

1. Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

MARCH 31, 2016, 2015 AND 2014

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
ASSETS:				
Cash and deposits (Notes 3 and 25)	¥ 1,862,636	¥ 2,213,786	¥ 1,670,837	\$ 16,530
Call loans (Note 25)	360,000	445,428	230,025	3,195
Receivables under securities borrowing transactions (Note 25)	3,008,591	2,720,856	2,822,188	26,700
Monetary claims bought (Note 25)	430,150	449,068	107,448	3,817
Money held in trust (Notes 4 and 25)	1,644,547	1,434,943	581,627	14,595
Securities (Notes 4, 5 and 25)	63,609,906	66,276,260	69,377,991	564,518
Loans (Notes 6 and 25)	8,978,437	9,977,345	11,020,585	79,681
Tangible fixed assets (Note 7):				
Land	68,262	68,350	40,726	606
Buildings	49,502	34,237	33,353	439
Leased assets	1,780	2,009	1,507	16
Construction in progress	6,176	9,759	1,648	55
Other tangible fixed assets	20,133	17,433	12,218	179
Total tangible fixed assets	145,855	131,790	89,453	1,294
Intangible fixed assets:				
Software	185,281	155,045	124,130	1,644
Leased assets	0	5	12	0
Other intangible fixed assets	18	16	18	0
Total intangible fixed assets	185,300	155,067	124,161	1,644
Agency accounts receivable	81,193	95,023	102,651	721
Reinsurance receivables	1,368	630	234	12
Other assets	525,835	468,700	374,099	4,667
Deferred tax assets (Note 15)	712,132	547,053	592,532	6,320
Reserve for possible loan losses	(772)	(943)	(1,036)	(7)
Total assets	¥ 81,545,182	¥ 84,915,012	¥ 87,092,800	\$ 723,688
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims (Note 8)	¥ 635,167	¥ 718,156	¥ 831,690	\$ 5,637
Policy reserves (Notes 8 and 13)	72,362,503	75,112,601	77,745,490	642,195
Reserve for policyholder dividends (Note 10)	1,936,494	2,074,919	2,222,759	17,186
Total policy reserves and others	74,934,165	77,905,677	80,799,941	665,017
Reinsurance payables	3,377	2,017	1,234	30
Payables under securities lending transactions (Notes 5 and 25)	3,648,478	3,658,492	3,703,176	32,379
Other liabilities (Notes 11 and 14)	233,106	602,573	377,568	2,069
Reserve for possible claim payments	–	–	1,881	–
Liability for retirement benefits (Note 12)	60,803	58,356	56,627	540
Reserve for price fluctuations (Note 13)	782,268	712,167	614,233	6,942
Total liabilities	¥ 79,662,200	¥ 82,939,284	¥ 85,554,663	\$ 706,977
NET ASSETS (Note 16):				
Capital stock	¥ 500,000	¥ 500,000	¥ 500,000	\$ 4,437
Capital surplus	500,044	500,044	500,044	4,438
Retained earnings	472,362	411,992	351,010	4,192
Total shareholders' equity	1,472,406	1,412,036	1,351,054	13,067
Net unrealized gains (losses) on available-for-sale securities	405,412	558,033	184,774	3,598
Net deferred gains (losses) on hedges	140	22	11	1
Accumulated adjustments for retirement benefits	5,022	5,635	2,296	45
Total accumulated other comprehensive income	410,575	563,691	187,082	3,644
Total net assets	1,882,982	1,975,727	1,538,136	16,711
Total liabilities and net assets	¥ 81,545,182	¥ 84,915,012	¥ 87,092,800	\$ 723,688

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
ORDINARY INCOME:				
Insurance premiums and others (Note 19)	¥ 5,413,862	¥ 5,956,716	¥ 5,911,643	\$ 48,046
Investment income:				
Interest and dividend income	1,308,679	1,365,796	1,458,190	11,614
Gains on money held in trust	44,939	32,762	9,736	399
Gains on sales of securities	1,241	61,908	71,074	11
Gains on redemption of securities	36	36	54	0
Gains on foreign exchanges	–	12	1,452	–
Reversal of reserve for possible loan losses	6	14	–	0
Other investment income	63	215	107	1
Total investment income	1,354,966	1,460,745	1,540,615	12,025
Other ordinary income:				
Reversal of reserve for outstanding claims (Note 18)	82,988	113,534	115,432	736
Reversal of policy reserves (Note 18)	2,750,098	2,632,889	3,656,490	24,406
Other ordinary income	3,827	5,354	9,931	34
Total other ordinary income	2,836,914	2,751,779	3,781,854	25,177
Total ordinary income	9,605,743	10,169,241	11,234,114	85,248
ORDINARY EXPENSES:				
Insurance claims and others:				
Insurance claims (Note 20)	7,577,151	8,253,973	9,511,326	67,245
Annuity payments	340,904	304,096	256,746	3,025
Benefits	49,192	41,538	33,941	437
Surrender benefits	378,862	291,290	220,263	3,362
Other refunds	193,610	162,462	135,968	1,718
Reinsurance premiums	10,754	6,188	2,631	95
Total insurance claims and other	8,550,474	9,059,549	10,160,877	75,883
Provision for interest on policyholder dividends	132	1,497	4,627	1
Investment expenses:				
Interest expenses	4,370	4,298	4,963	39
Losses on sales of securities	1,592	4,963	10,205	14
Losses on redemption of securities	664	44	62	6
Losses on derivative financial instruments	1,511	773	2,161	13
Losses on foreign exchanges	402	–	–	4
Provision for reserve for possible loan losses	–	–	8	–
Other investment expenses	1,209	915	721	11
Total investment expenses	9,749	10,994	18,122	87
Operating expenses (Note 17)	538,510	513,159	513,999	4,779
Other ordinary expenses	95,371	91,415	73,738	846
Total ordinary expenses	9,194,239	9,676,616	10,771,365	81,596
Ordinary profit	411,504	492,625	462,748	3,652

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
EXTRAORDINARY GAINS (Note 21)	341	—	—	3
EXTRAORDINARY LOSSES (Note 22)	71,847	99,366	100,030	638
Provision for reserve for policyholder dividends (Note 23)	178,004	200,722	242,146	1,580
Income before income taxes	161,994	192,536	120,571	1,438
Income taxes (Note 15):				
Current	174,316	208,365	200,724	1,547
Deferred	(97,219)	(97,152)	(142,955)	(863)
Total income taxes	77,096	111,213	57,769	684
Net income	¥ 84,897	¥ 81,323	¥ 62,802	\$ 753
Net income attributable to non-controlling interests	—	—	—	—
Net income attributable to Japan Post Insurance	84,897	81,323	62,802	753

	Yen			U.S. Dollars
	2016	2015	2014	2016
Per share of common stock (Note 30):				
Basic net income	¥ 141.50	¥ 135.54	¥ 104.67	\$ 1.26
Diluted net income	—	—	—	—

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
Net income				
Other comprehensive income (Note 24):	¥ 84,897	¥ 81,323	¥ 62,802	\$ 753
Net unrealized gains (losses) on available-for-sale securities	(152,621)	373,258	28,996	(1,354)
Net deferred gains (losses) on hedges	118	11	11	1
Adjustments for retirement benefits	(613)	3,339	–	(5)
Total other comprehensive income (loss)	(153,116)	376,609	29,007	(1,359)
Comprehensive income (loss)	¥ (68,218)	¥ 457,932	¥ 91,810	\$ (605)
Total comprehensive income (loss) attributable to:				
Japan Post Insurance	(68,218)	457,932	91,810	(605)
Non-controlling interests	–	–	–	–

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

	Millions of Yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, APRIL 1, 2013	¥ 500,000	¥ 500,044	¥ 310,958	¥ 1,311,002
Cumulative effects of changes in accounting policies				—
RESTATED BALANCE, APRIL 1, 2013	500,000	500,044	310,958	1,311,002
Changes in the fiscal year:				
Cash dividends			(22,750)	(22,750)
Net income attributable to Japan Post Insurance			62,802	62,802
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	40,052	40,052
BALANCE, MARCH 31, 2014	500,000	500,044	351,010	1,351,054
Cumulative effects of changes in accounting policies			(3,533)	(3,533)
RESTATED BALANCE, APRIL 1, 2014	500,000	500,044	347,477	1,347,521
Changes in the fiscal year:				
Cash dividends			(16,808)	(16,808)
Net income attributable to Japan Post Insurance			81,323	81,323
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	64,514	64,514
BALANCE, MARCH 31, 2015	500,000	500,044	411,992	1,412,036
Cumulative effects of changes in accounting policies				—
RESTATED BALANCE, APRIL 1, 2015	500,000	500,044	411,992	1,412,036
Changes in the fiscal year:				
Cash dividends			(24,527)	(24,527)
Net income attributable to Japan Post Insurance			84,897	84,897
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	60,370	60,370
BALANCE, MARCH 31, 2016	¥ 500,000	¥ 500,044	¥ 472,362	¥ 1,472,406

	Millions of Yen				
	Accumulated other comprehensive income				
	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	Total net assets
BALANCE, APRIL 1, 2013	¥ 155,778	¥ —	¥ —	¥ 155,778	¥ 1,466,780
Cumulative effects of changes in accounting policies					—
RESTATED BALANCE, APRIL 1, 2013	155,778	—	—	155,778	1,466,780
Changes in the fiscal year:					
Cash dividends					(22,750)
Net income attributable to Japan Post Insurance					62,802
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	28,996	11	2,296	31,303	31,303
BALANCE, MARCH 31, 2014	184,774	11	2,296	187,082	1,538,136
Cumulative effects of changes in accounting policies					(3,533)
RESTATED BALANCE, APRIL 1, 2014	184,774	11	2,296	187,082	1,534,603
Changes in the fiscal year:					
Cash dividends					(16,808)
Net income attributable to Japan Post Insurance					81,323
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	373,258	11	3,339	376,609	376,609
BALANCE, MARCH 31, 2015	558,033	22	5,635	563,691	1,975,727
Cumulative effects of changes in accounting policies					—
RESTATED BALANCE, APRIL 1, 2015	558,033	22	5,635	563,691	1,975,727
Changes in the fiscal year:					
Cash dividends					(24,527)
Net income attributable to Japan Post Insurance					84,897
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	(152,621)	118	(613)	(153,116)	(153,116)
BALANCE, MARCH 31, 2016	¥ 405,412	¥ 140	¥ 5,022	¥ 410,575	¥ 1,882,982

Millions of U.S. Dollars (Note 1)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, MARCH 31, 2015	\$ 4,437	\$ 4,438	\$ 3,656	\$ 12,531
Cumulative effects of changes in accounting policies				–
RESTATED BALANCE, APRIL 1, 2015	4,437	4,438	3,656	12,531
Changes in the fiscal year:				
Cash dividends			(218)	(218)
Net income attributable to Japan Post Insurance			753	753
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	–	–	536	536
BALANCE, MARCH 31, 2016	\$ 4,437	\$ 4,438	\$ 4,192	\$ 13,067

Millions of U.S. Dollars (Note 1)

Accumulated other comprehensive income

	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	Total net assets
BALANCE, MARCH 31, 2015	\$ 4,952	\$ 0	\$ 50	\$ 5,003	\$ 17,534
Cumulative effects of changes in accounting policies					–
RESTATED BALANCE, APRIL 1, 2015	4,952	0	50	5,003	17,534
Changes in the fiscal year:					
Cash dividends					(218)
Net income attributable to Japan Post Insurance					753
Net changes in items other than shareholders' equity in the fiscal year	(1,354)	1	(5)	(1,359)	(1,359)
Net changes in the fiscal year	(1,354)	1	(5)	(1,359)	(823)
BALANCE, MARCH 31, 2016	\$ 3,598	\$ 1	\$ 45	\$ 3,644	\$ 16,711

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Income before income taxes	¥ 161,994	¥ 192,536	¥ 120,571	\$ 1,438
Depreciation and amortization	36,700	35,224	34,074	326
Net change in reserve for outstanding claims	(82,988)	(113,534)	(115,432)	(736)
Net change in policy reserves	(2,750,098)	(2,632,889)	(3,656,490)	(24,406)
Provision for interest on policyholder dividends	132	1,497	4,627	1
Provision for reserve for policyholder dividends	178,004	200,722	242,146	1,580
Net change in reserve for possible loan losses	(170)	(92)	(59)	(2)
Net change in reserve for possible claim payments	–	(1,881)	(5,122)	–
Net change in reserve for directors' retirement benefits	–	–	(173)	–
Net change in liability for retirement benefits	2,446	(3,375)	(2,193)	22
Net change in reserve for price fluctuations	70,100	97,934	91,360	622
Interest and dividend income (accrual basis)	(1,308,679)	(1,365,796)	(1,458,190)	(11,614)
Net (gains) losses on securities	978	(56,937)	(60,861)	9
Interest expenses (accrual basis)	4,370	4,298	4,963	39
Net (gains) losses on foreign exchanges	402	(12)	(1,452)	4
Net (gains) losses on tangible fixed assets	999	1,310	280	9
Net change in agency accounts receivable	13,829	7,628	31,259	123
Net change in reinsurance receivables	(738)	(396)	(234)	(7)
Net change in other assets (excluding those related to investing activities and financing activities)	(42,294)	(86,519)	(26,487)	(375)
Net change in reinsurance payables	1,360	782	1,043	12
Net change in other liabilities (excluding those related to investing activities and financing activities)	(22,185)	(8,926)	(11,090)	(197)
Other, net	(44,128)	(28,995)	2,263	(392)
Subtotal	(3,779,964)	(3,757,421)	(4,805,197)	(33,546)
Interest and dividend received (cash basis)	1,376,599	1,438,805	1,653,556	12,217
Interest paid (cash basis)	(4,401)	(4,311)	(4,911)	(39)
Policyholder dividends paid	(316,246)	(349,687)	(420,523)	(2,807)
Other, net	32	–	–	0
Income taxes paid	(198,998)	(215,874)	(174,063)	(1,766)
Net cash used in operating activities	¥ (2,922,978)	¥ (2,888,489)	¥ (3,751,139)	\$ (25,941)

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of call loans	¥ (36,244,900)	¥ (33,053,228)	¥ (32,758,125)	\$ (321,662)
Proceeds from redemption of call loans	36,330,328	32,837,825	32,731,552	322,420
Net change in receivables under securities borrowing transactions	(287,734)	101,332	(490,901)	(2,554)
Purchases of monetary claims bought	(2,508,852)	(3,417,540)	(2,746,495)	(22,265)
Proceeds from sale and redemption of monetary claims bought	2,474,034	3,131,989	3,066,421	21,956
Purchases of money held in trust	(400,400)	(550,000)	(290,000)	(3,553)
Proceeds from sale of money held in trust	40,000	–	13,813	355
Purchases of securities	(4,264,540)	(3,849,529)	(6,587,951)	(37,846)
Proceeds from sale and redemption of securities	6,728,431	7,196,095	9,806,272	59,713
Payments for loans	(1,172,737)	(1,354,547)	(1,610,231)	(10,408)
Proceeds from collection of loans	2,171,621	2,397,748	3,273,164	19,272
Net change in payables under securities lending transactions	(10,013)	(44,684)	588,617	(89)
Other, net	(163,575)	144,115	(229,212)	(1,452)
Total of net cash provided by investment transactions	2,691,662	3,539,576	4,766,922	23,888
Total of net cash provided by (used in) operating activities and investment transactions	(231,316)	651,086	1,015,783	(2,053)
Purchases of tangible fixed assets	(31,889)	(28,399)	(6,052)	(283)
Purchases of intangible fixed assets	(62,952)	(56,722)	(39,808)	(559)
Other, net	86	(5,692)	(2,540)	1
Net cash provided by investing activities	2,596,907	3,448,761	4,718,522	23,047
CASH FLOWS FROM FINANCING ACTIVITIES:				
Repayment of lease obligations	(552)	(514)	(444)	(5)
Dividends paid	(24,527)	(16,808)	(22,750)	(218)
Net cash used in financing activities	(25,080)	(17,322)	(23,195)	(223)
Effect of exchange rate changes on cash and cash equivalents	–	–	–	–
Net change in cash and cash equivalents	(351,150)	542,949	944,187	(3,116)
Cash and cash equivalents at the beginning of the year	2,213,786	1,670,837	726,649	19,647
Cash and cash equivalents at the end of the year (Note 3)	¥ 1,862,636	¥ 2,213,786	¥ 1,670,837	\$ 16,530

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. (the "Company"), have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of consolidated financial statements, Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Intercompany balances and transactions have been eliminated.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements in order to present them in a form which is more familiar to readers outside Japan.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share information. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.68 to U.S. \$1, the approximate rate of exchange as of March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements for all periods presented include the accounts of the Company and a subsidiary, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (collectively, the "Group"). There are no non-consolidated subsidiaries and no affiliates.

2) Fiscal year-end date of the consolidated subsidiary

The fiscal year-end date of the consolidated subsidiary is the same as the consolidated balance sheet date.

(2) Securities

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

1) Held-to-maturity bonds

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

2) Policy-reserve-matching bonds

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

3) Available-for-sale securities

A) Available-for-sale securities, at fair value

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

B) Available-for-sale securities for which fair values are deemed extremely difficult to determine

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. 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.

(3) Derivative Transactions

All derivative transactions are valued at fair value.

(4) Hedge Accounting

1) Methods for hedge accounting

The Group applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standard Board of Japan ("ASBJ") Statement No. 10). Exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

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 pre-determined 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.

(5) Depreciation**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:

Buildings: 2-60 years

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

The Group mainly leases vehicles under finance lease arrangements that do not transfer the ownership of leased property to the lessee.

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.

(6) 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 amounts written off for loans and other assets during the years ended March 31, 2016, 2015 and 2014 were ¥211 million (\$2 million), ¥294 million and ¥138 million, respectively.

(7) 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 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 amounts of provision for policy reserves for the years ended March 31, 2016, 2015 and 2014 were ¥179,558 million (\$1,594 million), ¥176,491 million and ¥175,129 million, respectively.

The Management Organization was established in October 2007 for the purpose of supporting the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited by and Postal Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately and to fulfill the relevant liabilities without fail.

The Company has entered into reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management Organization.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from Japan Post Corporation, the Company has lent loans to the Management Organization under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(8) Reserve for Possible Claim Payments

Reserve for possible claim payments is provided for additional payments of possible claims based on historical experience as a result of further review of closed insurance claim cases in order to ensure that certain insurance claims that were available to the policyholders are paid.

(9) Retirement Benefits

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

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.

The consolidated subsidiary has adopted the principle method effective from March 31, 2016, while it had adopted the simplified method for the years ended March 31, 2015 and 2014 in calculating its liability for retirement benefits and retirement benefit costs.

(Additional information)

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥5,174 million was recognized for the year ended March 31, 2015.

(10) Reserve for Price Fluctuations

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

(11) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, while translation adjustments are treated as gains or losses.

(12) Consolidated Statement of Cash Flows

Cash and cash equivalents consists of "Cash and deposits" in the consolidated balance sheets.

(13) Consumption Taxes

All figures are net of consumption taxes.

(14) Consolidated Tax Payment System

The Group had adopted the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company. As the Company ceased to be a wholly-owned subsidiary of Japan Post Holdings Co., Ltd. due to the listing of the Company's stock on November 4, 2015, the Company has withdrawn from the said consolidated tax payment system.

(15) Changes in Accounting Policies

For the Year Ended March 31, 2016

Effective from the fiscal year ended March 31, 2016, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and others, and presentation of net income and others have been changed. To reflect the changes, consolidated financial statements for the previous fiscal year have been reclassified.

For the Year Ended March 31, 2015

Effective from the year ended March 31, 2015, with respect to the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the "Guidance

on Retirement Benefits"), the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and service cost and changed the method of attributing expected benefit to each fiscal year from the straight-line basis to the benefit formula basis. In addition, the method for determining the discount rate has been changed from the method using a discount rate based on the number of years that approximates the estimated average remaining service lives for employees, to the method using a single-weighted average discount rate that reflects the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

In accordance with the transitional application provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of changes of the calculation methods for retirement benefit obligations and service cost are recognized in retained earnings at the beginning of the year ended March 31, 2015.

As a result, liability for retirement benefits increased by ¥5,104 million and retained earnings decreased by ¥3,533 million at the beginning of the year ended March 31, 2015.

The effect of these changes on ordinary profit and income before income taxes for the year ended March 31, 2015 was immaterial.

In addition, the effects of this change on per share data are described in Note 30 "PER SHARE DATA."

For the Year Ended March 31, 2014

Effective from the end of the year ended March 31, 2014, the Company has adopted the Retirement Benefits Accounting Standard and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) excluding provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits, whereby the retirement benefit obligations, including unrecognized actuarial differences, are recorded as a liability for retirement benefits.

Since the Retirement Benefits Accounting Standard and Guidance on Accounting Standard for Retirement Benefits are being applied transitionally as provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of such changes are recognized as accumulated adjustments for retirement benefits in accumulated other comprehensive income.

As a result, liability for retirement benefits of ¥56,627 million was recognized at the end of the year ended March 31, 2014. In addition, accumulated other comprehensive income increased by ¥2,296 million.

The effects of this change on per share data is described in Note 30 "PER SHARE DATA."

(16) New Accounting Pronouncements

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016)

1) Outline

With respect to the treatment of the recoverability of deferred tax assets, necessary revision has been made to the following treatments while basically following the

framework of the JICPA Audit Committee Report No. 66 "Auditing Treatment Concerning Judgment of Recoverability of Deferred Tax Assets," in which companies are classified into five categories and the amounts of deferred tax assets are estimated according to such categories.

- (i) Treatment of a company that does not meet the requirements for any of the five categories (from Category 1 to Category 5)
- (ii) Requirements for Category 2 and Category 3
- (iii) Treatment for future deductible temporary differences that cannot be scheduled by companies that fall under Category 2
- (iv) Treatment for a reasonable estimable period with respect to taxable income before adjustments including future temporary differences at companies that fall under Category 3
- (v) Treatment of the cases in which companies meeting the requirements for Category 4 fall under Category 2 or Category 3

2) Scheduled Date of Adoption

Scheduled to be adopted from the beginning of the year ending March 31, 2017.

3) Impact of Adoption of the Accounting Standards, etc.

The Company is in the process of the assessment of the effect of the adoption on the Company's financial position and financial performance.

(17) Changes in Presentation

Consolidated Balance Sheets

"Payables under securities lending transactions," which was included in "Other liabilities" in the previous fiscal years, is presented separately from the current fiscal year due to an increase in materiality. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal years have been reclassified.

As a result, ¥4,261,065 million and ¥4,080,744 million presented as "Other liabilities" in the previously issued consolidated balance sheets as of March 31, 2015 and 2014, respectively, have been reclassified into "Payables under securities lending transactions" of ¥3,658,492 million and ¥3,703,176 million, and "Other liabilities" of ¥602,573 million and ¥377,568 million as of March 31, 2015 and 2014, respectively.

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2016, 2015 and 2014 and cash and deposits in the consolidated balance sheets as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Cash and deposits	¥ 1,862,636	¥ 2,213,786	¥ 1,670,837	\$ 16,530
Cash and cash equivalents at the end of the year	¥ 1,862,636	¥ 2,213,786	¥ 1,670,837	\$ 16,530

4. SECURITIES

(1) Securities

Securities as of March 31, 2016, 2015 and 2014 consisted of the following:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Japanese government bonds	¥ 44,178,631	¥ 48,086,445	¥ 52,522,914	\$ 392,072
Japanese local government bonds	9,405,494	9,555,857	9,173,780	83,471
Japanese corporate bonds	6,236,913	6,652,464	6,441,832	55,351
Foreign bonds	3,688,822	1,961,492	1,099,464	32,737
Other	100,044	20,000	140,000	888
Total	¥ 63,609,906	¥ 66,276,260	¥ 69,377,991	\$ 564,518

Securities lent under lending agreements in the amount of ¥2,980,599 million (\$26,452 million), ¥3,211,916 million and ¥3,380,035 million were included in "Securities" in the consolidated balance sheets as of March 31, 2016, 2015 and 2014, respectively.

The Group has the right to sell or pledge securities borrowed under borrowing agreements and accepted as collateral for exchange settlements and others. The fair value of such securities held in hand were ¥3,015,817 million (\$26,764 million), ¥2,701,601 million and ¥2,816,810 million as of March 31, 2016, 2015 and 2014, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Consolidated balance sheet amount	¥ 13,563,423	¥ 15,493,208	¥ 17,953,667	\$ 120,371
Fair value	15,062,160	16,668,447	19,052,820	133,672

The outline of the risk management policy of policy-reserve-matching bonds was 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.

- Postal Life Insurance Contracts
- Japan Post Insurance life insurance contracts (general)
- Japan Post Insurance life insurance contracts (lump sum payment annuity)

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds

1) Held-to-maturity bonds

(Millions of Yen)

		2016				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		¥ 42,141,821	¥ 49,650,527	¥ 7,508,705	¥ 7,508,706	¥ (0)
Japanese government bonds		31,240,749	38,024,234	6,783,484	6,783,484	–
Japanese local government bonds		8,043,748	8,573,719	529,971	529,971	(0)
Japanese corporate bonds		2,857,322	3,052,573	195,250	195,250	–
Foreign securities		98,000	102,387	4,387	4,387	–
Other		–	–	–	–	–
Total		¥ 42,239,821	¥ 49,752,914	¥ 7,513,092	¥ 7,513,093	¥ (0)

(Millions of Yen)

		2015				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		¥ 43,597,559	¥ 48,130,781	¥ 4,533,222	¥ 4,533,761	¥ (539)
Japanese government bonds		32,497,522	36,429,888	3,932,365	3,932,365	–
Japanese local government bonds		8,075,403	8,518,604	443,201	443,725	(523)
Japanese corporate bonds		3,024,633	3,182,288	157,655	157,670	(15)
Foreign securities		98,000	101,894	3,894	3,894	–
Other		–	–	–	–	–
Total		¥ 43,695,559	¥ 48,232,675	¥ 4,537,116	¥ 4,537,655	¥ (539)

(Millions of Yen)

		2014				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		¥ 45,159,324	¥ 48,325,308	¥ 3,165,984	¥ 3,170,326	¥ (4,342)
Japanese government bonds		34,573,221	37,224,568	2,651,347	2,654,574	(3,226)
Japanese local government bonds		7,649,137	8,025,714	376,576	377,476	(899)
Japanese corporate bonds		2,936,965	3,075,025	138,060	138,276	(216)
Foreign securities		98,000	101,781	3,781	3,781	–
Other		–	–	–	–	–
Total		¥ 45,257,324	¥ 48,427,090	¥ 3,169,765	¥ 3,174,107	¥ (4,342)

(Millions of U.S. Dollars)

		2016				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		\$ 373,996	\$ 440,633	\$ 66,637	\$ 66,637	\$ (0)
Japanese government bonds		277,252	337,453	60,201	60,201	–
Japanese local government bonds		71,386	76,089	4,703	4,703	(0)
Japanese corporate bonds		25,358	27,091	1,733	1,733	–
Foreign securities		870	909	39	39	–
Other		–	–	–	–	–
Total		\$ 374,865	\$ 441,542	\$ 66,676	\$ 66,676	\$ (0)

2) Policy-reserve-matching bonds

(Millions of Yen)

2016					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 13,563,423	¥ 15,062,160	¥ 1,498,737	¥ 1,498,737	¥ -
Japanese government bonds	12,913,582	14,367,701	1,454,119	1,454,119	-
Japanese local government bonds	517,065	551,080	34,015	34,015	-
Japanese corporate bonds	132,776	143,378	10,602	10,602	-
Foreign securities	-	-	-	-	-
Other	-	-	-	-	-
Total	¥ 13,563,423	¥ 15,062,160	¥ 1,498,737	¥ 1,498,737	¥ -

(Millions of Yen)

2015					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 15,493,208	¥ 16,668,447	¥ 1,175,238	¥ 1,175,453	¥ (214)
Japanese government bonds	14,660,267	15,804,449	1,144,181	1,144,212	(31)
Japanese local government bonds	699,889	724,154	24,264	24,444	(179)
Japanese corporate bonds	133,050	139,843	6,792	6,797	(4)
Foreign securities	-	-	-	-	-
Other	-	-	-	-	-
Total	¥ 15,493,208	¥ 16,668,447	¥ 1,175,238	¥ 1,175,453	¥ (214)

(Millions of Yen)

2014					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 17,953,667	¥ 19,052,820	¥ 1,099,152	¥ 1,100,453	¥ (1,300)
Japanese government bonds	17,016,812	18,093,716	1,076,904	1,077,940	(1,036)
Japanese local government bonds	752,737	770,927	18,189	18,431	(241)
Japanese corporate bonds	184,117	188,175	4,058	4,081	(23)
Foreign securities	-	-	-	-	-
Other	-	-	-	-	-
Total	¥ 17,953,667	¥ 19,052,820	¥ 1,099,152	¥ 1,100,453	¥ (1,300)

(Millions of U.S. Dollars)

2016					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 120,371	\$ 133,672	\$ 13,301	\$ 13,301	\$ -
Japanese government bonds	114,604	127,509	12,905	12,905	-
Japanese local government bonds	4,589	4,891	302	302	-
Japanese corporate bonds	1,178	1,272	94	94	-
Foreign securities	-	-	-	-	-
Other	-	-	-	-	-
Total	\$ 120,371	\$ 133,672	\$ 13,301	\$ 13,301	\$ -

3) Available-for-sale securities

(Millions of Yen)

	2016				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Stocks	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	4,115,794	4,012,950	102,844	103,597	(752)
Japanese government bonds	24,299	23,713	585	585	-
Japanese local government bonds	844,680	842,724	1,956	2,251	(295)
Japanese corporate bonds	3,246,814	3,146,512	100,302	100,759	(457)
Foreign securities	3,590,822	3,299,371	291,450	319,363	(27,912)
Foreign bonds	3,590,822	3,299,371	291,450	319,363	(27,912)
Other	1,160,194	1,156,954	3,239	3,345	(105)
Total	¥ 8,866,811	¥ 8,469,276	¥ 397,535	¥ 426,306	¥ (28,770)

(Millions of Yen)

	2015				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Stocks	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,203,999	5,105,394	98,605	99,163	(558)
Japanese government bonds	928,655	927,484	1,170	1,171	(0)
Japanese local government bonds	780,564	778,754	1,809	1,998	(189)
Japanese corporate bonds	3,494,780	3,399,155	95,624	95,992	(367)
Foreign securities	1,863,492	1,537,712	325,779	326,126	(346)
Foreign bonds	1,863,492	1,537,712	325,779	326,126	(346)
Other	1,744,068	1,741,973	2,095	2,095	-
Total	¥ 8,811,560	¥ 8,385,080	¥ 426,480	¥ 427,384	¥ (904)

(Millions of Yen)

	2014				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Stocks	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,025,535	4,927,726	97,809	100,097	(2,287)
Japanese government bonds	932,881	931,322	1,558	1,575	(17)
Japanese local government bonds	771,904	769,606	2,297	2,345	(47)
Japanese corporate bonds	3,320,750	3,226,796	93,953	96,176	(2,223)
Foreign securities	1,001,464	917,500	83,964	90,616	(6,652)
Foreign bonds	1,001,464	917,500	83,964	90,616	(6,652)
Other	811,748	810,578	1,170	1,181	(11)
Total	¥ 6,838,748	¥ 6,655,804	¥ 182,943	¥ 191,894	¥ (8,951)

(Millions of U.S. Dollars)

	2016				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Stocks	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds	36,526	35,614	913	919	(7)
Japanese government bonds	216	210	5	5	-
Japanese local government bonds	7,496	7,479	17	20	(3)
Japanese corporate bonds	28,814	27,924	890	894	(4)
Foreign securities	31,867	29,281	2,587	2,834	(248)
Foreign bonds	31,867	29,281	2,587	2,834	(248)
Other	10,296	10,268	29	30	(1)
Total	\$ 78,690	\$ 75,162	\$ 3,528	\$ 3,783	\$ (255)

Note: "Other" includes financial instruments accounted for as securities in accordance with the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

4) Policy-reserve-matching bonds sold for the years ended March 31, 2016, 2015 and 2014

(Millions of Yen)

March 31

Bonds	
Japanese government bonds	
Total	

2016		
Sales	Gains	Losses
¥ -	¥ -	¥ -
¥ -	¥ -	¥ -
¥ -	¥ -	¥ -

(Millions of Yen)

March 31

Bonds	
Japanese government bonds	
Total	

2015		
Sales	Gains	Losses
¥ 1,717,375	¥ 56,869	¥ -
1,717,375	56,869	-
¥ 1,717,375	¥ 56,869	¥ -

(Millions of Yen)

March 31

Bonds	
Japanese government bonds	
Japanese local government bonds	
Total	

2014		
Sales	Gains	Losses
¥ 2,071,972	¥ 70,967	¥ -
1,962,621	68,754	-
109,350	2,212	-
¥ 2,071,972	¥ 70,967	¥ -

(Millions of U.S. Dollars)

March 31

Bonds	
Japanese government bonds	
Total	

2016		
Sales	Gains	Losses
\$ -	\$ -	\$ -
-	-	-
\$ -	\$ -	\$ -

5) Available-for-sale securities sold for the years ended March 31, 2016, 2015 and 2014

(Millions of Yen)

March 31

Bonds	
Japanese corporate bonds	
Foreign securities	
Total	

2016		
Sales	Gains	Losses
¥ 4,705	¥ 8	¥ -
4,705	8	-
276,241	1,233	(1,592)
¥ 280,946	¥ 1,241	¥ (1,592)

(Millions of Yen)

March 31

Bonds	
Japanese corporate bonds	
Foreign securities	
Total	

2015		
Sales	Gains	Losses
¥ -	¥ -	¥ -
-	-	-
158,468	5,038	(4,963)
¥ 158,468	¥ 5,038	¥ (4,963)

(Millions of Yen)

March 31

Bonds	
Japanese corporate bonds	
Foreign securities	
Total	

2014		
Sales	Gains	Losses
¥ 9,772	¥ 0	¥ (2,948)
9,772	0	(2,948)
91,125	106	(7,256)
¥ 100,897	¥ 107	¥ (10,205)

(Millions of U.S. Dollars)

March 31

Bonds	
Japanese corporate bonds	
Foreign securities	
Total	

2016		
Sales	Gains	Losses
\$ 42	\$ 0	\$ -
42	0	-
2,452	11	(14)
\$ 2,493	\$ 11	\$ (14)

(4) Money Held in Trust

Money Held in Trust Classified as Other than Trading, Held-to-Maturity and Policy-Reserve-Matching

(Millions of Yen)

		2016				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 1,644,547	¥ 1,480,555	¥ 163,992	¥ 231,857	¥ (67,865)

(Millions of Yen)

		2015				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 1,434,943	¥ 1,079,701	¥ 355,241	¥ 357,085	¥ (1,844)

(Millions of Yen)

		2014				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 581,627	¥ 499,042	¥ 82,585	¥ 86,112	¥ (3,527)

(Millions of U.S. Dollars)

		2016				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	\$ 14,595	\$ 13,139	\$ 1,455	\$ 2,058	\$ (602)

Note: The Group recognized losses on valuation of ¥16,748 million (\$149 million), ¥442 million and ¥131 million for the years ended March 31, 2016, 2015 and 2014, respectively. Losses on valuation are recognized for stocks invested in money held in trust if their average market prices during the final month of the fiscal year decline by 30% of the cost or more.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2016, 2015 and 2014 consisted of the following:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Assets pledged as collateral:				
Securities	¥ 2,980,599	¥ 3,211,916	¥ 3,380,035	\$ 26,452
Liabilities corresponding to assets pledged as collateral:				
Payables under securities lending transactions	3,648,478	3,658,492	3,703,176	32,379

All of the above securities were pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following securities were pledged as collateral for exchange settlements and others.

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Securities	¥ 3,940	¥ -	¥ -	\$ 35

6. LOANS

There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of March 31, 2016, 2015 and 2014. Definitions for each of the respective loans are as follows:

Bankrupt loans refers 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 Enforcement Ordinance 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.

The amounts of unused commitments as of March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Amount of unused commitments	¥ —	¥ 1,250	¥ 1,250	\$ —

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Accumulated depreciation	¥ 63,882	¥ 63,635	¥ 63,547	\$ 567

8. REINSURANCE

Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter referred to as "reserve for outstanding claims-ceded"), as of March 31, 2016, 2015 and 2014 was as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Reserve for outstanding claims-ceded	¥ 314	¥ 285	¥ 82	\$ 3

Policy reserves provided for reinsured part defined in Article 71, Paragraph 1 of the said Regulations (hereinafter referred to as "policy reserves-ceded") as of March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Policy reserves-ceded	¥ 558	¥ 314	¥ 183	\$ 5

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥26,866 million (\$238 million), ¥22,829 million and ¥18,834 million, as of March 31, 2016, 2015 and 2014, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Years ended March 31				
Balance at the beginning of the year	¥ 2,074,919	¥ 2,222,759	¥ 2,396,947	\$ 18,414
Policyholder dividends paid	(316,246)	(349,687)	(420,523)	(2,807)
Interest accrual	132	1,497	4,627	1
Reduction due to the acquisition of additional annuity	(315)	(372)	(438)	(3)
Provision for reserve for policyholder dividends	178,004	200,722	242,146	1,580
Balance at the end of the year	¥ 1,936,494	¥ 2,074,919	¥ 2,222,759	\$ 17,186

11. LEASE OBLIGATIONS AND OTHER INTEREST-BEARING DEBT

Lease obligations and other interest-bearing debt as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of	Average interest	Due
	2016	2015	2014	U.S. Dollars	rate	
Lease obligations	¥ 1,909	¥ 2,154	¥ 1,596	\$ 17	–	October 2022
Other interest-bearing debt:						
Payables under securities						
lending transactions	3,648,478	3,658,492	3,703,176	32,379	0.04%	–
Total	¥ 3,650,388	¥ 3,660,646	¥ 3,704,773	\$ 32,396	–	–

Notes:

1. Lease obligations are included in "Other liabilities" in the consolidated balance sheets.
2. The average interest rate of lease obligations is not presented above because interest is included in the total amount of lease payments.
3. The interest rates of payables under securities lending transactions are calculated using the weighted-average method based on the balance at the fiscal year-end.
4. Payables under securities lending transactions are scheduled to be settled within one year.

The repayment schedule on lease obligations as of March 31, 2016 was as follows:

March 31	Millions of	
	Millions of Yen	U.S. Dollars
Within 1 year	¥ 488	\$ 4
Due after 1 year through 2 years	448	4
Due after 2 years through 3 years	363	3
Due after 3 years through 4 years	295	3
Due after 4 years through 5 years	212	2
Due after 5 years	100	1
Total	¥ 1,909	\$ 17

12. RETIREMENT BENEFITS

For the Years Ended March 31, 2016, 2015 and 2014

(1) Outline of Retirement Benefits

The Group has lump-sum severance indemnity plans which are an unfunded defined benefit plan.

In addition, starting from October 1, 2015, the Company has joined the retirement pension plan based on the Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012) and introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension, and the pension contribution amount required for the Company for the fiscal year ended March 31, 2016 was ¥200 million (\$2 million).

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen			Millions of
	2016	2015	2014	U.S. Dollars
Balance at the beginning of the year	¥ 58,356	¥ 56,627	¥ 54,937	\$ 518
Cumulative effects of changes in accounting policies	–	5,104	–	–
Restated balance at the beginning of the year	58,356	61,731	54,937	518
Service cost	3,901	3,639	3,289	35
Interest cost	404	428	932	4
Actuarial differences	294	242	251	3
Benefits paid	(2,642)	(2,483)	(3,146)	(23)
Prior service cost	–	(5,174)	–	–
Increase associated with the change from the simplified method to the principle method	384	–	–	3
Other	103	(26)	363	1
Balance at the end of the year	¥ 60,803	¥ 58,356	¥ 56,627	\$ 540

Note: Prior service cost incurred as a result of the change of the lump-sum severance indemnity plan to a point system as of April 1, 2015.

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

March 31	Millions of Yen			Millions of
	2016	2015	2014	U.S. Dollars
Unfunded retirement benefit obligations	¥ 60,803	¥ 58,356	¥ 56,627	\$ 540
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 60,803	¥ 58,356	¥ 56,627	\$ 540

3) Retirement benefit costs

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Service cost	¥ 3,901	¥ 3,639	¥ 3,289	\$ 35
Interest cost	404	428	932	4
Amortization of actuarial differences	(280)	(297)	(315)	(2)
Amortization of prior service cost	(369)	(30)	–	(3)
Effect of the change from the simplified method to the principle method	384	–	–	3
Other	68	69	32	1
Retirement benefit expenses of defined benefit plans	¥ 4,108	¥ 3,808	¥ 3,938	\$ 36

4) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Prior service cost	¥ (369)	¥ 5,143	¥ –	\$ (3)
Actuarial differences	(575)	(540)	–	(5)
Total	¥ (944)	¥ 4,603	¥ –	\$ (8)

5) Accumulated adjustments for retirement benefits (before tax effect)

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Unrecognized prior service cost	¥ 4,774	¥ 5,143	¥ –	\$ 42
Unrecognized actuarial differences	2,201	2,777	3,317	20
Total	¥ 6,975	¥ 7,920	¥ 3,317	\$ 62

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2016, 2015 and 2014 were as follows:

Years ended March 31	2016	2015	2014
Discount rate	0.3% – 0.7%	0.7%	1.7%

13. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, 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 for the category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Policy reserves (excluding contingency reserve)	¥ 46,712,164	¥ 52,156,724	¥ 57,879,628	\$ 414,556
Contingency reserve	2,011,685	2,182,885	2,350,030	17,853
Reserve for price fluctuations	635,806	626,849	554,723	5,643

14. DEPOSITS FROM THE MANAGEMENT ORGANIZATION

"Other liabilities" in the consolidated balance sheets include deposits from the Management Organization. Deposits from the Management Organization refers 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.

Deposits from the Management Organization as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Deposits from the Management Organization	¥ 53,792	¥ 59,058	¥ 66,221	\$ 477

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2016, 2015 and 2014 were as follows:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Deferred tax assets:				
Policy reserves	¥ 640,360	¥ 559,683	¥ 485,089	\$ 5,683
Reserve for price fluctuations	157,340	134,860	106,845	1,396
Reserve for outstanding claims	45,603	49,850	53,823	405
Liability for retirement benefits	17,078	16,875	17,464	152
Unrealized losses on available-for-sale securities	27,048	769	3,815	240
Other	19,007	15,020	14,313	169
Subtotal	906,439	777,060	681,352	8,044
Valuation allowance	(7,582)	(2,948)	(2,996)	(67)
Total deferred tax assets	898,857	774,111	678,356	7,977
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(183,164)	(224,458)	(84,569)	(1,626)
Other	(3,560)	(2,599)	(1,254)	(32)
Total deferred tax liabilities	(186,724)	(227,057)	(85,823)	(1,657)
Net deferred tax assets (liabilities)	¥ 712,132	¥ 547,053	¥ 592,532	\$ 6,320

The Company and its domestic subsidiary are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 28.85%, 30.78% and 33.33% for the years ended March 31, 2016, 2015 and 2014, respectively.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the years ended March 31, 2016, 2015 and 2014 was as follows:

Years ended March 31	2016	2015	2014
Statutory tax rate	28.85%	30.78%	33.33%
Reduction in net deferred tax assets resulting from tax rate changes	15.91	26.85	4.36
Effect of difference between tax rate for the current fiscal year and those for the following and subsequent fiscal years	—	—	10.06
Other	2.83	0.13	0.16
Effective income tax rate	47.59%	57.76%	47.91%

During the year ended March 31, 2016, the Act for Partial Amendment of the Income Tax Act, etc. and the Act for Partial Amendment of the Local Tax Act, etc. were enacted at the Diet on March 29, 2016 and, as a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 28.85% to 28.24% for assets and liabilities whose collection or payment is expected within the period from April 1, 2016 to March 31, 2018, and to 28.00% for assets and liabilities whose collection or payment is expected on and after April 1, 2018. Due to this tax rate change, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥21,101 million (\$187 million), and deferred income taxes and net unrealized gains (losses) on available-for-sale securities increased by ¥25,780 million (\$229 million) and ¥4,617 million (\$41 million), respectively, for the year ended March 31, 2016.

During the year ended March 31, 2015, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015 and, as a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 30.78% to 28.85% from the year beginning on or after April 1, 2015. Due to this tax rate change, deferred tax assets and deferred tax liabilities decreased by ¥51,919 million and ¥15,200 million, respectively, and deferred income taxes increased by ¥51,694 million for the year ended March 31, 2015.

During the year ended March 31, 2014, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Special Reconstruction Corporation Tax was abolished effective from the year beginning on or after April 1, 2014. As a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 33.33% to 30.78% for the temporary differences expected to be settled within the year beginning April 1, 2014. Due to this tax rate change, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥5,223 million and deferred income taxes increased by ¥5,257 million for the year ended March 31, 2014.

16. NET ASSETS

(1) Type and Number of Shares Issued

	Thousands of shares			March 31, 2016
	April 1, 2015	Increase	Decrease	
Year ended March 31, 2016				
Shares issued:				
Common stock	20,000	580,000	–	600,000
Total	20,000	580,000	–	600,000

Notes:

- The Company implemented a 30:1 stock split effective August 1, 2015.
- The increase of 580,000,000 shares of issued common stock was attributable to the stock split.

	Thousands of shares			March 31, 2015
	April 1, 2014	Increase	Decrease	
Year ended March 31, 2015				
Shares issued:				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000

	Thousands of shares			March 31, 2014
	April 1, 2013	Increase	Decrease	
Year ended March 31, 2014				
Shares issued:				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000

(2) Information on Dividends

1) Dividends paid

Dividend paid for the year ended March 31, 2016

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 13, 2015	Common stock	¥ 24,527	\$ 218	¥ 1,226.38	\$ 10.88	March 31, 2015	May 14, 2015

Dividend paid for the year ended March 31, 2015

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2014	Common stock	¥ 16,808	¥ 840.43	March 31, 2014	May 15, 2014

Dividend paid for the year ended March 31, 2014

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2013	Common stock	¥ 22,750	¥ 1,137.51	March 31, 2013	May 15, 2013

2) Dividends whose effective date falls after the end of the fiscal year

Dividends whose effective date falls after the end of the year ended March 31, 2016

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	¥ 33,600	\$ 298	Retained earnings	¥ 56.00	\$ 0.50	March 31, 2016	June 23, 2016

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2016, 2015 and 2014 consisted of the following:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Sales activity expenses	¥ 191,078	¥ 182,243	¥ 190,508	\$ 1,696
Sales administration expenses	18,041	17,147	13,847	160
General administration expenses	329,391	313,767	309,643	2,923
Total	¥ 538,510	¥ 513,159	¥ 513,999	\$ 4,779

18. REVERSAL OF RESERVE FOR OUTSTANDING CLAIMS AND REVERSAL OF POLICY RESERVES

The amounts of provision for reserve for outstanding claims-ceded that are added to the calculation of reversal of reserve for outstanding claims for the years ended March 31, 2016, 2015 and 2014 were ¥28 million (\$0 million), ¥203 million and ¥82 million, respectively.

The amounts of provision for policy reserve-ceded that are added to the calculation of reversal of policy reserves for the years ended March 31, 2016, 2015 and 2014 were ¥243 million (\$2 million), ¥130 million and ¥183 million, respectively.

19. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the years ended March 31, 2016, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Insurance premiums	¥ 1,322,308	¥ 1,697,140	¥ 2,155,398	\$ 11,735

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2016, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Insurance claims	¥ 7,518,791	¥ 8,208,198	¥ 9,477,426	\$ 66,727

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2016, 2015 and 2014 consisted of the following:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Gains on sales of fixed assets	¥ 341	¥ -	¥ -	\$ 3
Total	¥ 341	¥ -	¥ -	\$ 3

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2016, 2015 and 2014 consisted of the following:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Losses on sales and disposal of fixed assets	¥ 1,747	¥ 1,432	¥ 8,670	\$ 16
Provision for reserve for price fluctuations	70,100	97,934	91,360	622
Total	¥ 71,847	¥ 99,366	¥ 100,030	\$ 638

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

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 reinsurance due to the reinsurance contracts with the Management Organization, for the years ended March 31, 2016, 2015 and 2014 was as follows:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Provision for reserve for policyholder dividends	¥ 170,458	¥ 190,363	¥ 222,812	\$ 1,513

24. OTHER COMPREHENSIVE INCOME

The amount reclassified and tax effect amounts related to other comprehensive income for the years ended March 31, 2016, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Net unrealized gains (losses) on available-for-sale securities:				
Amount arising during the fiscal year	¥ (214,061)	¥ 524,140	¥ 32,105	\$ (1,900)
Reclassification adjustments	(6,132)	(7,947)	8,502	(54)
Before tax effect adjustments	(220,194)	516,192	40,608	(1,954)
Tax effect	67,573	(142,934)	(11,611)	600
Net unrealized gains (losses) on available-for-sale securities	(152,621)	373,258	28,996	(1,354)
Net deferred gains (losses) on hedges:				
Amount arising during the fiscal year	164	15	16	1
Reclassification adjustments	–	–	–	–
Before tax effect adjustments	164	15	16	1
Tax effect	(45)	(4)	(4)	(0)
Net deferred gains (losses) on hedges	118	11	11	1
Adjustments for retirement benefits:				
Amount arising during the fiscal year	(294)	4,932	–	(3)
Reclassification adjustments	(650)	(328)	–	(6)
Before tax effect adjustments	(944)	4,603	–	(8)
Tax effect	331	(1,263)	–	3
Adjustments for retirement benefits	(613)	3,339	–	(5)
Total other comprehensive income (loss)	¥ (153,116)	¥ 376,609	¥ 29,007	\$ (1,359)

25. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

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

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

(2) Features and Risks of Financial Instruments

Financial assets owned by the Company consist mainly of securities and loans and are managed by using an asset liability management (ALM) framework. Such securities are exposed to the credit risk of their issuing bodies as well as market price fluctuation risk and interest

rate risk. In addition, foreign-currency-denominated bonds are exposed to the foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to the interest rate risk.

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

(3) Risk Management Framework for Financial Instruments

1) Management of market risk

Market risk is the risk of losses resulting from fluctuation in the value of assets and liabilities held. These include off-balance sheet assets due to fluctuations in various market risk factors such as interest rates, foreign exchange rates and stock prices. Market risk is categorized into interest rate risk and market price fluctuation risk. Interest rate risk is the risk of losses resulting from deterioration in corporate value due to a decrease in the value of interest-bearing assets denominated in yen and insurance liabilities, which arise from fluctuations in yen interest rates where a mismatch exists between interest rates and maturities of

interest-bearing assets denominated in yen and insurance liabilities. Market price fluctuation risk is any market risk other than interest risk. The Company manages interest rate risk as well as market price fluctuation risk, which is categorized by aggregating credit risk and real estate investment risk, by setting a reference value and managing the risks so that each risk quantity does not exceed it.

The risk control supervisory department measures the quantity of market risk, credit risk and real estate investment risk using value at risk (VaR) and reports to the risk management committee regularly.

2) Management of credit risk

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

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

group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

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

(4) Additional Notes Concerning the Fair Value of Financial Instruments

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

The contract amounts of derivative transactions in Note 26 "DERIVATIVE TRANSACTIONS" do not indicate the market risk related to derivative transactions.

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2016, 2015 and 2014 were as follows. Financial instruments for which fair values are extremely difficult to determine are not included in the table below.

(Millions of Yen)

March 31

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust ¹	
6) Securities	
Held-to-maturity bonds	
Policy-reserve-matching bonds	
Available-for-sale securities	
7) Loans	
Policy loans	
Industrial and commercial loans ²	
Loans to the Management Organization ²	
Reserve for possible loan losses ³	
Total assets	
Payables under securities lending transactions	
Total liabilities	
Derivative transactions ⁴	
Hedge accounting not applied	
Hedge accounting applied	
Total derivative transactions	

2016		
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
¥ 1,862,636	¥ 1,862,636	¥ -
630,000	630,000	-
360,000	360,000	-
3,008,591	3,008,591	-
430,150	430,150	-
430,150	430,150	-
1,644,547	1,644,547	-
63,609,906	72,621,736	9,011,830
42,239,821	49,752,914	7,513,092
13,563,423	15,062,160	1,498,737
7,806,661	7,806,661	-
8,978,366	9,844,960	866,593
95,629	95,629	-
829,027	909,184	80,228
8,053,780	8,840,145	786,365
(71)	-	-
¥ 79,894,197	¥ 89,772,621	¥ 9,878,423
¥ 3,648,478	¥ 3,648,478	¥ -
¥ 3,648,478	¥ 3,648,478	¥ -
¥ -	¥ -	¥ -
4,841	4,841	-
¥ 4,841	¥ 4,841	¥ -

	(Millions of Yen)		
	2015		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	¥ 2,213,786	¥ 2,213,786	¥ -
Available-for-sale securities (negotiable certificates of deposit)	1,295,000	1,295,000	-
2) Call loans	445,428	445,428	-
3) Receivables under securities borrowing transactions	2,720,856	2,720,856	-
4) Monetary claims bought	449,068	449,068	-
Available-for-sale securities	449,068	449,068	-
5) Money held in trust ¹	1,434,943	1,434,943	-
6) Securities	66,256,260	71,968,615	5,712,355
Held-to-maturity bonds	43,695,559	48,232,675	4,537,116
Policy-reserve-matching bonds	15,493,208	16,668,447	1,175,238
Available-for-sale securities	7,067,492	7,067,492	-
7) Loans	9,977,267	10,905,033	927,765
Policy loans	74,097	74,097	-
Industrial and commercial loans ²	806,259	862,878	56,697
Loans to the Management Organization ²	9,096,988	9,968,057	871,068
Reserve for possible loan losses ³	(77)	-	-
Total assets	¥ 83,497,611	¥ 90,137,732	¥ 6,640,121
Payables under securities lending transactions	¥ 3,658,492	¥ 3,658,492	¥ -
Total liabilities	¥ 3,658,492	¥ 3,658,492	¥ -
Derivative transactions ⁴			
Hedge accounting not applied	¥ -	¥ -	¥ -
Hedge accounting applied	526	526	-
Total derivative transactions	¥ 526	¥ 526	¥ -

	(Millions of Yen)		
	2014		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	¥ 1,670,837	¥ 1,670,837	¥ -
Available-for-sale securities (negotiable certificates of deposit)	704,300	704,300	-
2) Call loans	230,025	230,025	-
3) Receivables under securities borrowing transactions	2,822,188	2,822,188	-
4) Monetary claims bought	107,448	107,448	-
Available-for-sale securities	107,448	107,448	-
5) Money held in trust ¹	581,627	581,627	-
6) Securities	69,237,991	73,506,909	4,268,917
Held-to-maturity bonds	45,257,324	48,427,090	3,169,765
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	6,026,999	6,026,999	-
7) Loans	11,020,493	11,973,916	953,422
Policy loans	54,271	54,271	-
Industrial and commercial loans ²	763,298	804,957	41,750
Loans to the Management Organization ²	10,203,015	11,114,687	911,671
Reserve for possible loan losses ³	(91)	-	-
Total assets	¥ 85,670,613	¥ 90,892,953	¥ 5,222,340
Payables under securities lending transactions	¥ 3,703,176	¥ 3,703,176	¥ -
Total liabilities	¥ 3,703,176	¥ 3,703,176	¥ -
Derivative transactions ⁴			
Hedge accounting not applied	¥ -	¥ -	¥ -
Hedge accounting applied	(15,638)	(15,638)	-
Total derivative transactions	¥ (15,638)	¥ (15,638)	¥ -

(Millions of U.S. Dollars)

March 31

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust ¹	
6) Securities	
Held-to-maturity bonds	
Policy-reserve-matching bonds	
Available-for-sale securities	
7) Loans	
Policy loans	
Industrial and commercial loans ²	
Loans to the Management Organization ²	
Reserve for possible loan losses ³	
Total assets	

Payables under securities lending transactions

Total liabilities

Derivative transactions⁴

Hedge accounting not applied

Hedge accounting applied

Total derivative transactions

2016		
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
\$ 16,530	\$ 16,530	\$ –
5,591	5,591	–
3,195	3,195	–
26,700	26,700	–
3,817	3,817	–
3,817	3,817	–
14,595	14,595	–
564,518	644,495	79,977
374,865	441,542	66,676
120,371	133,672	13,301
69,282	69,282	–
79,680	87,371	7,691
849	849	–
7,357	8,069	712
71,475	78,454	6,979
(1)	–	–
\$ 709,036	\$ 796,704	\$ 87,668
\$ 32,379	\$ 32,379	\$ –
\$ 32,379	\$ 32,379	\$ –
\$ –	\$ –	\$ –
43	43	–
\$ 43	\$ 43	\$ –

Notes:

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.

Calculation methods for fair values of financial instruments are as follows:

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 5) "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 Note 4 (4) "Money Held in Trust" in accordance with the purpose of the holdings.

6) Securities

The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or price offered by the financial institutions,

while the fair value of mutual funds is based on net asset value.

Securities are described in Note 4 "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.

Derivatives

Notes on the fair value of derivatives are presented in Note 26 "DERIVATIVE TRANSACTIONS." Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Unlisted stocks	¥ —	¥ 20,000	¥ 140,000	\$ —

Note: The above instruments are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.

Redemption schedules of major monetary claims and securities with maturities were as follows:

(Millions of Yen)

March 31	2016			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 1,860,505	¥ —	¥ —	¥ —
Call loans	360,000	—	—	—
Receivables under securities borrowing transactions	3,008,591	—	—	—
Monetary claims bought	400,000	—	—	26,954
Securities	5,205,611	16,339,212	11,745,308	29,070,778
Held-to-maturity bonds	3,147,005	8,513,143	5,789,782	24,218,660
Bonds	3,147,005	8,415,143	5,789,782	24,218,660
Japanese government bonds	1,976,100	3,730,300	2,151,700	22,816,000
Japanese local government bonds	667,693	3,664,247	2,738,211	967,710
Japanese corporate bonds	503,212	1,020,596	899,871	434,950
Foreign securities	—	98,000	—	—
Policy-reserve-matching bonds	1,425,492	5,042,705	3,309,736	3,696,200
Bonds	1,425,492	5,042,705	3,309,736	3,696,200
Japanese government bonds	1,417,700	4,874,800	2,937,400	3,598,100
Japanese local government bonds	7,792	129,894	306,338	70,300
Japanese corporate bonds	—	38,011	65,998	27,800
Available-for-sale securities with maturities	633,113	2,783,363	2,645,789	1,155,918
Bonds	633,113	2,198,493	674,645	485,631
Japanese government bonds	3,700	20,000	—	—
Japanese local government bonds	181,946	506,560	145,435	—
Japanese corporate bonds	447,467	1,671,932	529,210	485,631
Foreign securities	—	584,870	1,971,143	670,286
Loans	1,571,189	3,206,595	2,689,155	1,511,687
Total	¥ 12,405,898	¥ 19,545,807	¥ 14,434,463	¥ 30,609,420

(Millions of Yen)

March 31	2015			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and deposits	¥ 2,210,668	¥ —	¥ —	¥ —
Call loans	445,428	—	—	—
Receivables under securities borrowing transactions	2,720,856	—	—	—
Monetary claims bought	419,000	—	—	27,989
Securities	6,316,178	19,019,017	11,871,663	28,181,276
Held-to-maturity bonds	2,881,511	10,184,275	6,282,055	23,854,900
Bonds	2,881,511	10,184,275	6,184,055	23,854,900
Japanese government bonds	2,605,800	5,630,700	1,245,800	22,527,900
Japanese local government bonds	73,433	3,219,039	3,849,112	926,550
Japanese corporate bonds	202,278	1,334,536	1,089,143	400,450
Foreign securities	—	—	98,000	—
Policy-reserve-matching bonds	1,911,429	6,051,334	3,612,900	3,809,900
Bonds	1,911,429	6,051,334	3,612,900	3,809,900
Japanese government bonds	1,729,360	5,915,500	3,200,800	3,711,700
Japanese local government bonds	182,069	112,597	331,328	70,400
Japanese corporate bonds	—	23,237	80,772	27,800
Available-for-sale securities with maturities	1,523,237	2,783,407	1,976,707	516,476
Bonds	1,523,237	2,442,858	634,870	482,937
Japanese government bonds	903,700	23,700	—	—
Japanese local government bonds	179,444	593,035	450	—
Japanese corporate bonds	440,093	1,826,123	634,420	482,937
Foreign securities	—	340,549	1,341,837	33,539
Loans	1,678,018	3,418,019	3,046,873	1,834,335
Total	¥ 13,790,149	¥ 22,437,036	¥ 14,918,537	¥ 30,043,601

(Millions of Yen)

	2014			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Cash and deposits	¥ 1,666,578	¥ -	¥ -	¥ -
Call loans	230,025	-	-	-
Receivables under securities borrowing transactions	2,822,188	-	-	-
Monetary claims bought	81,000	-	-	25,278
Securities	5,158,868	23,980,853	11,943,097	27,378,558
Held-to-maturity bonds	3,614,348	12,184,193	6,135,793	22,847,540
Bonds	3,614,348	12,184,193	6,037,793	22,847,540
Japanese government bonds	3,558,100	8,114,300	856,500	21,574,200
Japanese local government bonds	54,848	2,574,945	4,137,972	873,590
Japanese corporate bonds	1,400	1,494,948	1,043,321	399,750
Foreign securities	-	-	98,000	-
Policy-reserve-matching bonds	1,014,401	8,435,547	4,315,988	4,056,700
Bonds	1,014,401	8,435,547	4,315,988	4,056,700
Japanese government bonds	775,100	8,176,460	3,976,400	3,962,400
Japanese local government bonds	163,575	240,256	279,197	66,500
Japanese corporate bonds	75,726	18,831	60,391	27,800
Available-for-sale securities with maturities	530,119	3,361,113	1,491,316	474,318
Bonds	530,119	3,170,512	758,321	442,450
Japanese government bonds	3,700	927,400	-	-
Japanese local government bonds	149,842	610,982	1,000	-
Japanese corporate bonds	376,577	1,632,130	757,321	442,450
Foreign securities	-	190,600	732,995	31,867
Loans	1,815,014	3,633,779	3,309,299	2,262,035
Total	¥ 11,773,675	¥ 27,614,633	¥ 15,252,397	¥ 29,665,872

(Millions of U.S. Dollars)

	2016			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Cash and deposits	\$ 16,511	\$ -	\$ -	\$ -
Call loans	3,195	-	-	-
Receivables under securities borrowing transactions	26,700	-	-	-
Monetary claims bought	3,550	-	-	239
Securities	46,198	145,005	104,236	257,994
Held-to-maturity bonds	27,929	75,551	51,383	214,933
Bonds	27,929	74,682	51,383	214,933
Japanese government bonds	17,537	33,105	19,096	202,485
Japanese local government bonds	5,926	32,519	24,301	8,588
Japanese corporate bonds	4,466	9,057	7,986	3,860
Foreign securities	-	870	-	-
Policy-reserve-matching bonds	12,651	44,752	29,373	32,803
Bonds	12,651	44,752	29,373	32,803
Japanese government bonds	12,582	43,262	26,069	31,932
Japanese local government bonds	69	1,153	2,719	624
Japanese corporate bonds	-	337	586	247
Available-for-sale securities with maturities	5,619	24,701	23,481	10,258
Bonds	5,619	19,511	5,987	4,310
Japanese government bonds	33	177	-	-
Japanese local government bonds	1,615	4,496	1,291	-
Japanese corporate bonds	3,971	14,838	4,697	4,310
Foreign securities	-	5,191	17,493	5,949
Loans	13,944	28,458	23,865	13,416
Total	\$ 110,098	\$ 173,463	\$ 128,101	\$ 271,649

Redemption schedules of payables under securities lending transactions were as follows:

(Millions of Yen)

	2016					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31						
Payables under securities lending transactions	¥ 3,648,478	¥ -	¥ -	¥ -	¥ -	¥ -

(Millions of Yen)

		2015					
		Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31	Payables under securities lending transactions	¥ 3,658,492	¥ -	¥ -	¥ -	¥ -	¥ -

(Millions of Yen)

		2014					
		Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31	Payables under securities lending transactions	¥ 3,703,176	¥ -	¥ -	¥ -	¥ -	¥ -

(Millions of U.S. Dollars)

		2016					
		Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31	Payables under securities lending transactions	\$ 32,379	\$ -	\$ -	\$ -	\$ -	\$ -

26. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

There were no derivative transactions to which the hedge accounting method has not been applied as of March 31, 2016, 2015 and 2014.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

1) Currency-related derivatives

(Millions of Yen)

			2016		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		¥ 392,081	¥ -	¥ 5,408
	Euros		¥ 1,301,602	¥ -	¥ (764)
		Total	¥ 1,693,683	¥ -	¥ 4,644

(Millions of Yen)

			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		¥ 172,008	¥ -	¥ (12,843)
	Euros		¥ 191,112	¥ -	¥ 13,337
		Total	¥ 363,120	¥ -	¥ 493

(Millions of Yen)

			2014		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		¥ 270,312	¥ -	¥ (6,817)
	Euros		¥ 133,944	¥ -	¥ (8,837)
		Total	¥ 404,257	¥ -	¥ (15,655)

(Millions of U.S. Dollars)

March 31			2016		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		\$ 3,480	\$ –	\$ 48
	Euros				(7)
		Total	\$ 15,031	\$ –	\$ 41

Note: Fair value is calculated using forward foreign exchange rates at the fiscal year-end.

2) Interest rate-related derivatives

(Millions of Yen)

March 31			2016		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 13,750	¥ 13,750	¥ 197
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		65,500	46,050	– ²
		Total			¥ 197

(Millions of Yen)

March 31			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 13,750	¥ 13,750	¥ 32
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		88,200	65,500	– ²
		Total			¥ 32

(Millions of Yen)

March 31			2014		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 9,950	¥ 9,950	¥ 16
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		102,780	85,400	– ²
		Total			¥ 16

(Millions of U.S. Dollars)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2016		
			Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		\$ 122	\$ 122	\$ 2
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		581	409	— ²
		Total			\$ 2

Notes:

1. Fair value is calculated using discounted present value.

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

27. LEASE TRANSACTIONS

Operating Leases

As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2016, 2015 and 2014 were as follows:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Due within 1 year	¥ 4,636	¥ 687	¥ 448	\$ 41
Due after 1 year	299	424	—	3
Total	¥ 4,936	¥ 1,112	¥ 448	\$ 44

28. SEGMENT INFORMATION

(1) Segment Information

The Group has only one segment, namely, the life insurance business in Japan.

(2) Supplemental Information

1) Information by product and service

The Group's products and services are placed under one category for the years ended March 31, 2016, 2015 and 2014.

2) Information by geographic region

Ordinary income in Japan exceeded 90% of ordinary income in the consolidated statements of income, and the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the years ended March 31, 2016, 2015 and 2014.

3) Information by major customer

No customer accounted for 10% or more of ordinary income in the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014.

29. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2016, 2015 and 2014 were as follows:

2016										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku Tokyo	¥3,500,000 million (\$31,061 million)	Holding company	Directly owned 89%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥3,366 million (\$30 million)	Accounts payable-other	¥302 million (\$3 million)
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku Tokyo	¥400,000 million (\$3,550 million)	Postal and logistics business Post office business	-	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥377,955 million (\$3,354 million)	Agency accounts payable	¥44,593 million (\$396 million)
2015										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku Tokyo	¥3,500,000 million	Holding company	Directly owned 100%	Business management Interlocking officers	Payments for business management fees ³	¥3,030 million	Accounts payable-other	¥272 million
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku Tokyo	¥400,000 million	Postal and logistics business Post office business	-	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥359,536 million	Agency accounts payable	¥37,087 million
2014										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku Tokyo	¥3,500,000 million	Holding company	Directly owned 100%	Business management Interlocking officers	Payments for business management fees ³	¥2,773 million	Accounts payable-other	¥242 million
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku Tokyo	¥100,000 million	Postal and logistics business Post office business	-	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥366,248 million	Agency accounts payable	¥35,557 million

Notes:

- Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group are reflected on the Company's performance, brand royalty fees are calculated by multiplying the amount of insurance policies in force as of the end of the previous fiscal year, which is a financial indicator whereupon such benefits have been reflected, by a fixed rate.
- The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and insurance premiums of each contract by commission rates set for each class of insurance, and commission of maintenance and collection calculated by multiplying unit prices set for outsourcing services, such as collection of insurance premiums and payments for insurance money, by the volume of work.
- The Company, Japan Post Holdings Co., Ltd, Japan Post Bank Co., Ltd. and other Group companies bear an amount corresponding to the degree of the benefit from services provided of operating expenses of corporate staff departments of Japan Post Holdings Co., Ltd. multiplied by a fixed profit rate.
- Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Parent Company

Japan Post Holdings Co., Ltd. (Listed on the Tokyo Stock Exchange)

30. PER SHARE DATA

March 31

Net assets per share

	Yen			U.S. Dollars
	2016	2015	2014	2016
Net assets per share	¥ 3,138.30	¥ 3,292.88	¥ 2,563.56	\$ 27.85

Years ended March 31

Net income per share

	Yen			U.S. Dollars
	2016	2015	2014	2016
Net income per share	¥ 141.50	¥ 135.54	¥ 104.67	\$ 1.26

Notes:

- Diluted net income per share is not presented for the years ended March 31, 2016, 2015 and 2014 as potential common stock did not exist.
- Net income per share is calculated based on the following:

Years ended March 31

Net income

Amount not attributable to common stockholders

Net income attributable to common stock

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Net income	¥ 84,897	¥ 81,323	¥ 62,802	\$ 753
Amount not attributable to common stockholders	–	–	–	–
Net income attributable to common stock	¥ 84,897	¥ 81,323	¥ 62,802	\$ 753

Years ended March 31

Average number of common stock during the fiscal year

	Thousands of shares		
	2016	2015	2014
Average number of common stock during the fiscal year	600,000	600,000	600,000

- Net assets per share is calculated based on the following:

March 31

Net assets

Amount deducted from net assets

Net assets attributable to common stock at the fiscal year-end

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Net assets	¥ 1,882,982	¥ 1,975,727	¥ 1,538,136	\$ 16,711
Amount deducted from net assets	–	–	–	–
Net assets attributable to common stock at the fiscal year-end	¥ 1,882,982	¥ 1,975,727	¥ 1,538,136	\$ 16,711

March 31

Number of common stock at the fiscal year-end used for the calculation of net assets per share

	Thousands of shares		
	2016	2015	2014
Number of common stock at the fiscal year-end used for the calculation of net assets per share	600,000	600,000	600,000

- Changes in Accounting Policies

Effective from the year ended March 31, 2015, with respect to the application of the Retirement Benefits Accounting Standard and Guidance on Retirement Benefits, the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits and has made transitional provisions in accordance with Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share decreased by ¥5.89 at the beginning of the year ended March 31, 2015.

The effect of this change on net income per share for the year ended March 31, 2015 was immaterial.

Effective from the year ended March 31, 2014, the Company has adopted the Retirement Benefits Accounting Standard and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) excluding provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits and has made transitional provisions in accordance with Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share increased by ¥3.83 as of March 31, 2014.

- The Company implemented a 30:1 stock split effective August 1, 2015, and net assets per share and net income per share as of and for the years ended March 31, 2016, 2015 and 2014 have been calculated assuming the stock split was implemented on April 1, 2013.

31. SUBSEQUENT EVENTS

None.

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of JAPAN POST INSURANCE Co., Ltd.:

We have audited the accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary, which comprise the consolidated balance sheets as at March 31, 2016, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary as at March 31, 2016, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 12, 2016
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit member incorporated under the Japanese Certified Public Accountant Law and a member firm of the KPMG network of independent member firms affiliated with the KPMG network ("KPMG International"), a Swiss entity.