.2
Domestic stocks	1,065.4	1,202.5	137.0	195.3	58.2	1,302.3	1,626.0	323.6	342.4	18.7
Foreign securities	3,682.7	4,001.1	318.3	355.8	37.5	4,658.6	4,748.6	90.0	237.2	147.2
Foreign corporate and government bonds	3,299.3	3,590.8	291.4	319.3	27.9	4,219.6	4,248.7	29.1	175.0	145.8
Foreign stocks and other securities	383.4	410.3	26.9	36.5	9.6	439.0	499.9	60.9	62.2	1.3
Other securities	100.0	100.0	0.0	0.1	0.1	1,428.0	1,417.1	(10.8)	4.0	14.9
Monetary claims bought	426.9	430.1	3.1	3.1	-	25.1	27.5	2.4	2.4	-
Negotiable certificates of deposit	630.0	630.0	-	-	-	350.0	350.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	65,721.3	75,294.7	9,573.3	9,669.9	96.6	65,481.8	73,182.3	7,700.5	8,012.2	311.6
Corporate and government bonds	59,718.1	68,828.4	9,110.2	9,111.0	0.7	57,619.7	64,911.8	7,292.1	7,422.8	130.7
Domestic stocks	1,065.4	1,202.5	137.0	195.3	58.2	1,302.3	1,626.0	323.6	342.4	18.7
Foreign securities	3,780.7	4,103.5	322.7	360.2	37.5	4,756.6	4,849.8	93.1	240.4	147.2
Foreign corporate and government bonds	3,397.3	3,693.2	295.8	323.7	27.9	4,317.6	4,349.8	32.2	178.1	145.8
Foreign stocks and other securities	383.4	410.3	26.9	36.5	9.6	439.0	499.9	60.9	62.2	1.3
Other securities	100.0	100.0	0.0	0.1	0.1	1,428.0	1,417.1	(10.8)	4.0	14.9
Monetary claims bought	426.9	430.1	3.1	3.1	-	25.1	27.5	2.4	2.4	-
Negotiable certificates of deposit	630.0	630.0	-	-	-	350.0	350.0	-	-	-
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 ¥1,686.1 billion with net unrealized gains of ¥380.7 billion as of March 31, 2017 and ¥1,448.8 billion with net unrealized gains of ¥163.9 billion as of March 31, 2016.

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	2016	2017
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	0.9	0.9
Available-for-sale securities	-	4.2
Unlisted domestic stocks (excluding OTC traded equities)	-	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	-	-
Total	0.9	5.2

4) Fair Value of Money Held in Trust

(Billions of yen)

As of March 31	2016					2017				
	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	1,644.5	1,644.5	-	-	-	2,127.0	2,127.0	-	-	-

- 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	2016					2017				
	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	1,480.5	1,644.5	163.9	231.8	67.8	1,746.3	2,127.0	380.7	400.4	19.7

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, 2016	31, 2017			31, 2016	31, 2017
		Amount	Amount			Amount	Amount
ASSETS:				LIABILITIES:			
Cash and deposits		1,856,037	1,360,137	Policy reserves and others		74,934,165	72,525,176
Cash		2,129	1,464	Reserve for outstanding claims		635,167	577,376
Deposits		1,853,908	1,358,673	Policy reserves		72,362,503	70,175,234
Call loans		360,000	150,000	Reserve for policyholder dividends		1,936,494	1,772,565
Receivables under securities borrowing transactions		3,008,591	3,520,722	Reinsurance payables		3,377	4,774
Monetary claims bought		430,150	27,561	Other liabilities		3,878,684	5,101,380
Money held in trust		1,644,547	2,127,042	Payables under securities lending transactions		3,648,478	4,889,066
Securities		63,610,890	63,486,273	Income taxes payable		75,435	68,075
Japanese government bonds		44,178,631	42,732,364	Accounts payable		44,557	25,227
Japanese local government bonds		9,405,494	9,226,804	Accrued expenses		28,075	30,065
Japanese corporate bonds		6,236,913	5,698,945	Deposits received		2,786	2,660
Stocks		984	59,305	Deposits from the Management Organization		53,792	50,481
Foreign securities		3,688,822	4,351,731	Derivative financial instruments		17,289	26,653
Other securities		100,044	1,417,122	Lease obligations		1,852	2,153
Loans		8,978,437	8,060,902	Asset retirement obligation		15	15
Policy loans		95,629	118,141	Suspense receipt		5,866	6,411
Industrial and commercial loans		829,027	873,720	Other liabilities		533	568
Loans to the Management Organization		8,053,780	7,069,040	Reserve for employees' retirement benefits		66,675	67,040
Tangible fixed assets		145,495	136,928	Reserve for management board benefit trust		-	76
Land		68,262	68,272	Reserve for price fluctuations		782,268	788,712
Buildings		49,308	44,483				
Leased assets		1,730	2,004	Total liabilities		79,665,171	78,487,161
Construction in progress		6,175	6,255	NET ASSETS:			
Other tangible fixed assets		20,017	15,911	Capital stock		500,000	500,000
Intangible fixed assets		188,868	189,809	Capital surplus		500,044	500,044
Software		188,850	189,788	Legal capital surplus		405,044	405,044
Other intangible fixed assets		18	21	Other capital surplus		95,000	95,000
Agency accounts receivable		81,193	50,888	Retained earnings		472,855	527,775
Reinsurance receivables		1,368	2,293	Legal retained earnings		25,489	32,209
Other assets		526,199	372,248	Other retained earnings		447,365	495,565
Accounts receivable		301,884	160,780	Retained earnings brought forward		447,365	495,565
Prepaid expenses		1,592	1,589	Treasury stock		-	(521)
Accrued income		189,319	176,280	Total shareholders' equity		1,472,899	1,527,298
Money on deposit		6,826	6,941	Net unrealized gains (losses) on available-for-sale securities		405,412	321,904
Derivative financial instruments		22,131	22,068	Net deferred gains (losses) on hedges		140	50
Suspense payments		2,329	2,990	Total valuation and translation adjustments		405,553	321,954
Other assets		2,115	1,597				
Deferred tax assets		712,615	852,263	Total net assets		1,878,452	1,849,253
Reserve for possible loan losses		(772)	(658)	Total liabilities and net assets		81,543,623	80,336,414
Total assets		81,543,623	80,336,414				

6. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
		Amount	Amount
ORDINARY INCOME		9,605,818	8,659,442
Insurance premiums and others		5,413,862	5,041,868
Insurance premiums		5,409,598	5,034,273
Reinsurance income		4,264	7,594
Investment income		1,354,966	1,367,937
Interest and dividend income		1,308,679	1,226,193
Interest on deposits		692	22
Interest and dividends on securities		1,090,551	1,037,359
Interest on loans		14,017	14,037
Interest on loans to the Management Organization		198,205	170,098
Other interest and dividend income		5,212	4,676
Gains on money held in trust		44,939	56,535
Gains on sales of securities		1,241	85,142
Gains on redemption of securities		36	33
Reversal of reserve for possible loan losses		6	11
Other investment income		63	21
Other ordinary income		2,836,989	2,249,636
Reversal of reserve for outstanding claims		82,988	57,790
Reversal of policy reserves		2,750,098	2,187,268
Other ordinary income		3,902	4,577
ORDINARY EXPENSES		9,192,794	8,380,094
Insurance claims and others		8,550,474	7,550,323
Insurance claims		7,577,151	6,487,267
Annuity payments		340,904	371,216
Benefits		49,192	57,111
Surrender benefits		378,862	433,053
Other refunds		193,610	185,982
Reinsurance premiums		10,754	15,692
Provision for policy reserves and others		132	25
Provision for interest on policyholder dividends		132	25
Investment expenses		9,749	160,414
Interest expenses		4,370	2,218
Losses on sales of securities		1,592	124,734
Losses on redemption of securities		664	7,480
Losses on derivative financial instruments		1,511	20,599
Losses on foreign exchanges		402	3,362
Other investment expenses		1,209	2,018
Operating expenses		537,087	560,206
Other ordinary expenses		95,349	109,124
Taxes		56,896	60,956
Depreciation and amortization		37,199	47,607
Provision for reserve for employees' retirement benefits		819	221
Other ordinary expenses		434	338
ORDINARY PROFIT		413,023	279,347
EXTRAORDINARY GAINS		341	-
Gains on sales of fixed assets		341	-
EXTRAORDINARY LOSSES		71,748	6,897
Losses on sales and disposal of fixed assets		1,647	453
Provision for reserve for price fluctuations		70,100	6,444
Provision for reserve for policyholder dividends		178,004	152,679
Income before income taxes		163,612	119,770
Income taxes - Current		174,151	136,507
Income taxes - Deferred		(96,877)	(105,257)
Total income taxes		77,274	31,250
Net income		86,338	88,520

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

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus		Retained earnings brought forward	Total retained earnings
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	20,584	390,459	411,043
Changes in the fiscal year							
Cash dividends					4,905	(29,433)	(24,527)
Net income						86,338	86,338
Purchases of treasury stock							
Disposals of treasury stock							
Net changes in items other than shareholders' equity in the fiscal year							
Net changes in the fiscal year	-	-	-	-	4,905	56,905	61,811
Balance at the end of the fiscal year	500,000	405,044	95,000	500,044	25,489	447,365	472,855

	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	-	1,411,088	558,033	22	558,055	1,969,143
Changes in the fiscal year						
Cash dividends		(24,527)				(24,527)
Net income		86,338				86,338
Purchases of treasury stock	-	-				-
Disposals of treasury stock	-	-				-
Net changes in items other than shareholders' equity in the fiscal year			(152,621)	118	(152,502)	(152,502)
Net changes in the fiscal year	-	61,811	(152,621)	118	(152,502)	(90,691)
Balance at the end of the fiscal year	-	1,472,899	405,412	140	405,553	1,878,452

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	Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Total retained earnings
					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							
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
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

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

(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, 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 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 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2017 (Notes to the Unaudited 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. The 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.

Total 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.

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. 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 ¥1,838,804 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.

(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 ¥15,634 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 Unaudited 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.

8. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Fiscal years ended March 31		2016	2017
Core profit	A	464,285	390,070
Capital gains		46,180	141,677
Gains on money held in trust		44,939	56,535
Gains on trading securities		-	-
Gains on sales of securities		1,241	85,142
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		41,748	192,860
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		1,592	124,734
Losses on valuation of securities		-	-
Losses on derivative financial instruments		1,511	20,599
Losses on foreign exchanges		402	3,362
Other capital losses		38,242	44,163
Net capital gains (losses)	B	4,432	(51,182)
Core profit including net capital gains (losses)	A+B	468,717	338,887
Other one-time gains		123,864	120,819
Reinsurance income		-	-
Reversal of contingency reserve		123,864	120,819
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		179,558	180,359
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		179,558	180,359
Other one-time profits (losses)	C	(55,694)	(59,539)
Ordinary profit	A+B+C	413,023	279,347

- Notes: 1. Amount equivalent to income gains associated with money held in trust (¥38,242 million for 2016 and ¥44,130 million for 2017) is recognized as “other capital losses” and included in core profit.
2. 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 (¥179,558 million for 2016 and ¥180,359 million for 2017).

9. Loans by Borrower Category

(Millions of yen, %)

As of March 31	2016	2017
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal	-	-
(Percentage in total)	(-)	(-)
Normal loans	9,197,548	9,070,318
Total	9,197,548	9,070,318

- 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		2016	2017
Total amount of solvency margin	(A)	5,541,363	5,420,173
Capital stock, etc.		1,439,299	1,491,298
Reserve for price fluctuations		782,268	788,712
Contingency reserve		2,374,846	2,254,027
General reserve for possible loan losses		71	59
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		505,374	399,297
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(3,474)	103
Excess of continued Zillmerized reserve		442,977	486,674
Capital raised through debt financing		-	-
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin		-	-
Deductions		-	-
Other		-	-
Total amount of risk	(B)	706,716	840,902
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Insurance risk	R ₁	159,046	153,070
Underwriting risk of third-sector insurance	R ₈	78,262	69,104
Anticipated yield risk	R ₂	170,717	158,838
Minimum guarantee risk	R ₇	-	-
Investment risk	R ₃	476,159	631,173
Business management risk	R ₄	17,683	20,243
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,568.1%	1,289.1%

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, 2017

Not applicable.

13. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Fiscal years ended March 31	2016	2017
Ordinary income	9,605,743	8,659,444
Ordinary profit	411,504	279,755
Net income attributable to Japan Post Insurance	84,897	88,596
Comprehensive income (loss)	(68,218)	4,342

As of March 31	2016	2017
Total assets	81,545,182	80,336,760
Consolidated solvency margin ratio	1,570.3%	1,290.6%

(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, 2016	31, 2017			31, 2016	31, 2017
		Amount	Amount			Amount	Amount
ASSETS:				LIABILITIES:			
Cash and deposits		1,862,636	1,366,086	Policy reserves and others		74,934,165	72,525,176
Call loans		360,000	150,000	Reserve for outstanding claims		635,167	577,376
Receivables under securities borrowing transactions		3,008,591	3,520,722	Policy reserves		72,362,503	70,175,234
Monetary claims bought		430,150	27,561	Reserve for policyholder dividends		1,936,494	1,772,565
Money held in trust		1,644,547	2,127,042	Reinsurance payables		3,377	4,774
Securities		63,609,906	63,485,289	Payables under securities lending transactions		3,648,478	4,889,066
Loans		8,978,437	8,060,902	Other liabilities		233,106	213,565
Tangible fixed assets		145,855	137,262	Liability for retirement benefits		60,803	62,184
Land		68,262	68,272	Reserve for management board benefit trust		-	76
Buildings		49,502	44,664	Reserve for price fluctuations		782,268	788,712
Leased assets		1,780	2,047	Total liabilities		79,662,200	78,483,557
Construction in progress		6,176	6,255	NET ASSETS:			
Other tangible fixed assets		20,133	16,022	Capital stock		500,000	500,000
Intangible fixed assets		185,300	185,520	Capital surplus		500,044	500,044
Software		185,281	185,498	Retained earnings		472,362	527,358
Leased assets		0	-	Treasury stock		-	(521)
Other intangible fixed assets		18	21	Total shareholders' equity		1,472,406	1,526,882
Agency accounts receivable		81,193	50,888	Net unrealized gains (losses) on available-for-sale securities		405,412	321,904
Reinsurance receivables		1,368	2,293	Net deferred gains (losses) on hedges		140	50
Other assets		525,835	371,905	Accumulated adjustments for retirement benefits		5,022	4,366
Deferred tax assets		712,132	851,942	Total accumulated other comprehensive income		410,575	326,321
Reserve for possible loan losses		(772)	(658)	Total net assets		1,882,982	1,853,203
Total assets		81,545,182	80,336,760	Total liabilities and net assets		81,545,182	80,336,760

(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, 2016	Fiscal year ended March 31, 2017
		Amount	Amount
ORDINARY INCOME		9,605,743	8,659,444
Insurance premiums and others		5,413,862	5,041,868
Investment income		1,354,966	1,367,937
Interest and dividend income		1,308,679	1,226,193
Gains on money held in trust		44,939	56,535
Gains on sales of securities		1,241	85,142
Gains on redemption of securities		36	33
Reversal of reserve for possible loan losses		6	11
Other investment income		63	21
Other ordinary income		2,836,914	2,249,639
Reversal of reserve for outstanding claims		82,988	57,790
Reversal of policy reserves		2,750,098	2,187,268
Other ordinary income		3,827	4,579
ORDINARY EXPENSES		9,194,239	8,379,689
Insurance claims and others		8,550,474	7,550,323
Insurance claims		7,577,151	6,487,267
Annuity payments		340,904	371,216
Benefits		49,192	57,111
Surrender benefits		378,862	433,053
Other refunds		193,610	185,982
Reinsurance premiums		10,754	15,692
Provision for policy reserves and others		132	25
Provision for interest on policyholder dividends		132	25
Investment expenses		9,749	160,414
Interest expenses		4,370	2,218
Losses on sales of securities		1,592	124,734
Losses on redemption of securities		664	7,480
Losses on derivative financial instruments		1,511	20,599
Losses on foreign exchanges		402	3,362
Other investment expenses		1,209	2,018
Operating expenses		538,510	560,423
Other ordinary expenses		95,371	108,502
ORDINARY PROFIT		411,504	279,755
EXTRAORDINARY GAINS		341	-
Gains on sales of fixed assets		341	-
EXTRAORDINARY LOSSES		71,847	6,892
Losses on sales and disposal of fixed assets		1,747	448
Provision for reserve for price fluctuations		70,100	6,444
Provision for reserve for policyholder dividends		178,004	152,679
Income before income taxes		161,994	120,182
Income taxes - Current		174,316	136,749
Income taxes - Deferred		(97,219)	(105,163)
Total income taxes		77,096	31,586
Net income		84,897	88,596
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		84,897	88,596

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
		Amount	Amount
Net income		84,897	88,596
Other comprehensive income (loss)		(153,116)	(84,254)
Net unrealized gains (losses) on available- for-sale securities		(152,621)	(83,507)
Net deferred gains (losses) on hedges		118	(90)
Adjustments for retirement benefits		(613)	(655)
Total comprehensive income (loss)		(68,218)	4,342
Comprehensive income (loss) attributable to Japan Post Insurance		(68,218)	4,342
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, 2016	Fiscal year ended March 31, 2017
		Amount	Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes		161,994	120,182
Depreciation and amortization		36,700	46,819
Net change in reserve for outstanding claims		(82,988)	(57,790)
Net change in policy reserves		(2,750,098)	(2,187,268)
Provision for interest on policyholder dividends		132	25
Provision for reserve for policyholder dividends		178,004	152,679
Net change in reserve for possible loan losses		(170)	(114)
Net change in liability for retirement benefits		2,446	1,381
Net change in reserve for management board benefit trust		-	76
Net change in reserve for price fluctuations		70,100	6,444
Interest and dividend income (accrual basis)		(1,308,679)	(1,226,193)
Net (gains) losses on securities		978	47,039
Interest expenses (accrual basis)		4,370	2,218
Net (gains) losses on foreign exchanges		402	3,362
Net (gains) losses on tangible fixed assets		999	183
Net change in agency accounts receivable		13,829	30,304
Net change in reinsurance receivables		(738)	(924)
Net change in other assets (excluding those related to investing activities and financing activities)		(42,294)	141,332
Net change in reinsurance payables		1,360	1,396
Net change in other liabilities (excluding those related to investing activities and financing activities)		(22,185)	(1,914)
Other, net		(44,128)	(30,292)
Subtotal		(3,779,964)	(2,951,050)
Interest and dividend received (cash basis)		1,376,599	1,315,932
Interest paid (cash basis)		(4,401)	(2,142)
Policyholder dividends paid		(316,246)	(316,351)
Other, net		32	-
Income taxes paid		(198,998)	(137,326)
Net cash used in operating activities		(2,922,978)	(2,090,939)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of call loans		(36,244,900)	(26,495,000)
Proceeds from redemption of call loans		36,330,328	26,705,000
Net change in receivables under securities borrowing transactions		(287,734)	(512,131)
Purchases of monetary claims bought		(2,508,852)	(1,616,999)
Proceeds from sale and redemption of monetary claims bought		2,474,034	2,018,804
Purchases of money held in trust		(400,400)	(215,000)
Proceeds from decrease in money held in trust		40,000	-
Purchases of securities		(4,264,540)	(8,424,473)
Proceeds from sale and redemption of securities		6,728,431	8,107,266
Payments for loans		(1,172,737)	(1,065,448)
Proceeds from collection of loans		2,171,621	1,982,969
Net change in payables under securities lending transactions		(10,013)	1,240,587
Other, net		(163,575)	(43,843)
Total of net cash provided by investment transactions		2,691,662	1,681,731
Total of net cash provided by operating activities and investment transactions		(231,316)	(409,207)
Purchases of tangible fixed assets		(31,889)	(3,219)
Purchases of intangible fixed assets		(62,952)	(49,347)
Other, net		86	(152)
Net cash provided by investing activities		2,596,907	1,629,012
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease obligations		(552)	(519)
Purchases of treasury stock		-	(538)
Dividends paid		(24,527)	(33,564)
Net cash used in financing activities		(25,080)	(34,622)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		(351,150)	(496,549)
Cash and cash equivalents at the beginning of the fiscal year		2,213,786	1,862,636
Cash and cash equivalents at the end of the fiscal year		1,862,636	1,366,086

(6) Unaudited Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016 (From April 1, 2015 to March 31, 2016)

(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	411,992	-	1,412,036
Changes in the fiscal year					
Cash dividends			(24,527)		(24,527)
Net income attributable to Japan Post Insurance			84,897		84,897
Purchases of treasury stock				-	-
Disposals of treasury stock				-	-
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	-	60,370	-	60,370
Balance at the end of the fiscal year	500,000	500,044	472,362	-	1,472,406

	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	558,033	22	5,635	563,691	1,975,727
Changes in the fiscal year					
Cash dividends					(24,527)
Net income attributable to Japan Post Insurance					84,897
Purchases of treasury stock					-
Disposals of treasury stock					-
Net changes in items other than shareholders' equity in the fiscal year	(152,621)	118	(613)	(153,116)	(153,116)
Net changes in the fiscal year	(152,621)	118	(613)	(153,116)	(92,745)
Balance at the end of the fiscal year	405,412	140	5,022	410,575	1,882,982

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

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

(Basis for Preparation of the Unaudited 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 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) 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.
 - (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 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, 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 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	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	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 for the fiscal year ended March 31, 2017.

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

In the past, of the stocks with fair values other than trading securities, those with fair values declining by 30% or more of the acquisition costs, were subject to recognition of losses on valuation based on the understanding 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 it falls under “significant decline” including trends of market prices and 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	Foreign currency- denominated			
	U.S. dollars	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. The 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.

Total 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	<u>62,184</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>62,184</u>
Liability for retirement benefits recorded on the consolidated balance sheet	<u>62,184</u>

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	<u>3,952</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	(369)
Actuarial differences	<u>(541)</u>
Total	<u>(911)</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	4,404
Unrecognized actuarial differences	1,660
Total	<u>6,064</u>

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. 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 ¥1,838,804 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 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, 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 Unaudited Consolidated Statement of Comprehensive Income)

(Millions of yen)

Net unrealized gains (losses) on available-for-sale securities:	
Amount arising during the fiscal year	(147,188)
Reclassification adjustments	29,325
Before tax effect adjustments	(117,862)
Tax effect	34,355
Net unrealized gains (losses) on available-for-sale securities	(83,507)
Net deferred gains (losses) on hedges:	
Amount arising during the fiscal year	(91)
Reclassification adjustments	(34)
Before tax effect adjustments	(125)
Tax effect	35
Net deferred gains (losses) on hedges	(90)
Adjustments for retirement benefits:	
Amount arising during the fiscal year	(281)
Reclassification adjustments	(629)
Before tax effect adjustments	(911)
Tax effect	255
Adjustments for retirement benefits	(655)
Total other comprehensive income (loss)	(84,254)

(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, 2017 was as follows:

Cash and deposits	¥1,366,086 million
Cash and cash equivalents	¥1,366,086 million

(Notes to the Unaudited 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.

(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		2016	2017
Total amount of solvency margin	(A)	5,547,846	5,425,821
Capital stock, etc.		1,438,806	1,490,882
Reserve for price fluctuations		782,268	788,712
Contingency reserve		2,374,846	2,254,027
Catastrophe loss reserve		-	-
General reserve for possible loan losses		71	59
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		505,374	399,297
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(3,474)	103
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		6,975	6,064
Excess of continued Zillmerized reserve		442,977	486,674
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		706,591	840,767
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$	(B)		
Insurance risk	R ₁	159,046	153,070
General Insurance risk	R ₅	-	-
Catastrophe risk	R ₆	-	-
Underwriting risk of third-sector insurance	R ₈	78,262	69,104
Small amount and short-term insurance risk	R ₉	-	-
Anticipated yield risk	R ₂	170,717	158,838
Minimum guarantee risk	R ₇	-	-
Investment risk	R ₃	476,029	631,036
Business management risk	R ₄	17,681	20,240
Solvency margin ratio		1,570.3%	1,290.6%
$\frac{(A)}{(1/2) \times (B)} \times 100$			

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.