

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.

November 14, 2017
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for
the Six Months Ended September 30, 2017**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Mitsuhiro Uehira, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the six months ended September 30, 2017 (April 1, 2017 to September 30, 2017).

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1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of	March 31, 2017		September 30, 2017			
	Number of policies	Policy amount	Number of policies		Policy amount	
			% of March 31, 2017 total	% of March 31, 2017 total		
Individual insurance	17,150	50,097.9	17,749	103.5	51,925.6	103.6
Individual annuities	1,363	3,131.1	1,356	99.5	2,929.3	93.6
Group insurance	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-

Note: Policy amounts for individual annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

▪ New Policies

(Thousands of policies, billions of yen, %)

Six months ended September 30	2016				2017					
	Number of policies	Policy amount			Number of policies		Policy amount			
		New policies	Net increase arising from the conversion		% of September 30, 2016 total	% of September 30, 2016 total	New policies	Net increase arising from the conversion		
Individual insurance	1,351	4,393.0	4,393.0	-	945	70.0	3,009.1	68.5	3,009.1	-
Individual annuities	10	39.7	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, 2017	September 30, 2017	
			% of March 31, 2017 total
Individual insurance	3,207.9	3,333.8	103.9
Individual annuities	569.3	524.2	92.1
Total	3,777.3	3,858.1	102.1
Medical coverage, living benefits and other	333.8	353.3	105.8

▪ New Policies

(Billions of yen, %)

Six months ended September 30	2016	2017	
			% of September 30, 2016 total
Individual insurance	282.3	208.9	74.0
Individual annuities	19.4	-	-
Total	301.8	208.9	69.2
Medical coverage, living benefits and other	26.0	27.9	107.4

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, %)

Six months ended September 30	2016	2017	
			% of September 30, 2016 total
Insurance premiums and others	2,812.5	2,203.5	78.3
Investment income	678.3	640.9	94.5
Insurance claims and others	3,793.1	3,525.7	92.9
Investment expenses	105.2	34.3	32.6

(4) Total Assets

(Billions of yen, %)

As of	March 31, 2017	September 30, 2017	
			% of March 31, 2017 total
Total assets	80,336.4	78,640.9	97.9

2. Investment Overview for the Six Months Ended September 30, 2017 (General Account)

(1) Investment Environment

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

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

Domestic Bond Market

The domestic long-term yield fell to nearly 0.0% in mid-April because investors became more risk-averse early this fiscal year in the wake of continued missile launches by North Korea, concerns about the French presidential election, in which a far-right candidate, an advocate for exit from the EU, might be elected, and other events. Subsequently, the domestic long-term yield started rising steadily because the inauguration of the far-right president was avoided in the French presidential election, and in addition, following increased European interest rates, etc. reflecting growing expectations in the market concerning the curtailment of monetary easing policies by the European Central Bank, the yield rose to around 0.1% in July. In August, the yield trended downward because a geopolitical risk involving North Korea increased again, and in September, the yield fell below 0.0% temporarily, which in turn increased to 0.06% at the end of September because of raised overseas interest rates.

Domestic Stock Market

The Nikkei Stock Average, after dropping to around ¥18,300 in April in the wake of the continued appreciation of the yen caused by the sense of anxiety about the North Korean situations and the French presidential election, continued staying around ¥20,000 until July. It dropped to the ¥19,200 level in early September because from August onward, uncertainty involving North Korea was heightened again. Later, it increased in the wake of the rise of U.S. stock prices and the continued depreciation of the yen, reaching the ¥20,300 level at the end of September.

Foreign Exchange Markets

Regarding the USD/JPY exchange rate, the yen appreciated to the ¥108 level because investors became more risk-averse in the wake of the concerns about the North Korean situations in April. Subsequently, the USD/JPY was generally traded around the ¥109 - ¥112 range, with the exceptions of the yen depreciating to around ¥114 in May and July due to the rise of U.S. interest rates, etc., or the yen temporarily appreciating to the ¥107 level in early September due to the concerns about the North Korean situations, etc. The USD/JPY was traded around the ¥112 level at the end of September.

Regarding the EUR/JPY exchange rate, the euro depreciated due to the political uncertainty involving the French presidential election, etc., with the yen temporarily appreciating to the ¥114 level in April. Subsequently, however, the euro appreciated because the inauguration of the far-right president was avoided in the French presidential election, and the curtailment of monetary easing policies by the European Central Bank was increasingly expected. The EUR/JPY was traded around the ¥132 level at the end of September.

(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 will make 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 September 30, 2017, total assets of the Company amounted to ¥78,640.9 billion, a decrease of ¥1,695.5 billion from ¥80,336.4 billion at the end of the previous fiscal year.

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

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

For loans, the Company provided loans including syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans to the Management Organization for Postal Savings and Postal Life Insurance.

[Investment Income and Expenses]

For the six months ended September 30, 2017, investment income of the Company decreased by ¥37.3 billion from the previous corresponding period to ¥640.9 billion mainly due to a decrease in interest and dividend income caused by a decrease in total assets.

Investment expenses decreased by ¥70.9 billion from the previous corresponding period to ¥34.3 billion mainly due to the stable investment environment and a decrease in losses on sales of securities arising from the switching of securities for trading.

As a result, investment income and expenses amounted to ¥606.6 billion, an increase of ¥33.5 billion from the previous corresponding period.

3. Investment Performance (General Account)

(1) Asset Composition

(Billions of yen, %)

As of	March 31, 2017		September 30, 2017	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,510.1	1.9	838.4	1.1
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,520.7	4.4	3,430.9	4.4
Monetary claims bought	27.5	0.0	76.7	0.1
Trading account securities	-	-	-	-
Money held in trust	2,127.0	2.6	2,546.4	3.2
Securities	63,486.2	79.0	62,070.9	78.9
Corporate and government bonds	57,658.1	71.8	55,608.0	70.7
Domestic stocks	59.3	0.1	114.4	0.1
Foreign securities	4,351.7	5.4	4,632.5	5.9
Foreign corporate and government bonds	4,346.7	5.4	4,527.2	5.8
Foreign stocks and other securities	4.9	0.0	105.3	0.1
Other securities	1,417.1	1.8	1,715.8	2.2
Loans	8,060.9	10.0	8,040.3	10.2
Real estate	119.0	0.1	113.9	0.1
Deferred tax assets	852.2	1.1	847.8	1.1
Other	633.1	0.8	675.8	0.9
Reserve for possible loan losses	(0.6)	(0.0)	(0.6)	(0.0)
Total	80,336.4	100.0	78,640.9	100.0
Foreign currency-denominated assets	4,753.6	5.9	4,981.5	6.3

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

(2) Increase/Decrease in Assets

(Billions of yen)

Six months ended September 30	2016	2017
Cash, deposits, call loans	(514.4)	(671.6)
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	45.4	(89.7)
Monetary claims bought	(233.0)	49.2
Trading account securities	-	-
Money held in trust	127.0	419.3
Securities	2.7	(1,415.3)
Corporate and government bonds	(1,582.7)	(2,050.0)
Domestic stocks	4.2	55.1
Foreign securities	979.2	280.8
Foreign corporate and government bonds	979.2	180.5
Foreign stocks and other securities	-	100.3
Other securities	602.0	298.7
Loans	(406.4)	(20.5)
Real estate	(1.4)	(5.0)
Deferred tax assets	90.9	(4.3)
Other	(162.3)	42.6
Reserve for possible loan losses	0.0	(0.0)
Total	(1,051.3)	(1,695.5)
Foreign currency-denominated assets	974.2	227.8

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

(3) Investment Income

(Billions of yen)

Six months ended September 30	2016	2017
Interest and dividend income	614.3	587.9
Interest on deposits	0.0	0.0
Interest and dividends on securities	517.3	502.3
Interest on loans	7.0	7.0
Interest on loans to the Management Organization	88.1	75.8
Rent revenue from real estate	-	-
Other interest and dividend income	1.7	2.7
Gains on trading account securities	-	-
Gains on money held in trust	22.1	41.0
Gains on trading securities	-	-
Gains on sales of securities	41.7	11.7
Gains on sales of Japanese government bonds and other bonds	0.1	0.0
Gains on sales of domestic stocks and other securities	-	1.7
Gains on sales of foreign securities	41.6	10.0
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	-
Other investment income	0.0	0.2
Total	678.3	640.9

(4) Investment Expenses

(Billions of yen)

Six months ended September 30	2016	2017
Interest expenses	0.8	0.9
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	71.0	18.3
Losses on sales of Japanese government bonds and other bonds	0.1	-
Losses on sales of domestic stocks and other securities	-	0.1
Losses on sales of foreign securities	70.9	18.0
Other losses on sales of securities	-	0.0
Losses on valuation of securities	20.4	-
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	20.4	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	2.9	3.0
Losses on derivative financial instruments	7.4	10.7
Losses on foreign exchanges	1.6	0.2
Provision for reserve for possible loan losses	-	0.0
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	0.7	1.0
Total	105.2	34.3

(5) Net Valuation Gain/Loss of Trading Securities

The Company does not hold securities for trading.

(6) Fair Value Information of Securities (with Fair Value, Other Than Trading Securities)

(Billions of yen)

As of	March 31, 2017					September 30, 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	40,441.8	46,518.6	6,076.8	6,149.9	73.1	39,593.7	45,544.4	5,950.6	6,029.7	79.0
Policy-reserve-matching bonds	12,517.3	13,697.4	1,180.0	1,204.4	24.3	11,387.0	12,490.2	1,103.1	1,124.6	21.5
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	12,522.6	12,966.2	443.6	657.8	214.1	13,287.3	13,949.3	661.9	799.6	137.7
Corporate and government bonds	4,758.4	4,796.8	38.4	71.6	33.2	4,690.8	4,725.2	34.4	61.8	27.4
Domestic stocks	1,302.3	1,626.0	323.6	342.4	18.7	1,483.1	1,882.7	399.5	423.2	23.6
Foreign securities	4,658.6	4,748.6	90.0	237.2	147.2	5,004.6	5,218.6	214.0	299.4	85.4
Foreign corporate and government bonds	4,219.6	4,248.7	29.1	175.0	145.8	4,309.5	4,429.2	119.6	204.4	84.7
Foreign stocks and other securities	439.0	499.9	60.9	62.2	1.3	695.0	789.4	94.3	95.0	0.6
Other securities	1,428.0	1,417.1	(10.8)	4.0	14.9	1,704.2	1,715.8	11.6	12.8	1.2
Monetary claims bought	25.1	27.5	2.4	2.4	-	74.5	76.7	2.2	2.2	-
Negotiable certificates of deposit	350.0	350.0	-	-	-	330.0	330.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	65,481.8	73,182.3	7,700.5	8,012.2	311.6	64,268.2	71,984.0	7,715.7	7,954.0	238.2
Corporate and government bonds	57,619.7	64,911.8	7,292.1	7,422.8	130.7	55,573.6	62,659.3	7,085.6	7,213.6	128.0
Domestic stocks	1,302.3	1,626.0	323.6	342.4	18.7	1,483.1	1,882.7	399.5	423.2	23.6
Foreign securities	4,756.6	4,849.8	93.1	240.4	147.2	5,102.6	5,319.2	216.6	302.0	85.4
Foreign corporate and government bonds	4,317.6	4,349.8	32.2	178.1	145.8	4,407.5	4,529.8	122.2	207.0	84.7
Foreign stocks and other securities	439.0	499.9	60.9	62.2	1.3	695.0	789.4	94.3	95.0	0.6
Other securities	1,428.0	1,417.1	(10.8)	4.0	14.9	1,704.2	1,715.8	11.6	12.8	1.2
Monetary claims bought	25.1	27.5	2.4	2.4	-	74.5	76.7	2.2	2.2	-
Negotiable certificates of deposit	350.0	350.0	-	-	-	330.0	330.0	-	-	-
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 ¥1,972.6 billion with net unrealized gains of ¥484.9 billion as of September 30, 2017 and ¥1,686.1 billion with net unrealized gains of ¥380.7 billion as of March 31, 2017.

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

(Billions of yen)

As of	March 31, 2017	September 30, 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	11.7
Unlisted domestic stocks (excluding OTC-traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC-traded equities)	-	-
Unlisted foreign bonds	-	-
Other	-	7.5
Total	5.2	12.7

Note: This table includes money held in trust other than trading securities (¥7.5 billion as of September 30, 2017).

(7) Fair Value of Money Held in Trust

(Billions of yen)

As of	March 31, 2017					September 30, 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	2,127.0	2,127.0	-	-	-	2,538.6	2,538.6	-	-	-

- Money held in trust for trading purposes

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

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

(Billions of yen)

As of	March 31, 2017					September 30, 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	1,746.3	2,127.0	380.7	400.4	19.7	2,053.6	2,538.6	484.9	508.2	23.2

Note: Fair value information of money held in trust does not include other money held in trust for which the fair value is deemed extremely difficult to determine (¥7.7 billion as of September 30, 2017).

4. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2017	As of September 30, 2017
		Amount	Amount
ASSETS:			
Cash and deposits		1,360,137	718,495
Call loans		150,000	120,000
Receivables under securities borrowing transactions		3,520,722	3,430,969
Monetary claims bought		27,561	76,778
Money held in trust		2,127,042	2,546,427
Securities		63,486,273	62,070,960
[Japanese government bonds]		[42,732,364]	[40,979,439]
[Japanese local government bonds]		[9,226,804]	[8,995,272]
[Japanese corporate bonds]		[5,698,945]	[5,633,352]
[Stocks]		[59,305]	[114,425]
[Foreign securities]		[4,351,731]	[4,632,590]
Loans		8,060,902	8,040,303
Policy loans		118,141	127,275
Industrial and commercial loans		873,720	890,415
Loans to the Management Organization		7,069,040	7,022,612
Tangible fixed assets		136,928	130,024
Intangible fixed assets		189,809	176,114
Agency accounts receivable		50,888	33,522
Reinsurance receivables		2,293	2,669
Other assets		372,248	447,407
Deferred tax assets		852,263	847,898
Reserve for possible loan losses		(658)	(661)
Total assets		80,336,414	78,640,910
LIABILITIES:			
Policy reserves and others		72,525,176	71,234,936
Reserve for outstanding claims		577,376	553,592
Policy reserves		70,175,234	68,991,123
Reserve for policyholder dividends		1,772,565	1,690,220
Reinsurance payables		4,774	5,352
Other liabilities		5,101,380	4,492,415
Payables under securities lending transactions		4,889,066	4,212,646
Income taxes payable		68,075	71,198
Lease obligations		2,153	2,267
Asset retirement obligation		15	15
Other liabilities		142,070	206,287
Reserve for employees' retirement benefits		67,040	68,809
Reserve for management board benefit trust		76	121
Reserve for price fluctuations		788,712	817,538
Total liabilities		78,487,161	76,619,174
NET ASSETS:			
Capital stock		500,000	500,000
Capital surplus		500,044	500,044
Legal capital surplus		405,044	405,044
Other capital surplus		95,000	95,000
Retained earnings		527,775	542,977
Legal retained earnings		32,209	39,409
Other retained earnings		495,565	503,567
Retained earnings brought forward		495,565	503,567
Treasury stock		(521)	(478)
Total shareholders' equity		1,527,298	1,542,543
Net unrealized gains (losses) on available-for-sale securities		321,904	479,152
Net deferred gains (losses) on hedges		50	40
Total valuation and translation adjustments		321,954	479,193
Total net assets		1,849,253	2,021,736
Total liabilities and net assets		80,336,414	78,640,910

5. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Term	Six months ended September 30, 2016	Six months ended September 30, 2017
		Amount	Amount
ORDINARY INCOME		4,333,876	4,054,858
Insurance premiums and others		2,812,554	2,203,556
[Insurance premiums]		[2,809,199]	[2,198,403]
Investment income		678,347	640,960
[Interest and dividend income]		[614,361]	[587,982]
[Gains on money held in trust]		[22,159]	[41,003]
[Gains on sales of securities]		[41,795]	[11,762]
Other ordinary income		842,974	1,210,341
[Reversal of reserve for outstanding claims]		[34,991]	[23,784]
[Reversal of policy reserves]		[805,208]	[1,184,110]
ORDINARY EXPENSES		4,226,165	3,886,184
Insurance claims and others		3,793,188	3,525,753
[Insurance claims]		[3,283,314]	[2,962,728]
[Annuity payments]		[181,367]	[192,882]
[Benefits]		[27,133]	[31,118]
[Surrender benefits]		[203,068]	[237,706]
[Other refunds]		[91,098]	[91,536]
Provision for policy reserves and others		17	3
Provision for interest on policyholder dividends		17	3
Investment expenses		105,232	34,315
[Interest expenses]		[876]	[903]
[Losses on sales of securities]		[71,061]	[18,308]
[Losses on valuation of securities]		[20,484]	[-]
[Losses on derivative financial instruments]		[7,432]	[10,757]
Operating expenses		277,970	265,823
Other ordinary expenses		49,757	60,288
ORDINARY PROFIT		107,711	168,674
EXTRAORDINARY GAINS		29,627	986
Gains on sales of fixed assets		-	986
Reversal of reserve for price fluctuations		29,627	-
EXTRAORDINARY LOSSES		51	28,980
Losses on sales and disposal of fixed assets		51	155
Provision for reserve for price fluctuations		-	28,825
Provision for reserve for policyholder dividends		77,989	68,815
Income before income taxes		59,296	71,864
Income taxes - Current		64,740	77,324
Income taxes - Deferred		(48,048)	(56,662)
Total income taxes		16,692	20,661
Net income		42,604	51,202

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

Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
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 period							
Cash dividends					6,720	(40,320)	(33,600)
Net income						42,604	42,604
Purchases of treasury stock							
Disposals of treasury stock							
Net changes in items other than shareholders' equity in the period							
Net changes in the period	-	-	-	-	6,720	2,284	9,004
Balance at the end of the period	500,000	405,044	95,000	500,044	32,209	449,649	481,859

	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 period						
Cash dividends		(33,600)				(33,600)
Net income		42,604				42,604
Purchases of treasury stock	(538)	(538)				(538)
Disposals of treasury stock	11	11				11
Net changes in items other than shareholders' equity in the period			(108,526)	(30)	(108,557)	(108,557)
Net changes in the period	(526)	8,477	(108,526)	(30)	(108,557)	(100,079)
Balance at the end of the period	(526)	1,481,376	296,885	110	296,995	1,778,372

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(Millions of yen)

	Shareholders' equity						
	Capital stock	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	32,209	495,565	527,775
Changes in the period							
Cash dividends					7,200	(43,200)	(36,000)
Net income						51,202	51,202
Purchases of treasury stock							
Disposals of treasury stock							
Net changes in items other than shareholders' equity in the period							
Net changes in the period	-	-	-	-	7,200	8,002	15,202
Balance at the end of the period	500,000	405,044	95,000	500,044	39,409	503,567	542,977

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	(521)	1,527,298	321,904	50	321,954	1,849,253
Changes in the period						
Cash dividends		(36,000)				(36,000)
Net income		51,202				51,202
Purchases of treasury stock	-	-				-
Disposals of treasury stock	42	42				42
Net changes in items other than shareholders' equity in the period			157,248	(9)	157,238	157,238
Net changes in the period	42	15,244	157,248	(9)	157,238	172,483
Balance at the end of the period	(478)	1,542,543	479,152	40	479,193	2,021,736

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 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 first half of the fiscal year, of which average market prices during the final month of the first half 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 six months ended September 30, 2017 was ¥24 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 in the amount considered to have incurred at the end of the six months ended September 30, 2017 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.

Provision for reserve for price fluctuations for the six months ended September 30, 2017 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.

(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 end date of the first half of the fiscal year.

(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 six months ended September 30, 2017 was ¥90,943 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. 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 SIX MONTHS ENDED SEPTEMBER 30, 2017 (Notes to the Unaudited Consolidated Balance Sheet).

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

- (1) The balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥11,387,053 million and ¥12,490,231 million, respectively.

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

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

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

4. Securities lent under lending agreements in the amount of ¥4,138,081 million were included in “Securities” in the balance sheets as of September 30, 2017.

5. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of September 30, 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.

6. The balance of the unused credit under loan commitment line agreements as of September 30, 2017 was ¥828 million.

7. With regard to the ¥415,819 million in principal and ¥69,424 million in interest of loans to the Management Organization which became due at the end of the six months ended September 30, 2017, the due date has been moved to Monday, October 2, 2017, the following business day, pursuant to internal rules, as the end of the six months ended September 30, 2017 fell on a bank holiday. Of this amount the ¥1,808 million which had been received in advance has been reported as suspense receipt, as its due date has not arrived.

8. Accumulated depreciation for tangible fixed assets as of September 30, 2017 was ¥68,374 million.

9. Changes in reserve for policyholder dividends for the six months ended September 30, 2017 were as follows:

a. Balance at the beginning of the fiscal year	¥1,772,565 million
b. Policyholder dividends paid during the six months ended September 30, 2017	¥151,012 million
c. Interest accrual	¥3 million
d. Reduction due to the acquisition of additional annuity	¥150 million
e. Provision for reserve for policyholder dividends	¥68,815 million
f. Balance at the end of the six months ended September 30, 2017	¥1,690,220 million

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

11. Assets pledged as collateral consisted of the following:

Securities ¥3,603,865 million

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

Payables under securities lending transactions ¥4,212,646 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 ¥43,449 million

12. 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 September 30, 2017 was ¥401 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 September 30, 2017 was ¥870 million.

13. 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 ¥3,407,255 million as of September 30, 2017.

14. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥31,569 million as of September 30, 2017 pursuant to Article 259 of the Insurance Business Act.

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

15. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥39,839,061 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 ¥1,751,425 million and ¥656,535 million, respectively, for the category of the reinsurance.

16. "Other liabilities" in the balance sheet includes ¥47,613 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 Non-Consolidated Statement of Income)

1. Gains on sales of securities comprise domestic bonds of ¥1 million, domestic stocks of ¥1,735 million and foreign securities of ¥10,025 million.
2. Losses on sales of securities comprise domestic stocks of ¥148 million, foreign securities of ¥18,069 million and other securities of ¥90 million.
3. Gains on money held in trust include losses on valuation of ¥733 million.
4. Losses on derivative financial instruments include losses on valuation of ¥45,610 million.
5. 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 six months ended September 30, 2017 was ¥2 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the six months ended September 30, 2017 was ¥102 million.
6. Net income per share for the six months ended September 30, 2017 was ¥85.37.
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the financial statements for the six months ended September 30, 2017, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.
Average number of treasury stock during the period which were deducted from the calculation of net income per share for the six months ended September 30, 2017 was 213,509 shares.
7. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the six months ended September 30, 2017 were ¥400,111 million.
8. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the six months ended September 30, 2017 were ¥2,922,185 million.
9. 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 ¥52,617 million for the six months ended September 30, 2017.

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

Type and Number of Treasury Stock

	April 1, 2017	Increase	Decrease	(Thousands of shares) September 30, 2017
Treasury stock				
Common stock	221	-	18	203

(*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2018 and the end of the six months ended September 30, 2017 were shares of the Company held in the BBT, and were 221,000 shares and 203,000 shares, respectively.

(*2) The decrease of 18,000 shares in the number of treasury stock was attributable to the granting of shares via the BBT.

7. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Six months ended September 30		2016	2017
Core profit	A	194,418	194,417
Capital gains		63,955	52,765
Gains on money held in trust		22,159	41,003
Gains on trading securities		-	-
Gains on sales of securities		41,795	11,762
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		120,737	55,208
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		71,061	18,308
Losses on valuation of securities		20,484	-
Losses on derivative financial instruments		7,432	10,757
Losses on foreign exchanges		1,678	212
Other capital losses		20,080	25,929
Net capital gains (losses)	B	(56,782)	(2,442)
Core profit including net capital gains (losses)	A+B	137,636	191,974
Other one-time gains		60,602	67,642
Reinsurance income		-	-
Reversal of contingency reserve		60,602	67,642
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		90,527	90,943
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		90,527	90,943
Other one-time profits (losses)	C	(29,925)	(23,300)
Ordinary profit	A+B+C	107,711	168,674

- Notes: 1. Amount equivalent to income gains associated with money held in trust (¥20,046 million for the six months ended September 30, 2016 and ¥25,929 million for the six months ended September 30, 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 the six months ended September 30, 2016) 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 (¥90,527 million for the six months ended September 30, 2016 and ¥90,943 million for the six months ended September 30, 2017).

8. Loans by Borrower Category

(Millions of yen, %)

As of	March 31, 2017	September 30, 2017
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal (Percentage in total)	- (-)	- (-)
Normal loans	9,070,318	9,131,031
Total	9,070,318	9,131,031

- 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.

9. Status of Risk-Monitored Loans

Not applicable.

10. Solvency Margin Ratio

(Millions of yen)

As of		March 31, 2017	September 30, 2017
Total amount of solvency margin	(A)	5,420,173	5,630,926
Capital stock, etc.		1,491,298	1,535,018
Reserve for price fluctuations		788,712	817,538
Contingency reserve		2,254,027	2,186,384
General reserve for possible loan losses		59	61
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		399,297	595,749
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		103	2,407
Excess of continued Zillmerized reserve		486,674	493,478
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		-	288
Total amount of risk			
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	(B)	840,902	933,509
Insurance risk	R ₁	153,070	150,132
Underwriting risk of third-sector insurance	R ₈	69,104	65,007
Anticipated yield risk	R ₂	158,838	154,744
Minimum guarantee risk	R ₇	-	-
Investment risk	R ₃	631,173	730,993
Business management risk	R ₄	20,243	22,017
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,289.1%	1,206.3%

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.

11. Separate Account for the Six Months Ended September 30, 2017

Not applicable.

12. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Six months ended September 30	2016	2017
Ordinary income	4,333,877	4,054,859
Ordinary profit	107,866	168,869
Net income attributable to Japan Post Insurance	42,526	51,273
Comprehensive income (loss)	(66,257)	208,292

As of	March 31, 2017	September 30, 2017
Total assets	80,336,760	78,639,357
Consolidated solvency margin ratio	1,290.6%	1,207.7%

(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	Term	As of March 31, 2017	As of September 30, 2017
		Amount	Amount
ASSETS:			
Cash and deposits		1,366,086	722,532
Call loans		150,000	120,000
Receivables under securities borrowing transactions		3,520,722	3,430,969
Monetary claims bought		27,561	76,778
Money held in trust		2,127,042	2,546,427
Securities		63,485,289	62,069,976
Loans		8,060,902	8,040,303
Tangible fixed assets		137,262	130,370
Intangible fixed assets		185,520	171,803
Agency accounts receivable		50,888	33,522
Reinsurance receivables		2,293	2,669
Other assets		371,905	447,052
Deferred tax assets		851,942	847,611
Reserve for possible loan losses		(658)	(661)
Total assets		80,336,760	78,639,357
LIABILITIES:			
Policy reserves and others		72,525,176	71,234,936
Reserve for outstanding claims		577,376	553,592
Policy reserves		70,175,234	68,991,123
Reserve for policyholder dividends		1,772,565	1,690,220
Reinsurance payables		4,774	5,352
Payables under securities lending transactions		4,889,066	4,212,646
Other liabilities		213,565	278,915
Liability for retirement benefits		62,184	64,307
Reserve for management board benefit trust		76	121
Reserve for price fluctuations		788,712	817,538
Total liabilities		78,483,557	76,613,819
NET ASSETS:			
Capital stock		500,000	500,000
Capital surplus		500,044	500,044
Retained earnings		527,358	542,632
Treasury stock		(521)	(478)
Total shareholders' equity		1,526,882	1,542,198
Net unrealized gains (losses) on available-for-sale securities		321,904	479,152
Net deferred gains (losses) on hedges		50	40
Accumulated adjustments for retirement benefits		4,366	4,147
Total accumulated other comprehensive income		326,321	483,340
Total net assets		1,853,203	2,025,538
Total liabilities and net assets		80,336,760	78,639,357

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

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Term Items	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount	Amount
ORDINARY INCOME	4,333,877	4,054,859
Insurance premiums and others	2,812,554	2,203,556
Investment income	678,347	640,960
[Interest and dividend income]	[614,361]	[587,982]
[Gains on money held in trust]	[22,159]	[41,003]
[Gains on sales of securities]	[41,795]	[11,762]
Other ordinary income	842,975	1,210,342
[Reversal of reserve for outstanding claims]	[34,991]	[23,784]
[Reversal of policy reserves]	[805,208]	[1,184,110]
ORDINARY EXPENSES	4,226,011	3,885,989
Insurance claims and others	3,793,188	3,525,753
[Insurance claims]	[3,283,314]	[2,962,728]
[Annuity payments]	[181,367]	[192,882]
[Benefits]	[27,133]	[31,118]
[Surrender benefits]	[203,068]	[237,706]
Provision for policy reserves and others	17	3
Provision for interest on policyholder dividends	17	3
Investment expenses	105,232	34,315
[Interest expenses]	[876]	[903]
[Losses on sales of securities]	[71,061]	[18,308]
[Losses on valuation of securities]	[20,484]	[-]
[Losses on derivative financial instruments]	[7,432]	[10,757]
Operating expenses	278,049	266,092
Other ordinary expenses	49,523	59,824
ORDINARY PROFIT	107,866	168,869
EXTRAORDINARY GAINS	29,627	986
Gains on sales of fixed assets	-	986
Reversal of reserve for price fluctuations	29,627	-
EXTRAORDINARY LOSSES	51	28,980
Losses on sales and disposal of fixed assets	51	155
Provision for reserve for price fluctuations	-	28,825
Provision for reserve for policyholder dividends	77,989	68,815
Income before income taxes	59,451	72,059
Income taxes - Current	64,850	77,398
Income taxes - Deferred	(47,925)	(56,611)
Total income taxes	16,925	20,786
Net income	42,526	51,273
Net income attributable to non-controlling interests	-	-
Net income attributable to Japan Post Insurance	42,526	51,273

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Term	Six months ended September 30, 2016	Six months ended September 30, 2017
		Amount	Amount
Net income		42,526	51,273
Other comprehensive income (loss)		(108,783)	157,019
Net unrealized gains (losses) on available-for-sale securities		(108,526)	157,248
Net deferred gains (losses) on hedges		(30)	(9)
Adjustments for retirement benefits		(226)	(219)
Total comprehensive income (loss)		(66,257)	208,292
Comprehensive income (loss) attributable to Japan Post Insurance		(66,257)	208,292
Comprehensive income (loss) attributable to non-controlling interests		-	-

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of yen)

Items	Term	Six months ended September 30, 2016	Six months ended September 30, 2017
		Amount	Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes		59,451	72,059
Depreciation and amortization		18,698	31,910
Net change in reserve for outstanding claims		(34,991)	(23,784)
Net change in policy reserves		(805,208)	(1,184,110)
Provision for interest on policyholder dividends		17	3
Provision for reserve for policyholder dividends		77,989	68,815
Net change in reserve for possible loan losses		(65)	2
Net change in liability for retirement benefits		2,046	2,122
Net change in reserve for management board benefit trust		82	44
Net change in reserve for price fluctuations		(29,627)	28,825
Interest and dividend income (accrual basis)		(614,361)	(587,982)
Net (gains) losses on securities		52,709	9,633
Interest expenses (accrual basis)		876	903
Net (gains) losses on foreign exchanges		1,678	212
Net (gains) losses on tangible fixed assets		29	(834)
Net change in agency accounts receivable		26,627	17,366
Net change in reinsurance receivables		(395)	(375)
Net change in other assets (excluding those related to investing activities and financing activities)		156,140	46,367
Net change in reinsurance payables		598	578
Net change in other liabilities (excluding those related to investing activities and financing activities)		(6,123)	(11,857)
Other, net		(15,154)	(30,120)
Subtotal		(1,108,980)	(1,560,216)
Interest and dividend received (cash basis)		663,157	567,247
Interest paid (cash basis)		(909)	(1,019)
Policyholder dividends paid		(159,871)	(151,012)
Income taxes paid		(75,531)	(68,766)
Net cash used in operating activities		(682,134)	(1,213,769)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of call loans		(14,005,000)	(4,090,000)
Proceeds from redemption of call loans		14,010,000	4,120,000
Net change in receivables under securities borrowing transactions		(45,425)	89,752
Purchases of monetary claims bought		(1,516,999)	(49,999)
Proceeds from sale and redemption of monetary claims bought		1,760,054	648
Purchases of money held in trust		(150,000)	(277,800)
Purchases of securities		(4,549,731)	(2,530,861)
Proceeds from sale and redemption of securities		4,115,487	4,082,005
Payments for loans		(575,719)	(445,116)
Proceeds from collection of loans		982,152	465,703
Net change in payables under securities lending transactions		33,352	(676,419)
Other, net		175,490	(68,410)
Total of net cash provided by investment transactions		233,661	619,501
Total of net cash provided by operating activities and investment transactions		(448,472)	(594,267)
Purchases of tangible fixed assets		(1,150)	(1,746)
Purchases of intangible fixed assets		(26,478)	(13,142)
Other, net		(39)	1,888
Net cash provided by investing activities		205,993	606,501
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease obligations		(247)	(313)
Purchases of treasury stock		(538)	-
Dividends paid		(33,549)	(35,972)
Net cash used in financing activities		(34,335)	(36,285)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		(510,476)	(643,553)
Cash and cash equivalents at the beginning of the fiscal year		1,862,636	1,366,086
Cash and cash equivalents at the end of the period		1,352,159	722,532

(6) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	500,000	500,044	472,362	-	1,472,406
Changes in the period					
Cash dividends			(33,600)		(33,600)
Net income attributable to Japan Post Insurance			42,526		42,526
Purchases of treasury stock				(538)	(538)
Disposals of treasury stock				11	11
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	-	8,926	(526)	8,399
Balance at the end of the period	500,000	500,044	481,288	(526)	1,480,806

	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 period					
Cash dividends					(33,600)
Net income attributable to Japan Post Insurance					42,526
Purchases of treasury stock					(538)
Disposals of treasury stock					11
Net changes in items other than shareholders' equity in the period	(108,526)	(30)	(226)	(108,783)	(108,783)
Net changes in the period	(108,526)	(30)	(226)	(108,783)	(100,383)
Balance at the end of the period	296,885	110	4,795	301,791	1,782,598

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	500,000	500,044	527,358	(521)	1,526,882
Changes in the period					
Cash dividends			(36,000)		(36,000)
Net income attributable to Japan Post Insurance			51,273		51,273
Purchases of treasury stock				-	-
Disposals of treasury stock				42	42
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	-	15,273	42	15,315
Balance at the end of the period	500,000	500,044	542,632	(478)	1,542,198

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
Balance at the beginning of the fiscal year	321,904	50	4,366	326,321	1,853,203
Changes in the period					
Cash dividends					(36,000)
Net income attributable to Japan Post Insurance					51,273
Purchases of treasury stock					-
Disposals of treasury stock					42
Net changes in items other than shareholders' equity in the period	157,248	(9)	(219)	157,019	157,019
Net changes in the period	157,248	(9)	(219)	157,019	172,335
Balance at the end of the period	479,152	40	4,147	483,340	2,025,538

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 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. Scope of Application of the Equity Method
Not applicable.
3. End Date of the First Half of the Fiscal Year of Consolidated Subsidiary
The consolidated subsidiary has the same end date of the first half of the fiscal year 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 first half of the fiscal year, of which average market prices during the final month of the first half 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 six months ended September 30, 2017 was ¥24 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.

Provision for reserve for price fluctuations for the six months ended September 30, 2017 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.

(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 end of the first half of the fiscal year.

(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 six months ended September 30, 2017 was ¥90,943 million.

(10) Consumption Taxes

All figures are net of consumption taxes.

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

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

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

(1) Outline of the Transaction

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

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

(2) Shares of the Company Held by Trust

Shares of the Company held by Trust are recorded as treasury stock under the category of net assets at book value in the Trust (excluding accompanying expenses). Book value of such treasury stock at the end of the six months ended September 30, 2017 was ¥478 million, while the number of such treasury stock was 203,000 shares.

3. Financial Instruments

(1) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of September 30, 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	722,532	722,532	-
Available-for-sale securities (negotiable certificates of deposit)	330,000	330,000	-
2) Call loans	120,000	120,000	-
3) Receivables under securities borrowing transactions	3,430,969	3,430,969	-
4) Monetary claims bought	76,778	76,778	-
Available-for-sale securities	76,778	76,778	-
5) Money held in trust (*1)	2,538,631	2,538,631	-
6) Securities	62,065,736	69,119,588	7,053,851
Held-to-maturity bonds	39,593,784	45,544,458	5,950,673
Policy-reserve-matching bonds	11,387,053	12,490,231	1,103,177
Available-for-sale securities	11,084,898	11,084,898	-
7) Loans	8,040,242	8,690,816	650,573
Policy loans	127,275	127,275	-
Industrial and commercial loans (*2)	890,415	957,411	67,056
Loans to the Management Organization (*2)	7,022,612	7,606,130	583,517
Reserve for possible loan losses (*3)	(60)	-	-
Total assets	76,994,892	84,699,318	7,704,425
Payables under securities lending transactions	4,212,646	4,212,646	-
Total liabilities	4,212,646	4,212,646	-
Derivative transactions (*4)			
Hedge accounting not applied	3	3	-
Hedge accounting applied	(45,555)	(45,555)	-
Total derivative transactions	(45,551)	(45,551)	-

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

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

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

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

Note 1: Calculation methods for fair values of financial instruments

Assets

1) Cash and deposits

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

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

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

4) Monetary claims bought

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

5) Money held in trust

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

Money held in trust is provided in “(3) 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 “(2) 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

Derivative transactions to which the hedge accounting is applied are as follows:

(i) Currency-related derivatives (foreign currency exchange contracts)

Fair value is calculated using forward exchange rate at the end of the first half of the consolidated fiscal year.

(ii) Interest rate-related derivatives (interest rate swap)

Fair value is calculated using discounted present value.

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.

Derivative transactions to which hedge accounting is not applied are described in “(4) Derivative Transactions.”

Note 2: Financial instruments for which the fair values are deemed extremely difficult to determine
(Millions of yen)

	Consolidated balance sheet amount
Money held in trust (*1)	7,795
Securities	4,239
Unlisted stocks (*2)	4,239
Total	12,035

(*1) Trust asset components such as a private-placement real estate investment trust (private REIT), for which the fair values are deemed extremely difficult to determine, are not included in 5) Money held in trust.

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

(2) Securities

1) Held-to-maturity Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	37,762,591	43,789,716	6,027,125
Japanese government bonds	28,523,322	34,031,449	5,508,126
Japanese local government bonds	7,083,846	7,463,175	379,328
Japanese corporate bonds	2,155,422	2,295,092	139,670
Foreign securities	98,000	100,589	2,589
Foreign bonds	98,000	100,589	2,589
Subtotal	37,860,591	43,890,306	6,029,714
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	1,733,193	1,654,152	(79,040)
Japanese government bonds	1,356,736	1,290,120	(66,616)
Japanese local government bonds	196,778	190,874	(5,904)
Japanese corporate bonds	179,677	173,157	(6,520)
Foreign securities	-	-	-
Foreign bonds	-	-	-
Subtotal	1,733,193	1,654,152	(79,040)
Total	39,593,784	45,544,458	5,950,673

2) Policy-reserve-matching Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	10,629,256	11,753,956	1,124,699
Japanese government bonds	9,998,092	11,087,486	1,089,394
Japanese local government bonds	498,801	525,520	26,719
Japanese corporate bonds	132,363	140,949	8,585
Subtotal	10,629,256	11,753,956	1,124,699
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	757,796	736,275	(21,521)
Japanese government bonds	693,984	673,467	(20,516)
Japanese local government bonds	35,700	34,958	(742)
Japanese corporate bonds	28,111	27,848	(262)
Subtotal	757,796	736,275	(21,521)
Total	11,387,053	12,490,231	1,103,177

3) Available-for-sale Securities

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated balance sheet amount exceeds cost			
Bonds	2,892,425	2,830,576	61,848
Japanese government bonds	-	-	-
Japanese local government bonds	363,087	362,323	763
Japanese corporate bonds	2,529,337	2,468,253	61,084
Stocks	78,458	68,796	9,662
Foreign securities	2,453,663	2,248,875	204,788
Foreign bonds	2,388,350	2,183,906	204,444
Other foreign securities	65,312	64,969	343
Other (*)	1,440,952	1,425,806	15,145
Subtotal	6,865,500	6,574,056	291,444
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	1,832,801	1,860,241	(27,440)
Japanese government bonds	407,303	424,250	(16,946)
Japanese local government bonds	817,058	822,455	(5,397)
Japanese corporate bonds	608,439	613,535	(5,096)
Stocks	30,743	31,785	(1,041)
Foreign securities	2,080,927	2,165,673	(84,746)
Foreign bonds	2,040,927	2,125,673	(84,746)
Other foreign securities	40,000	40,000	-
Other (*)	681,704	682,938	(1,233)
Subtotal	4,626,175	4,740,638	(114,462)
Total	11,491,676	11,314,694	176,981

(*) “Other” includes negotiable certificates of deposit (cost: ¥330,000 million, consolidated balance sheet amount: ¥330,000 million) presented as “Cash and deposits” in the consolidated balance sheets, and monetary claims bought (cost: ¥74,501 million, consolidated balance sheet amount: ¥76,778 million).

(3) Money Held in Trust

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

(Millions of yen)

Consolidated balance sheet amount	Cost	Difference	Those for which the consolidated balance sheet amount exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
2,538,631	2,053,669	484,962	508,229	(23,267)

(*) The Group recognized losses on valuation of ¥733 million for the six months ended September 30, 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

(4) Derivative Transactions

Derivative transactions to which hedge accounting is not applied are as follows:

1) Currency-related derivatives

(Millions of yen)

Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net Valuation Gain/Loss
OTC	Forward foreign exchange Sold				
	U.S. dollars	68,550	-	(57)	(57)
	Euro	13,320	-	(48)	(48)
	Purchased				
	Canadian dollars	35,906	-	109	109
	Total	-	-	-	3

(*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate at the end of the first half of the consolidated fiscal year.

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

(1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥11,387,053 million and ¥12,490,231 million, respectively.

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

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

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

5. Securities lent under lending agreements in the amount of ¥4,138,081 million were included in "Securities" in the consolidated balance sheets as of September 30, 2017.

6. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of September 30, 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. The balance of the unused credit under loan commitment line agreements as of September 30, 2017 was ¥828 million.

8. With regard to the ¥415,819 million in principal and ¥69,424 million in interest of loans (to the Management Organization) which became due at the end of the six months ended September 30, 2017, the due date has been moved to Monday, October 2, 2017, the following business day, pursuant to internal rules, as the end of the six months ended September 30, 2017 fell on a bank holiday. Of this amount the ¥1,808 million which had been received in advance has been reported as other liabilities (suspense receipt), as its due date has not arrived.

9. Accumulated depreciation for tangible fixed assets as of September 30, 2017 was ¥68,481 million.

10. Changes in reserve for policyholder dividends for the six months ended September 30, 2017 were as follows:

a. Balance at the beginning of the fiscal year	¥1,772,565 million
b. Policyholder dividends paid during the six months ended September 30, 2017	¥151,012 million
c. Interest accrual	¥3 million
d. Reduction due to the acquisition of additional annuity	¥150 million
e. Provision for reserve for policyholder dividends	¥68,815 million
f. Balance at the end of the six months ended September 30, 2017	¥1,690,220 million

11. Assets pledged as collateral consisted of the following:

Securities ¥3,603,865 million

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

Payables under securities lending transactions ¥4,212,646 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 ¥43,449 million

12. 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 September 30, 2017 was ¥401 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 September 30, 2017 was ¥870 million.

13. Net assets per share were ¥3,377.04.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders’ equity in the consolidated financial statements for the six months ended September 30, 2017, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the period, for the purpose of calculating net assets per share.

Total number of treasury stock at the end of the period which were deducted from the calculation of net assets per share for the six months ended September 30, 2017 was 203,200 shares.

14. 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 ¥3,407,255 million as of September 30, 2017.

15. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥31,569 million as of September 30, 2017 pursuant to Article 259 of the Insurance Business Act.

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

16. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥39,839,061 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 ¥1,751,425 million and ¥656,535 million, respectively, for the category of the reinsurance.

17. "Other liabilities" in the consolidated balance sheet includes ¥47,613 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 six months ended September 30, 2017 was ¥2 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the six months ended September 30, 2017 was ¥102 million.

2. Net income per share for the six months ended September 30, 2017 was ¥85.49.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the consolidated financial statements for the six months ended September 30, 2017, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.

Average number of treasury stock during the period which were deducted from the calculation of net income per share for the six months ended September 30, 2017 was 213,509 shares.

3. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the six months ended September 30, 2017 were ¥400,111 million.

4. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the six months ended September 30, 2017 were ¥2,922,185 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 ¥52,617 million for the six months ended September 30, 2017.

(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 September 30, 2017 was as follows:

Cash and deposits	¥722,532 million
Cash and cash equivalents	¥722,532 million

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

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

	April 1, 2017	Increase	Decrease	September 30, 2017
Shares issued				
Common stock	600,000	-	-	600,000
Treasury stock				
Common stock	221	-	18	203

(*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2018 and the end of the six months ended September 30, 2017 were shares of the Company held in the BBT, and were 221,000 shares and 203,000 shares, respectively.

(*2) The decrease of 18,000 shares in the number of treasury stock was attributable to the granting of shares via the BBT.

2. Stock Acquisition Rights Including Those Owned by the Company

Not applicable.

3. Information on Dividends

Dividends Paid

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

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

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

(7) Consolidated Solvency Margin Ratio

(Millions of yen)

As of	March 31, 2017	September 30, 2017
Total amount of solvency margin (A)	5,425,821	5,636,341
Capital stock, etc.	1,490,882	1,534,673
Reserve for price fluctuations	788,712	817,538
Contingency reserve	2,254,027	2,186,384
Catastrophe loss reserve	-	-
General reserve for possible loan losses	59	61
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	595,749
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	2,407
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	6,064	5,760
Excess of continued Zillmerized reserve	486,674	493,478
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	-	288
Total amount of risk (B)	840,767	933,354
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$		
Insurance risk R ₁	153,070	150,132
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
Underwriting risk of third-sector insurance R ₈	69,104	65,007
Small amount and short-term insurance risk R ₉	-	-
Anticipated yield risk R ₂	158,838	154,744
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	631,036	730,836
Business management risk R ₄	20,240	22,014
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.6%	1,207.7%

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.

(8) Segment Information

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