

2. Non-Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. NON-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:				
Cash	¥ 2,129	¥ 3,118	¥ 4,258	\$ 19
Deposits	1,853,908	2,202,851	1,659,318	16,453
Total cash and deposits	1,856,037	2,205,969	1,663,576	16,472
Call loans	360,000	445,428	230,025	3,195
Receivables under securities borrowing transactions	3,008,591	2,720,856	2,822,188	26,700
Monetary claims bought	430,150	449,068	107,448	3,817
Money held in trust	1,644,547	1,434,943	581,627	14,595
Securities (Notes 3 and 4):				
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
Stocks	984	984	984	9
Foreign securities	3,688,822	1,981,492	1,239,464	32,737
Other securities	100,044	—	—	888
Total securities	63,610,890	66,277,244	69,378,975	564,527
Loans (Note 5):				
Policy loans	95,629	74,097	54,271	849
Industrial and commercial loans	829,027	806,259	763,298	7,357
Loans to the Management Organization	8,053,780	9,096,988	10,203,015	71,475
Total loans	8,978,437	9,977,345	11,020,585	79,681
Tangible fixed assets (Note 24):				
Land	68,262	68,350	40,726	606
Buildings	49,308	34,176	33,287	438
Leased assets	1,730	1,970	1,456	15
Construction in progress	6,175	9,759	1,648	55
Other tangible fixed assets	20,017	17,415	12,204	178
Total tangible fixed assets	145,495	131,672	89,322	1,291
Intangible fixed assets (Note 24):				
Software	188,850	157,564	126,022	1,676
Other intangible fixed assets	18	15	18	0
Total intangible fixed assets	188,868	157,580	126,040	1,676
Agency accounts receivable	81,193	95,023	102,651	721
Reinsurance receivables	1,368	630	234	12
Other assets:				
Accounts receivable	301,884	259,663	172,115	2,679
Prepaid expenses (Note 24)	1,592	924	814	14
Accrued income	189,319	184,944	195,169	1,680
Money on deposit	6,826	7,243	2,158	61
Derivative financial instruments	22,131	13,393	166	196
Suspense payments	2,329	589	787	21
Other assets	2,115	2,157	3,108	19
Total other assets	526,199	468,916	374,320	4,670
Deferred tax assets (Note 11)	712,615	548,210	592,665	6,324
Reserve for possible loan losses (Note 24)	(772)	(943)	(1,036)	(7)
Total assets	¥ 81,543,623	¥ 84,911,946	¥ 87,088,626	\$ 723,674

See accompanying notes to non-consolidated financial statements.

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2016	2015	2014	2016
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims (Note 6)	¥ 635,167	¥ 718,156	¥ 831,690	\$ 5,637
Policy reserves (Notes 6 and 9)	72,362,503	75,112,601	77,745,490	642,195
Reserve for policyholder dividends (Note 8)	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
Other liabilities:				
Payables under securities lending transactions (Note 4)	3,648,478	3,658,492	3,703,176	32,379
Income taxes payable	75,435	19,452	15,804	669
Accounts payable	44,557	463,217	229,922	395
Accrued expenses	28,075	16,218	15,626	249
Unearned revenue	–	–	4	–
Deposits received	2,786	11,184	12,172	25
Deposits from the Management Organization (Note 10)	53,792	59,058	66,221	477
Derivative financial instruments	17,289	12,866	15,805	153
Lease obligations	1,852	2,105	1,528	16
Asset retirement obligation	15	15	15	0
Suspense receipt	5,866	13,963	16,433	52
Other liabilities	533	719	781	5
Total other liabilities	3,878,684	4,257,294	4,077,493	34,422
Reserve for possible claim payments (Note 24)	–	–	1,881	–
Reserve for employees' retirement benefits	66,675	65,645	59,385	592
Reserve for price fluctuations (Notes 9 and 24)	782,268	712,167	614,233	6,942
Total liabilities	¥ 79,665,171	¥ 82,942,802	¥ 85,554,169	\$ 707,004
NET ASSETS:				
Capital stock	¥ 500,000	¥ 500,000	¥ 500,000	\$ 4,437
Capital surplus:				
Legal capital surplus	405,044	405,044	405,044	3,595
Other capital surplus	95,000	95,000	95,000	843
Total capital surplus	500,044	500,044	500,044	4,438
Retained earnings:				
Legal retained earnings	25,489	20,584	17,222	226
Retained earnings brought forward	447,365	390,459	332,404	3,970
Total retained earnings	472,855	411,043	349,627	4,196
Total shareholders' equity	1,472,899	1,411,088	1,349,671	13,072
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
Total valuation and translation adjustments	405,553	558,055	184,785	3,599
Total net assets	1,878,452	1,969,143	1,534,457	16,671
Total liabilities and net assets	¥ 81,543,623	¥ 84,911,946	¥ 87,088,626	\$ 723,674

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-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:				
Insurance premiums (Note 13)	¥ 5,409,598	¥ 5,954,839	¥ 5,911,269	\$ 48,009
Reinsurance income	4,264	1,876	374	38
Total insurance premiums and others	5,413,862	5,956,716	5,911,643	48,046
Investment income:				
Interest and dividend income:				
Interest on deposits	692	694	465	6
Interest and dividends on securities	1,090,551	1,119,333	1,180,339	9,678
Interest on loans	14,017	13,489	12,478	124
Interest on loans to the Management Organization	198,205	227,682	260,797	1,759
Other interest and dividend income	5,212	4,596	4,109	46
Total interest and dividend income	1,308,679	1,365,796	1,458,190	11,614
Gains on money held in trust (Note 15)	44,939	32,762	9,736	399
Gains on sales of securities (Note 16)	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 12)	82,988	113,534	115,432	736
Reversal of policy reserves (Note 12)	2,750,098	2,632,889	3,656,490	24,406
Reversal of reserve for possible claim payments	—	1,881	5,122	—
Reversal of reserve for directors' retirement benefits	—	—	164	—
Other ordinary income	3,902	3,468	4,455	35
Total other ordinary income	2,836,989	2,751,774	3,781,665	25,177
Total ordinary income	9,605,818	10,169,236	11,233,925	85,249
ORDINARY EXPENSES:				
Insurance claims and others:				
Insurance claims (Note 14)	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 (Note 17)	1,592	4,963	10,205	14
Losses on redemption of securities	664	44	62	6
Losses on derivative financial instruments (Note 18)	1,511	773	2,161	13
Losses on foreign exchanges	402	—	—	4
Provision for reserve for possible loan losses	—	—	8	—
Other investment expenses (Note 24)	1,209	915	721	11
Total investment expenses	9,749	10,994	18,122	87
Operating expenses	537,087	512,417	513,046	4,766
Other ordinary expenses:				
Taxes	56,896	54,238	38,193	505
Depreciation and amortization	37,199	35,552	34,217	330
Provision for reserve for employees' retirement benefits	819	1,099	608	7
Other ordinary expenses	434	717	725	4
Total other ordinary expenses	95,349	91,608	73,744	846
Total ordinary expenses	9,192,794	9,676,067	10,770,418	81,583
Ordinary profit	413,023	493,169	463,506	3,665
EXTRAORDINARY GAINS (Note 19)	341	—	—	3
EXTRAORDINARY LOSSES (Note 20)	71,748	99,366	99,999	637
Provision for reserve for policyholder dividends (Note 21)	178,004	200,722	242,146	1,580
Income before income taxes	163,612	193,080	121,361	1,452
Income taxes (Note 11):				
Current	174,151	208,234	200,701	1,546
Deferred	(96,877)	(96,912)	(142,768)	(860)
Total income taxes	77,274	111,321	57,932	686
Net income	¥ 86,338	¥ 81,758	¥ 63,428	\$ 766

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

	Millions of Yen							
	Shareholders' equity							
	Capital surplus				Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Total shareholders' equity
BALANCE, APRIL 1, 2013	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 12,672	¥ 296,276	¥ 308,948	¥1,308,993
Cumulative effects of changes in accounting policies								—
RESTATED BALANCE, APRIL 1, 2013	500,000	405,044	95,000	500,044	12,672	296,276	308,948	1,308,993
Changes in the fiscal year:								
Cash dividends					4,550	(27,300)	(22,750)	(22,750)
Net income						63,428	63,428	63,428
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	—	—	—	—	4,550	36,128	40,678	40,678
BALANCE, MARCH 31, 2014	500,000	405,044	95,000	500,044	17,222	332,404	349,627	1,349,671
Cumulative effects of changes in accounting policies						(3,533)	(3,533)	(3,533)
RESTATED BALANCE, APRIL 1, 2014	500,000	405,044	95,000	500,044	17,222	328,871	346,094	1,346,138
Changes in the fiscal year:								
Cash dividends					3,361	(20,170)	(16,808)	(16,808)
Net income						81,758	81,758	81,758
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	—	—	—	—	3,361	61,588	64,949	64,949
BALANCE, MARCH 31, 2015	500,000	405,044	95,000	500,044	20,584	390,459	411,043	1,411,088
Cumulative effects of changes in accounting policies								—
RESTATED BALANCE, APRIL 1, 2015	500,000	405,044	95,000	500,044	20,584	390,459	411,043	1,411,088
Changes in the fiscal year:								
Cash dividends					4,905	(29,433)	(24,527)	(24,527)
Net income						86,338	86,338	86,338
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	—	—	—	—	4,905	56,905	61,811	61,811
BALANCE, MARCH 31, 2016	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 25,489	¥ 447,365	¥ 472,855	¥1,472,899

	Millions of Yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, APRIL 1, 2013	¥ 155,778	¥ —	¥ 155,778	¥ 1,464,771
Cumulative effects of changes in accounting policies				—
RESTATED BALANCE, APRIL 1, 2013	155,778	—	155,778	1,464,771
Changes in the fiscal year:				
Cash dividends				(22,750)
Net income				63,428
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	28,996	11	29,007	29,007
BALANCE, MARCH 31, 2014	184,774	11	184,785	1,534,457
Cumulative effects of changes in accounting policies				(3,533)
RESTATED BALANCE, APRIL 1, 2014	184,774	11	184,785	1,530,924
Changes in the fiscal year:				
Cash dividends				(16,808)
Net income				81,758
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	373,258	11	373,269	373,269
BALANCE, MARCH 31, 2015	558,033	22	558,055	1,969,143
Cumulative effects of changes in accounting policies				—
RESTATED BALANCE, APRIL 1, 2015	558,033	22	558,055	1,969,143
Changes in the fiscal year:				
Cash dividends				(24,527)
Net income				86,338
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	(152,621)	118	(152,502)	(152,502)
BALANCE, MARCH 31, 2016	¥ 405,412	¥ 140	¥ 405,553	¥ 1,878,452

Millions of U.S. Dollars (Note 1)

	Shareholders' equity							
	Capital surplus				Retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings	Total shareholders' equity
BALANCE, MARCH 31, 2015	\$ 4,437	\$ 3,595	\$ 843	\$ 4,438	\$ 183	\$ 3,465	\$ 3,648	\$ 12,523
Cumulative effects of changes in accounting policies								—
RESTATED BALANCE, APRIL 1, 2015	4,437	3,595	843	4,438	183	3,465	3,648	12,523
Changes in the fiscal year:								
Cash dividends					44	(261)	(218)	(218)
Net income						766	766	766
Net changes in items other than shareholders' equity in the fiscal year								
Net changes in the fiscal year	—	—	—	—	44	505	549	549
BALANCE, MARCH 31, 2016	\$ 4,437	\$ 3,595	\$ 843	\$ 4,438	\$ 226	\$ 3,970	\$ 4,196	\$ 13,072

Millions of U.S. Dollars (Note 1)

	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, MARCH 31, 2015	\$ 4,952	\$ 0	\$ 4,953	\$ 17,476
Cumulative effects of changes in accounting policies				—
RESTATED BALANCE, APRIL 1, 2015	4,952	0	4,953	17,476
Changes in the fiscal year:				
Cash dividends				(218)
Net income				766
Net changes in items other than shareholders' equity in the fiscal year	(1,354)	1	(1,353)	(1,353)
Net changes in the fiscal year	(1,354)	1	(1,353)	(805)
BALANCE, MARCH 31, 2016	\$ 3,598	\$ 1	\$ 3,599	\$ 16,671

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2016, 2015 AND 2014

1. BASIS OF PRESENTATION

The accompanying 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 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.

In preparing these non-consolidated financial statements, certain reclassifications have been made to the non-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 non-consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of individual items.

The non-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) Securities

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

1) Held-to-maturity bonds

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

2) Policy-reserve-matching bonds

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

3) Equities of subsidiaries and affiliates

Equities of subsidiaries and affiliates are carried at cost, and the cost of these securities sold is calculated using the moving-average method.

4) 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.

(2) Derivative Transactions

All derivative transactions are valued at fair value.

(3) Hedge Accounting

1) Methods for hedge accounting

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign currency 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.

(4) 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 Company 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.

(5) 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.

(6) 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.

(7) 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.

(8) Reserve for Employees' Retirement Benefits

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

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.

Accounting methods for unrecognized actuarial difference and unrecognized prior service cost are different from those of consolidated financial statements.

(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.

(9) Reserve for Price Fluctuations

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

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

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

(11) Consumption Taxes

All figures are net of consumption taxes.

(12) Consolidated Tax Payment System

The Company 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.

(13) Changes in Accounting Policies 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 brought forward at the beginning of the year ended March 31, 2015.

As a result, reserve for employees' retirement benefits increased by ¥5,104 million and retained earnings brought forward 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.

3. SECURITIES

(1) Securities

Equities of subsidiaries and affiliates in the amount of ¥984 million (\$9 million) were included in "Stocks" as of March 31, 2016, 2015 and 2014, respectively. Equities of subsidiaries and affiliates are carried at cost, since their fair values are deemed extremely difficult to determine.

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 balance sheets as of March 31, 2016, 2015 and 2014, respectively.

The Company 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 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
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)

4. 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

5. 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	\$ -

6. 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:

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

7. 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.

8. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends 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
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

9. 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

10. 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.

11. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities 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
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
Reserve for employees' retirement benefits	18,693	18,936	18,277	166
Unrealized losses on available-for-sale securities	27,048	769	3,815	240
Other	17,872	14,114	13,621	159
Subtotal	906,920	778,215	681,474	8,049
Valuation allowance	(7,580)	(2,947)	(2,991)	(67)
Total deferred tax assets	899,340	775,267	678,482	7,981
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(183,164)	(224,458)	(84,569)	(1,626)
Other	(3,560)	(2,599)	(1,247)	(32)
Total deferred tax liabilities	(186,724)	(227,057)	(85,817)	(1,657)
Net deferred tax assets (liabilities)	¥ 712,615	¥ 548,210	¥ 592,665	\$ 6,324

The Company is 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 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	15.74	26.76	4.33
Effect of difference between tax rate for the current fiscal year and those for the following and subsequent fiscal years	—	—	9.99
Other	2.65	0.11	0.09
Effective income tax rate	47.23%	57.66%	47.74%

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 ¥21,125 million (\$187 million), and deferred income taxes and net unrealized gains (losses) on available-for-sale securities increased by ¥25,745 million (\$228 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 ¥51,900 million and ¥15,200 million, respectively, and deferred income taxes increased by ¥51,675 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 ¥5,216 million and deferred income taxes increased by ¥5,250 million for the year ended March 31, 2014.

12. 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.

13. 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

14. 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

15. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included 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.

16. GAINS ON SALES OF SECURITIES

Gains on sales of securities were recognized on the following securities:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Japanese government bonds, etc.	¥ 8	¥ 56,869	¥ 70,968	\$ 0
Foreign securities	1,233	5,038	106	11

17. LOSSES ON SALES OF SECURITIES

Losses on sales of securities were recognized on the following securities:

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Japanese government bonds, etc.	¥ -	¥ -	¥ 2,948	\$ -
Foreign securities	1,592	4,963	7,256	14

18. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included gains on valuation of ¥4,644 million (\$41 million), ¥493 million and ¥15,655 million for the years ended March 31, 2016, 2015 and 2014, respectively.

19. 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

20. EXTRAORDINARY LOSSES

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

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
Years ended March 31				
Losses on sales and disposal of fixed assets	¥ 1,647	¥ 1,432	¥ 8,638	\$ 15
Provision for reserve for price fluctuations	70,100	97,934	91,360	622
Total	¥ 71,748	¥ 99,366	¥ 99,999	\$ 637

21. 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:

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

22. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2016, 2015 and 2014 and outstanding balances arising from such transactions as of 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				
Income	¥ 197	¥ 0	¥ 0	\$ 2
Expenses	12,657	12,535	10,448	112

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
Monetary claims	¥ 601	¥ 314	¥ 345	\$ 5
Monetary obligations	20,501	107,445	121,647	182

23. SUBSEQUENT EVENTS

None.

24. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

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
Field sales staff related expenses	9,951	8,937	8,641	88
Sales agencies related expenses	181,126	173,306	181,867	1,607
Selection expenses of policyholders	0	0	0	0
Sales administration expenses:	18,041	17,147	13,847	160
Management of sales agencies	9,101	8,518	7,961	81
Training and education of sales staff	47	29	47	0
Advertisement	8,892	8,599	5,838	79
General administration expenses:	327,968	313,025	308,690	2,911
Personnel expenses	46,131	44,661	43,394	409
Property expenses	279,913	266,728	263,659	2,484
Donation, contribution and miscellaneous dues	537	427	390	5
Burden money	1,923	1,636	1,636	17
Total	¥ 537,087	¥ 512,417	¥ 513,046	\$ 4,766

Notes:

1. "Property expenses" includes consignment costs related to maintenance and control of insurance policies and IT-system-related costs.

2. "Burden money" includes burden money paid for Life Insurance Policyholders Protection Corporation based on the provision of Article 259 of the Insurance Business Act.

Schedule of Tangible and Intangible Fixed Assets

Type of assets	Millions of Yen						
	Year ended March 31, 2016						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	¥ —	¥ —	¥ —	¥ 68,262	¥ —	¥ —	¥ 68,262
Buildings	—	—	—	68,688	19,379	2,946	49,308
Leased assets	—	—	—	2,978	1,248	472	1,730
Construction in progress	—	—	—	6,175	—	—	6,175
Other	—	—	—	63,198	43,181	3,253	20,017
Total tangible fixed assets	—	—	—	209,304	63,808	6,672	145,495
Intangible fixed assets:							
Software	—	—	—	382,671	193,820	30,462	188,850
Other	—	—	—	33	15	2	18
Total intangible fixed assets	—	—	—	382,704	193,835	30,465	188,868
Long-term prepaid expenses	294	340	0	634	189	61	445
Deferred assets	—	—	—	—	—	—	—

Type of assets	Millions of Yen						
	Year ended March 31, 2015						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	¥ —	¥ —	¥ —	¥ 68,350	¥ —	¥ —	¥ 68,350
Buildings	—	—	—	51,541	17,365	2,070	34,176
Leased assets	—	—	—	3,138	1,167	438	1,970
Construction in progress	—	—	—	9,759	—	—	9,759
Other	—	—	—	62,417	45,001	3,241	17,415
Total tangible fixed assets	—	—	—	195,207	63,535	5,750	131,672
Intangible fixed assets:							
Software	—	—	—	325,118	167,554	29,767	157,564
Other	—	—	—	28	12	2	15
Total intangible fixed assets	—	—	—	325,147	167,566	29,770	157,580
Long-term prepaid expenses	260	34	—	294	128	31	166
Deferred assets	—	—	—	—	—	—	—

Millions of Yen							
Year ended March 31, 2014							
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	¥	–	¥	–	¥	–	¥
Buildings	–	–	–	49,323	16,036	1,889	33,287
Leased assets	–	–	–	2,432	976	364	1,456
Construction in progress	–	–	–	1,648	–	–	1,648
Other	–	–	–	58,668	46,463	3,848	12,204
Total tangible fixed assets	–	–	–	152,799	63,476	6,103	89,322
Intangible fixed assets:							
Software	–	–	–	265,048	139,025	28,088	126,022
Other	–	–	–	30	12	2	18
Total intangible fixed assets	–	–	–	265,078	139,038	28,091	126,040
Long-term prepaid expenses	239	21	–	260	97	22	162
Deferred assets	–	–	–	–	–	–	–

Millions of U.S. Dollars							
Year ended March 31, 2016							
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	\$	–	\$	–	\$	–	\$
Buildings	–	–	–	610	172	26	438
Leased assets	–	–	–	26	11	4	15
Construction in progress	–	–	–	55	–	–	55
Other	–	–	–	561	383	29	178
Total tangible fixed assets	–	–	–	1,858	566	59	1,291
Intangible fixed assets:							
Software	–	–	–	3,396	1,720	270	1,676
Other	–	–	–	0	0	0	0
Total intangible fixed assets	–	–	–	3,396	1,720	270	1,676
Long-term prepaid expenses	3	3	0	6	2	1	4
Deferred assets	–	–	–	–	–	–	–

Notes:

1. "Beginning balance," "Increase" and "Decrease" of tangible fixed assets and intangible fixed assets are omitted since the amounts are less than 1% of total assets.
2. Long-term prepaid expenses is included in "Prepaid expenses" in the non-consolidated balance sheets.

Schedule of Reserves

Millions of Yen						
Year ended March 31, 2016						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 943	¥ 772	¥ 132	¥ 810	¥ 772	
General reserve	77	71	–	77	71	
Specific reserve	865	701	132	732	701	
Reserve for price fluctuations	712,167	70,100	–	–	782,268	

Millions of Yen						
Year ended March 31, 2015						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 1,036	¥ 943	¥ 139	¥ 896	¥ 943	
General reserve	91	77	–	91	77	
Specific reserve	944	865	139	804	865	
Reserve for possible claim payments	1,881	–	1,881	–	–	
Reserve for price fluctuations	614,233	97,934	–	–	712,167	

Millions of Yen						
Year ended March 31, 2014						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 1,095	¥ 1,036	¥ 72	¥ 1,023	¥ 1,036	
General reserve	83	91	–	83	91	
Specific reserve	1,012	944	72	940	944	
Reserve for possible claim payments	7,003	–	5,122	–	1,881	
Reserve for directors' retirement benefits	164	10	39	135	–	
Reserve for price fluctuations	522,872	91,360	–	–	614,233	

Millions of U.S. Dollars						
Year ended March 31, 2016						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	\$ 8	\$ 7	\$ 1	\$ 7	\$ 7	
General reserve	1	1	–	1	1	
Specific reserve	8	6	1	6	6	
Reserve for price fluctuations	6,320	622	–	–	6,942	

Notes:

1. Decrease (for other reasons) of reserve for possible loan losses represents the reversed amount of the unused balance of previous year's reserve.
2. Decrease (for other reasons) of reserve for directors' retirement benefits represents the reversed amount following the termination of the directors' retirement benefits plan.

Independent Auditor's Report



Independent Auditor's Report

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

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

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-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 non-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 non-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 non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the non-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 non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the non-consolidated 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 non-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 non-consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. as at March 31, 2016, 2015 and 2014, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-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 non-consolidated financial statements.

KPMG AZSA LLC

August 12, 2016
Tokyo, Japan

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