

Annual Report 2016

Year ended March 31, 2016



JAPAN POST INSURANCE



This year marks the 100th anniversary of Postal Life Insurance Service.

Kampo

The Postal Life Insurance Service was founded in October 1916 to fulfill its social mission of “protecting the means of fundamental livelihood of the public through simple procedures.” Since then, Japan Post Insurance (Kampo) has stayed true to the social mission, providing its customers with simple and easy-to-understand life insurance products with smaller coverage amounts through the nationwide post office network, while enhancing its caring services for customers.

In order to remain as a company trusted and loved by our customers for the centuries to come, we aim to become the “No. 1 Japanese insurance company selected by customers,” and contribute to the local communities primarily through the post office network, while exerting concerted efforts to achieve sustainable growth and enhancement of corporate value over the medium-to-long term.

人 生 は、夢 だ ら け。



かんぽ生命

Note: “Kampo” is widely used as the Company's nickname.



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▶ Company Name

JAPAN POST INSURANCE Co., Ltd.

▶ Starting Date of Business

October 1, 2007

▶ Head Office

3-2, Kasumigaseki 1-chome,
Chiyoda-ku, Tokyo 100-8798, Japan
TEL +81-3-3504-4411
(Japan Post Group main number)

▶ President, CEO (Representative Executive Officer)

Masami Ishii

▶ Number of Employees

7,378 (As of March 31, 2016)

▶ Main Offices

Regional Headquarters: 13
Branches: 82

▶ Paid-in Capital

¥500,000 million

Notes: 1. Unless otherwise noted, financial figures in this report are reported on a consolidated basis. Unless this context indicates otherwise, references in this report to "we", "us", "our", "the Company" or similar terms are to Japan Post Insurance Co., Ltd. Unless otherwise specified in this report, the information herein is as of March 31, 2016.

2. This report is intended to provide information to the public and is not intended to constitute a solicitation to invest in stock or other marketable securities of Japan Post Insurance Co., Ltd. or its subsidiaries. This report contains forward-looking statements regarding the outlook and targets of Japan Post Insurance or other companies in the Japan Post Group, which are based on the information available when the report was prepared or on Japan Post Insurance's expectations derived from projections or assumptions made at the time of report development. Please note that these forward-looking statements are subject to a broad range of risks and uncertainties, and actual results might vary materially from the statements contained in this report as a result of a change in the economic conditions or business trends, a revision to laws or regulations, effects of a large-scale disaster, fluctuations in the value of assets owned or harmful rumors or false information.

Postal Life Insurance does not accept new applications for insurance policies on and after October 2007. In addition, unlike Postal Life Insurance policies, no government guarantee is given to insurance policies currently underwritten by Japan Post Insurance Co., Ltd. with regard to benefit payments.

For Postal Life Insurance policies entered into before September 2007, Japan Post Insurance Co., Ltd. is entrusted by the Management Organization for Postal Savings and Postal Life Insurance (hereinafter called "Management Organization" in this report), which succeeds the rights and obligations of the insurance policies, to provide services concerning benefit payments and receipt of insurance premiums, etc.

As a company trusted and loved by our



Masami Ishii
Director and President, CEO,
Representative Executive Officer

We would like to express our deep appreciation for your kind support for Japan Post Insurance Co., Ltd.

We would also like to offer our sincere sympathies to all those affected by the 2016 Kumamoto earthquake, as well as extend our heartfelt wishes for the region's quick recovery.

We hereby present to you our Annual Report for the year ended March 31, 2016, which describes our financial results, business performance and various initiatives undertaken during the term under review.

Through this report, we hope to bring a better understanding of our operations and ask for your continued support.

Review of the Year Ended March 2016

The fiscal year ended March 31, 2016 was a notable year as it marked the first year of our new medium-term management plan "New Japan Post Group Network Creation Plan 2017," covering the three years from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018, which was formulated to articulate the future direction of management for overcoming issues, such as the pursuit of greater profitability of the Group, improvement in productivity and strengthening of corporate governance upon taking into account factors such as changes in the operating environment, including the continued low interest rate environment.

In line with the above, we pressed ahead with initiatives according to the plan's top priority themes to "Establish our financial management base which will be necessary for growth," as well as accelerated efforts to build an unshakable management base for our enduring growth and development by "developing products and services that will further enhance our strengths".

It was also a year when we took another step forward with the listing of our common stock on the First Section of the Tokyo Stock Exchange on

November 4, 2015. We would like to express our sincere gratitude to all those who provided advice and support toward successfully listing the stock.

We also promoted an initiative called "Kampo Platinum Life Service" to offer the elderly customer-friendly services that emphasize a sense of security and trust by improving every customer contact from our elderly customers' perspective.

Specific efforts to enhance services for elderly customers in the fiscal year ended March 31, 2016, included raising the maximum limit of the enrollment age range of endowment insurance and whole life insurance, establishing a dedicated call center for elderly customers and publishing an information magazine for elderly customers. In the fiscal year ending March 31, 2017, we started offering a free telephone consultation service on "health, medicine, nursing" and "taxes in life".

In response to customers' needs, in October 2015, we launched a "Short-Term Premium Payment Endowment Insurance" that resolves the insurance premium payment burden at an early stage and increases savings by making the insurance premium payment period shorter than the insurance period. From the same month, in order to improve convenience for our customers, we started "handling of a deferred first premium payment system" and the



customers for the centuries to come

handling of a “Special Provision on Designating Commencement Date of Liability.”

To develop and strengthen our systems for managing insurance claims and other payments, we strived to further improve payment quality and make administrative processing more efficient by working to improve payment examination administration with the implementation of a Claim Payment Processing System (SATI). In addition, we strived to enhance guidance following a system determination of insurance claims that can possibly be paid and the necessary procedures when a customer makes an insurance claim.

In addition to these initiatives, in March 2016, we reached an agreement to form a strategic business alliance with The Dai-ichi Life Insurance Company, Limited in the three areas of international life insurance business, asset management business and joint research in the new product and IT fields as the pillars of the alliance. By mutually complementing and fusing the strengths of both companies, we aim for the sustainable improvement of corporate value.

Regarding the business results for the fiscal year ended March 31, 2016, a stronger collaboration with Japan Post Co., Ltd. led to a record-high number of new individual insurance policies. Annualized premiums from new policies reached ¥485.3 billion (6.0% increase year on year) for individual insurance and ¥49.5 billion (20.6% increase year on year) for third-sector; 2.39 million individual insurance policies were sold (0.6% increase year on year) for an insured amount of ¥7,168.4 billion (2.4% increase year on year).

Looking at consolidated profit and loss, ordinary profit amounted to ¥411.5 billion and net income attributable to Japan Post Insurance amounted to ¥84.8 billion, which exceeded the previous year's level.

In addition, consolidated solvency margin ratio, an indicator of financial soundness, stood at 1,570.3%. Internal reserves within liability, combined with the contingency reserve and reserve for price fluctuations, amounted to ¥3,157.1 billion, and we thereby were able to secure a strong financial base.

We appreciate all those who supported us in the realization of these solid results.

Future Outlook

The fiscal year ending March 2017 marks the 100th anniversary of Postal Life Insurance Services.

We again would like to express our deepest gratitude to our stakeholders for the generous support that they have rendered to us over the years.

Upon reaching this milestone, in anticipation of the next 100 years, we have reconsidered what Japan Post Insurance meant to do and what manner of company it is meant to become. We have also revised our corporate philosophy, the idea at the foundation of engaging in business activities, to “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.”

This management philosophy contains our mission as a member of the Japan Post Group of delivering insurance services as a means of security to customers throughout Japan, and our strong will to ensure that all people live with a positive mind-set and full of dreams with the help of the insurance services that we provide, thereby supporting the regional societies in Japan.

Under the new management philosophy, we will carry out our inherited social mission of “providing basic measures of life with simple procedures for the people of Japan,” which was the original goal of Postal Life Insurance when it was created in 1916. Although we will keep our business model—“a big, unique and heartfelt company”—unchanged, we will continue to meet the needs of a larger number of customers and further upgrade our insurance services.

We will continue to work, with all our employees united, toward the corporate vision of aiming to be the “No. 1 Japanese insurance company selected by customers” to stay trusted and loved by our customers for the centuries to come.

In all our endeavors, we request and appreciate your continued support.

October 2016

Japan Post Insurance in Numbers

In line with the medium-term management plan, we have carried out measures to secure a sound management base and solidify our strengths. With the aim of becoming the “No. 1 Japanese insurance company selected by customers,” we will continue to upgrade our services by capitalizing on our nationwide network of post offices, thereby ensuring sustainable growth and enhancement of corporate value over the medium to long term.

Total Assets

▶ Page
20

¥81,545.1 billion

Industry's No. 1

*1

Monthly Premiums from New Policies

▶ Page
15

¥51.0 billion

Achieved the ¥50 billion mark one year ahead of the management plan

Net Income

▶ Page
20

¥84.8 billion

Achieved 104.4% over the previous year

*2

Dividend Payout Ratio

▶ Page
15

39.6%

Paid a dividend of ¥56 per share to shareholders

*1

Consolidated Solvency Margin Ratio

▶ Page
22

1,570.3%

One of the indicators by which the regulatory agency determines financial soundness

*1

Status of Accumulation of Internal Reserves

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22

¥3,157.1 billion

The total of the contingency reserve and reserve for price fluctuations

*1 Consolidated

*2 Net income attributable to Japan Post Insurance

Annualized Premiums from New Policies

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Individual insurance

¥485.3 billion

Third-sector

¥49.5 billion

Annualized Premiums from Policies in Force

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» 25

Individual insurance

¥5,031.4 billion

Third-sector

¥738.7 billion

*3

Number of New Policies (individual insurance):

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2.39 million

Number of Policies in Force (individual insurance):

Page
» 25

32.32 million

*3

Nationwide Network

Page to
» 14

20,056 post offices

CLOSE-UP

Annualized Premiums from New Policies

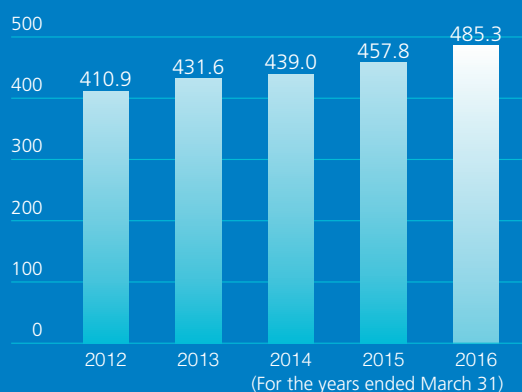
Record high since privatization was attained for both individual insurance policies and third-sector.

[Individual Insurance]

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¥485.3 billion

Annualized premiums from new policies (individual insurance) (Billions of yen)

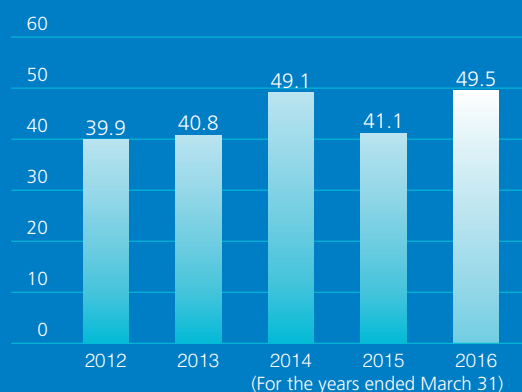


[Third-Sector]

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¥49.5 billion

Annualized premiums from new policies (third-sector) (Billions of yen)



*3 The figures for policies in force are the sum of individual life insurance and Postal Life Insurance reinsured by us under commission from the Management Organization.

History of Japan Post Insurance

This year marks the 100th anniversary of Postal Life Insurance.

Let us look back at the history of Postal Life Insurance, which has developed by catering to the needs of the times to offer an insurance system that is easy to understand and accessible to all people.

1916

Commenced Postal Life Insurance business



An original certificate for Postal Life Insurance

1926

Commenced the postal annuity business

1928

Commenced the National Health Exercise program (precursor of Radio Exercise program)



People exercising under the program

1949

- Introduced the double insurance payment system

1951

Established the Radio Exercise No. 1 program and broadcast on the radio



1952

- Established the Association of Postal Life Insurance Policyholders

1959

- Established the *Chuo Rengo* Association of Postal Life Insurance Policyholders

1971

- Launched special whole life insurance and educational endowment insurance

1974

- Launched individual term insurance
- Introduced medical insurance riders

1977

- Commenced a networked service using the mechanized system of Postal Life Insurance Services

1981

Commenced the new postal annuity business

1986

- Commenced automatic payment of insurance premiums through bank transfers

Major Events in Japan ▶▶

1958

- Completion of Tokyo Tower

1964

- Commencement of service of *Tokaido Shinkansen* Line

1968

- Introduction of the postal code system

1970

- Japan World Exposition, or Expo '70, held in Osaka

1982

- Commencement of service of *Tohoku Shinkansen* Line and *Joetsu Shinkansen* Line

Aiming to be the
No. 1 Japanese
Insurance Company
Selected by
Customers

2016

1987

- Commenced the payment of insurance and annuity benefits through postal transfer accounts

1991

Introduced the new postal life insurance system

1999

- Commenced *Minna no Taiso* ("Exercise for Everyone") program



1998
Attendance Card (on the reverse side)
in commemoration of the 70th
anniversary of the Radio Exercise
program

2001

- Established Japan Post Insurance Call Center

2006

Established Kampo Co., Ltd.
under the Postal Service
Privatization Act

2007

- Commenced the management of Postal Life Insurance under commission from the Management Organization for Postal Savings and Postal Life Insurance

2007

Trade name changed to JAPAN
POST INSURANCE Co., Ltd. in
line with the commencement of
the life insurance business

2015

Listed on the First Section of the
Tokyo Stock Exchange



2016

100th anniversary of Postal Life
Insurance



100th anniversary logo

1989

- Introduction of the consumption tax

Celebrating the 100th Anniversary of Postal Life Insurance



The Postal Life Insurance Service, which was succeeded by Japan Post Insurance after the privatization of the postal service, will celebrate its 100th anniversary in October 2016. Inheriting the service's social mission of “providing basic measures of life with simple procedures for the people of Japan,” we have provided simple and easy-to-understand products with smaller coverage amounts through the nationwide network of post offices, while enhancing the quality of customer services.

Throughout the year, we will carry out various initiatives to celebrate the 100th anniversary of Postal Life Insurance.

Special Website for the 100th Anniversary of Postal Life Insurance

In commemoration of the 100th anniversary, a special website has been established. The site provides information on the 100th anniversary ads featuring Yoshihiko Inohara and the history of Postal Life Insurance.



TV commercials featuring the 100th anniversary ambassador Yoshihiko Inohara, who appears as “Kampo-san,” have been broadcast since April 2016. The commercials convey our sincere thanks to the many customers who have supported us through the heartfelt expression of Mr. Inohara as he looks down upon a town, filled with thanks for the 100th anniversary. Along with the TV commercials, commemorative posters that show our gratitude for the 100th anniversary are posted at post offices nationwide.

100th Anniversary Ads Featuring Yoshihiko Inohara

<http://100th.jp-life.japanpost.jp/>

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Japan Post Insurance
presents
DREAMS COME TRUE
Uradori Wonderland
2016
Special Sponsorship

We are sponsoring the special concert tour “Japan Post Insurance presents DREAMS COME TRUE *Uradori Wonderland* 2016” by DREAMS COME TRUE, which is a popular J-POP group among people of all age groups. Through this sponsorship, we would like to deliver dreams to everyone.

かんぽ生命 presents
DREAMS COME TRUE
ウラウラ
裏ドリワンダーランド 2016

TV Commercials in
Collaboration with
DREAMS COME TRUE



TV commercial
“Everyone’s Dream” version

The “Everyone’s Dream” version of TV commercials are broadcast nationwide, featuring DREAMS COME TRUE and a song exclusively composed by them to commemorate the 100th anniversary of Postal Life Insurance. In these commercials, DREAMS COME TRUE cheers people’s dreams throughout Japan via the melody of this new song.

Close-up

Listed on the First Section of the Tokyo Stock Exchange

Japan Post Insurance was listed on the First Section of the Tokyo Stock Exchange on November 4, 2015. This was enabled through the generosity of all those who provided support to us, and we would like to express our sincere gratitude to them all.

With recognition of our social responsibility as a listed company, we—all officers and employees—will join forces to enhance our services even further.



Management Strategy of Japan Post Insurance



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In April 2016, Japan Post Insurance revised our Management Philosophy to mark the major milestone of our listing on the Tokyo Stock Exchange in November 2015 and 100 years since the establishment of the Postal Life Insurance Services in October 1916. Our new Management Philosophy is a determination that all executives and employees will work together to always be close at hand and to protect the well-being of every one of our customers.

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Concept of our Management Philosophy

We have expressed our Management Philosophy based on our “Japan Post Insurance Identity” such as receptiveness to always support customers close at hand in a broad range of regions and across generations.

Be a trustful partner for people, always being close at hand

With our brand image of “trustworthiness” and “reliability” developed thus far as our asset, we will continue to fulfill our mission as a member of the Japan Post Group to provide the peace of mind that is insurance to a wide range of customers all over Japan through a network of post offices that are close to regional societies.

Endeavoring to protect their well-being

With confidence, pride and a sense of obligation as one of the largest life insurance companies in Japan, we strive to ensure that all people can dream, embody the brilliance of life and experience positive lives. We will protect their well-being by the power of insurance and support regional societies throughout Japan.

To realize our Management Philosophy, we have established the Management Policy, defining in concrete terms the attitude we should aim toward, and the Code of Conduct, setting out the norms that every executive and employee must actively work to follow.

Management Policy

We aim to become the No.1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

Code of Conduct

1. We put the customer first in everything we do.
2. We offer comprehensive and heartfelt services by working together closely with our business partners.
3. We always improve ourselves, embarking on new challenges and contributing to the development of the company and society.
4. We leave no stone unturned in ensuring compliance based on a strong ethical sense of the company as a responsible member of society.
5. We respect human rights and create a diverse and inclusive working environment.



Framework of Business Operations

Japan Post Insurance aims to provide services that meet customers' needs with a high degree of customer satisfaction through an extensive nationwide network of post offices serving as bases for providing our products and various procedures and services.

Bases for providing our products and services

We are pursuing business expansion with the agency sales channel (our business partners JAPAN POST Co., Ltd. (post offices) and contracted post offices) and the directly-managed wholesales channel (our branches) as our sales channels.

Agency sales channel

JAPAN POST Co., Ltd. ("Japan Post Co.") solicits our insurance products through its post offices which can be found in every corner of the country as bases of operations. Post offices provide simple and easy-to-understand products (with smaller coverage amounts and easy procedures) and services mainly to households and the individuals market, taking advantage of their nationwide network.

We have placed organizations (Agency Relations Divisions) for agency support at 76 directly-managed offices (as of March 31, 2016) and offer support for sales promotion, as well as training and administration support. We also take advantage of our strengths while working as one with Japan Post Co. to promote development of

products that meet customers' needs, development of new markets and channels, and sophistication of sales processes.

As of March 31, 2016, there were 20,056 post offices undertaking life insurance solicitations.

Contracted post offices (postal counter service consignees) provide simple and easy-to-understand products and services in the same manner as the post office channel.

As of March 31, 2016, there were 624 contracted post offices that had concluded life insurance solicitation consignment contracts with Japan Post Insurance.

Note: In addition, some contracted post offices conduct work to refer customers to post offices.

Directly-managed wholesales channel

Whole Sales Divisions of our directly-managed offices are placed in 76 major cities nationwide (as of March 31, 2016), where they provide our products and services primarily to the corporate

and worksite market including small- and mid-sized companies, and also handle other life insurance companies' products for corporate customers.

Bases for various procedures

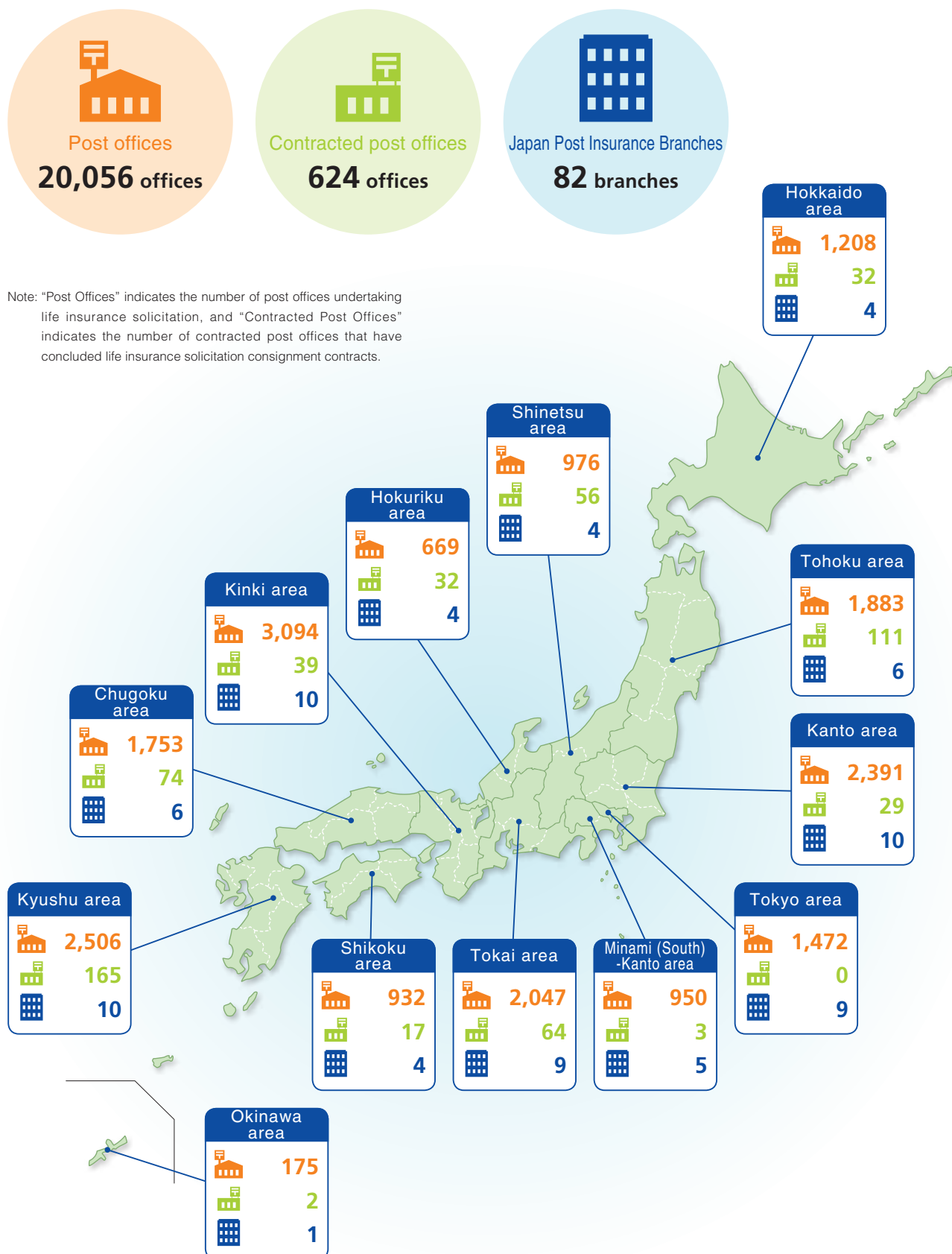
For policies with Japan Post Insurance, we provide services for the collection of insurance premiums, the payment of insurance benefits and various other procedures at post offices located all across Japan.

In addition, following privatization, we have been commissioned with the management of Postal Life Insurance Policies from the Management

Organization, which took over the Postal Life Insurance Policies from Japan Post Corporation. By consigning some of the commissioned tasks from the Management Organization to Japan Post Co., such as the collection of insurance premiums and the payment of insurance benefits, we provide services at post offices just as we did before privatization.



The Post Office Network and Japan Post Insurance Bases across Japan (As of March 31, 2016)





Overview of Medium-term Management Plan

In April 2015, Japan Post Group announced a new Medium-term Management Plan spanning three years from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018, the "New Japan Post Group Network Creation Plan 2017," to indicate the direction of its management.

Based on this Medium-term Management Plan, Japan Post Insurance aims to become the "No. 1 Japanese Insurance Company Selected by Customers," paving the way for real growth by establishing a financial management base that will be necessary for our growth, as well as by developing products and services to enhance our strengths.

In the fiscal year ended March 31, 2016, having listed our stock in November, we achieved ahead of schedule our goal for the fiscal year ending March 31, 2017 in the Medium-term Management Plan of ¥50 billion in insurance premiums from new policies through the launch of endowment insurance with a shortened premium period, among other factors.

In the fiscal year ending March 31, 2017, as we celebrate the 100th anniversary of the establishment of Postal Life Insurance Services, we will strive to further improve customer services and aim to secure the business objectives outlined in the Medium-term Management Plan.

Strategic Goals

Establish our financial management base which will be necessary for growth

Develop products and services to enhance our strengths

Aim for the reversal of the decreasing trend of policies in force after the final fiscal year of the Medium-term Management Plan (FY2018/3)

Business Objectives (FY2018/3)

✦ Contracted monthly insurance premiums from new policies

Our target is to achieve 50 billion yen in contracted monthly premiums from new policies by the 100th anniversary of the establishment of Postal Life Insurance (in FY2017/3) and to make them grow further, aiming to reverse the decreasing trend of policies in force after the final fiscal year of the Medium-term Management Plan (FY2018/3) and enter into growth phase.

✦ Net income

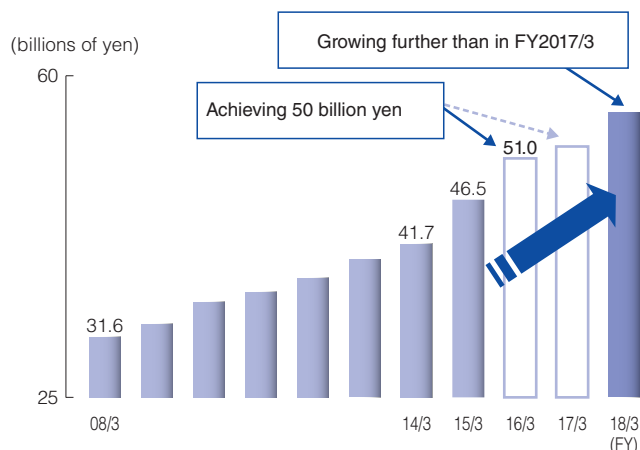
Assuming no drastic changes in the market environment, our target is to secure around 80 billion yen in net income.

✦ Dividend payout ratio

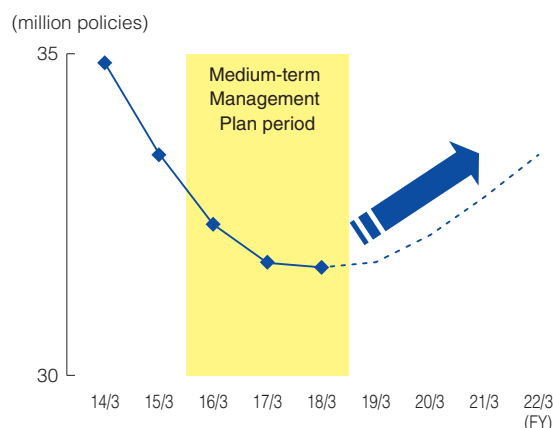
We will redistribute profits to our shareholders steadily, setting a dividend payout ratio within the range of roughly 30–50%, while considering financial soundness and balance between shareholder and policyholder dividends.

Aim at Early Reversal of Policies in Force

Contracted monthly premiums from new policies



Number of policies in force



■ Business Alliance with The Dai-ichi Life Insurance Company, Limited —■

On March 29, 2016, we reached a basic agreement to form a strategic business alliance with The Dai-ichi Life Insurance Company, Limited (“Dai-ichi Life”), in the three areas of international life insurance business, asset management business, and joint research in the new product and IT fields as pillars of the alliance.

The Alliance will complement and merge each company's expertise, leading to a sustainable enhancement of corporate values of the two companies. Through an improvement in quality of products and services, it also will contribute to a development of local communities throughout Japan. Finally, it will accelerate penetration of life insurance products in overseas markets, leading to a development of society and economy in these countries.



Outline of the Alliance

1) International Life Insurance Business

In order to develop cooperative ground in developing life insurance business overseas, Japan Post Insurance and Dai-ichi Life intend to discuss in view of extending various support to the project where Dai-ichi Life's subsidiary, Dai-ichi Life Insurance Company of Vietnam, Limited (“Dai-ichi Life Vietnam”), will consign sales of life insurance products to Vietnam Post Corporation (“Vietnam Post”), a state-owned postal service provider.

In order to strengthen cooperative relationship between the two companies in Vietnam, Japan Post Insurance considers taking a stake in Dai-ichi Life Vietnam.

2) Asset Management Business

Faced with the difficult environment such as extended period of lower interest rates, Japan Post Insurance and Dai-ichi Life intend to discuss in view of diversification of asset management strategy and strengthening of risk diversification capabilities, in addition to a sharing of Dai-ichi Life's asset management affiliates DIAM Co., Ltd. and Janus Capital Group Inc., and joint investment in growing sector such as project financing.

Furthermore, in order to strengthen asset management administration service platform, Japan Post Insurance and Dai-ichi Life consider transferring a part of interest in Trust & Custody Services Bank, Ltd. (“TCSB”), an affiliate of Dai-ichi Life, to Japan Post Insurance which consigns asset administration services to TCSB.

3) Joint Research on Domestic Life Insurance Business

Japan Post Insurance and Dai-ichi Life consider joint research in view of product development and deployment of IT technologies in order to pursue future growth in domestic life insurance market, to improve quality of products and services and to streamline expenses.

■ Memorandum Regarding Trilateral Collaboration Signed by Japan Post Insurance, Dai-ichi Life and Vietnam Post —■



On April 19, 2016, Japan Post Insurance, Dai-ichi Life, and Vietnam Post have signed the memorandum with regard to their trilateral collaboration in providing life insurance services in Vietnam.

Vietnam Post is a government-owned enterprise with approximately 11,000 branch offices and 40,000 employees throughout the nation, having sales experience in both insurance products and postal/distribution services.

Taking this opportunity, Japan Post Insurance, Dai-ichi Life and Vietnam Post will enhance their business relationship, so as to spread and penetrate their life insurance services within Vietnam as well as to contribute to the development of the Vietnamese society and economy.

■ Cooperation in a Feasibility Study on “Health Promotion Service” by JAPAN POST Co., Ltd. —■

We have cooperated in a feasibility study on “Health Promotion Service” by JAPAN POST Co., Ltd. since June 2016 in *Date* City, Fukushima Prefecture.

This service aims to extend people's healthy life expectancy and thereby contribute to solving the problems of an aging society in Japan, while it aims to contribute to invigorating local communities and regional revitalization by supporting health promotion and creating a society where people can enjoy active lives. This service provides “Health Promotion Programs” optimized to individual participants and monitors the progress of efforts by participants using iPads or wearable devices in order to support the achievement of health improvement goals.

■ Obtained Approval for Underwriting of Reinsurance —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval to underwrite reinsurance pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act on January 19, 2016 and received approval on March 11, 2016.

We believe that the reinsurance business will lead to improving the potential for revenue acquisition by the diversification of revenue sources, while also leading to improvement of our risk portfolio by holding different risks from those that we currently hold.

■ Changes in the Maximum Amount of Insurance Coverage (In the case where a certain period of time has passed since enrollment) —■

There are limits on the amount of insurance coverage for which each insured person can enroll in set forth by Article 137 of the Postal Service Privatization Act, etc., for our insurance policies.

According to the Cabinet Order on the Partial Revision of the Order for Enforcement of the Postal Service Privatization Act, which came into effect on April 1, 2016, the maximum amount of insurance coverage for one insured person may be raised, under certain conditions, from a maximum of ¥13 million to a maximum of ¥20 million. As a result, we are now able to meet the additional enrollment needs of our customers. Going forward, we will continue to study products and services based on our customers' needs and others.

■ Obtained Approval for Ancillary Services —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval to implement ancillary services pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act on January 19, 2016 and received approval on March 11, 2016.

From May 9, 2016, we started providing a free telephone consultation service on “health, medicine and nursing,” as well as “taxes in life,” and believe that it will contribute to the improvement of the convenience and satisfaction of our customers.

■ Obtained Approval for Commissioned Sales of Insurance Products for Corporate Clients and Started Sales —■

We applied to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications for approval of Commissioned Sales of Insurance Products for Corporate Clients based on Article 138, Paragraph 3 of the Postal Service Privatization Act on July 1, 2015. On September 30, 2015, we obtained approval for consignment sales of term insurance for corporate executives from all life insurance companies, as well as consignment sales of general welfare group term insurance

from MetLife Insurance K.K.

In order to meet the diverse needs of corporate executives, in addition to Commissioned Sales of Insurance Products for Corporate Clients of other life insurance companies that we have handled thus far, we launched consignment sales of term insurance for corporate executives from Dai-ichi Life and general welfare group term insurance from MetLife Insurance K.K. in November 2015.

Launched Sales of Short-Term Premium Payment Endowment Insurance

To respond to customers' needs to be free from the burden of paying insurance premiums earlier, etc., we launched sales of Ordinary Endowment

Insurance "Shin Free Plan (short-term premium payment)" in October 2015.

Product features

Feature 1

This product release customers from the burden of paying insurance premiums earlier as it enables them to complete premium payments in a shorter period (10 years) than the insurance period (15 years).

Feature 2

By making the insurance premium payment period shorter than the insurance period and offering a certain deferment period after completing premium payments, this product enables customers to enroll in the insurance policy with less total premiums than those paid over the full term of insurance.

Feature 3

By adding a hospitalization rider, hospitalization costs are covered. In addition, the coverage lasts until the maturity date even after the completion of premium payments.



Text promoting Short Term Premium Payment Endowment Insurance; "Now available! Receive 15 years of coverage for 10 years of premium payments!"

Introduced "Deferred First Premium Payment System" and "Special Provision on Designating Commencement Date of Liability"

Deferred First Premium Payment System

In October 2015, we launched a deferred first premium payment system in which the coverage (liability) starts from the time customers apply and report their health status, and then customers make their first premium payment through a bank transfer or other ways after the policy is concluded.

Previously, customers were requested to pay the first premium in cash at the time of application because a bank transfer was not available for such initial premium payment. The adoption of this system enables customers to start paying premiums by bank transfer from the first payment.

With the commencement of this new system, customers are no longer requested to bring cash when they pay the first premium, thus enhancing customers' convenience and improving our operational efficiency of collection of premiums.

Special Provision on Designating Commencement Date of Liability

In October 2015, we commenced the handling of a special provision on designating the commencement date of liability whereby policy holders can designate the commencement date of coverage (liability) at the time of application.

As a result, customers can start application procedures for new insurance policies and designate the commencement date of coverage (liability) at most three months prior to the maturity of the insurance policies in which they are already enrolled, thus enabling seamless transition to new coverage (liability) without causing duplicate coverage or an in-between period.

With the commencement of this new provision, procedures to make an insurance claim for maturity proceeds and application for new insurance policies can be handled at the same time, thus enhancing customers' convenience and improving our operational efficiency for the solicitation of new insurance policies.

Further Refinement of Insurance Benefit Payment Operations through Utilization of IBM Watson

We are promoting study on further refinement of our insurance claim payment operations through utilization of the Watson technology, which is IBM's cutting-edge cognitive computing system.

More specifically, we will consider the development of an operational support system to enable examination staff to handle payment operations more promptly and accurately. This operational support system proposes options with certainty factors for staff to make payment decisions based on an analysis of our payment

examination data (one of the largest data sources in Japan), contract terms, relevant laws and regulations, and past cases.

We will continue to work toward our management philosophy of becoming the "No. 1 Japanese Insurance Company Selected by Customers" through initiatives such as the improvement of our service level.

Note: Cognitive computing is a technology whereby computers autonomously make links to various data input and analyze and learn from that to provide support for decision-making through computing and evaluating the estimated results.

Business Overview and Results



Performance Overview for the Year	
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Performance Overview for the Year Ended March 31, 2016

The Japanese economy in the fiscal year ended March 31, 2016 achieved only a gradual recovery, for although capital investment picked up, consumer spending was sluggish. Likewise, the growth of the global economy was weak as in the previous fiscal year partly owing to the continued slow recovery in emerging countries including China, although the United States (U.S.) economy was strong and Europe showed signs of a gradual recovery.

The role of the life insurance industry is growing ever more to support self-help efforts of customers by strengthening sales channels and developing products in response to customers' diversifying needs and heightened selectivity, which mirrors such trends as the aging of society with declining birthrates, a growing number of one-person households and evolving lifestyles.

Under these conditions, Japan Post Insurance has inherited its social mission of "providing basic measures of life with simple procedures for the people of Japan," which was the original goal of Postal Life Insurance Services when it was created in 1916, while taking initiatives toward improving corporate value and realizing better customer service with the aim of becoming "a big, unique and heartfelt company," as per our policy of "aiming to be the No. 1 Japanese insurance company selected by customers."

Profit and loss in the fiscal year ended March 31, 2016 were as follows.

Ordinary income amounted to ¥9,605.7 billion (5.5% decrease year on year), comprising the sum of insurance premiums and others of ¥5,413.8 billion (9.1% decrease year on year), investment income of ¥1,354.9 billion (7.2% decrease year on year), and reversal of policy reserves to provide for payments of insurance claims and others of ¥2,750.0 billion (4.5% increase year on year).

Ordinary expenses amounted to ¥9,194.2 billion (5.0% decrease year on year), comprising the sum of insurance claims and others of ¥8,550.4 billion (5.6% decrease year on year), investment expenses of ¥9.7 billion (11.3% decrease year on year), operating expenses of ¥538.5 billion (4.9% increase year on year) and other ordinary expenses.

As a result, ordinary profit amounted to ¥411.5 billion (16.5% decrease year on year) and net income attributable to Japan Post Insurance amounted to ¥84.8 billion (4.4% increase year on year), which is calculated by subtracting provision for reserve for price fluctuations, provision for reserve for policyholder dividends and total income taxes from ordinary profit.



Five-Year Summary of Key Business Indicators (Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2012	2013	2014	2015	2016
Ordinary income	¥12,538.6	¥11,834.9	¥11,234.1	¥10,169.2	¥9,605.7
Ordinary profit	531.2	528.9	462.7	492.6	411.5
Core profit (non-consolidated)	571.6	570.0	482.0	515.4	464.2
Net income attributable to Japan Post Insurance	70.0	90.6	62.8	81.3	84.8
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(20,000)	(20,000)	(20,000)	(20,000)	(600,000)
Total assets	93,690.8	90,463.5	87,092.8	84,915.0	81,545.1
Separate account	—	—	—	—	—
Policy reserves	85,143.8	81,401.9	77,745.4	75,112.6	72,362.5
Loans	13,929.0	12,691.5	11,020.5	9,977.3	8,978.4
Securities	74,586.1	72,557.1	69,377.9	66,276.2	63,609.9
Solvency margin ratio (%)	1,337.0	1,468.8	1,625.1	1,644.2	1,570.3
Number of employees (persons)	—	—	7,367	7,606	7,890
Policy amount in force	25,824.7	31,675.3	37,179.5	42,774.9	47,882.7
Individual insurance	23,043.1	28,480.7	33,735.6	39,159.0	44,406.2
Individual annuities	2,781.5	3,194.6	3,443.8	3,615.9	3,476.4
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes: 1. The number of shares issued reflects the 30:1 stock split effective August 1, 2015.

2. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance.

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

Core Profit

¥464.2 billion

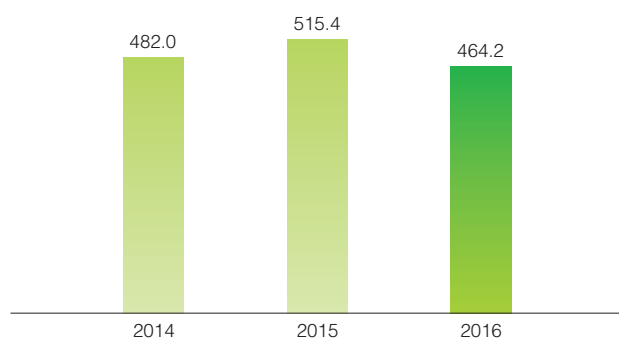
(Non-Consolidated Core Profit)

Core profit is a basic periodic earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premiums and others, insurance claims and others, and operating expenses, as well as investment-related income and expenses, which consist primarily of interest and dividend income.

Our core profit for the year ended March 31, 2016 was ¥464.2 billion.

Core Profit
Years ended March 31

(Billions of yen)



(Billions of yen)

Years ended March 31	2014	2015	2016
Core income ①	¥11,240.1	¥10,185.7	¥9,653.5
Insurance premiums and others	5,911.6	5,956.7	5,413.8
Investment income (Note 1)	1,458.3	1,366.0	1,308.7
Reversal of policy reserves (Note 2)	3,736.8	2,719.2	2,805.7
Core expenses ②	10,758.0	9,670.3	9,189.2
Insurance claims and others	10,160.8	9,059.5	8,550.4
Provision for policy reserves and others	4.6	1.4	0.1
Investment expenses (Note 1)	5.7	5.2	6.2
Operating expenses	513.0	512.4	537.0
Core profit (①-②) A	482.0	515.4	464.2
Net capital gains B	61.7	64.1	4.4
Other one-time profits C	(80.3)	(86.4)	(55.6)
Ordinary profit A+B+C	463.5	493.1	413.0

Notes: 1. Excluding the amount regarding net capital gains

2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a “positive spread.” Conversely, a “negative spread” exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2016, there was a positive spread of ¥97.4 billion.

The spread (positive/negative spread) is calculated according to the following formula:

$$\text{Positive spread} = \frac{[\text{investment return on core profit} - \text{average assumed rate of return}] \times \text{general account policy reserves}}{[\text{¥97.4 billion}] \quad [1.90\%] \quad [1.76\%] \quad [\text{¥70,679.1 billion}]}$$

- Investment return on core profit is the return on general account policy reserves after deducting the provision for interest on policyholder dividends from the general account investment revenue included in core profit.
- Average assumed rate of return is the return of assumed interest on general account policy reserves.
- General account policy reserves are calculated as follows for policy reserves in the general account, excluding the contingency reserve:
(Policy reserves at beginning of period + policy reserves at end of period – assumed interest) × 1/2
- Policy reserves and assumed interest are calculated based on the actual cumulative amount.



Consolidated Solvency Margin Ratio

1,570.3%

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and others. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which the regulatory agency determines whether or not an insurance company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or a stock market collapse.

If the ratio is less than 200%, the regulatory agency will take prompt corrective action. On the other hand, if the ratio is greater than or equal to 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Our consolidated solvency margin ratio as of March 31, 2016 was 1,570.3%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

(Billions of yen)

As of March 31	2014	2015	2016
Total amount of solvency margin (A)	¥5,134.7	¥5,706.1	¥5,547.8
Capital stock, etc.	1,334.2	1,387.5	1,438.8
Reserve for price fluctuations	614.2	712.1	782.2
Contingency reserve	2,588.7	2,498.7	2,374.8
Catastrophe loss reserve	—	—	—
General reserve for possible loan losses	0.0	0.0	0.0
(Net unrealized gains (losses) on available-for-sale securities (before taxes) Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	238.9	703.5	505.3
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.4)	(10.0)	(3.4)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	3.3	7.9	6.9
Excess of continued Zillmerized reserve	358.5	406.2	442.9
Capital raised through debt financing	—	—	—
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk (B)	631.8	694.0	706.5
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_6^2 + R_8^2 + R_9^2} + (R_2 + R_3 + R_7)^2 + R_4 + R_6)}$	168.4	163.7	159.0
Insurance risk R_1	—	—	—
General Insurance risk R_5	—	—	—
Catastrophe risk R_6	—	—	—
Underwriting risk of third-sector insurance R_8	99.9	88.5	78.2
Small amount and short-term insurance risk R_9	—	—	—
Anticipated yield risk R_2	198.1	184.4	170.7
Minimum guarantee risk R_7	—	—	—
Investment risk R_3	355.7	443.1	476.0
Business management risk R_4	16.4	17.5	17.6
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,625.1%	1,644.2%	1,570.3%

Note: These figures are calculated based on the provisions set forth in public notification No. 23 issued by the Financial Services Agency in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

For the above figures as of March 31, 2016, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016 (The figures as of March 31, 2014 and 2015 provided above were determined based on existing standards.).



Status of Accumulation of Internal Reserves

¥3,157.1 billion

(Total of contingency reserve and reserve for price fluctuations)

Life insurance companies accumulate contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating environment of the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe

and other events.

As of March 31, 2016, we had a contingency reserve of ¥2,374.8 billion and a reserve for price fluctuations of ¥782.2 billion, a total of ¥3,157.1 billion.

In addition, as of March 31, 2016, we have additional policy reserves to cover for a negative spread and other risks amounting to ¥6,011.5 billion.

(Billions of yen)

As of March 31	2014	2015	2016
Total	¥3,203.0	¥3,210.8	¥3,157.1
Contingency reserve	2,588.7	2,498.7	2,374.8
Reserve for price fluctuations	614.2	712.1	782.2

Consolidated Real Net Assets

¥14,649.5 billion

“Consolidated real net assets” is calculated by subtracting liabilities, other than contingency reserve, reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses consolidated real net assets as an indicator of an insurance company’s financial soundness at the end of a fiscal period. A negative

figure might lead to an order to suspend operations or other regulatory action. (Such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy-reserve-matching bonds is positive and liquid assets have been set aside.)

As of March 31, 2016, we had ¥14,649.5 billion in consolidated real net assets, an amount deemed to be sufficient.

(Billions of yen)

As of March 31	2014	2015	2016
Real net assets	¥9,446.9	¥11,521.1	¥14,649.5

Net Unrealized Gains (Losses) on Securities

¥9,573.3 billion

(Unrealized gain)

Net unrealized gains and losses on assets reflect the differential between market value and book value.

As of March 31, 2016, Japan Post Insurance recorded a net unrealized gain on securities of ¥9,573.3 billion.

We recorded a ¥163.9 billion net unrealized gain on money held in trust and a ¥561.5 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting

the tax-effect amount is recorded on the Consolidated Balance Sheets as “Net unrealized gains (losses) on available-for-sale securities” within net assets.

(Billions of yen)

As of March 31	2014	2015	2016
	Net unrealized gains (losses) (before tax effects)		
Total	¥4,534.4	¥6,494.0	¥9,573.3
Held-to-maturity securities	3,169.7	4,537.1	7,513.0
Policy-reserve-matching bonds	1,099.1	1,175.2	1,498.7
Available-for-sale securities (before tax effects)	(Note 1) 265.5	(Note 2) 781.7	(Note 3) 561.5
Money held in trust	82.5	355.2	163.9

Notes: 1. After applying tax-effect accounting, a gain of ¥184.7 billion

2. After applying tax-effect accounting, a gain of ¥558.0 billion

3. After applying tax-effect accounting, a gain of ¥405.4 billion

Risk-Monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance’s loans fall into this category.

Policyholder Dividends

¥178.0 billion

(Provision for reserve for policyholder dividends)

Insurance premiums of life insurance policies are calculated based on assumed mortality rates, assumed rates of return and projected expenses for policy administration. If there is a positive difference between the assumed and actual figures, the surplus will be returned to policyholders in the form of dividends (“policyholder dividends”) in accordance with the terms of their respective policies.

For the year ended March 31, 2016, we posted a provision for reserve for policyholder dividends of ¥178.0 billion.

- For Japan Post Insurance Policies, we accounted for a provision for reserve for policyholder dividends of ¥7.5 billion.
- For Postal Life Insurance Policies, we posted a provision for reserve for policyholder dividends of ¥170.4 billion under the reinsurance agreement concluded with the Management Organization, based on the performance of the segment related to reinsurance. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

Insurance Policies

During the year ended March 31, 2016, Japan Post Insurance sold 2.39 million individual insurance policies with a total policy amount of ¥7,168.4 billion. Annualized premiums of individual insurance policies amounted to ¥485.3 billion, whereas annualized premiums related to third-sector amounted to ¥49.5 billion.

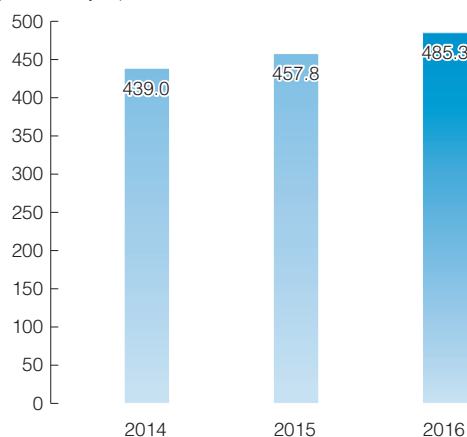
As of March 31, 2016, we had 15.35 million individual insurance policies in force with a total policy amount of ¥44,406.2 billion. Annualized premiums of individual insurance policies amounted to ¥2,863.5 billion (or ¥5,031.4 billion when reinsured Postal Life Insurance Policies (Insurance) are included), whereas annualized premiums related to third-sector amounted to ¥293.4 billion (or ¥738.7 billion when reinsured Postal Life Insurance Policies are included).

Regarding the Postal Life Insurance Policies received from the Management Organization in the form of reinsurance, as of March 31, 2016, policies reinsured by Japan Post Insurance amounted to 16.97 million insurance policies with an insured amount of ¥46,114.5 billion and 2.58 million annuity policies with an annuity amount of ¥932.1 billion.

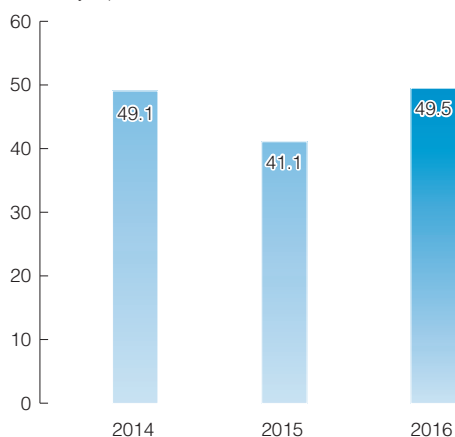
New Policies

Annualized Premiums

Individual Insurance
For the years ended March 31
(Billions of yen)



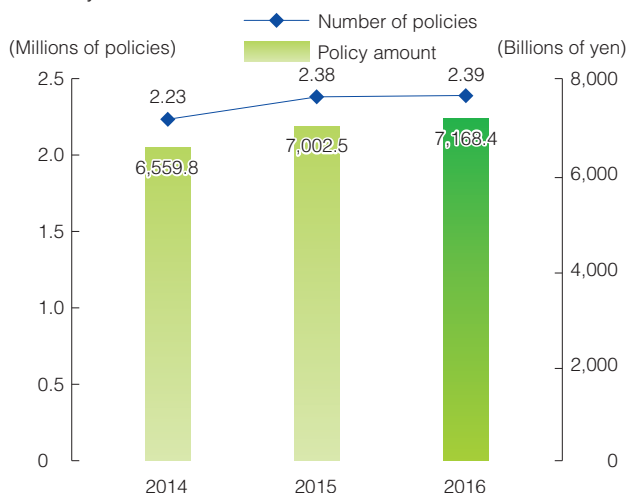
Third-Sector
For the years ended March 31
(Billions of yen)



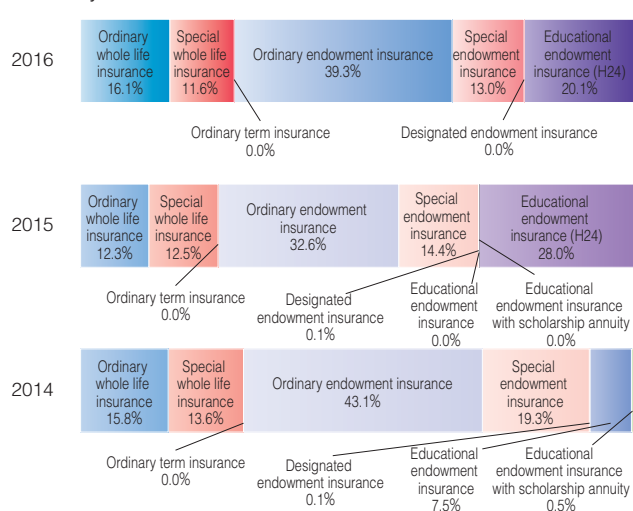
Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

For the years ended March 31



For the years ended March 31

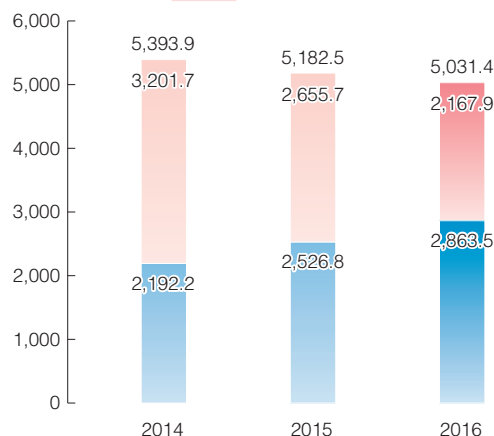


Policies in Force

Annualized Premiums

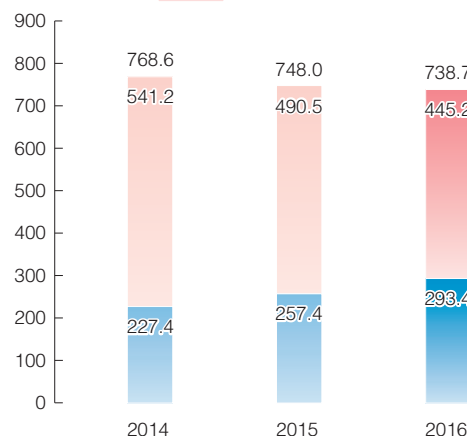
Individual Insurance

As of March 31 ■ New Classification ■ Old Classification
(Billions of yen)



Third-Sector

As of March 31 ■ New Classification ■ Old Classification
(Billions of yen)

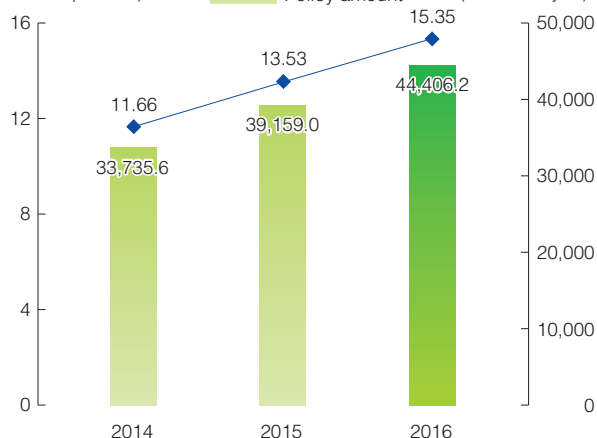


Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies (individual insurance policies are limited to Postal Life Insurance Policies) it has received from the Management Organization in the form of reinsurance.
2. Regarding Postal Life Insurance Policies that Japan Post Insurance has received from the Management Organization in the form of reinsurance, it calculated its annualized premiums under "Old Classification" based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities it has underwritten.
3. "Third-sector" includes medical benefits (including hospitalization and surgery benefits) and living benefits (including specified diseases and nursing care benefits).

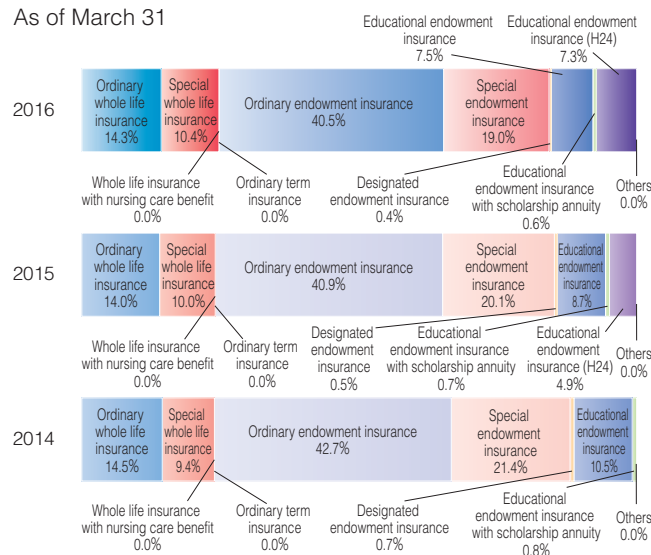
Number of Policies, Policy Amount and Composition by Product (Individual Insurance)

As of March 31
(Millions of policies)

◆ Number of policies ■ Policy amount
(Billions of yen)



As of March 31



Note: The number of policies and policy amounts do not include the Postal Life Insurance Policies that Japan Post Insurance has received from the Management Organization in the form of reinsurance.

[Reference] Reinsured Postal Life Insurance Policies

(Millions of policies, billions of yen)

As of March 31	2014		2015		2016	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Insurance	23.20	¥63,358.9	19.95	¥54,322.4	16.97	¥46,114.5
Annuities	3.40	¥ 1,250.6	2.95	¥ 1,077.9	2.58	¥ 932.1

Note: These figures are based on standards applied by the Management Organization when it calculates published numerical data.

Assets and Liabilities



Compared with the end of March 2015, total assets fell by ¥3,369.8 billion to ¥81,545.1 billion.

Total net assets was ¥1,882.9 billion due to factors such as a decrease in net unrealized gains (losses) on available-for-sale securities.

Key Line Items in the Consolidated Balance Sheets

(Billions of yen)

As of March 31	2014	2015	2016
Total assets	¥87,092.8	¥84,915.0	¥81,545.1
Cash and deposits 1	1,670.8	2,213.7	1,862.6
Money held in trust 2	581.6	1,434.9	1,644.5
Securities	69,377.9	66,276.2	63,609.9
Loans 3	11,020.5	9,977.3	8,978.4
Tangible fixed assets	89.4	131.7	145.8
Intangible fixed assets	124.1	155.0	185.3
Agency accounts receivable 4	102.6	95.0	81.1
Other assets 5	374.0	468.7	525.8
Deferred tax assets 6	592.5	547.0	712.1
Total liabilities and net assets	¥87,092.8	¥84,915.0	¥81,545.1
Total liabilities	¥85,554.6	¥82,939.2	¥79,662.2
Policy reserves and others 7	80,799.9	77,905.6	74,934.1
Other liabilities 8	377.5	602.5	233.1
Liability for retirement benefits	56.6	58.3	60.8
Reserve for price fluctuations 9	614.2	712.1	782.2
Total net assets	¥ 1,538.1	¥ 1,975.7	¥ 1,882.9
Capital stock	500.0	500.0	500.0
Capital surplus	500.0	500.0	500.0
Retained earnings	351.0	411.9	472.3
Net unrealized gains (losses) on available-for-sale securities 10	184.7	558.0	405.4

Note: For details, please see the Consolidated Financial Statements.



1 Cash and deposits	Although insurance premiums that Japan Post Insurance receives from policyholders are invested in securities and loans, a portion is held as cash and deposits as a reserve for payments of insurance claims, etc.
2 Money held in trust	This refers to money that we have entrusted to a trust bank account. The policy of investment is based on a policy recommended by an investment advisory company, etc. The investments are carried out and managed by the trust bank.
3 Loans	This includes policy loans, industrial and commercial loans, as well as loans to the Management Organization. ● Loans to the Management Organization were ¥8,053.7 billion, and industrial and commercial loans were ¥829.0 billion, while policy loans were ¥95.6 billion.
4 Agency accounts receivable	We commission and consign to agencies insurance solicitation and collection operations. The total amount of accounts receivable from such agencies is recorded under this item.
5 Other assets	This includes assets that are not classified under any other item (accounts receivable, accrued income, money on deposit, etc.). ● Accounts receivable was ¥301.5 billion, while accrued income was ¥189.2 billion.
6 Deferred tax assets	In line with the application of tax-effect accounting, this item aggregates the amount of tax expected to be recovered in future accounting periods.
7 Policy reserves and others	Pursuant to the Insurance Business Act, we are obliged to set aside some funds for future payments of insurance claims and others. Therefore, we keep a reserve for outstanding claims, policy reserves and a reserve for policyholder dividends.
8 Other liabilities	This includes liabilities that are not classified under any other item (accounts payable, accrued expenses, etc.). ● Income taxes payable were ¥75.4 billion, and deposits from the Management Organization were ¥53.7 billion.
9 Reserve for price fluctuations	The purpose of this reserve, computed based on Article 115 of the Insurance Business Act, is to prepare for future losses in the event that the price falls for assets that are prone to significant price fluctuations, such as securities.
10 Net unrealized gains (losses) on available-for-sale securities	This represents “other securities” held by Japan Post Insurance that are not classified under “trading securities,” “policy-reserve-matching bonds,” “held-to-maturity bonds” or “equities of subsidiaries and affiliates.” It is computed based on the fair value of the securities, and their net unrealized gains or losses, after considering tax effects, are recorded on the Consolidated Balance Sheet.

Profits and Losses



In the fiscal year ended March 31, 2016, ordinary income was ¥9,605.7 billion, ordinary expenses were ¥9,194.2 billion and ordinary profit was ¥411.5 billion. Regarding ordinary profit, after recording extraordinary gains of ¥0.3 billion, extraordinary losses of ¥71.8 billion and provision for reserve for policyholder dividends of ¥178.0 billion, income before income taxes and net income attributable to Japan Post Insurance were ¥161.9 billion and ¥84.8 billion, respectively.

Key Line Items in the Consolidated Statements of Income

(Billions of yen)

Years ended March 31	2014	2015	2016
Ordinary income	¥11,234.1	¥10,169.2	¥9,605.7
Insurance premiums and others 1	5,911.6	5,956.7	5,413.8
Investment income 2	1,540.6	1,460.7	1,354.9
Other ordinary income 3	3,781.8	2,751.7	2,836.9
Ordinary expenses	¥10,771.3	¥ 9,676.6	¥9,194.2
Insurance claims and others 4	10,160.8	9,059.5	8,550.4
Provision for policy reserves and others 5	4.6	1.4	0.1
Investment expenses 6	18.1	10.9	9.7
Operating expenses 7	513.9	513.1	538.5
Other ordinary expenses 8	73.7	91.4	95.3
Ordinary profit	462.7	492.6	411.5
Extraordinary gains 9	—	—	0.3
Extraordinary losses 10	100.0	99.3	71.8
Provision for reserve for policyholder dividends 11	242.1	200.7	178.0
Income before income taxes	120.5	192.5	161.9
Total income taxes 12	57.7	111.2	77.0
Net income attributable to Japan Post Insurance	¥ 62.8	¥ 81.3	¥ 84.8

Note: For details, please see the Consolidated Financial Statements.



1 Insurance premiums and others	<p>The income from the insurance premiums paid by policyholders is the primary source of our income.</p> <p>● Insurance premiums included ¥1,322.3 billion of insurance premiums based on reinsurance contracts with the Management Organization.</p>
2 Investment income	<p>This refers to income from investments. In addition to income from interest and dividends, this includes gains on money held in trust and gains on sales of securities, etc.</p> <p>● Interest and dividend income was ¥1,308.6 billion, gains on money held in trust were ¥44.9 billion and gains on sales of securities, etc., were ¥1.2 billion.</p>
3 Other ordinary income	<p>This refers to reversal of policy reserves, reversal of reserve for outstanding claims and other ordinary income, etc.</p> <p>● Reversal of policy reserves was ¥2,750.0 billion, while reversal of reserve for outstanding claims was ¥82.9 billion.</p>
4 Insurance claims and others	<p>This refers to the payments according to insurance policies, including insurance claims, annuity payments, benefits and refunds, etc.</p> <p>● Insurance claims included ¥7,518.7 billion of insurance claims based on reinsurance contracts with the Management Organization.</p>
5 Provision for policy reserves and others	<p>This records the provision for interest on policyholder dividends.</p>
6 Investment expenses	<p>This refers to expenses incurred when generating investment income, including interest expenses and losses on sales of securities.</p> <p>● Interest expenses were ¥4.3 billion, while losses on sales of securities were ¥1.5 billion.</p>
7 Operating expenses	<p>Expenses required for solicitation of new policies, maintenance of policies in force and payments of insurance claims and others are recorded under this item.</p> <p>This is similar to the selling, general and administrative expenses of companies in general.</p>
8 Other ordinary expenses	<p>This includes taxes, depreciation and amortization, etc.</p> <p>● Taxes were ¥56.9 billion, while depreciation and amortization were ¥36.7 billion.</p>
9 Extraordinary gains	<p>This refers to extraordinary gains obtained through a sudden occurrence.</p>
10 Extraordinary losses	<p>This refers to extraordinary losses incurred through a sudden occurrence—one that does not usually take place under the normal operations of Japan Post Insurance. This primarily includes losses on sales and disposal of fixed assets and provision for reserve for price fluctuations.</p> <p>● Provision for reserve for price fluctuations was ¥70.1 billion.</p>
11 Provision for reserve for policyholder dividends	<p>This records the amount that will be provided to the reserve for policyholder dividends, which is the source of funds for paying out dividends to policyholders.</p>
12 Total income taxes	<p>This is the sum of income taxes-current and income taxes-deferred.</p>

Embedded Value (EV)

¥2,718.3 billion

(Reference) EV based on the ultimate forward rate: ¥3,151.0 billion

What is Embedded Value?

Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

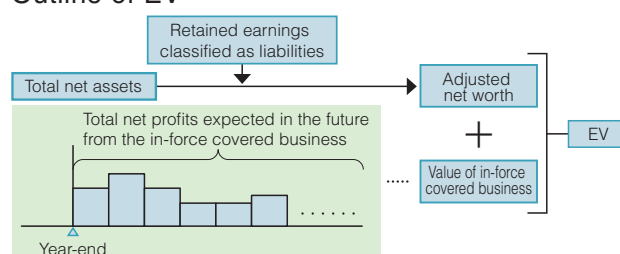
The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy’s duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy’s long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the

present value of the expected future profits from the in-force covered business.

Since the end of the year ended March 31, 2013, we have been disclosing EV calculated on the basis of the European Embedded Value Principles (“EEV Principles”) as additional information supplementary to the financial data provided under the current statutory accounting practices.

Outline of EV



EV as of March 31, 2016

The EV of Japan Post Insurance as of March 31, 2016 was ¥2,718.3 billion, a decrease of ¥782.9 billion from March 31, 2015.

Breakdown of EV

(Billions of yen)

As of March 31	2015	2016
EV	¥3,501.3	¥2,718.3
Adjusted net worth	1,739.6	1,894.3
Value of in-force covered business	1,761.6	824.0

Years ended March 31	2015	2016
Value of new business*	¥ 134.2	¥ 118.2

*Value of new business is the present value of the future profits, as at the time of sale, expected from the new business obtained during the said fiscal year.

Notes: 1. For the EV as of March 31, 2016, we have revised the allocation of unrealized gains/losses on securities and certain other assets in respect of insurance policies, such that the unrealized gains/losses are included within the VIF rather than the ANW. For consistency, the EV as of March 31, 2015 is revised to reflect equivalent allocation of unrealized gains/losses. As a result, the total EV is unchanged by the revision.

2. Please see pages 179 to 181 for more details.

(Reference) EV based on the ultimate forward rate^(Note)

The EVs measured by using the ultimate forward rate as of March 31, 2015 and March 31, 2016 were ¥3,613.7 billion and ¥3,151.0 billion, respectively and the values of new business for the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016 were ¥154.9 billion and ¥143.5 billion, respectively.

Note: The risk-free rate is an important assumption for the valuation of life insurance liabilities. Regarding the level of interest rates at longer durations, for which sufficiently liquid markets and reliable data are not available, we take an approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods instead of by the previous method of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

Third-Party Review

We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third-party opinion, please refer to our website.

The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that users exercise caution.

Asset Management Overview (General Account)



Investment Environment in the Fiscal Year Ended March 31, 2016

In the fiscal year ended March 31, 2016, the Japanese economy recovered marginally mainly due to the recovery of capital investment, despite sluggish consumer spending. The global economy remained on a sluggish growth track following the fiscal year ended March 31, 2015.

While the U.S. economy was firm and the European economy continued to recover gradually, the growth rates of emerging countries such as China continued to slow down.

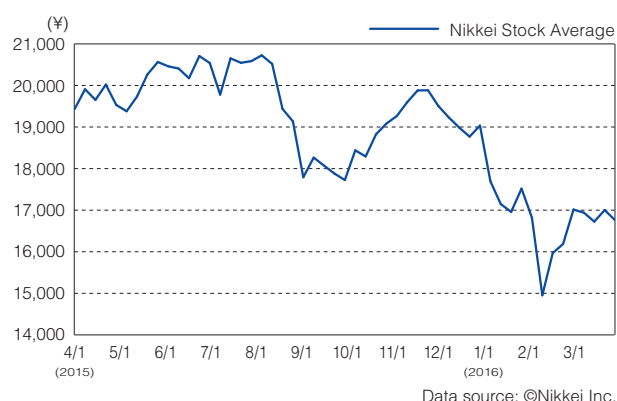
Domestic Bond Market

The domestic long-term yield declined to the 0.2% level in late April due to tight supply-demand in the bond market owing to the bond buying operations of the Bank of Japan (BOJ) and falling interest rates in Europe due to the implementation of quantitative easing policy by the European Central Bank (ECB). The domestic yield then temporarily surged to the 0.5% level in the wake of soaring interest rates in Europe from a rebound to an excessive drop in interest rates. However, due to the decline in crude oil prices, concerns about economic slowdowns in emerging countries, China in particular, and the possibility of additional monetary easing, the yield again trended downward. In addition, triggered by the BOJ's decision on January 29 to introduce a negative interest rate policy, the yield on 10-year or less Japanese government bonds (JGBs) turned negative, and caused a sudden plunge in interest rates primarily in super-long-term bonds.



Domestic Stock Market

The Nikkei Stock Average rose and stayed around the ¥20,000 level from mid-May to mid-August because the U.S. stock prices rose due to strong corporate performance, and the dollar surged against the yen owing to rising interest rates in the U.S. However, due to the plunge of Chinese stocks in late August, investors became more risk-averse. As a result, the Nikkei Stock Average temporarily fell below the ¥17,000 level. Entering the second half, the Nikkei Stock Average recovered and briefly reached ¥20,000 in early December owing to high U.S. stock prices and yen depreciation. However, triggered by the decline in crude oil prices, turmoil in the Chinese financial market from the beginning of the new year and the sharp appreciation of the yen, the Nikkei Stock Average subsequently fell to the ¥14,900 level at one point in February.

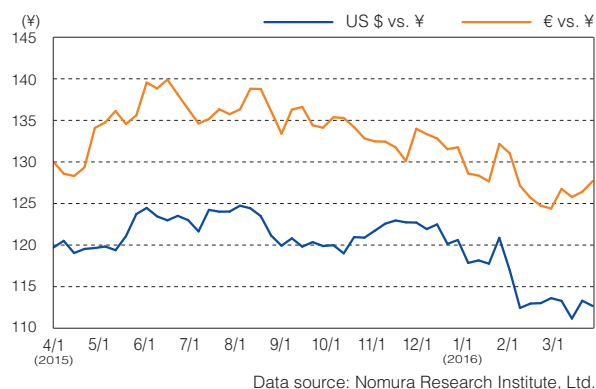


Foreign Exchange Markets

The USD/JPY exchange rate was traded around the ¥123 – ¥125 range from June to mid-August as the dollar surged, driven by expectations of an interest rate hike in the U.S. However, triggered by the sudden plunge in Chinese stock prices in late August, investors became more risk-averse. Consequently, the yen temporarily appreciated to the ¥116 level. Entering the second half, USD/JPY rate returned to the ¥123 level. However, investors resumed the risk-averse attitude due to factors such as the decline in crude oil prices, the turmoil in the Chinese financial market from the beginning of the new year and the substantial decline in expectations of an additional interest rate hike in the U.S., and therefore the yen rose as high as the ¥110/USD level at one point.

The euro appreciated due to the sudden rise in European interest rates in late April and EUR/JPY rate reached the ¥141 level briefly in June. However, as the trend of yen

appreciation continued, EUR/JPY rate subsequently reached the ¥122 level in February.





Performance Overview

Assets

As of March 31, 2016, total assets of Japan Post Insurance amounted to ¥81.5 trillion, a decrease of ¥3.3 trillion from ¥84.9 trillion at the end of the previous fiscal year.

In terms of investment, we continued to invest primarily in yen-denominated interest-bearing

assets that provide stable interest income. We also invested in risk assets, such as foreign securities and stocks, while enforcing adequate risk management.

Corporate and government bonds [Decrease]

For corporate and government bonds, we invested primarily in long-term and super-long-term bonds capturing a rise in interest rates, in view of their value as assets that secure stable income. However, as domestic interest rates shifted downward, we limited our investments.

As a result, corporate and government bonds amounted to ¥59.8 trillion, a decrease of ¥4.4 trillion from ¥64.2 trillion at the previous fiscal year-end.

Foreign securities [Increase]

For foreign securities, in view of the trends of both domestic and foreign interest rates, with the aim of raising investment income, we increased investments with a focus on hedged foreign bonds.

As a result, foreign securities amounted to ¥3.6 trillion, an increase of ¥1.7 trillion from ¥1.9 trillion at the previous fiscal year-end.

Money held in trust [Increase]

For money held in trust, investments were carried out with close attention paid to market trends. With the aim of raising investment income, we increased investments, centering on domestic stocks.

As a result, money held in trust amounted to ¥1.6 trillion, an increase of ¥0.2 trillion from ¥1.4 trillion at the previous fiscal year-end.

Loans [Decrease]

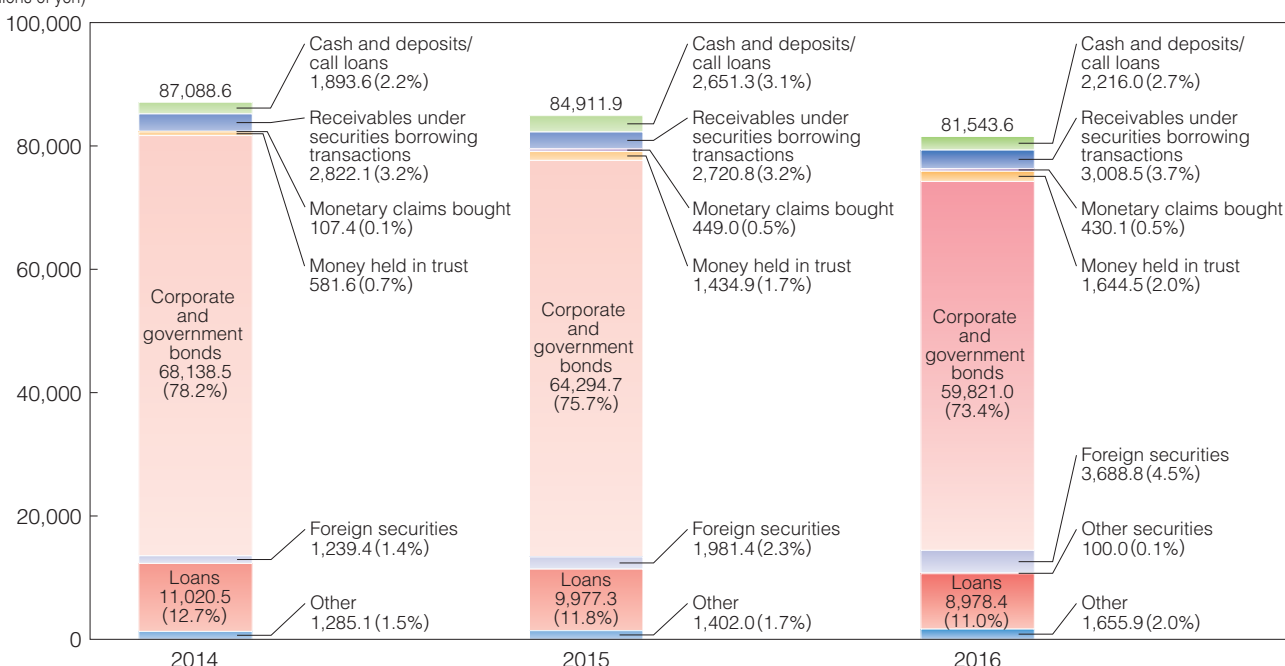
For loans, we provided loans including syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans to the Management Organization.

As a result, loans amounted to ¥8.9 trillion, a decrease of ¥0.9 trillion from ¥9.9 trillion at the previous fiscal year-end.

Composition of Assets (Non-Consolidated)

As of March 31

(Billions of yen)





Asset Management Yield

Asset Management Yield

Years ended March 31	2014	2015	2016
Yield	1.71%	1.70%	1.62%

Note: Asset management yield includes capital gains and losses, etc.



Investment Policies of Japan Post Insurance

Our operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others.

Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets with a high affinity to the

characteristics of liabilities, and investments in risk assets such as foreign securities and stocks under appropriate risk management.

We aim to enhance profitability by strengthening the investment divisions and accelerating the diversification of asset management.

Investment Diversification Initiatives

We intend to promote our diversification of asset management while improving our asset management capabilities and plan to expand the proportion of risk assets to 10% of our total assets by the year ending March 31, 2018.

For the year ending March 31, 2017, we aim to strengthen our investment divisions by such

measures as nurturing human resources and forming business alliances. In addition, we aim to enhance profitability via commencing in-house investments of stocks and initiatives to increase the amount of alternative investment assets.

Engagement with Stakeholders



Together with Customers	36
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“Comprehensive and Heartfelt Services”

Japan Post Insurance has been undertaking a joint effort with post offices to provide “Comprehensive and Heartfelt Services” at every customer contact.

We will make continued efforts to bring even greater satisfaction and confidence to our customers by promoting “Feel Secure with Kampo” activities and “Kampo Platinum Life Service.”



Comprehensive and Heartfelt Services



“Feel Secure with Kampo” Activities

In the “Feel Secure with Kampo” activities launched in the fiscal year ended March 31, 2016, we visit each customer to verify the details of policy coverage, any claimable insurance benefits and other information on the policy contracts they hold.

To ensure that customers receive insurance and/

or other benefits easily and accurately, we advise them of the procedures for designating a bank account for receiving benefits and the system for payment claim by a designated proxy to enhance our customer service.

Main Activities

✦ Verification

• Verification of policy details

To ensure that various notices are accurately delivered to customers and that insurance and/or other benefits are smoothly received, we have our customers verify the details of their policies, including the customer's contact address and the beneficiary's name, through the post offices.

Should any amendments to the policies be necessary, we advise customers on how to make those amendments.

✦ Payment

• Automatic payment into a designated bank account

We advise our customers of the procedures for designating a bank account to ensure that insurance and/or other benefits can be received on the payment due date.

• Reminder of claiming the hospitalization or other benefits

We advise our customers to confirm whether they have any contract for hospitalization benefit they can claim or any insurance claims that are left unnoticed in case they have several contracts. If they do, we advise customers of the necessary procedures to address those insurance claims.

✦ Notification

• Notification of services available for policyholders

Policyholders are notified of the services available within their policies, including payment of insurance premiums through bank accounts, automatic payment of insurance and/or other benefits to bank accounts and the system for payment claim by a designated proxy.

• Support for reviewing the details of policy coverage

We prepare a Life Plan Sheet to help policyholders verify and review the details of their policy coverage.



Through “Feel Secure with Kampo” activities, we have received favorable feedback from customers: “It helped me a lot, as I could find a claimable insurance benefit that I had not noticed.” “It was good that I had a chance to reconfirm the details of policy coverage, which I had almost forgotten.” “It was convenient that insurance benefits were

automatically paid to the bank account I designated.”

We will continue to deliver “Comprehensive and Heartfelt Services” at every customer contact when we visit customers or attend to customers at our post office counters to attain greater customer satisfaction.

Promotion of Kampo Platinum Life Service (Service Focusing on Elderly Customers)

The Intent and Purpose of the Kampo Platinum Life Service

We are conducting a company-wide initiative called “Kampo Platinum Life Service” to win the favor of the growing number of elderly customers by offering age-friendly services based on a sense of security and trust that has been enabled by improving every customer contact from our elderly customers’ perspective.

This initiative aims to provide products and services matched to the needs of elderly customers. Under the initiative, we intend to

encourage improvement whenever we interact with customers and build a business model that is friendly to elderly customers.



Logo mark shared within Japan Post Insurance

Main Activities

Extended the upper age limit of our endowment insurance and whole life insurance

We extended the upper age limit of our endowment insurance (*Shin Free Plan*) in April 2015 and whole life insurance (*Shin Nagaiki Kun*) in October 2015 to encourage the enrollment of customers at older ages.

Published an information magazine for elderly customers

In November 2015, we launched an information magazine for elderly customers titled “Kampo Platinum Life Service” with tips for everyday life and published the second issue in May 2016. This magazine is available at post offices or on our website.

Launched a new service

In May 2016, we started offering a free telephone consultation service on health, medicine, nursing and “taxes in life” for the policyholders and insured persons of our life insurance and Postal Life Insurance contracts and their families.

Efforts when explaining our insurance products

When explaining our products to elderly customers, we try to explain in an attentive and easy-to-understand manner. We ask customers aged 70 or older to have a family member or equivalent present when listening to an explanation of our insurance products. Since April 2016, we have sent written guidance after enrollment so that the policyholder can reconfirm the details of the insurance policy.



1

Management Strategy of
Japan Post Insurance

2

Business Overview and Results

3

Engagement with Stakeholders

4

Corporate Governance



✦ Establishment of a dedicated call center for elderly customers

In April 2015, we established a dedicated call center for elderly customers where operators trained on how to attend to elderly customers directly answer calls via an exclusive toll-free telephone line.

✦ Efforts for simpler, more legible and easier notifications

We have made improvements to various notifications and guides for customers on an item-by-item basis. In addition to these improvements, we formulated the “Internal Guidelines for Preparing Guides for Elderly Customers” to be shared within our company to make those guides simpler, more legible and easier especially for elderly customers to understand. Since July 2015, we have made revisions to those guides in accordance with these guidelines.

The “Insurance Policy Handbook” enclosed in the “Certificate of Premium Payment and Notice of Policy Details” delivered in October 2015 was created by reflecting the results of user testing to make it simple and easy to understand for elderly customers. The handbook acquired the certification of Universal Design Verified by Elderly Users from JITSUKEN, a nonprofit organization certified by the Cabinet Office. In two consecutive years from the fiscal year ended March 31, 2015, the handbook also acquired the Certificate of Color Universal Design from the Color Universal Design Organization, a nonprofit organization, as it was created to achieve the best effect in terms of coloring and lettering size.

✦ Encouraging employees to acquire qualifications

From the perspective of enhancing customer services, we encourage employees to acquire qualifications as a Dementia Supporter, a Carefitter and others.

As of March 31, 2016, 2,795 employees had acquired the qualification of Dementia Supporter and 69 employees as a Carefitter.

✦ Holding a free seminar on the use of tablet devices

For the purpose of improving the quality of life of elderly people through the acquisition of IT skills, we have held free seminars on the use of tablet devices for elderly people since May 2015 in a tie-up with the Sendai Senior Net Club, a nonprofit organization, in Sendai and other Tohoku areas.



“2015 Insurance Policy Handbook” prepared in accordance with the “Internal Guidelines for Preparing Guides for Elderly Customers”



Certificate of Color Universal Design



Certificate of Universal Design Verified by Elderly Users



Carefitter training



At a seminar in March 2016 in Koriyama City, Fukushima Prefecture



Customer Satisfaction

Japan Post Insurance recognizes that the “voices of our customers” serve as valuable feedback. We believe that reviewing our services daily based on customer input in order to increase our customers’ satisfaction is fundamental to improving our business.

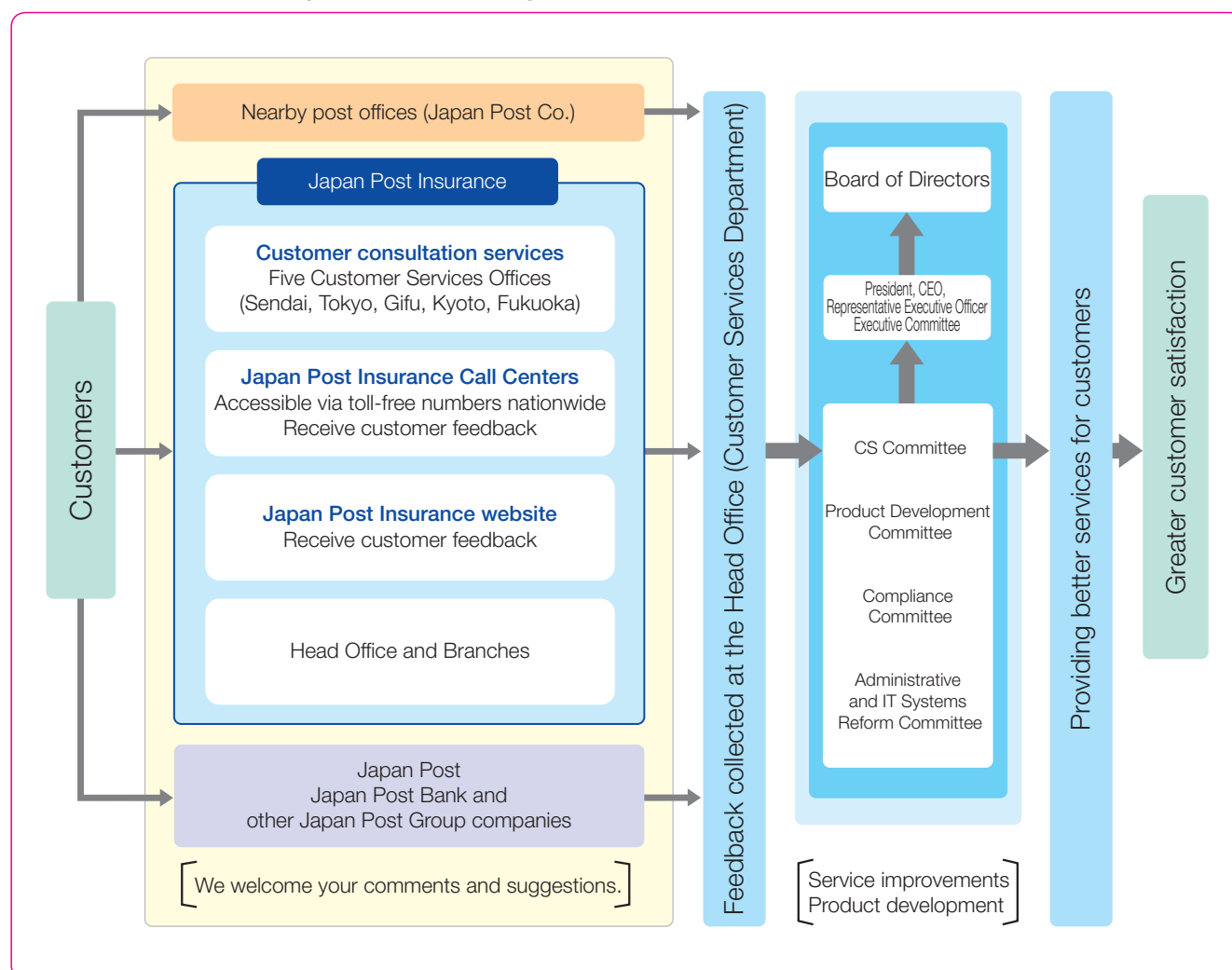
In addition to developing and improving products and services, we utilize our customer feedback system to ensure sound and appropriate operations. Our Directors and Executive Officers, as well as our employees, give careful consideration to and act on the comments and suggestions received from customers.

Using Feedback from Each Customer to Increase Customer Satisfaction

Customer feedback is compiled and centrally managed by our Customer Services Department. We analyze the feedback, identify management issues and devise solutions to improve our services

and develop superior products. Through this process, we aim to provide services that bring satisfaction to our customers.

Product and Service Improvements Using Customer Feedback





Quantity and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2015 to March 31, 2016 was as follows:

Content	April 2015 to March 2016	%
Enrollment in insurance policies	63,321	16.2
Payments of premiums, etc.	30,553	7.8
Procedures, dividends and other issues following the enrollment in a policy	62,998	16.1
Payments of insurance benefits	174,547	44.5
Deduction for insurance premiums	45,297	11.6
Other issues	15,349	3.9
Total	392,065	100.0

Note: We define all expressions of customer dissatisfaction as "complaints."



Customer Satisfaction Survey

We conduct customer satisfaction surveys to seek feedback directly from customers enrolled in our coverage and utilize such customer input to provide better insurance services in the future.

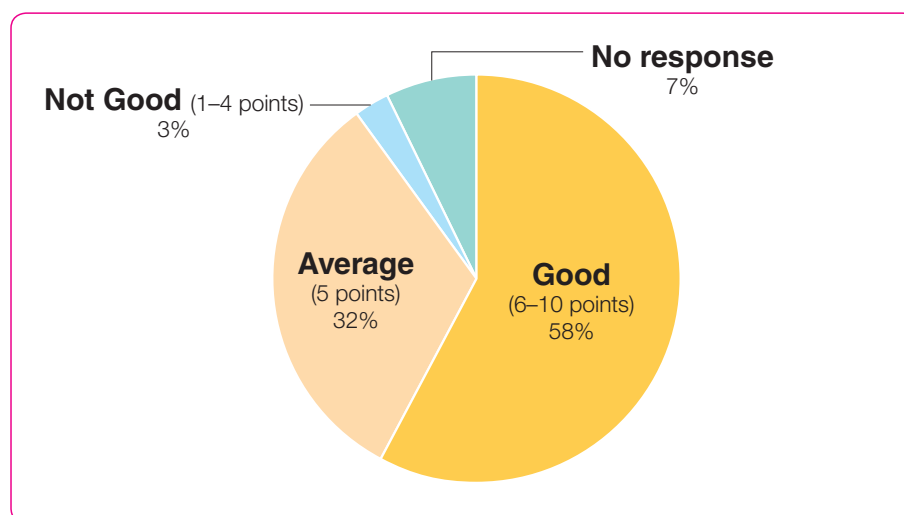
[Overview of Customer Satisfaction Survey Conducted in the Year Ended March 31, 2016]

- Period of survey: November 2015
- Survey targets: Customers who enrolled in our products for the first time and those who filed claims for maturity, death, hospitalization and other benefits
- Number of questionnaires sent: 30,000
- Number of questionnaires returned: 7,838

[Survey Results]

The general satisfaction level was rated "Good" (6 to 10 points on a 10-point scale) by approximately 60% of respondents. We will continue to undertake efforts to improve our customer service to receive higher ratings from more customers.

Overall Satisfaction Levels for Japan Post Insurance



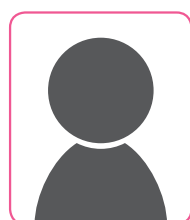
Compliments and Positive Comments

During the period from April 1, 2015 to March 31, 2016, we received a total of 14,733 compliments and positive comments from our customers.

<Sample of Customer Comments>

- I think that the limited payment endowment insurance is an excellent product allowing us to complete premium payment earlier. I expect you to continue to develop new insurance products catering to the needs of customers.
- Japan Post Insurance provides very attentive after-enrollment follow-up, with regular visits, so I have peace of mind as a user.

Examples of Improvement Based on Our Customer's Comments

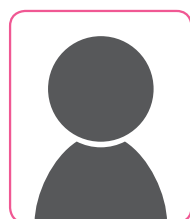


Customer Comment

I had applied for an insurance policy, but as a result of examination it was found that I was not eligible for the policy coverage. The payment was refunded after I managed to make the time to put the money into the bank account. I want you to make a system that requires the first payment only after eligibility is confirmed.



With the exception of some policies, the first premium can now be paid after an insurance contract is signed.



Customer Comment

The current status report of an annuity policyholder requires certification by the head of a municipal government. Is this certification necessary?
Can't it be handled at a post office?



This procedure can be handled at a post office. We improved the situation as to the annuity policies that require a third-party certification of the fact that the policyholder is alive, such as the final year of a term annuity contract, by putting a statement in the guide for submitting such report that recommends the free method available at a post office rather than the fee-based certification from the head of a municipal government by postal mail.



Types and Features of Japan Post Insurance's Insurance Products

Major Types of Insurance

(As of July 1, 2016)

Purpose of Policy	Product Name	Nickname • Age Limit Range									
		0	10	20	30	40	50	60	70	80	
For lifetime coverage	Fixed amount type whole life insurance			Shin Nagaiki Kun (flat-type) 15*–85 years old							
For balanced lifetime coverage	Double-type whole life insurance			Shin Nagaiki Kun (balance-type, double) 15*–65 years old							
	Fivefold-type whole life insurance			Shin Nagaiki Kun (balance-type, fivefold) 15*–60 years old							
For lifetime coverage with perks	Special whole life insurance			Shin Nagaiki Kun (special-type) 15*–70 years old							
For large coverage with lower burden	Ordinary term insurance			Shin Ordinary Term Insurance 15–50 years old							
For coverage and benefits at maturity	Ordinary endowment insurance	Shin Free Plan 0–80 years old									
		Shin Free Plan (short-term premium payment) 0–75 years old									
For full coverage and benefits at maturity	Double-type special endowment insurance			Shin Free Plan (double benefit) 15–70 years old							
	Fivefold-type special endowment insurance			Shin Free Plan (fivefold benefit) 15–65 years old							
	Tenfold-type special endowment insurance			Shin Free Plan (tenfold benefit) 15–60 years old							
For those who spending life with a disease	Designated endowment insurance					Shin Ichibyo Soken Plan 40–65 years old					
For preparing for educational funds	Educational endowment insurance (H24)	Hajime no Kampo 0–12 years old									
				18–65 years old (male)							
				16–65 years old (female)							
For working people who want to form assets	Asset-formation savings insurance			15*–65 years old							
	Asset-formation housing funding insurance			15*–54 years old							
	Asset-formation whole life annuities					36–54 years old					

Notes:

1. For educational endowment insurance (H24), shows the age range of insured persons, whereas shows that of policyholders.
2. Depending on the interest-rate situation, the sale of some products could be suspended.
3. Ages denoted with an asterisk (*) show the applicant's attained age. All ages shown without an asterisk represent subscription age as insurance age.

Major Riders and Special Provisions

Name	Outline
Accidental rider	Offers provision for death or disability due to an unexpected accident
Non-participating accident hospitalization rider	Offers provision for hospitalization, surgery and/or long-term hospitalization as prescribed in the rider due to an unexpected accident
Non-participating illness and accident hospitalization rider	Offers provision for hospitalization, surgery and/or long-term hospitalization as prescribed in the rider due to illness or an unexpected accident
Special provision for payment claim by the designated proxy	If the beneficiary of insurance benefits is the insured person for benefits such as hospitalization benefits, and he/she cannot make a claim for payment for any special reason, the payment claim can be made by the designated proxy (such as the beneficiary's family member) on behalf of the beneficiary.

Note: For details of the riders, such as the reasons for and limitation on payment of benefits, please refer to the respective Contract Guidelines and Clauses.

Non-participating accident hospitalization rider and Non-participating illness and accident hospitalization rider

The Japan Post Insurance *Sono hi kara* hospitalization riders offer basic coverage in a simple and easy-to-understand manner, such as in that they insure hospitalization for a period of one day or more, and the payment of surgery benefits is in line with the public health insurance system.



Details of the Japan Post Insurance *Sono hi kara* Hospitalization Riders



A non-participating illness and accident hospitalization rider with the hospitalization benefit of ¥15,000 per day (standard insured amount of the rider: ¥10 million) insures the following:

<ul style="list-style-type: none"> Hospitalization due to illness or injury [hospitalization benefit] This benefit is paid for hospitalization for one day or more (including day case^{*1}). 	$\begin{matrix} \text{¥15,000} & & \text{days of} \\ \text{(hospitalization} & \times & \text{hospitalization} \\ \text{benefit per day)} & & \text{(up to 120 days)} \end{matrix}$
<ul style="list-style-type: none"> Surgery due to illness or injury [surgery benefit] This benefit is paid for a surgery requiring hospitalization.^{*2} 	$\begin{matrix} \text{Depending on the type of surgery,} \\ \text{¥15,000} \\ \text{(hospitalization} & \times & \text{5, 10, 20 or 40} \\ \text{benefit per day)} \end{matrix}$
<ul style="list-style-type: none"> Long-term hospitalization due to illness or injury [lump-sum benefit for long-term hospitalization] This benefit is paid when the consecutive days of hospitalization reach 120 days. 	$\begin{matrix} \text{¥300,000} \\ \text{(3\% of the standard insured} \\ \text{amount of the rider)} \end{matrix}$

^{*1} The day case refers to the case where the patient enters and leaves the hospital on the same day, and whether it falls under the category of hospitalization depends on whether the basic fee for hospitalization was charged, etc.

^{*2} The range of insured surgeries has been expanded to include certain surgeries covered by the public health insurance system, such as the removal of tonsils requiring hospitalization.

Note: For details of the riders, such as the reasons for and limitation on payment of benefits, please refer to the respective Contract Guidelines and Clauses.



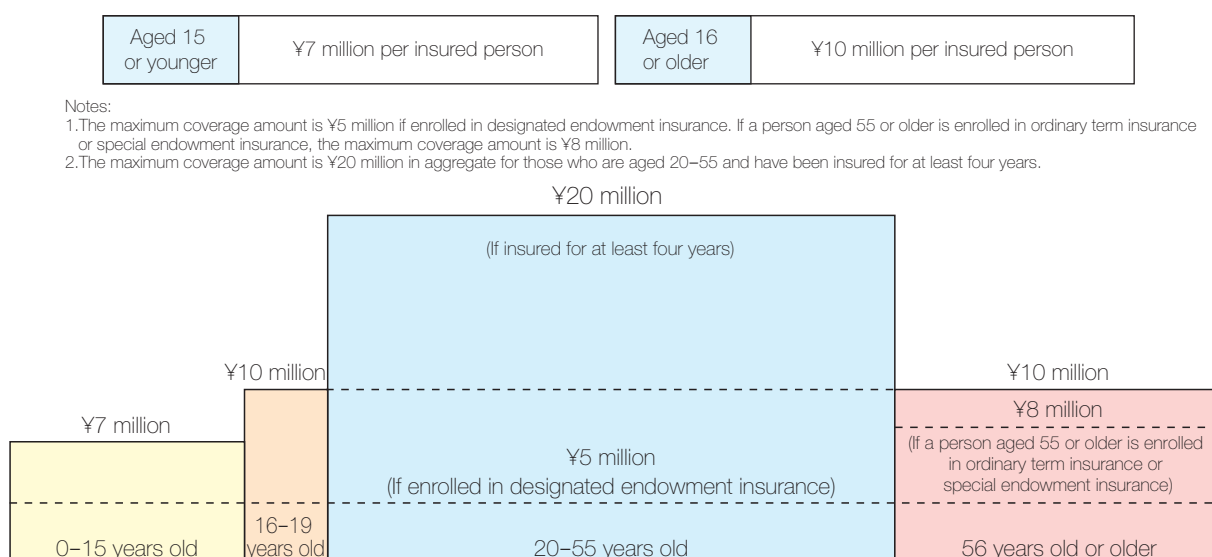
The Maximum Amount of Insurance Coverage

For the insurance policies we offer, the maximum amount of insurance coverage per insured person is stipulated by Article 137 of the Postal Service Privatization Act and others. Any application for insurance coverage exceeding the maximum amount shall be declined. If such excess in coverage is found after the insurance policy or rider is signed, such contract shall be cancelled.

Persons insured under Postal Life Insurance, which was succeeded by the Management Organization from Japan Post, can be insured by our policy up to the amount calculated by deducting the insured amount of the Postal Life Insurance from the maximum amount of insurance coverage.

The Maximum Coverage Amount of the Basic Insurance Policy

(As of April 1, 2016)



*The ages above are calculated based on the attained age.

Note: In addition to the maximum coverage amounts stipulated by the above-mentioned law, there is a certain range of limitation on the maximum insurance coverage according to the age of the insured person or type of insurance, such as a limitation on the insurance amount if the attained age of the insured person is less than 15 years of age.



The Maximum Amount of Insurance Coverage for Riders

Type of rider	Maximum coverage amount	Remarks
Accidental rider	¥10 million in aggregate per insured person	<ul style="list-style-type: none"> This upper limit is equal to the insurance amount of the basic insurance policy to which the rider is added.
Nursing care rider*		
Accident hospitalization rider*	¥10 million in aggregate per insured person	<ul style="list-style-type: none"> The insurance amount of these riders is calculated separately from that of accidental and nursing care riders. This upper limit is equal to the insurance amount of the basic insurance policy to which the rider is added.
Illness hospitalization rider*		
Illness and accident hospitalization rider*		
Non-participating accident hospitalization rider		
Non-participating illness and accident hospitalization rider		

Note: Currently, we do not sell the riders marked with an asterisk (*).

Types of riders that can be added to each basic insurance policy

Type of basic insurance policy \ Type of rider	Accidental rider	Non-participating accident hospitalization rider	Non-participating illness and accident hospitalization rider
Ordinary whole life insurance	○	○	○
Special whole life insurance	○	○	○
Ordinary term insurance	○	○	○
Ordinary endowment insurance	○	○	○
Special endowment insurance	○	○	○
Designated endowment insurance	○	○	—
Educational endowment insurance (H24)	○	○	○

Notes:

1. The above riders can be added to the husband-and-wife insurance, the husband-and-wife annuity and the husband-and-wife insurance with husband-and-wife annuity that were signed between October 1, 2007 and April 1, 2008. In such case, the riders apply only to the main insured person.
2. The above riders can be added to the whole life insurance with nursing benefit, the whole life insurance with whole life annuity and the whole life annuity with additional nursing annuity signed between October 1, 2007 and March 31, 2010, except that the accidental rider cannot be added to the whole life annuity with additional nursing annuity.
3. The above riders can be added to the whole life annuity signed between October 1, 2007 and October 2, 2011.
4. The above riders can be added to the educational endowment insurance and the educational endowment insurance with scholarship annuity signed between October 1, 2007 and April 1, 2014.
5. The above riders can be added to the term annuity, excluding lump-sum premium payment policies, signed between October 1, 2007 and June 1, 2016.
6. The above riders can be added to the educational endowment insurance (H24) (without premium protection agreement) signed between April 2, 2014 and June 1, 2016.



For Corporate Executives



Risks Associated with Corporate Management and Demand for Funds

Managing a company involves various risks. In particular, in order to make provisions for retirement benefits for employees, coverage for injury or death and/or emergency demand for funds by the

Company's management and officers, it is important to secure funds in a well-planned manner so as not to affect the Company's earnings and cash flows.

Needs Concerning Management and Officers

- ▶ Provision for business security
- ▶ Provision for retirement benefits upon voluntary retirement
- ▶ Provision for retirement benefits upon death
- ▶ Provision for business succession/inheritance

Needs Concerning Employees

- ▶ Provision for welfare expenses
- ▶ Provision for retirement benefits
- ▶ Provision for retirement benefits upon death
- ▶ Provision for compensation for absence from work



Major Insurance Products for Corporate Clients

Japan Post Insurance offers a wide range of insurance products to address various corporate needs. In addition to sales of our own endowment insurance and term insurance products, we commenced commissioned sales of life insurance

products for corporate clients on behalf of other life insurance companies in June 2008, thereby addressing an extensive range of corporate managers' needs.

Examples of Products Addressing Various Needs

Insurance Products for Management and Officers

- ▶ Long-term level premium term insurance
 - Large-amount coverage to protect a company
 - Can be utilized to provide retirement benefits and condolence money
- ▶ Increasing term insurance
 - Effective as a provision for retirement benefits and condolence money
 - Increasing coverage supports the growth of a company

Insurance Products for Officers and Employees

- ▶ Endowment insurance (all-employee enrollment type)
 - Enhances the benefits package, including condolence money upon death, consolatory money and retirement benefits
- ▶ General welfare group term insurance
 - Enhances the benefits package, including condolence money and retirement benefits upon death



List of Insurance Products

	Product
Own products	<p><i>Shin Free Plan</i> (ordinary endowment insurance)</p> <p><i>Shin Free Plan</i> (double, fivefold and tenfold benefits) (special endowment insurance)</p> <p><i>Shin Ichibyo Soken Plan</i> (limited endowment insurance)</p>
Products sold on commission (Term insurance)	<p><i>Shin Ordinary Term Insurance</i> (ordinary term insurance)</p> <p>NN Life Insurance Company, Ltd. <i>Quality</i> (term insurance), <i>Smart Term L</i> (low cash value term insurance), <i>Smart Term</i> (no cash value term insurance) and <i>Increasing Term</i> (term insurance with low cash value increasing term rider II), <i>Main Policy: Term Insurance</i> (low cash value increasing term insurance with increasing term rider II)</p> <p>SUMITOMO LIFE INSURANCE COMPANY <i>Term life insurance Emblem YOU Premium</i> (low cash value term insurance without a dividend)</p> <p>The Dai-ichi Life Insurance Company, Limited <i>Top Plan Success U/Top Plan Success U EX99</i> (term insurance with dividends every five years) and <i>Top Plan Majesty U/Top Plan Majesty Uα</i> (increasing term insurance with dividends every five years)</p> <p>Tokio Marine & Nichido Life Insurance Co., Ltd. Term insurance, <i>Nagawari Teiki</i> (term insurance with special provisions for low cash value) and Increasing Term Life Insurance</p> <p>Nippon Life Insurance Company Nissay Long-Term Insurance, Nissay Increasing Term Insurance, Nissay Long-Term Insurance with Low Surrender Benefits Term Life Insurance</p> <p>Mitsui Sumitomo Aioi Life Insurance Company, Limited Term Life Insurance, Term Life Insurance (Low Surrender Value), Term Life Insurance (No Surrender Value) and Increasing Term Life Insurance</p> <p>Meiji Yasuda Life Insurance Company <i>Term life insurance E</i> (Term life insurance with interest dividends every five years), Increasing term life insurance and Increasing term life insurance with three-year disaster coverage</p> <p>MetLife, Inc. Long-term level term insurance (H19), Non Participation Level term insurance, Increasing term insurance (initial low cash value)</p>
Products sold on commission (Cancer insurance)	<p>Aflac (American Family Life Assurance Company of Columbus) New Days-Insurance for Daily Living</p>
Products sold on commission (General welfare group term insurance)	<p>MetLife, Inc. General welfare group term insurance and nonparticipating group insurance (general welfare group term insurance without a dividend)</p>

Notes:

1. The company names are listed in the order of the syllabary.
2. The riders that can be added to the above products are limited.



Flow of Insurance Policy Sign-up Procedures

Standard procedures for enrollment in individual insurance are as follows.

1 Plan proposal

2 Briefing on important matters/provision of literature about disadvantageous information

3 Application

4 Declaration

1 Plan proposal

Through a consulting service using product leaflets, an Insurance Design Document (Contract Outline) and a tablet-type portable device, Japan Post Insurance helps customers choose the insurance plan that best fits their intention.



2 Briefing on important matters/provision of literature about disadvantageous information

To prevent customers from suffering disadvantages due to not being informed adequately about insurance products and systems, we provide a prior briefing on the content of an insurance policy, including the policy coverage, the limitations on benefit payments, the duty of declaration and the maximum amount of insurance coverage. To that end, we deliver written summaries of items to be noted by customers, including an Insurance Design Document (Contract Outline) and Precautions about Insurance Contracts (Information Calling for Attention), while making explanations.

Please be sure to review the Insurance Design Document (Contract Outline) and the Precautions about the Insurance Contract (Information Calling for Attention), and confirm that you understand the content, as well as that of the Contract Guidelines and Policy Conditions, before applying for enrollment.

To prevent customers who will subscribe to a life insurance policy from suffering disadvantages due to not being informed adequately about the insurance policy and the system, we provide customers with literature about disadvantageous information regarding the insurance policy when we explain about the policy. Such disadvantageous information is also specified in the Insurance Design Document (Contract Outline), the Precautions about Insurance Contracts (Information Calling for Attention) and the Contract Guidelines and Policy Conditions, which are provided when customers apply for enrollment, as well as other guides for customers.



3 Application

Before applying for enrollment, we have the prospective policyholder confirm again and agree that the policy meets his/her requirements by filling in the "Confirmation of Intention." Then the prospective policyholder and insured person will fill in, sign and seal the Application for

Insurance Contract and the "Insured Person Consent Form," respectively. We also ask for a seal certifying the receipt of the Contract Guidelines and Policy Conditions.

Contract Guidelines and Policy Conditions

The Contract Guidelines and Policy Conditions not only are provided when a customer applies for enrollment but can also be provided in advance upon inquiry from persons considering insurance coverage. For details, please contact our Call Center or your nearest post office or our branch.

When you apply for enrollment, you will be provided with our designated Certificate of Receipt of Application for Insurance Contract ^(Note). Please confirm the information on the certificate.

Note: For customers who have paid the first insurance premium, the Certificate of Payment Earmarked for Premium will be issued and provided.

4 Declaration

When we solicit subscriptions for life insurance or receive a declaration from applicants, we inform them of matters to be noted concerning that declaration through the Precautions about

Insurance Contracts (Information Calling for Attention) and the Questionnaire (Declaration Form) to ensure that the applicants can conduct an appropriate declaration.

Duty of Declaration

An insured person (which includes a policyholder when applying for *Hajime no Kampo* educational endowment insurance) has the duty of declaring his/her state of health. The insured person's past history of injuries and diseases and current state of health must be declared accurately and without omission by filling out the Questionnaire (Declaration Form) completely.

Breach of the Duty of Declaration

Items to be declared are specified in the Questionnaire (Declaration Form). Should an insured person not declare such items by intent or gross negligence or declare anything that differs from the truth and if that is revealed within two years from the Commencement Date of Liability of the insurance (inclusive), the basic insurance policy or rider may be cancelled because of the breach of the duty of declaration. In that case, we cannot pay insurance benefits, which could be disadvantageous to the customer.

**5** Judgment in underwriting insurance**6** Contract concluded**7** Payment of the first premium**5** Judgment in underwriting insurance

We determine whether to underwrite an insurance contract after the application is filed, taking into account the maximum amount of insurance coverage (see page 44), the state of health and other conditions declared, any past application(s) for insurance and the content of claims for hospitalization and other benefits.

If a rider is applied for concurrently with the basic insurance policy, we might not be able to accept the application for the rider, while accepting the application for the basic policy, according to the state of health and other conditions declared by the insured person, any past application(s) for insurance and the content of claims for hospitalization and other benefits.

6 Contract concluded

The specifications of an insurance contract, such as the type of insurance, stated in an Application for Insurance Contract are shown in an Insurance Policy to be delivered in lieu of a notice of the acceptance of the application for insurance. When the Insurance Policy arrives, please confirm the type of insurance, the amount of insurance benefits, the names, dates of birth and gender of the policyholder and insured person and other specifications, and keep the policy in a safe place.

Should any discrepancies be found relative to the application, please notify the Call Center.

The Insurance Policy is enclosed with a letter of greetings, which also requires your review.

7 Payment of the first premium

After an insurance contract is concluded, you are requested to pay the first premium.

Note: With certain insurance policies, you are requested to pay the first premium at the time of the application.

Commencement Date of Liability

If we accept an application for insurance, we assume contractual liability retrospectively, starting at the date of application or declaration, whichever is later (provided, however, that if a special provision is attached for designating the Commencement Date of Liability, that shall be the designated date of liability).

Confirmation of a Contract by Japan Post Insurance

When a customer applies for or after he/she signs an insurance contract, Japan Post Insurance or a post office may confirm the content of the contract and declaration in writing, through a phone call or by visits.

Improving the Underwriting Examination Skills

We make continuous efforts to improve our underwriting examination skills by conducting seminars on new products and services when they are launched and study meetings on revised underwriting criteria, as well as voluntary inspections for compliance with the underwriting criteria.

Cooling-Off System

An applicant (or a policyholder if the contract is already concluded) can withdraw the application (or cancel the contract if it is already concluded) by written notice if such notice is given within eight days from the date (inclusive) of application for the insurance contract or the date (inclusive) of receipt of the Precautions about the Insurance Contract (Information Calling for Attention), whichever is later; or, if a special provision is attached for designating the Commencement Date of Liability, by the eighth day from whichever date comes later, the date (inclusive) of application for the insurance contract or the date (inclusive) of receipt of the Precautions about the Insurance Contract (Information Calling for Attention), or the day before the designated Commencement Date of Liability, whichever is later.

To give such notice, please visit your nearest post office or our branch, bringing with you a document certifying that the person who withdraws the application or cancels the contract is the applicant or the policyholder, respectively, such as a driver's license or health insurance certificate (original); our designated Certificate of Receipt of Application for Insurance Contract or Certificate of Payment Earmarked for Premium; and the applicant's or the policyholder's seal within the applicable period mentioned above. (This notice may be given via postal mail.)



Notices for Ensuring the Receipt of Insurance Benefits



Notice of Policy Details

Japan Post Insurance send the “Notice of Policy Details” to each policyholder in October every year, together with the “Certificate of Premium Payment,” so that policyholders can reconfirm their policies’ details and update the information therein if necessary. This Notice serves as information to ensure that policyholders can feel secure about continuing their policy contract and that insurance benefits can be received without fail.

The Notice contains such information as the bank account for the receipt of insurance benefits and other benefits, the designation of the beneficiary of insurance benefits, the coverage of the insurance policy held, the premiums paid, the policyholder dividend and the status of loans to the policyholder. Please confirm the information in this Notice, as well as the enclosed “Insurance Policy Handbook,” the Insurance Policy (Certificate of Insurance) and the “Contract Guidelines,” which are delivered at the time of enrollment.



Certificate of Premium Payment

In October every year, we send the “Certificate of Premium Payment” (Certificate for Life Insurance Deduction) to each policyholder. As this certificate is necessary to receive the life insurance deduction, please keep it on hand until the year-end tax adjustment or the filing of income tax returns.

Note: The schedule for sending the Certificate of Premium Payment for each region is to be posted on our website in mid-September.



Notice of Other Important Information

We will send “Notices on Maturity”, “Premium Payment and Other Information” from time to time. Please make sure to confirm the details of each of them as they carry important information concerning your policies.

<Requests for notification of a change of address>

To ensure the delivery of these notices to each policyholder, if a policyholder or an insured person has changed his/her address and/or name, please promptly notify us or your nearest post office. A change of address notification can also be filed via the Internet.

Measures are taken to ensure that the change of address is reported for all policies, such as a reminder to encourage policyholders who have moved but not yet changed their registered address to notify the change of address.

[Reference] Issuance of notices in Braille

Upon request from a policyholder, we will provide a notice of policy details in Braille. If so requested by a policyholder, various notices, including those on maturity, can be issued in Braille.

For policyholders to recognize that the mail is from Japan Post Insurance, we attach a sticker that reads “*Kampo Seimei Taisetsu na Oshirase* (important notice from Japan Post Insurance)” in Braille on the envelope if so requested by a policyholder.



Various Procedures that can be Performed via the Internet

Change-of-Address Notice

Via our website, you can provide a change-of-address notice for policyholders and insured persons.

When the notice is given, a document for changing your registered address will arrive by mail. Please fill out the document and put the completed document and a copy of your ID, such as a driver's license or a health insurance certificate, in the enclosed envelope, and return it to us.



◀ To provide a change-of-address notice:
http://www.jp-life.japanpost.jp/customer/tetuzuki/henko/ctm_tzk_hn_no102.html

Request for the Reissuance of a Certificate of Premium Payment

Via our website, you can request the reissuance of a Certificate of Premium Payment (Certificate for Life Insurance Deduction).

Upon such request, we will mail the Certificate of Premium Payment to the registered address.



◀ To request the reissuance of a Certificate of Premium Payment:
http://www.jp-life.japanpost.jp/customer/tetuzuki/henko/ctm_tzk_hn_no105.html

Information on Various Procedures

Information on the procedures to be taken and necessary documents in such cases that you want to change your policy specifications, you have lost your Insurance Policy (Certificate of Insurance) and/or you want to claim the payment of insurance benefits is available on our website.



◀ To obtain information on various procedures:
http://www.jp-life.japanpost.jp/customer/ctm_index.html

Payment of Insurance Benefits

Upon receiving a claim for the payment of insurance benefits, Japan Post Insurance will examine the document filed by the insurance beneficiary to determine whether we can accept the claim.

To ensure the quick payment of insurance benefits, we are developing human resources as examination staff, streamlining the administrative procedures and reinforcing the payment operations with the assistance of computer systems.

The procedures for claiming the payment of benefits for hospitalization, death as well as other benefits are detailed in a brochure titled “Claims for Payment of Insurance and Other Benefits,” which is available at post offices and other locations; the online version is provided on our website. This brochure is intended to be given to a customer who visits a post office to inquire as to the procedure for

claiming the payment of hospitalization and other benefits so that the claiming procedure proceeds smoothly.

In addition, the “Claims for Payment of Insurance and Other Benefits” brochure contains a checklist for customers to review claimable insurance and other benefits by themselves.



◀ “Claims for Payment of Insurance and Other Benefits”
http://www.jp-life.japanpost.jp/digitalbook/hokenkin_seikyu/201604hokenkin_seikyu/hokenkin_seikyu.html

Payment of Insurance and Other Benefits during Fiscal Year Ended March 31, 2016

Number of Cases Where Benefits Were Paid and Not Paid

Classification	Number of Cases
Benefits were paid	2,746,627
Benefits were not paid	124,944

Notes:

1. The number of cases includes the cases relating to Postal Life Insurance.
2. The number of cases does not include the cases for which payment examination is not necessary, such as maturity benefits, pure endowments and pensions.

Number of Nonpayment Cases by Reason

Classification	Number of Cases
Cancelled or nullified due to insurance fraud	1
Nullified due to illegal acquisition	0
Cancelled due to breach of the duty of declaration	240
Cancelled due to a material reason	0
Immunity	1,076
Insured event is not applicable	123,627
Other	0
Total number of nonpayment cases	124,944



Examples of Cases Where Insurance and Other Benefits are Payable and Not Payable

In order to help customers grasp how insurance benefits are paid, we compiled illustrated examples of claims in a digital book, “Examples of Cases Where Insurance and Other Benefits are Payable and Not Payable,” which is available on our website.



▲ “Examples of Cases Where Insurance and Other Benefits are Payable and Not Payable”:
http://www.jp-life.japanpost.jp/digitalbook/hokenkin_jireishu/201604hokenkin_jireishu/hokenkin_jireishu.html



Covering the Cost of Acquiring a Medical Certificate

If the insured event for which a policyholder made a payment claim is judged not to be covered by his/her policy after submitting a medical certificate to make the claim, we pay him/her an amount equivalent to the cost of acquiring the medical certificate, provided that our specified conditions

are satisfied.

This payment is intended to reduce the burden borne by a customer and make it easier to claim for payment of insurance and other benefits, thereby enhancing our customer service.



Thorough Notices of Claimable Insurance Payments

When a customer visits a post office to file a claim for hospitalization or other, we brief the customer on the coverage of his/her insurance policy using a brochure titled “Claims for Payment of Insurance and Other Benefits” and other guides and accurately inform the customer of the necessary documents for the claim procedure as well as the type of insurance claimable and other benefits. The documents are handed to the customer so that he/she can check for any omission of claims by him/herself.

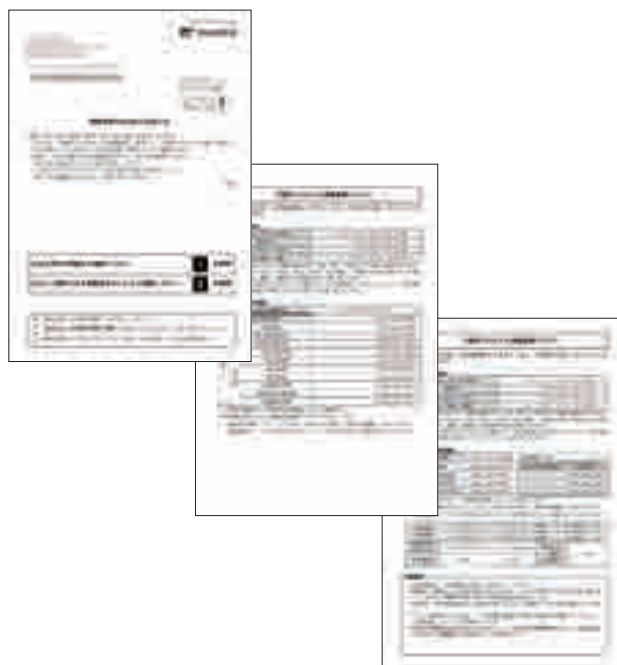
Even if no claims for insurance payment are made by customers, we give a written notice of claimable insurance coverage after the payment examination is made by the Policy Assessment Services Center.

Even after such notice, we follow up with the customers via outbound calls and the reissuance of the notice to those who make no claim for a specified period after the initial notice.



Notice of Payment of Insurance and Other Benefits

Previously, we informed our customers of the completion of benefit payment through the “Notice of Transfer of Insurance and Other Benefits into Bank Accounts.” Since April 2015, to further enhance our customer satisfaction, we now provide the “Notice of Payment of Insurance and Other Benefits,” which is delivered to customers earlier and contains a greater quality of information.



1

Management Strategy of
Japan Post Insurance

2

Business Overview and Results

3

Engagement with Stakeholders

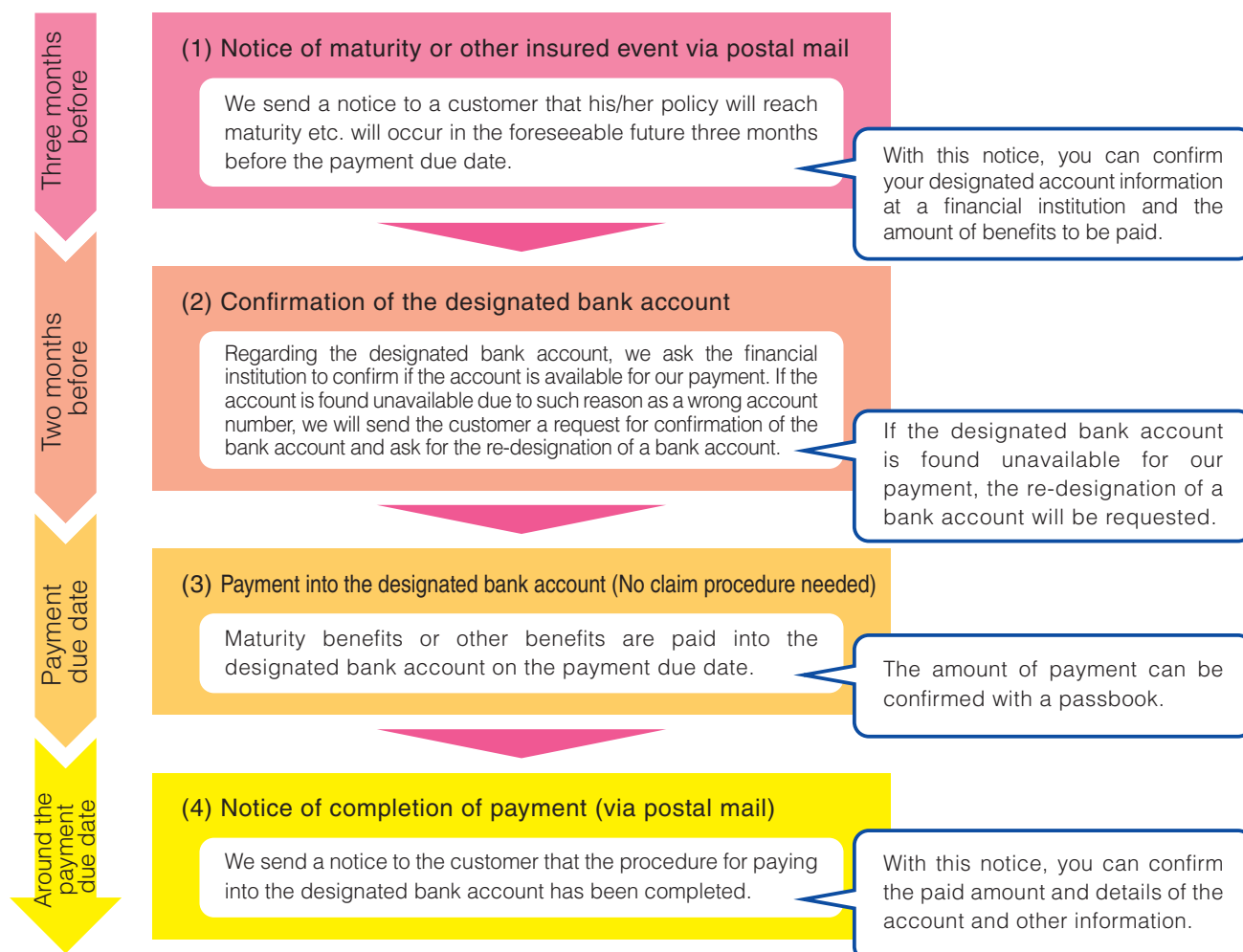
4

Corporate Governance



Efforts to Ensure Payment of Maturity Benefits and Other Benefits

Japan Post Insurance encourages customers to designate the bank account into which they want to have maturity benefits or other benefits paid before maturity or others. If such an account is designated prior to the occurrence of maturity benefits or others, maturity benefits or other benefits are automatically paid into the designated account on the payment due date without the claim procedure for such benefits.



*If the insured person should pass away, there might be a change in the amount of insurance or other benefits to be paid. For inquiries, please visit your nearest post office.

Receipt of Benefits with the Notice of Payment from Japan Post Insurance

If our payment of an insurance or other benefits into the designated bank account is rejected, the Notice of Payment will be sent to the relevant customer. For inquiries, please take the necessary documents and items specified on the notice to your nearest post office or other customer contact location and complete the procedure for receiving the payment.



Reinforcement of Payment Operations

Japan Post Insurance is promoting the following initiatives to ensure the underwriting of insurance policies and the examination of claim payments in a fair and appropriate manner.



For Simple, Prompt and Accurate Claim Payments

Our most significant mission as an insurance company is to pay the insurance and other benefits we promised to policyholders. To fulfill this responsibility properly from the standpoint of the policyholders, we have engaged in efforts to achieve simple, prompt and accurate claim payments toward the goal of upgrading our claim payments management structure to the industry's highest level.

Specifically, we are promoting the enhancement of procedures upon receiving insurance claims and

notices of other claimable insurance benefits; the development of examination staff with the knowledge and skills required for claim payment examination through professional trainings and education; the enhancement of IT-supported assistance to the payment examination process by introducing the Claim Payment Processing System (SATI); and strengthening the functions of the Policy Assessment Services Center, which plays the central role in claim payment examinations.

Claim Payment Processing System (SATI)

As our top priority measure for strengthening our claim payments management structure, the Claim Payment Processing System (SATI) enables a shift of the payment examination process from paper-based to digital-data-based using advanced image workflow (IWF) technologies and enhances IT-supported assistance throughout the entire process, thereby aiming to achieve simple, prompt

and accurate claim payments and thus enhance customer services.

Based on this processing system, we will continue to enhance the quality and efficiency of the payment examination process via the plan, do, check, act (PDCA) cycle using various data, thereby strengthening the claim payments management structure.



Education and Training for Payment Examination Staff

In addition to lectures on new products and services when they are launched, the education and training for our claim payment examination staff include those designed to acquire our proprietary payment examination skills and e-learning programs according to the analysis results of the

Claim Payment Processing System (SATI) and payment examination skills. We also encourage the staff to acquire the qualification of a Life Insurance Payment Specialist as offered by The Life Insurance Association of Japan to enhance their payment examination capabilities.



Highly Objective and Neutral Examination System for Insurance Claims

When we receive an insurance claim from a customer, the dedicated staff at the Policy Assessment Services Center conducts a claim payment examination. According to the content of the claim, the staff asks for medical opinions from the employees who have a medical doctor's license and/or legal opinions from external lawyers to ensure highly objective and neutral examinations.

More specifically, if it is possible that the insured event falls under the exclusions prescribed in the

policy conditions, we investigate the detailed facts as necessary and have an external lawyer examine whether the exclusions are applicable.

If a customer is not satisfied with the examination result, he/she can ask for a review by the Claims-Related Services Review Session, which consists of external lawyers and other members and reviews conflicts concerning the payment of insurance benefits. This also contributes to ensuring highly objective and neutral payment examinations.



Special Treatment in Case of Disaster

In case of disaster, Japan Post Insurance applies special treatment (emergency treatment), as detailed below, to customers afflicted by the disaster in urgent need.

The details and period of the special treatment, whenever applied, are notified at our branches and post offices.

- **Extension of the grace period for premium payments**
For customers who find it difficult to pay premiums due to a disaster, we extend the grace period for premium payments.
- **Prompt emergency payment of insurance benefits in case of emergency**
For customers who find it difficult to prepare documents to be filed for an insurance claim due to a disaster, we allow special treatment as necessary. This may include the omission of some of the documents that are usually required to be filed, the execution of claim payments or the refund of prepaid premiums.

[Specific examples of special treatment]

- Prompt emergency payment of insurance benefits and unearned premiums
- Prompt emergency payment of the cash value of the basic policy
- Prompt emergency payment of the cash value of the rider
- Prompt emergency payment of policy loans excluding premium loans
- Emergency refund of premiums paid in advance
- Prompt emergency payment of policyholder dividends

Measures for the Great East Japan Earthquake and the 2016 Kumamoto Earthquake

We would like to express our sincere sympathies for the people afflicted by the Great East Japan Earthquake and the 2016 Kumamoto Earthquake.

To provide support for those suffering from these disasters and restoration of the afflicted areas, we carried out various measures, some of which are presented below.

Double payment of insurance benefits, etc.

As for the double payment of insurance benefits, and death benefits relating to accidental riders, there is a policy provision that insurance and other benefits may be reduced or not paid due to an earthquake or other disaster. However, we did not apply this provision and decided to make double payment of insurance benefits and other special responses.

Reduction or exemption of interest on loans

We conducted a reduction or an exemption of interest on loans, excluding policy premium loans.

Special treatment concerning hospitalization benefits

To those who were injured by the earthquake but could not be immediately hospitalized due to the circumstances of the afflicted areas or other reasons and those who could not receive hospitalization care because hospital or clinic beds were occupied, we paid hospitalization benefits, on the assumption that they were hospitalized for the period for which they should have been hospitalized.

Extension of the grace period for premium payments

In the case that it was difficult to pay premiums due to the earthquake, we extended the grace period for premium payments.

Special treatment concerning claim procedures

We allowed special treatment such as the omission of some of the necessary documents to be filed when making various claims, including the Insurance Policy (Certificate of Insurance).

(Reference: System for searching for life insurance contracts in disaster areas)

Under the System for Searching for Life Insurance Contracts in Disaster Areas, the Life Insurance Association of Japan requests that all life insurance companies search for life insurance contracts for people who have difficulty in claiming insurance benefits because they lost evidence of their contracts in the disaster areas covered by the Disaster Relief Act. We respond to the request by searching for insurance contracts for the relevant customers and notifying them of the contracts with us, if any.



Information Systems to Support Customers



System Development Efforts

Since the start of our operations in October 2007, Japan Post Insurance has been promoting system development in order to reform our administrative operations and IT systems for simple, prompt and accurate performance of functions, ranging from underwriting to claim payments, as well as to provide better quality services to customers.

With particular emphasis on supporting consulting activities that promote mutual communication with customers and providing dependable services, we fully leverage the network of post offices as a source of safety, reassurance, trust and convenience for customers. To help facilitate these efforts, we continually strive to upgrade and expand the functions of our systems.

Our portable devices for business have been sequentially equipped with a paperless application feature since April 2016, which contributes to the enhancement of customer service and the preservation of the environment.

- The text information that is displayed on the screen of a portable device, such as the content of an application for an insurance policy, can be enlarged for easier viewing by the young and elderly alike.
- By photographing the necessary certificates with the camera function, a copy is no longer required from customers.

- The system check function prevents errors in filling out the application form, which reduces the burden on customers when completing the application.
- By reducing the time spent on paperwork and sending the application documents by postal mail, we shorten the period required to conclude the contract.

Printing out an application form or other documents will become unnecessary, which reduces the volume of paper consumption.

In making a paperless application, the signature and declaration are given using a digital pen, which is as easy to use as a regular pen for the young and elderly alike.



Addressing the Renewal of the Next-Phase Core IT System

Currently, we are developing the core IT system to be renewed in January 2017. The new core system is designed to enhance the system quality and development productivity and reduce system-related expenses.

We will continue to upgrade our information systems for better customer service such as by establishing user-friendly procedures and customer support systems with enhanced attention to detail.



IR Activities

Preparation and Disclosure of Disclosure Policy

“Disclosure Policy” is posted on the “Investor Relations” (IR) section of Japan Post Insurance website.

Holding of Regular Briefing Sessions for Individual Investors

Measures are carried out to enhance information provision, including dedication of a section to individual investors on the IR section of our website and holding of briefing sessions.

Holding of Regular Briefing Sessions for Analysts and Institutional Buyers

We organize financial results meeting and conference call for analysts and institutional investors after quarterly financial results announcements, as opportunities for the management to provide explanation about our financial condition, etc. We also participate in seminars for institutional investors organized by securities companies.

Holding of Regular Briefing Sessions for Overseas Investors

Overseas IR events by the management are organized several times a year. Meanwhile, information intended for use within Japan such as financial results and IR materials are translated into English and posted on the IR section of our website, in an effort to minimize the information gap between the domestic and overseas investors.

Posting of IR Materials on Website

Financial information such as financial results, timely disclosure information other than financial information, securities reports and quarterly securities reports are posted on the IR section of our website.



Scene of a results briefing session



General Shareholders' Meeting

We held our 10th Ordinary General Meeting of Shareholders on June 22, 2016. (The number of attending shareholders was 266, and the meeting time was one hour and 24 minutes.)

For the meeting, we strived to improve the convenience for shareholders and enhance communication with them.

We mailed the Convocation Notice on June 1, 2016 in view of early dispatch and disclosed its content on our website and elsewhere, prior to dispatch on May 30, 2016 so that our shareholders would have enough time to carefully review the proposals. Moreover, in addition to ensuring the exercise of voting rights via the Internet, we addressed improving the environment for shareholders to exercise their voting rights by participating in the virtual platform recommended by the Tokyo Stock Exchange, which allows

institutional investors to conduct the electronic exercise of voting rights.

Furthermore, at the meeting, we strived to explain our business lines using video materials to facilitate the understanding of attending shareholders.

During the Q&A session, we received several questions about the Company's postures or responses toward such issues as the Company's growth strategy and product strategy. The President, CEO and the officers in charge of the respective subjects responded, enhancing interactive communication.

After the meeting, we swiftly disclosed the results of the exercised voting rights and other relevant information on the Company's website as part of our efforts to enhance the provision of corporate information to shareholders.



Handling of Shareholders' Personal Information

●Purpose of use

We specify the purposes of using shareholders' personal information and use this information solely within the scope required for achieving these purposes.

The Company may use personal information for the following purposes.

- (1) To exercise rights and/or fulfill obligations under the Companies Act;
- (2) To provide information on the Company's business activities to those with the status of shareholders;
- (3) To implement various measures to facilitate the relationship between shareholders and the Company; and

- (4) To manage shareholders by means such as compiling of shareholders' data in line with the prescribed criteria under various applicable laws and regulations.

Specific personal information ^(Note) is to be used by the Company solely for purposes prescribed by laws and regulations. The Company may use specific personal information for the following purposes:

- Administrative procedures related to preparation of payment records for shareholders

Note: Specific personal information is personal information including the individual number (referred to as "My Number" under the Social Security and Tax Number System).



Corporate Social Responsibility (CSR)

Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance works to uphold its customers' trust and provide them with peace of mind by actively seeking ways to contribute to society. Our activities in this field are centered on the three strategic pillars of "encouraging social and community contribution," "creating a people-friendly business environment" and "promoting environmental conservation activities."



Encouraging Social and Community Contribution

As stated in our Management Policy to actively contribute to "health promotion" and the "development of local communities and society," we have been assisting people in promoting their health through such efforts as the Radio Exercise program, which has a history of 87 years.

Radio Exercise and Japan Post Insurance

The Postal Life Insurance Bureau of the Ministry of Communications created the Radio Exercise program in 1928 in an effort to maintain and improve people's health. The Ministry introduced the program in celebration of the enthronement ceremony of the Showa Emperor.

Japan Post Insurance, which was created as a result of the privatization of the original Japan Post, has assumed the role of promoting the

exercise program, first undertaken by the Ministry of Communications and then by its successors, namely the Ministry of Posts and Telecommunications, the Postal Service Agency and Japan Post prior to privatization. We have been working together with NHK (Japan Broadcasting Corporation) and the non-profit organization (NPO) Japan Radio-*taiso* Federation for its popularization and promotion.

Milestones

1928	Radio Exercise (then National Health Exercise) program began
May 1951	NHK started broadcasting the Radio Exercise No. 1 program on its Radio 1 channel
Around 1952	Distribution of Radio Exercise Attendance Cards started
July 1953	Radio Exercises Summer Tour commenced
October 1962	Festival of 10 Million People's Radio Exercise launched
September 1999	<i>Minna no Taiso</i> ("Exercise for Everyone") program began



Poster for the initial Radio Exercise program (1929)



2016 Radio Exercise Attendance Card

Popularization and Promotion of Radio Exercise Program through Various Events

Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

As one of our major Radio Exercise events, we hold the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* every summer, aiming to get 10 million people around the country to participate together in Radio Exercise and *Minna no Taiso*. This event is broadcast live nationwide over NHK's Radio 1 and on its General TV channel and is also broadcast through its international broadcasting service to overseas viewers.



At the 54th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on Sunday, August 2, 2015, Kanazawa City, Ishikawa Prefecture)



Radio Exercise and *Minna no Taiso* (“Exercise for Everyone”) Summer Tour and Special Tour

We conduct an annual Radio Exercise and *Minna no Taiso* Summer Tour during the 43-day school summer vacation period from July 20 to August 31, visiting 43 venues around Japan (including one venue for the Festival of 10 Million People’s Radio Exercise and *Minna no Taiso*).

In addition, we run a Radio Exercise and *Minna no Taiso* Special Tour every year from April to the end of October (excluding the summer tour period), stopping at about 10 venues across the country mainly on Sundays and public holidays.

These events are broadcast nationwide on NHK’s Radio 1.

Note: Details of the schedule and venues for the Radio Exercise and *Minna no Taiso* Summer tours and Special tours in the fiscal year ending March 31, 2017, are available on our website (<http://www.jp-life.japanpost.jp/> (written in Japanese)).



Radio Exercise and *Minna no Taiso* Summer Tour event (on July 27, 2015, Onagawa-cho, Oshika-gun, Miyagi Prefecture)

Holding the All-Japan Elementary School Radio Exercise Competition

With the aim of increasing opportunities for numerous elementary school children to energetically participate in Radio Exercises and to contribute to health promotion, we hold the All-Japan Elementary School Radio Exercise Competition for elementary school children across Japan.

For this competition, participants submit videos demonstrating their “daily efforts toward radio exercise” and “Radio Exercise No. 1 scene.” Judging is based on whether children are enthusiastically and happily participating in Radio Exercise throughout the entire program and whether they are correctly performing radio exercise with uniform motions. The winning teams are then decided and announced.



Gold award winning school in the second contest (“Masuda Spirit,” of Masuda Elementary School, Nakatane-cho, Kagoshima Prefecture)

Radio Exercise Sessions at Elementary Schools

With the aim of fostering the sound growth of children through the Radio Exercise program and popularizing and promoting the program further, we dispatch NHK TV and Radio Exercise program instructors and assistants to provide Radio Exercise sessions at elementary schools. During the fiscal year ended March 31, 2016, we held Radio Exercise sessions at 18 elementary schools across the country.



Radio Exercise session (on November 16, 2015, at Nishimaruko Elementary School, Kawasaki City, Kanagawa Prefecture)



Marathons Supported by Japan Post Insurance

In the fiscal year ended March 31, 2016, we provided special sponsorship of the Third Nissan Stadium: Five-Hour Endurance Relay Marathon ~improvised and registered team~ (July 5), the Third Weekday Marathon at *Kodomonokuni* (December 1) and the 2016 Challenge Relay Marathon at *Kodomonokuni* ~42.195 in Mid-Winter~ (January 30).



Third Nissan Stadium: Five-Hour Endurance Relay Marathon

Local Community Contribution Activities by Business and Service Bases

Employees of our business and service bases nationwide volunteer for local community activities such as local cleanup projects and blood donation drives.

[Examples of Our Activities]

Business and Service Bases' Neighborhood Cleanup Projects

As a voluntary initiative, our business and service bases regularly conduct activities to clean up their respective neighborhoods. These bases also participated in “Clean Up the City” events, working with fellow residents to beautify their neighborhoods. In the year ended March 31, 2016, employees from 58 bases conducted cleanup activities 102 times in total.



Cleanup activities at Hibiya Park



Cleanup activities prior to the Sendai Tanabata Festival

Cooperation for Blood Donation Drives

During the year ended March 31, 2016, a total of 53 business and service bases cooperated in blood donation drives.

Participation in Volunteer Walks

In the year ended March 31, 2016, employees and their families from 10 business and service bases took part in “Ashinaga P-Walks” in aid of orphaned children.

Volunteering in Recycling Activities

In the year ended March 31, 2016, PET bottle caps, used postage stamps and other similar items were collected at 59 business and service bases and donated to social welfare councils and other relevant organizations.



Volunteering cleanup on the riverside of Nakatsu River



Creating a People-Friendly Business Environment

Kampo Eat & Smile Project

For the purpose of promoting sound health through food, we carried out the Kampo Eat & Smile Project. In this project, donations collected through charitable menus served at a café that is open for a limited period were matched with a donation from Japan Post Insurance and contributed to Second Harvest Japan.

In a tie-up with “*Sumimasu Geinin*,” comedians who moved to live and work in local communities around Japan, we provided information on food from various parts of Japan.



Inside the Eat & Smile Café



Support via Second Harvest Japan



Promoting Environmental Conservation Activities

Energy-Saving Efforts

As one countermeasure against global warming, we work to reduce carbon dioxide (CO₂) emissions through energy-saving efforts at facilities owned by Japan Post Insurance. According to the results of an energy-saving diagnosis and other surveys, we constantly renovate facilities and equipment and improve their operations to achieve greater energy savings.

With the aim of facilitating basic energy-saving activities company-wide, we have developed a guide compiling specific examples of energy-saving actions. Every employee takes part in energy-saving efforts based on this guide to reduce CO₂ emissions and the use of copying paper.

Contributions to Environmental Preservation through Providing Online Versions of the Contract Guidelines and Policy Conditions

On October 2, 2014, we began offering online contract guidelines and policy conditions.

Previously, we provided contract guidelines and policy conditions to all customers in a paper booklet format. By selecting “web viewing,” policyholders now have the option of confirming their contract guidelines and policy conditions in a PDF format on our website rather than by receiving a paper brochure.

Online contract guidelines and policy conditions will eliminate the need for conventional brochures, thereby enabling a reduction in the amount of paper used. In July 2016, we donated a total of ¥10.8 million to 13 environmental groups that are

active in growing forests based on the number of customers who made use of the online contract guidelines and policy conditions in the six-month period from April 2015 to September 2015.



Tree-planting volunteering by citizens

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Social Responsibility as an Institutional Investor



Efforts to Fulfill the Principles for Responsible Institutional Investors: “Japan’s Stewardship Code”

In May 2014, Japan Post Insurance announced the acceptance of the Principles for Responsible Institutional Investors: “Japan’s Stewardship Code.”

We entrust the investment of domestic shares to trust banks, investment advisory firms or other investment managing organizations. As an entrustor, we discharge our stewardship responsibilities by requiring such entrustees to

report their policies and the status of efforts to comply with the said code, checking for any problems and reflecting those reports on the selection and evaluation of entrustees.

In addition, we disclose a summary of the reports periodically received from the entrustee organizations (investment managers) on their efforts to fulfill their stewardship responsibilities and the results of the exercise of their voting rights.

○ Principal policies for fulfilling the stewardship responsibilities

1. Monitoring the status of investee companies and dialogue

The investment managers to whom we entrust our asset management activities monitor the status of investee companies and dialogue with them. As an entrustor, we require those investment managers to report their policies for and the status of monitoring and dialogue with investee companies.

2. Exercise of voting rights

We entrust the investment managers with the exercise of voting rights relating to the respective shares in which the Company has invested. We present the guidelines the investment managers should follow when exercising voting rights. The investment managers determine their policies on the exercise of voting rights in accordance with

these guidelines and exercise the voting rights in line with the policies thus determined.

The results of the investment managers’ exercise of voting rights are disclosed every year on our website.

3. Initiatives for enhancing our stewardship activities

We interview and evaluate the investment managers regarding efforts to fulfill their stewardship responsibilities. We gather good examples of such efforts, which are to be shared with the investment managers, to help enhance the stewardship activities of Japan Post Insurance as an entrustor and the investment managers.

Note: Our policies for fulfilling stewardship responsibilities are disclosed on our website.

We plan to start the internal management of investment in domestic shares. Accordingly, we will revise the current acceptance of Japan’s

Stewardship Code and our policies for fulfilling the stewardship responsibilities and disclose the results on our website.



Efforts for ESG Investment

We conduct asset management as an institutional investor taking into consideration not only safety and profitability but also social and public aspects.

As the concern for investment taking into consideration Environment, Society and

Governance is rising globally, we have been expanding investment in accordance with the viewpoint of “ESG” in order to contribute to the formation of a sustainable society.



Efforts for Enhancement of Our Brand Value

Japan Post Insurance engages in various advertising activities that encourage those who take on the challenges toward achieving their dreams, thereby seeking to enhance its brand value.

Life is Full of Dreams

Life is Full of Dreams

With the tagline “Life is Full of Dreams,” we put up corporate ads that encourage all people who are moving forward in their lives.

Featuring actress Mitsuki Takahata as its new spokesperson, our new series of corporate ads, titled “That’s a life, My Life,” have aired nationwide on TV since March 2016.

The corporate ad conveys a message—“All lives are unique, and your life is undoubtedly yours. The world in which you live is full of wonderful things”—with a musical-like performance to an original

song composed by musician Ringo Sheena.

The corporate ads have been extensively placed in various media, including posters at post offices nationwide, in newspapers and on transit mainly in the Tokyo metropolitan and Kansai areas.

Through the corporate ads, we spread our wish to support the lives of our customers and other people living in local communities by always being close at hand.



Corporate TV commercial: “That’s a life, My Life”



Newspaper ad



Transit ad



Poster

“Full of Dreams” Caravan

To deliver the corporate message of “encouraging those who take on the challenges toward achieving their dreams” on a continuing basis and from many angles, we have some of Japan Post Group’s employees and their families who work

enthusiastically toward their dreams to appear in corporate ads that are placed in magazines and on a special website for the campaign: <http://www.yumedarake.jp/caravan/>.



“I pledge to make it a game played fairly.”



“I am building up muscle toward my dreams.”



“I met my wife in space.”

Note: The information is effective as of the date and time of the filming.



Initiatives for Supporting Life with Dreams

✦ KAMPO DREAM THEATER

Sponsorship of the Takarazuka Revue

As one of our cultural activities, we sponsor the Takarazuka Revue's 2016 performances by the Moon troupe: Rock Musical "Nobunaga: The Will to Power" and Shining Show "Forever LOVE!!," as we did in 2015.

Through the sponsorship of the performances of the Takarazuka Revue, we wish to deliver dreams to the audiences at these performances.



© Takarazuka Revue Company

✦ Sponsorship Contract with Female Professional Golfer Momoko Ueda

Since March 2015, we have been under a three-year sponsorship contract with Momoko Ueda, a professional golfer. Her committed efforts to making her dreams come true led to the sponsorship.

Ms. Ueda has competed in various golf tournaments armed with a cap, golf clothing and a golf bag bearing the name of Japan Post Insurance.

Wishing her further success, we will continue to provide support for her.

✦ Special Sponsorship of Student Music Concours of Japan to Encourage Students Striving for Their Dreams

To develop a music culture and support students who are taking on the challenge of pursuing their dreams, we sponsor the Student Music Concours of Japan.

This competition nurtures an appreciation of music and helps improve performance techniques. Through a fair screening process, young talents are discovered who can perform on the global stage, thereby contributing to the development of music culture.



At NHKSO Beethoven 9th Special Concert

✦ JAPAN POST INSURANCE Presents NHKSO Beethoven 9th Special Concert

With the aim of supporting cultural activities, we sponsored the NHK Symphony Orchestra (NHKSO) Beethoven 9th Special Concert (Suntory Hall, Minato-ku, Tokyo) on December 27, 2015. NHKSO was formed around 90 years ago and is highly renowned for its excellent performances across the world.



Education and Training

With the aim of realizing sustainable increases in corporate value and continuous growth, in April 2013, Japan Post Insurance announced the “Kampo Human Resources Development Declaration,” under which it declared that it would vigorously promote human resources development throughout the Company.

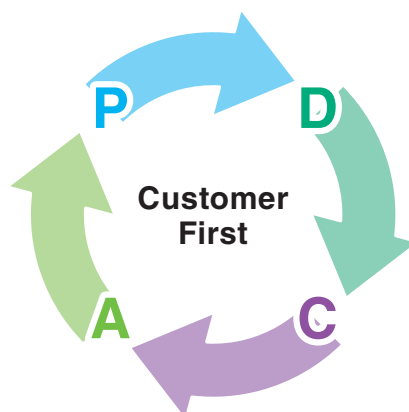
Our Management Policy to “create a working environment in which all employees can develop their talents and work with energy and vitality” shows our commitment toward human resources development.

Aspired Image of Human Resources

As an “aspired image of human resources” that our employees should aim for, we will cultivate employees capable of executing the plan, do, check, act (PDCA) cycle on their own and achieving growth under the “four orientations” and the “Human Resources Development Basic Policies,” based on the “customer first” concept.

Four Orientations

- Ownership
- Challenge oriented
- Speed oriented
- Frontline oriented



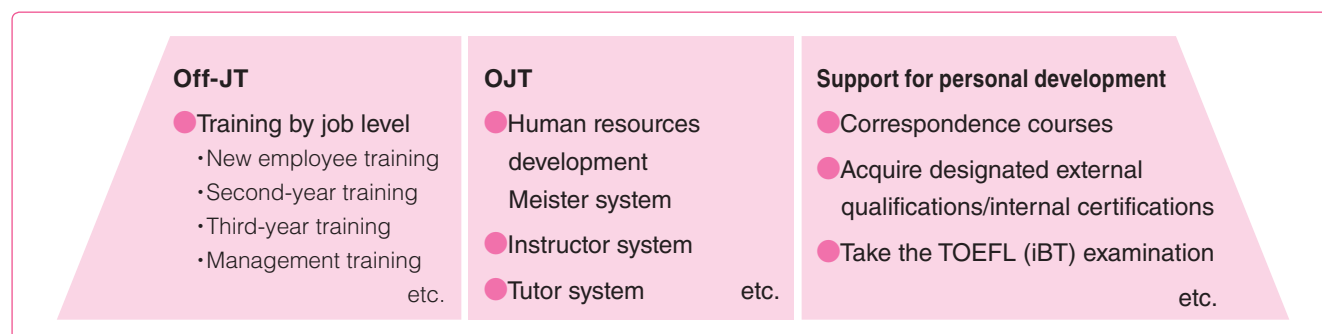
Human Resources Development Basic Policies

- We shall cultivate human resources who have a self-awareness of corporate social responsibility and who place the customer first.
- We shall cultivate human resources who have expert capabilities and a well-rounded character.
- We shall cultivate human resources who are imbued with a spirit of challenge for addressing new issues and who have the ability to get things done.

Human Resources Development System

Under the “Kampo Human Resources Development Declaration,” we place paramount importance on on-the-job training (OJT) in developing human resources and are implementing a system for human resources development spanning all job affiliations. We have positioned the idea of “a corporate culture that

nurtures people corresponds with an environment where OJT is actively undertaken” as the ultimate goal of our human resources development system and are building a system under which OJT and Off-JT are mutually coupled and personal development is further boosted.





Education for Sales Personnel and Agents

We state in our Solicitation Policy that we will make efforts to raise product knowledge and the consulting capabilities of all executives and employees. Accordingly, we are making efforts to raise consulting-based sales capabilities in

accordance with the life plan of each and every individual customer by providing training and education for sales personnel and agents.

<Sales Personnel>

Overview of Sales Personnel

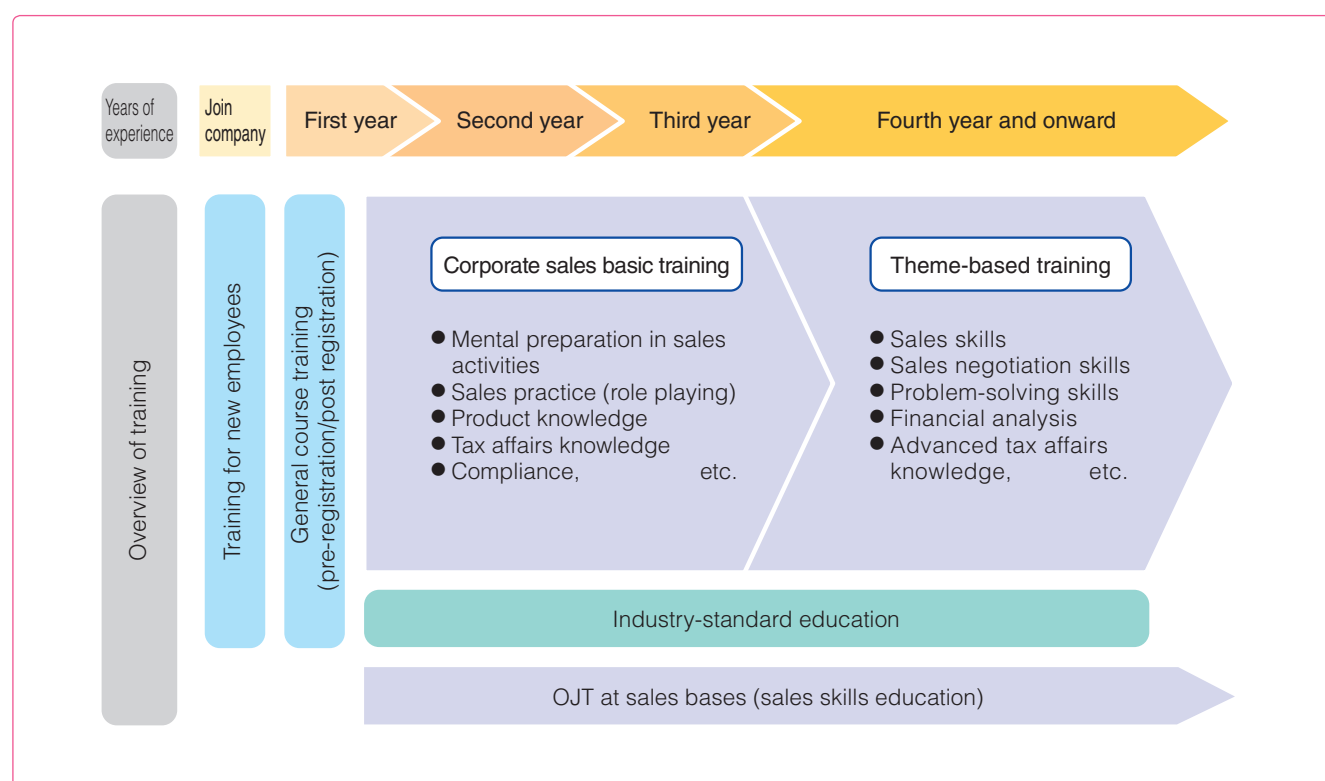
Sales personnel at directly-managed offices undertake insurance solicitations mainly targeting companies and company employees.

Overview of Training

Through Kampo Instruction College, an education and training program for Japan Post Insurance's sales personnel, we work to develop sales personnel who possess advanced knowledge and a sense of ethics to ensure that personnel accurately respond to the needs of corporate customers.

We have positioned the three years after new employees join the Company as the period for basic training. During this time, through mass

training and industry-standardized education held at the Head Office, sales personnel acquire the knowledge and skills needed for undertaking insurance solicitations in the corporate markets. From the fourth year onward, we also implement various types of training based on specific themes with the aim of developing human resources who can demonstrate high-quality consulting-sales abilities.





<Insurance Solicitation Agents>

Overview of Insurance Solicitation Agents

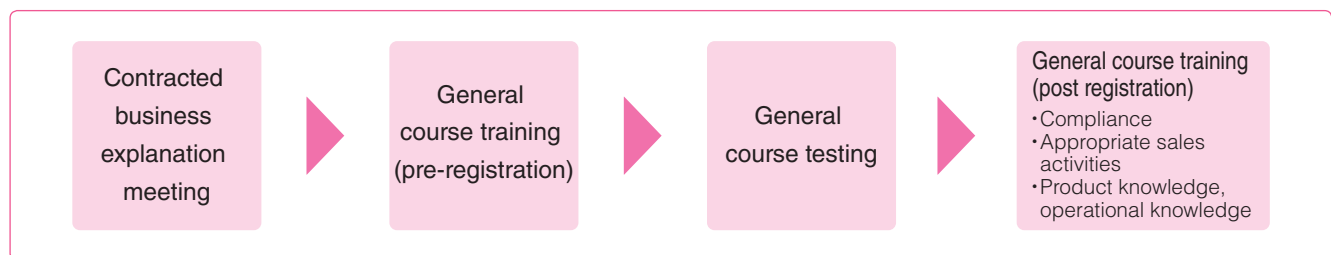
We conclude a life insurance sales and maintenance agreements with Japan Post and the operators of contracted post offices and carry out insurance soliciting via the nationwide network of

post offices, primarily targeting the individual market for households and small- and mid-sized companies.

Overview of Training

Employees of Japan Post Insurance provide persons involved in insurance solicitation with training aimed at ensuring thoroughgoing compliance, appropriate sales activities and enhanced operational knowledge.

In addition, we provide support that includes dispatching our employees as instructors for training and other activities implemented by Japan Post.



Note: For the training and education on payment operations, please refer to "Reinforcement of Payment Operations" (page 55).



Promoting Diversity and Inclusion

To realize the policy to “create a working environment in which all employees can develop their talents and work with energy and vitality” set forth under the Management Policy, and practice the guideline “We respect human rights and create a diverse and inclusive working environment” in the Code of Conduct, Japan Post

Insurance promotes diversity management initiatives, centering on the Diversity Promotion Office established within the Human Resources Department in three fields: “Promotion of expanding roles of female employees,” “Work-life balance” and “Promoting employment of persons with disabilities.”



Promotion of Expanding Roles of Female Employees

In support of the careers of female employees in the medium to long term, we make all efforts to “expand the appointment of female employees to management positions” and “foster the careers of female employees.”

Regarding the expansion of the appointment of female employees to management positions, we stated our quantitative target as “increasing the percentage of management positions held by women to 14% or more by April 1, 2021,” in the general employer action plan based on the Act on Promotion of Women’s Career Activities, and we will promote diverse measures to achieve this target.

Regarding the fostering of female employees’ careers, we provide training, targeting candidates for senior management positions, help them improve their leadership development and management skills, and hold seminars for prospective candidates for management

positions. These efforts are meant to support women in independently planning their careers and understanding different work styles at various life stages and in pursuing avenues to enhance their careers in a systematic and continuous manner.



Training for candidates for senior management positions



Seminar for candidates for management positions



Work-Life Balance

To realize an elevated level of work-life balance by supporting employees to address the coexistence of childcare/nursingcare and work, apart from the common policies of the entire Japan Post Group such as revisions to the Work-Life Balance guide, the Company promotes measures such as 1) reforms of the work style, 2) supporting the return of employees who have taken childcare leave and 3) educational activity concerning nursing care leave, as its independent policies.

Regarding the general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, the Company acquired the “Kurumin Mark”

Certification as a Childcare Support Company for the second consecutive year because the Company achieved the targets set forth in the third general employer action plan (from April 1, 2013 to March 31, 2015). In the fourth general employer action plan, the Company is planning to take various measures to “review the work style” and address “the coexistence of childcare/nursingcare and work” during the three years from April 1, 2015 to March 31, 2018.





Reforms of the work style

To improve organizational productivity by revising the work style that assumes overtime work and/or working on holidays, we implemented several reforms in the fiscal year ended March 31, 2016, including measures to reduce long working hours; the adoption of a morning-focused work style; raising awareness of employees on this issue; and a work style review consultation at several exemplary departments/sections of the Head Office.

In the fiscal year ending March 31, 2017, while continuing efforts to reduce long working hours and the shift to a morning-focused work style, we will proactively promote the reforms of the work style at all departments/sections of the

Head Office with measures such as the extension of work style review consultation workshops to other departments/sections, efficiency improvement for internal operations at the Head Office and the reinforcement of management by administrators.



Awareness-raising seminar



Scene of a work style review consultation workshop at an exemplary department of the Head Office

Supporting the return of employees who have taken child-care leave

In the fiscal year ended March 31, 2016, we held a return-to-work seminar targeting employees who had taken childcare leave and those who returned from childcare leave within the past 12 months, from the viewpoint of resolving concerns about the coexistence of working and childcare and assisting in their subsequent career formation after returning to work. At the seminar, attendance of their spouses and supervisors was allowed to raise their understanding on return to work, and a child-care service space was prepared on the same floor as the workshop to facilitate the participation of those taking childcare leave. This measure to support the return to work of employees will be further strengthened in the coming years.



Return-to-work seminar



Child-care service

Educational activity concerning nursing care leave

As the number of employees who will face the need for nursing care of family members is expected to increase in the years ahead, in the fiscal year ended March 31, 2016, we started to phase in dedicated web-based services targeting employees above 40 years old so

that they can appropriately cope with the need to handle nursing care for family members. These services include such functions as an e-learning course concerning the public nursing care insurance systems and consultations with experts.



Promoting Employment of Persons with Disabilities

We actively promote the employment of persons with disabilities recognizing that fairly evaluating and providing work opportunities for a diverse population is a part of our corporate social responsibility. We therefore strive to increase the number of offices with staff that include persons with disabilities and support them in settling in to the office. Our efforts are ongoing with the aim of increasing the percentage of persons with disabilities that form our workforce.



Employees with disabilities engaging in data entry operations

Corporate Governance



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Basic Concept of Corporate Governance

Japan Post Insurance, with a view to ensuring sustainable growth of the Group (Japan Post Insurance and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.; the same shall apply hereinafter) and creating its corporate value over the medium to long term, has set out the “Basic Policy Regarding Corporate Governance” as follows (please refer to pages 74-78) and has developed the corporate governance structure of the Group accordingly.



Organizational Design

We have adopted a company with three committees structure, under which the Board of Directors’ role of management supervision is separated from the Executive Officers’ role of business execution, thereby clarifying the responsibilities with respect to corporate management. Within the organization of the Board of Directors, the three committees, namely the Nomination Committee, the Audit Committee and the Compensation Committee, have been established to ensure the fairness of the management supervision function of the Board of Directors. The specific roles of these committees are as described on the right:

- The Nomination Committee determines proposals for general meetings of shareholders concerning the appointment and dismissal of Directors.
- The Audit Committee audits the execution of business by Directors and Executive Officers, determines proposals for general meetings of shareholders concerning the appointment and dismissal of the accounting auditor and approves the compensation for the accounting auditor as determined by Directors.
- The Compensation Committee formulates compensation policies for Directors and Executive Officers and determines detailed compensation for each individual.

BASIC POLICY REGARDING CORPORATE GOVERNANCE (Established on October 28, 2015)

CHAPTER I. GENERAL PROVISIONS

(Purpose)

Article 1. This basic policy sets out the basic views, framework, and operation policy regarding the corporate governance of JAPAN POST INSURANCE Co., Ltd. (the “Company”), with a view to ensuring sustainable growth of the Group (the “Group” refers to the Company and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.; the same shall apply hereinafter) and enhancing its corporate value over the medium to long term.

(Basic Views on Corporate Governance)

Article 2. The Company shall develop the corporate governance structure of the Group based on the following concept, with a view to ensuring sustainable growth of the Group and creating corporate value over the medium to long term.

- (1) The Company shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing life insurance services through the post office network.
- (2) Fully recognizing its fiduciary responsibility to its shareholders, the Company shall give consideration to effectively secure rights and equal treatment of shareholders.

- (3) The Company shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable coexistence. To this end, the Company shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
- (4) The Company shall carry out swift and decisive decision-making and business execution under the effective supervision by the Board of Directors, in order to promptly cope with changes in social and economic environment and meet the expectation of all stakeholders.

(Corporate Governance Structure of the Company)

Article 3. The Company has adopted a “company with three committees structure” from the following points of view.

- (1) To separate the especially vital decision-making and supervision of business execution, such as the formulation of basic management policy, from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors.
- (2) To fully utilize external views on the management of the Company and ensure the transparency and

fairness of decision-making on the management through enabling the exercise of functions of the Board of Directors comprised mainly of Independent Directors and the three committees, namely the Nomination Committee, the Compensation Committee and the Audit Committee.

- (3) To realize a corporate governance structure that can fulfill its accountability to all stakeholders.

CHAPTER II. COMPOSITION OF THE BOARD OF DIRECTORS AND ITS ROLE, ETC.

(Composition of the Board of Directors and its Role)

Article 4.

1. The Board of Directors shall be diversely comprised of Directors with a wealth of knowledge and experience as well as deep insight. The number of Directors shall be an appropriate number not exceeding 20 as set forth in the Articles of Incorporation and one-third or more of the Directors shall be, in principle, Independent Directors.
2. The Board of Directors shall, in accordance with the "Board of Directors Regulations," develop a system, in which it facilitates swift management decision-making by delegating all authority concerning business execution of the Company to Executive Officers, except for business execution concerning statutory matters to be resolved exclusively by the Board of Directors and some especially critical matters, and exercises supervision through receiving reports from Executive Officers on such business execution in a timely and appropriate manner.
3. The Board of Directors shall set out the basic management policies such as the Company's management philosophy and medium-term business plans, with a view to collaborating and coexisting with all stakeholders, and strive to materialize sustainable growth of the Group and generation of corporate value over the medium to long term through appropriate supervision of the exercise of such policies.
4. The Board of Directors shall, in accordance with the Companies Act, set out the "Fundamental Policy for Establishment of Internal Control Systems" that includes matters relating to the proper development of a risk management system, and regularly receive reports from responsible Executive Officers over the operation status of such policy. The Board of Directors shall then carry out evaluation and analysis based on those reports in order to support swift and decisive decision-making by Executive Officers, and thereby carry out adequate monitoring as a supervisory body.
5. The Board of Directors shall recognize effective supervision of Executive Officers from an independent and objective standpoint as one of their major roles and responsibilities and formulate the "Appointment Criteria for Executive Officers." Based

on such criteria and assessment of business performance of the Company, the Board of Directors shall appropriately elect Executive Officers as well as Executive Officers with titles.

6. In the event of any conflicts of interest between the Company and its Directors and/or Executive Officers (hereinafter, "Officers"), the Board of Directors shall appropriately supervise the situation pursuant to the provisions of the Companies Act. In addition, in the event of an irregular transaction between the Company and its principal shareholders, the Board of Directors shall closely monitor the situation, by receiving reports on details of such transactions, to prevent such transactions from harming common interests of the Company and its shareholders.

(Operation of the Board of Directors)

Article 5.

1. The Company shall develop an operational system of the Board of Directors, which gives consideration for time-affordable annual scheduling, appropriate provision of information as needed, provision of adequate briefing and review time over the meeting agenda prior to the Board of Directors' meeting, and allocation of sufficient time for questions and answers at the Board of Directors' meeting, in order to ensure effective and smooth operation of the Board of Directors, especially to enhance the effectiveness of the supervision by Directors.
2. Apart from the development of the operational system in the preceding paragraph, appropriate personnel shall be assigned to support effective and efficient operation of the Board of Directors and to communicate and coordinate with Outside Directors, including optimization of the deliberation or reporting processes at the Board of Directors' meeting, verification of the progress concerning the matters resolved at the Board of Directors' meeting.

(Evaluation of the Board of Directors)

Article 6. The Board of Directors shall conduct analysis and evaluation on an annual basis over the effectiveness of the Board of Directors as a whole, through obtaining opinions from each Director regarding the Board of Directors and others. Summary of the results of such analysis and evaluation shall be disclosed and utilized for improving the operation of the Board of Directors.

CHAPTER III. STRUCTURE AND ROLE OF COMMITTEES

(Nomination Committee)

Article 7.

1. The Nomination Committee shall be comprised of three or more members, majority of whom shall be Independent Officers.
2. The Nomination Committee shall formulate and elect candidates for Directors based on the "Nomination

Criteria for Candidates for Directors," which stipulates the concepts regarding the appropriate balance between knowledge, experience and skills of the Board of Directors as a whole, diversity and the appropriate board size, as well as the qualification for Directors required by the Company.

3. The Nomination Committee shall formulate the "Designation Criteria for Independent Officers," which stipulates the requirements for Outside Directors that does not have the potential to cause conflicts of interest with shareholders, and designate Independent Officers from among Outside Directors.
4. The Nomination Committee shall appropriately supervise the succession planning for the management including the President and CEO.

(Compensation Committee)

Article 8.

1. The Compensation Committee shall be comprised of three or more members, majority of whom shall be Independent Officers.
2. The Compensation Committee shall formulate the "Compensation Policies for Directors and Executive Officers by Individual" and determine the amounts of compensation for Officers based on such policies.
3. The compensation for Executive Officers specified based on the policies in the preceding paragraph shall provide a scheme that serves as sound incentive for sustainable growth.

(Audit Committee)

Article 9.

1. The Audit Committee shall be comprised of three or more members, majority of whom shall be Independent Officers. In principle, at least one member of the Audit Committee shall be a person with adequate knowledge of finance and accounting.
2. The Audit Committee shall, in principle, elect full-time members of the Audit Committee for the purpose of ensuring audit effectiveness.
3. The Audit Committee shall take part in the supervising function performed by the Board of Directors, and audit the execution of duties by Executive Officers and Directors.
4. The Audit Committee shall monitor and verify the status of development and operation of the internal control systems of the Group.
5. The Audit Committee shall regularly receive reports from the accounting auditor on the status of audit implementation and the results of audits, while reinforcing cooperation with the accounting auditor through exchange of information. Meanwhile, the Audit Committee shall monitor and verify the status of the execution of duties by the accounting auditor, and determine details of proposals regarding the appointment, dismissal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders.

6. The Audit Committee shall conduct investigation on the status of business and assets of the Company and verification of the content of interviews with Executive Officers and reports made by them, through effective cooperation with the internal audit department, etc., on the premise of the development and operation of the internal control systems within the Group.

7. An Office of Audit Committee shall be established as a secretariat which provides assistance to the Audit Committee.

CHAPTER IV. ROLE, ETC. OF INDEPENDENT OFFICERS

(Role of Independent Officers)

Article 10. Independent Officers shall appropriately protect the interests of general shareholders through supervising the business execution by Executive Officers from an independent and objective standpoint. In addition, they shall provide appropriate advice and support to Executive Officers based on their respective experience and expertise, so that the Group may achieve sustainable growth and generate medium-to long-term corporate value, while appropriately collaborating and coexisting with its stakeholders.

(Acquisition and Sharing of Information by Outside Directors)

Article 11.

1. The Company shall provide opportunities for Outside Directors (including Independent Officers; the same shall apply hereinafter) to deepen their understanding and acquire necessary knowledge about the Group's businesses, issues to be addressed, management strategies, etc., through measures such as reporting on business conditions and organizing tours of facilities of the Group, in order for them to appropriately fulfill their expected roles and responsibilities.
2. Outside Directors shall develop adequate understanding of business conditions of the Company in order to fulfill their roles and responsibilities, and if deemed necessary, ask responsible Executive Officers for explanation, etc. in a timely and appropriate manner.
3. Outside Directors shall endeavor to exchange information with each other and develop a shared understanding based on an independent and objective standpoint, by holding meetings among themselves as necessary or by other means.
4. The Company shall elect an Outside Director in charge of advanced communication and coordination with Executive Officers through mutual election among Outside Directors.



CHAPTER V. BUSINESS EXECUTION STRUCTURE, ETC.

(Business Execution Structure)

Article 12.

1. The President and CEO shall decide on and execute important businesses entrusted by the Board of Directors.
2. Executive Officers other than the President and CEO shall decide on and execute businesses entrusted by the Board of Directors in respective areas of responsibility according to the segregation of duties determined by the Board of Directors.
3. Decision-making on the execution of important businesses by the President and CEO shall be subject to prior deliberation by the Executive Committee, an advisory body to the President and CEO and comprised of Executive Officers designated by the President and CEO, for accurately understanding the facts which will form the basis of such decision-making and for ensuring rationality and appropriateness of the content and the process of the decision-making. Furthermore, efforts will be made to resolve issues by establishing specialized committees as advisory bodies to the Executive Committee. Specialized committees will deliberate on technical matters, the results of which will be reported to the Executive Committee.

(Training for Inside Officers)

Article 13. The Company shall provide inside officers including newly appointed Executive Officers with opportunities to deepen their understanding and acquire necessary knowledge about their roles and responsibilities, in order for them to fulfill their expected roles and responsibilities.

CHAPTER VI. ACCOUNTING AUDITOR

(Accounting Auditor)

Article 14.

1. To ensure the execution of appropriate audits by the accounting auditor, the Audit Committee shall establish criteria for the verification and evaluation of independence and expertise of the accounting auditor, thereby conducting appropriate evaluation of the accounting auditor.
2. To ensure the execution of appropriate audits by the accounting auditor, the Company shall develop a system relating to the accounting auditor including the following requirements.
 - (1) Ensure independence of the accounting auditor
 - (2) Secure sufficient timeframe for audits by the accounting auditor
 - (3) Secure adequate meeting opportunities between the accounting auditor and the President and CEO, etc.
 - (4) Ensure sufficient cooperation between the accounting auditor and the internal audit department

- (5) Establish a response system within the Company in the event the accounting auditor discovers any misconduct and asks for appropriate measures to be taken by the Company, or points out any defects or problems found in the course of the audit

CHAPTER VII. GENERAL MEETING OF SHAREHOLDERS, ETC.

(General Meeting of Shareholders)

Article 15. Based on the fact that the general meeting of shareholders is a forum for constructive dialogue with our shareholders, the Company shall, from the shareholders' viewpoint, develop an appropriate environment for shareholders to exercise their rights at the general meeting of shareholders through the following measures.

- (1) Provide appropriate information that would help shareholders make appropriate decisions at the general meeting of shareholders
- (2) Prompt electronic announcement and an early dispatch of the notice of the general meeting of shareholders, to secure sufficient time for shareholders to review the proposals for the general meeting of shareholders
- (3) Schedule the general meeting of shareholders and related events in full consideration of the requirements such as enhancement of constructive dialogue with shareholders and provision of accurate information for such purpose
- (4) Adopt electromagnetic means to enable the exercise of voting rights by the shareholders who cannot attend the general meeting of shareholders in person, use an electronic voting platform for enhanced convenience, and provide English translated version of the general meeting of shareholders
- (5) Enhance convenience for the exercise of voting rights by the institutional investors holding shares under the name of trust banks, etc.

(Capital Policy)

Article 16.

1. The Company shall make it a basic policy to maintain a sufficient level of shareholders' equity necessary for strengthening earning power and management base, with a view to continually enhancing shareholder value while paying due attention to capital efficiency. The necessary level of shareholders' equity shall be reviewed as appropriate in consideration of the requirements such as its adequacy in comparison with the risks associated with business activities and the fulfillment of the level required by regulatory authorities.
2. Regarding the distribution of surplus to shareholders, in view of the public nature of the insurance business, the Company shall make it a basic policy to provide stable dividends to its shareholders, while making

efforts to secure internal reserves from the perspective of ensuring sound management.

(Cross-Shareholdings)

Article 17.

1. The Company may, other than for pure investment purpose, acquire and hold shares in listed companies to reinforce business partnerships or for other purposes which are believed to contribute to the enhancement of the Company's medium-to long-term corporate value (hereinafter, "cross-shareholdings").
2. For the major cross-shareholdings held by the Company, the Company shall review their economic rationale over the medium to long term and future prospects, and report to the Board of Directors each fiscal year on its aim and rationale of holding such shares.
3. With respect to the exercise of voting rights concerning the shares held as cross-shareholdings, the Company shall make decisions whether to approve or disapprove a proposal, based on the case-by-case examination to verify whether such proposal is expected to contribute to the efficient and sound management of the investee and enhance its corporate value, in addition to whether the proposal conforms with the Company's shareholding policy.

(Anti-Takeover Defense Measures)

Article 18. The Company has set out provisions in its Articles of Incorporation to the effect that resolutions regarding the introduction, continuation or abolition of anti-takeover defense measures may be adopted at the general meeting of shareholders. In introducing and operating anti-takeover defense measures, the Company shall consider its necessity and rationale and fully explain to shareholders in advance.

CHAPTER VIII. COLLABORATION AND COEXISTENCE WITH STAKEHOLDERS

(Dialogue with Shareholders)

Article 19.

1. The Company shall engage in constructive dialogue with its shareholders in order to ensure its sustainable growth and the enhancement of its corporate value over the medium to long term.
2. The system and initiatives for promoting constructive dialogue with shareholders are as follows:
 - (1) Dialogue with shareholders shall be conducted by the management to a reasonable extent.
 - (2) The Executive Officer in charge of Corporate Planning shall be responsible for dialogue with shareholders to promote a constructive dialogue.
 - (3) In conducting dialogue with shareholders, a unit in charge shall be established within the Company which organically coordinates with related departments and provides assistance therefor.

(4) The Company shall strive to develop means for dialogue such as holding investor meetings.

(5) Opinions of shareholders received in the dialogue shall be reported periodically to the Board of Directors.

(6) In the course of the dialogue, any insider information shall be appropriately managed in accordance with internal regulations.

(CSR)

Article 20.

1. The Company shall promote CSR activities of the Group as an initiative for enhancing corporate value of the Group and eventually its social presence value.
2. The Company shall adequately and actively address any issues arising in the course of CSR activities, based on the recognition that it is an important part of risk management.

(Promotion of Diversity Management)

Article 21. Under the recognition that the presence of diverse perspectives and values reflecting various experiences, skills and attributes within the company may be advantageous in ensuring sustainable corporate growth, the Company shall actively make efforts to secure diversity such as promotion of active participation of female employees and promotion of employment and active participation of people with disabilities.

(Whistleblowing System)

Article 22.

1. The Company shall establish rules for reporting, which the employees of the Group must follow, in the event of violation of laws and regulations or internal regulations (including regulations for ensuring confidentiality and anonymity of whistleblowers and prohibiting disadvantageous treatment), and establish points of contact both inside and outside the Company, in an effort to develop an appropriate system for whistleblowing.
2. The Company shall develop a system to promptly report any serious compliance violations of the Group uncovered through whistleblowing to the members of the Audit Committee.

CHAPTER IX. OTHERS

(Revision and Abolition)

Article 23. Revision and abolition of this basic policy shall be subject to the resolution at the Board of Directors.

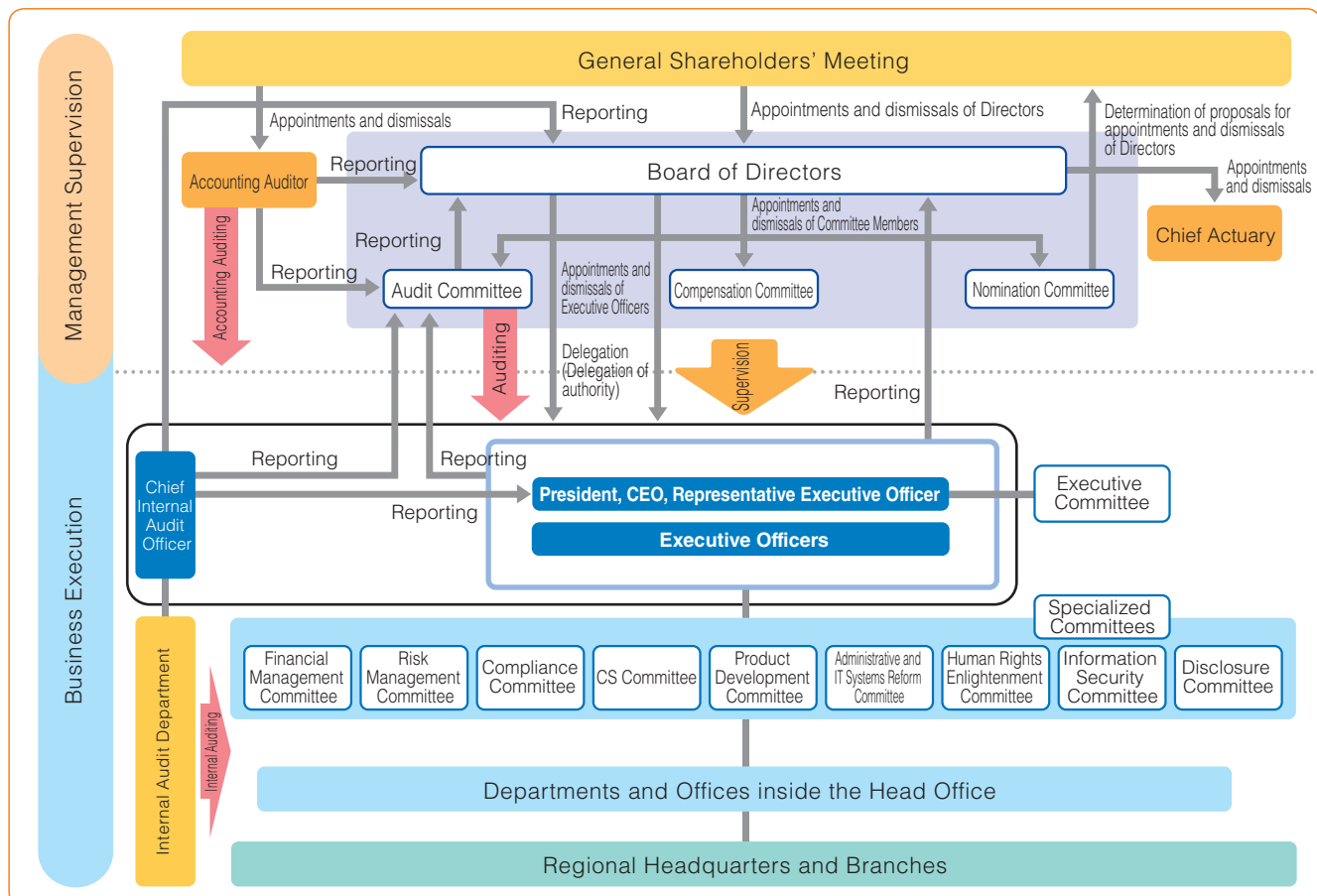
Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the “No.1 Japanese insurance company selected by customers.” We have established systems for the execution of our business based on the principle of self-responsibility and have continued our efforts to enhance our organization and systems.

Outline of Organization and Systems

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO, Representative Executive Officer. The Executive Committee comprises the President, CEO, Representative Executive Officer and the Executive Officers in charge of the respective business operations. In addition, we set up the following nine specialized committees to serve as an advisory body to the Executive Committee. With regard to such matters delegated to each Executive Officer, cross-sectional issues are discussed by the respective specialized committees.

1. Financial Management Committee
2. Risk Management Committee
3. Compliance Committee
4. CS Committee
5. Product Development Committee
6. Administrative and IT Systems Reform Committee
7. Human Rights Enlightenment Committee
8. Information Security Committee
9. Disclosure Committee

Internal Control System





Initiatives for Internal Control

We have formulated the “Fundamental Policy for Establishment of Internal Control Systems” at the Board of Directors for ensuring proper operations and improving corporate value.

Pursuant to the aforementioned policy, the Company is striving for the establishment of appropriate internal control systems, including the development of the following systems:

- System for ensuring the execution of duties by the Executive Officers and employees of Japan Post Insurance is in compliance with laws and regulations and the Articles of Incorporation
- System for retaining and managing information concerning the execution of duties by the Executive Officers
- System and rules for managing the risk of loss to Japan Post Insurance
- System for ensuring the efficient execution of duties by the Executive Officers
- System for ensuring proper operations within the corporate group comprising Japan Post Insurance and Japan Post Holdings, and subsidiaries of Japan Post Insurance
- System for ensuring effective audits by the Audit Committee

Internal Audit Framework

We established an Internal Audit Department that is independent of our business-executing departments to contribute to sound and appropriate business operations. We have set up an internal audit framework to review and assess the Company's internal control system and the appropriateness and effectiveness of our business execution.

The Internal Audit Department carries out internal audits of various internal and external entities, including individual sections within the Head Office, Regional Headquarters, branches and our subsidiaries as well as the sales agencies of Japan Post.

Audited organizations where problems or issues have been identified in an internal audit must carry out the corrections or improvements.

Follow-up is to be undertaken periodically to evaluate improvement measures taken by audited organizations in response to suggestions by the internal audits. The Internal Audit Department reports the results of internal audits to the President, CEO, Representative Executive Officer, the Audit Committee and the Board of Directors.

The Internal Audit Department is also seeking to improve the professional skills required for auditing by enhancing its training programs for internal auditors and encouraging staff to obtain the relevant qualifications. At the same time, the Department has endeavored to strengthen the Company's internal audit framework by securing experienced staff in each area of the Company's operations.



Japan Post Insurance assures the soundness and appropriateness of its business operations and maintains a framework that meets the trust of society by ensuring all its executives and employees comply with laws and regulations (laws, regulations, rules and internal rules, and social norms and corporate ethics) in every aspect of its business activities.

To realize our goal of becoming the “No.1 Japanese insurance company selected by customers,” company-wide efforts are undertaken to achieve thorough implementation of compliance.

Compliance Policies

We have formulated our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the Fundamental Policy for Establishment of Internal Control Systems developed by the Company's Board of Directors.

To provide a guide to the laws and regulations and other rules that concern our corporate activities, we have created a Compliance Manual that is distributed to all departments at our Head Office, branches and other relevant parties. For

our executives' and employees' easy reference at any time, we have also produced a Compliance Handbook, which describes the essentials of the Compliance Manual, as well as a Pocket-Size Compliance Card, which contains a summary of our management philosophy and other directives. In addition, we work to undertake thorough implementation of compliance through our “Compliance Program,” a plan developed annually to lay out specific details for promoting compliance.

Compliance Promotion System

To promote compliance within our company, we have established the Compliance Committee, headed by the Chief Compliance Officer (CCO), which meets regularly.

The Compliance Committee deliberates on the management policies concerning compliance, specific compliance operations and responds to various issues. It also works to achieve thorough implementation of compliance and prevent violations of compliance by monitoring and analyzing the Company's compliance promotion efforts. Also, the CCO reports on important matters to the Executive Committee, Audit Committee and Board of Directors and takes responsibility in operating and maintaining our compliance framework. The Compliance Control Department, which has been created to supervise compliance within the Company, plans and coordinates overall compliance related matters. We have also established Regional Compliance Divisions at 13 locations nationwide, which operate under the direct control of the Compliance Control Department. Within their respective geographical areas of responsibility, these divisions oversee general compliance planning, coordination, promotion and guidance, and manage response to violations of compliance. In order to build a system to promote compliance company-wide, we have appointed

the heads of the Compliance Control Department and Regional Compliance Divisions as Compliance Officers. In addition, as the officers responsible for the promotion of compliance, we have appointed Compliance Managers at our Head Office (including Services Centers) and at our Regional Headquarters and branches.

To discuss matters related to the enhancement and reinforcement of the compliance framework of Japan Post, which serves as our insurance agent, we have set up a liaison meeting, members of which include the CCO. We also provide guidance to post offices and manage their compliance activities on the basis of discussion at the meeting. In addition, we have established a Compliance System Strengthening Advisory Board comprised of external experts and knowledgeable persons, etc. This Board provides neutral and professional appraisals of matters such as the current status of our compliance along with recommendations on the future direction of our compliance efforts. We utilize these appraisals and recommendations to enhance our compliance framework.

The Internal Audit Department conducts internal audits of compliance in our business activities and checks the adequacy and effectiveness of our compliance promotion system.

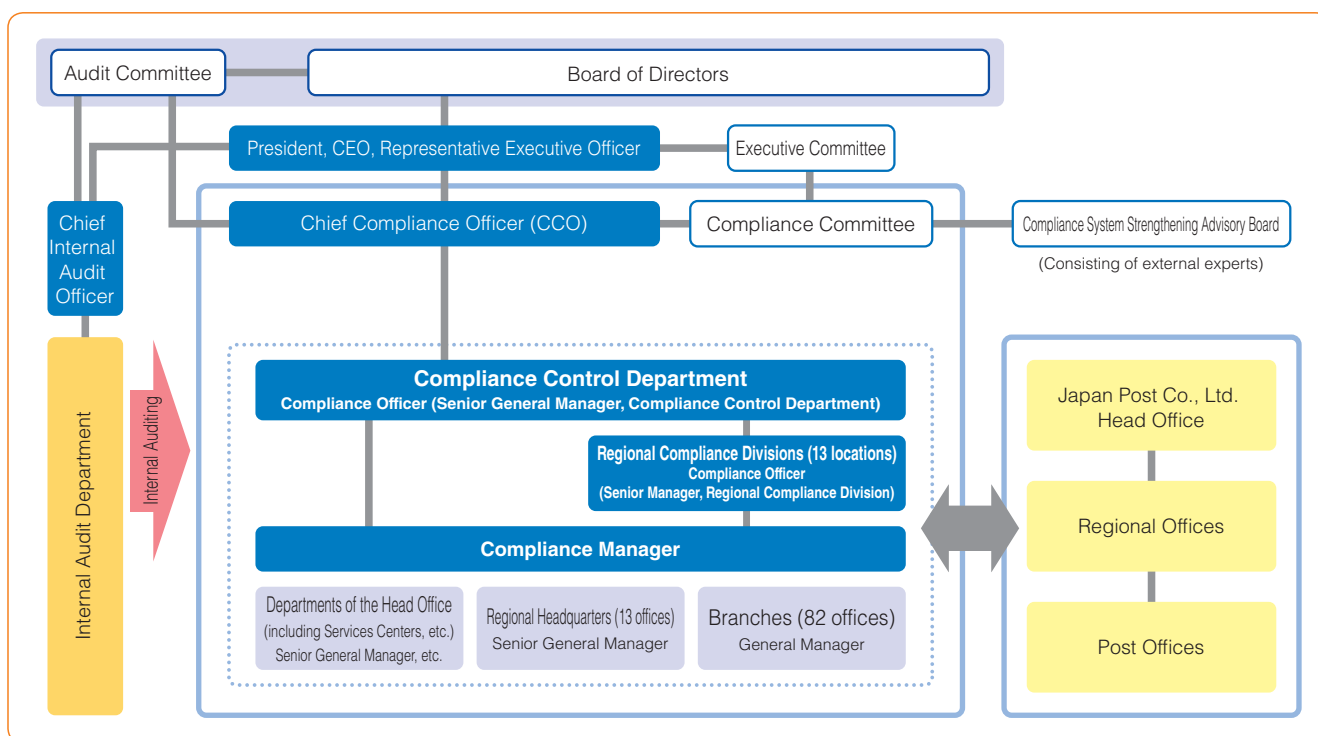
Implementing Compliance Education

Through our Compliance Program, we conduct training courses that include Compliance Administrators and Compliance Managers at our Head Office, branches and other locations. The program covers explanations and instructions regarding the role of Compliance Managers, as well as important points to note and other details regarding compliance in our business activities. In order to raise awareness

of compliance, we also hold e-learning training courses for all executives and employees.

Within our Head Office, branches and other business units, we carry out activities designed to enhance compliance awareness. These activities include the use of business study groups and meetings. We also offer various training programs and compliance-related information to post offices.

Compliance Promotion System



Solicitation Policy of Japan Post Insurance

I. Basic Policy

Under the Management Philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," we are always close to people's lives, offering easy-to-understand products and high-quality services.

In sales of insurance policies, we will appropriately sell our products, abiding by laws and regulations as well as social norms, etc.

1. We will provide customers with appropriate product proposals and product explanations to attain customers' understandings.

We will provide customers with appropriate product proposals in accordance with our customers' intention, knowledge and experiences, asset portfolio, life plan, etc., and will explain insurance product details with Contract Outline and Information Calling for Attention, etc. in written form in order that our customers will fully understand.

Especially for elderly customers, we will expound and respond in an attentive manner.

2. We will manage insurance systems soundly so as to achieve our customers' peace of mind.

We will endeavor to receive accurate declarations as well as consent of insured persons in order to maintain the sound management of insurance systems and fairness among policyholders.

We will solicit with appropriate policy amounts for contracts of life insurance policies whose insured persons are under age, especially below 15 years old.

3. We will solicit our customers for our products from the customers' perspective.

We will act in a customer-oriented way, taking sales methods, place and time, etc. as well as our customers' perspective into consideration in visiting and contacting our customers.

4. We will educate and train employees so as to raise the level of customer satisfaction.

We will provide comprehensive and heartfelt services as well as optimal benefits to our customers by always being self-disciplined and by fulfilling education and training of knowledge of our insurance products and consulting ability to all officers and employees.

5. We will appropriately handle information on our customers.

We will appropriately handle and strictly manage information gained through proposing our insurance products.



To prevent our customers' interests from being unduly harmed in conjunction with conflicts of interest transactions between our customers and Japan Post Insurance, we have released "Conflicts of Interest Management Regulations" in light of the Insurance Business Act and Financial Instruments and Exchange Act, and others. In accordance with these regulations, we engage in appropriate business conduct that complies with laws and regulations, internal rules and ethical standards.

Japan Post Group has released the Japan Post Group Conflicts of Interest Management Policy. This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

Japan Post Group Conflicts of Interest Management Policy

The Japan Post Group ("the Group") conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following companies are main examples in the Japan Post Group ("Group companies") that fall within the scope of the Conflicts of Interest Management Policy
 - Japan Post Bank Co., Ltd.
 - Japan Post Insurance Co., Ltd.
 - Japan Post Co., Ltd.
2. The Group will manage conflicts of interest for the transactions stipulated below.
 - (1) Transactions that may unduly impair the interests of customers among the following transactions:
 - Transaction with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
 - (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest
3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:
 - Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
 - Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
 - Discontinue the target transaction or the secondary transaction with the customer
 - Properly disclose to the customer that the target transaction may unduly impair his or her interests
4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.
5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

Japan Post Insurance recognizes the importance of information security management and promotes measures to prevent the leakage or loss of information due to inappropriate handling and the leakage of information due to unauthorized access and to secure and manage personal information of customers.

We manage information security on a company-wide basis through the Information Security Control Office established under the Chief Information Security Officer (CISO), who is charged with overall control of information security, and the System Planning Department, which is charged with the management of system security. In addition, by designating an individual responsible for information protection in each division, we maintain systems to implement information security management at each division.

Japan Post Insurance Privacy Policy

Japan Post Insurance ("the Company") is dedicated to providing services that can achieve a high degree of customer satisfaction.

Properly protecting personal information is vital to accomplishing this goal. Accordingly, the Company has established the following fundamental policy for protecting personal information, which is generally known as the Company's privacy policy.

1. Compliance with laws and regulations
When handling personal information, the Company complies with all laws and regulations associated with protecting personal information, national government policies and this privacy policy.
2. Purpose of using personal information
The Company specifies the purposes of using personal information and uses this information solely for achieving these purposes. The Company may use personal information for the following purposes.
 - (1) Underwriting, renewing and maintaining and managing various insurance policies, and making claims and benefits payments
 - (2) Notifying and providing various products and services, including those of its subsidiaries and business partners, and maintaining and managing contracts
 - (3) Providing information on and operating and managing the Company's business, and enhancing its products and services
 - (4) Other operations related or attached to the insurance businessSpecific personal information, that means personal information that includes the individual numbers, in particular, is to be used by the Company solely for purposes prescribed by laws.
The Company may use specific personal information for the following purposes.
 - (1) Administrative procedures related to preparation of payment records for insurance transactions
 - (2) Administrative procedures related to tax exemption for asset-formation insurance policiesNote: Specific personal information refers to personal information such as contents which include individual number (commonly known as "My Number").
3. Acquisition of personal information
The Company acquires personal information, within the scope necessary to attain the purposes listed above, using methods that are legal and proper.
4. Security measures for management of personal information
Fully recognizing that the Company acquires and uses customers' healthcare records and individual numbers in undertaking the life insurance business, the Company implements appropriate security management measures to prevent leaks, losses or alterations of personal information it handles.
In addition, the Company properly supervises employees and outsourcing parties.
5. Provision of personal information to external parties
Except in cases where required by laws, the Company does not supply personal information to third parties without the prior consent of each individual.
In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by laws.
In addition, the Company does not supply specific personal information to third parties except when required by laws.
6. Procedures for requesting disclosure of personal data
The Company responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of personal data as prescribed by laws.
7. Points of contact for inquiries
Inquiries and requests regarding disclosure and other uses of personal data can be made to designated points of contact.
8. Continuous improvements
The Company constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.



Succession of Personal Information Associated with the Postal Life Insurance Policies

We have succeeded personal information about policyholders and insured persons (hereinafter “customers” in this section), associated with the Postal Life Insurance Policies held by Japan Post at the time of the privatization to the extent required in performing the business operation and functions succeeded from Japan Post by the Management Organization and by the Company, in accordance with the “Implementation Plan Concerning the Business Succession of Japan Post” approved by the government pursuant to the Postal Service Privatization Act.

Personal information of the customers acquired by the Company in the course of the aforementioned business succession (including information concerning personal medical history such as hospitalization records) shall be used as necessary solely for the following purposes, with a view to ensuring adequate management of life insurance operation on an ongoing basis.

Note: Information concerning personal medical history shall be used solely for purposes such as underwriting, renewing and maintaining insurance policies, and making payments of insurance claims and benefits, as well as conducting medical research and statistics.

Purposes of using personal information succeeded from Japan Post

1. Underwriting, renewing and maintaining various insurance policies, as well as making payments of insurance claims and benefits
[Examples] Examination for the purpose of underwriting, renewing and maintaining various insurance policies, as well as making claims and other payments
2. Notifying and providing various products and services from Japan Post Insurance, including those of its subsidiaries and business partners
[Examples] Visiting customers and sending mail for notifying of products and services
3. Providing information on the business of Japan Post Insurance, operating and managing it, as well as enhancing its products and services
[Examples] Delivery of disclosure booklets and development of products and services
4. Facilitating appropriate and smooth transactions with customers
[Examples] Handling of customer inquiries and consultation regarding transactions



Japan Post Insurance recognizes that the complete elimination of relationships with antisocial forces is an integral part of our corporate social responsibility and is essential in maintaining the trust of our customers and realizing sound management.

Based on the “Fundamental Policy for Establishment of Internal Control Systems” formulated by the Board of Directors, we have stipulated a “Basic Policy on Handling of Antisocial Forces” to take appropriate actions against and eliminate and avoid any relationships with antisocial forces.

Rules for Handling of Antisocial Forces

Our “Fundamental Policy for Establishment of Internal Control Systems” requires the elimination of any relationships with antisocial forces that pose a threat to the order of society and sound corporate activities by routinely collaborating with the police and other outside experts and firmly rejecting the unjustified demands of antisocial forces. Accordingly, we have created “Rules for Handling of Antisocial Forces,” which define our

framework for eliminating and avoiding relationships with antisocial forces and the basics for organizational actions, as well as “Procedures for Handling of Antisocial Forces” and an “Antisocial Forces Manual” to lay down specific processes to ensure proper business conduct. We require all employees to strictly observe these rules and procedures.

System for Handling of Antisocial Forces

We have established an appropriate system to eliminate relationships with antisocial forces, with the President, CEO, Representative Executive Officer at the top. Below the President, CEO, Representative Executive Officer, we appoint the Executive Officer responsible for the General Affairs Department of the Head Office as the Antisocial Forces Response Officer and assign the role of Antisocial Forces Response Manager to the Senior General Manager of the General Affairs Department of the Head Office, the Senior General Managers of the Regional Headquarters and the General Managers of the branches. “The Compliance Committee” and the “Antisocial Forces Handling Council” engage in across-the-board discussion on relevant matters.

As specific measures to eliminate any relationships with antisocial forces, we incorporated a clause against organized crime into our policy agreements in April 2012. Other efforts include checking all policies in force for any link with antisocial forces and incorporating a clause against organized crime into various other contracts. We also encourage persons in charge of countering unjustified demands to participate in the corresponding training seminar, work to reinforce our ties with the police, lawyers and other external organizations, and provide guidance through meetings, training programs and informational publications.

Japan Post Insurance Basic Policy on Handling of Antisocial Forces

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, Japan Post Insurance, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

Japan Post Insurance will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

Japan Post Insurance will strongly refuse any unjustified demands and will take legal measures, either via a civil court or a criminal court, or both. Japan Post Insurance will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Company's own activities or that of its staff.

4. Cooperation with outside experts

Japan Post Insurance will establish close relationships with outside experts in preparation for any unjustified demands in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

Japan Post Insurance will never engage in financing for antisocial forces.



Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. Amid such circumstances, Japan Post Insurance needs to maintain sound business management now and into the future in order to manage precious funds entrusted to us from customers and ensure payment of the sum insured to secure their living in time of need. In this respect, appropriate risk management has become increasingly important.

In view of such conditions, we recognize effective risk management according to the various risk profiles of the life insurance business as one of management's highest priorities. Our Basic Risk Management Policy stipulates fundamental matters that include our basic principle for risk management and risk management systems and techniques, and we implement risk management in accordance with this policy. As our basic principle, we undertake risk management from the perspective of avoiding unforeseen losses and striving for a balance between risk and earnings and making efficient use of capital while taking into consideration management strategies, business plans and the state of capital. Our risk management systems perform comprehensive risk management and risk management by risk category.

Outline of Risk Management Systems

In accordance with “the Fundamental Policy for Establishment of Internal Control Systems” defined by the Company's Board of Directors, we have established our Basic Risk Management Policy and have set up and regularly convene the Risk Management Committee headed by the Chief Risk Officer (CRO).

The Risk Management Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as on matters concerning the implementation of risk management. This committee also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters. The CRO submits and reports on important matters to the Executive Committee for discussion.

Also, the CRO controls the Company's risk management and builds, verifies and upgrades risk management systems in accordance with changes in risk management circumstances and the operating environment. The Risk Management Department is in charge of overall control of risk management and under the direction of the CRO executes affairs concerning building, verifying and upgrading risk management systems. At the same time, it regularly verifies the status of risk management by monitoring, analyzing and managing the state of risk management in

sections responsible for performing risk management in each risk category (“risk management sections”).

Each of the Executive Officers in charge of risk management sections operate and upgrade the systems for managing their respective assigned risks by ascertaining the presence, types and profile of risk as well as the risk management techniques and systems as prescribed by the Basic Risk Management Policy. While operating mutual checks and balances system with departments of the Head Office and branches in charge of business execution, risk management sections appropriately fulfill their monitoring role and manage their assigned risks in accordance with risk management standards. Because investment risk and operational risk have multiple sub-categories, we have designated the Risk Management Department for handling comprehensive risk management in conjunction with the risk management sections for respective subcategories.

In order to strengthen our risk management systems, the Internal Audit Department conducts internal audits and examines the appropriateness and effectiveness of our risk management systems.

In enforcing risk management, we collaborate with risk management sections of Japan Post Holdings.



Comprehensive Risk Management (Enterprise Risk Management (ERM))

In accordance with our risk taking strategies, we ascertain risk on an overall basis, which encompasses latent significant risks, for any risk we face and compare and contrast various risks with our capital and other areas in managing risk for our overall business.

Given that there are various techniques available to evaluate the corporate value of life insurance companies, we specifically selected the following two methods.

- Assessment based on economic values
- Assessment based on current accounting standards

In addition, we are promoting the sophistication of our ERM system. By doing so, we aim to maintain financial soundness and improve capital efficiency (profitability), while at the same time attain stable profit and sustainable increases in our corporate value.



Implementation of Stress Tests

We implement periodic stress testing to ascertain the impact of an event that has a low but certain probability of occurring and could have a significant effect on the Company.

In establishing stress scenarios we undertake the following:

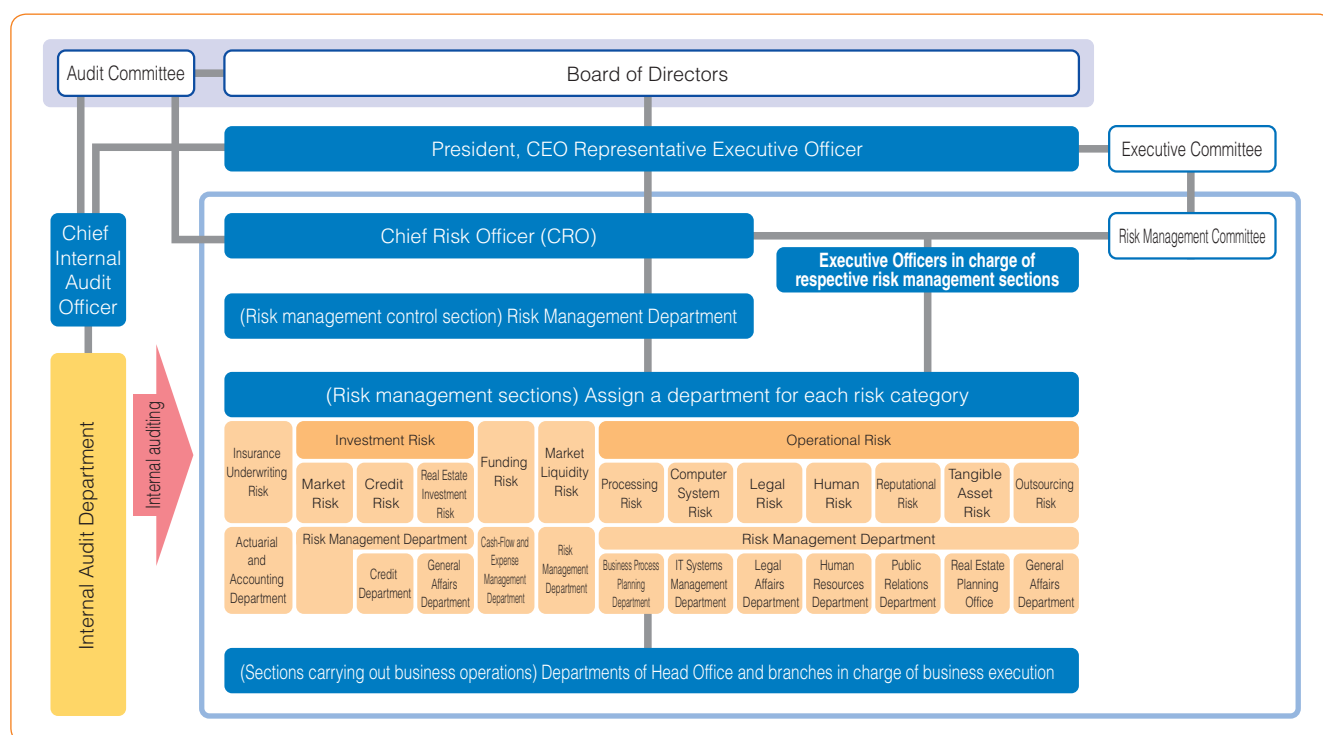
- We cover all risk categories that could have a significant impact on the Company taking into consideration the Company's risk profile status.
- Besides historical scenarios that have occurred in the past, we simulate forward-looking hypothetical scenarios that could occur in the future.

- We consider the impacts on the Company under a combined (comprehensive) stress scenario.

Specifically, we add sub-scenarios (financial market turmoil, etc.) into four main scenarios (a rise in interest rates, a decline in interest rates, occurrence of a major earthquake and widespread outbreak of a new strain of influenza).

The results of stress tests are periodically reported to the Risk Management Committee and the Executive Committee and are used in management judgments.

Risk Management Structure





Principal Risk Categories and Definitions

We classify and define types and details of managed risks into the following categories and have established a management system and rules in accordance with each characteristic and are appropriately carrying out risk management.

Risk Category	Definition
Insurance Underwriting Risk	The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors in contrary to the projections made at the time when premiums were set.
Investment Risk	The risk of losses arising from fluctuation in the value of assets and liabilities (including off-balance-sheet assets or liabilities).
Market Risk	The risk of losses arising from fluctuations in the value of assets and liabilities (including off-balance-sheet assets or liabilities) as well as the risk of losses arising from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange and stock.
Credit Risk	The risk of losses arising when the value of assets (including off-balance-sheet assets) decreases or becomes worthless due to a deterioration in the financial condition of a borrower or counterparty.
Real Estate Investment Risk	The risk of losses due to a decline in profitability of real estate caused by factors such as the change of rents, or due to a decrease in the value of real estate itself caused by factors such as changes in market conditions.
Funding Risk	The risk of losses due to being forced to carry out transactions at an extremely lower price than normal as a result of a deterioration in cash management caused by factors such as a decrease of premium income following the decline of new policies caused by factors such as worsening financial conditions, an increase in payments of termination refunds following a large amount of policy cancellations and cash outflows following a significant natural disaster.
Market Liquidity Risk	The risk of losses due to being forced to conduct transactions at extremely more unfavorable prices than normal or being unable to conduct market transactions due to factors including market turmoil.
Operational Risk	The risk of losses due to improper business processing, inappropriate behavior by executives and employees improper computer system operations or external events.
Processing Risk	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engaging in unlawful activities.
Computer System Risk	The following types of risk are included: a) the risk of losses due to system failures or malfunctions, system defects or any other causes. b) the risk of losses due to unauthorized use of computers. c) the risk of losses due to delayed computer system development.
Legal Risk	The risk of losses arising from any legal conflicts associated with our business activities or due to our improper response to the establishment of or revisions to any relevant laws and regulations.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.
Reputational Risk	The risk of losses due to the spread of vague information such as rumors, speculations, reputation, with regard to the Company, and the spread of misunderstandings, misperceptions, exaggerated interpretations, associated with an accident or unlawful acts among policyholders or the mass media.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The risk of losses due to default of an outsourcing agreement and/or unlawful acts, etc., committed or conducted by an outsourcee (including any re-outsourced party) with regard to an operation outsourced externally.



We manage risk by designating sections to perform risk management in respective risk categories. The Risk Management Department, which is in charge of overall control of risk management, verifies the status of risk management respective sections based on their reports, while periodically reporting on relevant matters to the Risk Management Committee.

Risk management in each risk category is described in the sections below.

Insurance Underwriting Risk

Life insurance policies are contracts that provide long-term coverage to policyholders against the risk of death, illness or injury. Upon underwriting, we need to make accurate assessment and analysis of potential risks and appropriately reflect identified risks in corresponding premiums.

Accordingly, we undertake such activities as verifying our setting of premium rates and assessing and analyzing the occurrence of insured events.

The Actuarial and Accounting Department responsible for managing insurance underwriting risk conducts risk management appropriately by

measuring the amount of insurance underwriting risk, evaluating the profitability of each product sold and verifying the appropriateness of our underwriting standards from a medical perspective.

As required in managing insurance underwriting risk, we conduct ceded reinsurance upon fully studying the financial status of reinsurers. On the other hand, when underwriting reinsurance, we secure the required information, study the profitability and risk characteristics and verify whether the underwriting risk is restricted to cause no serious impact on management.

Investment Risk

To provide for anticipated payment of insurance claims and other benefits, we need to carefully manage funds entrusted to us from customers under life insurance policies.

Based on this perspective, in order to maintain sound management and offer a sense of assurance to customers, we have a basic investment policy to secure stable asset management by investing in yen-denominated interest-bearing assets, mainly Japanese government bonds, matched to the long-term and fixed interest rate characteristics of our liabilities. With a view to improve profitability, we also promote diversification of our asset portfolio to the extent allowed in managing investment risk.

The Risk Management Department, which is the risk management section for investment risk, Credit Department and General Affairs Department are assigned the task of managing investment risk. These sections monitor investment risk and enforce appropriate management under a checks and balances system with departments of the Head Office in charge of business execution. The Risk Management Department provides comprehensive management of investment risk, working in collaboration with the Credit Department and General Affairs Department.

Funding Risk

Operation of the life insurance business involves making and receiving payments to and from customers and business partners as we pay insurance claims and other benefits and conduct fund management. Any trouble in settlement of these funds will not just cause inconvenience to the parties concerned but also lead to situations that preclude the continued operation of the business itself.

To avoid such situations and ensure smooth cash flows, we enforce rigid fund management by monitoring incoming and outgoing cash flows,

including receipt of premiums and payment of insurance claims, on a daily basis.

The Cash-Flow and Expense Management Department, which is the risk management section for funding risk has defined categories corresponding to cash flow tightness and established risk management standards in each category. The section implements appropriate management of funding risk by performing management and verification in accordance with these standards.



Market Liquidity Risk

We may sell assets in which we have made investment using funds entrusted to us from customers, and may incur losses when we are forced to conduct such transactions at extremely unfavorable prices than normal or are unable to execute such transactions at all because of market turmoil.

Accordingly, we make investments primarily in assets with high liquidity.

The Risk Management Department, which is the risk management section for market liquidity risk, has established management standards to limit the holding of securities with low liquidity, etc. The section implements appropriate management of market liquidity risk by performing management and verification in accordance with these standards.

Operational Risk

We have designated risk management sections to engage in risk management in each detailed sub-category of operational risk and are enforcing appropriate management through risk monitoring.

The Risk Management Department works in collaboration with these risk management sections and provides comprehensive management of operational risk.

1) Processing Risk

Errors in business processing will cause considerable inconvenience to customers and result in the loss of our credibility. Departments of the Head Office and branches autonomously grasp and manage processing accidents that occurred in the past and those that could foreseeably occur. This information is used to formulate and develop rules and standards to facilitate prompt and accurate administrative

processing, as well as to conduct supervision and education for employees.

The Business Process Planning Department, which is the risk management section for processing risk, evaluates and verifies whether risk management is appropriately conducted in each organization and makes efforts to suppress and minimize processing risk.

2) Computer System Risk

Currently, an extensive scope of our business processing relies on information systems, and major system failures or delays in system development could cause considerable inconvenience to customers and result in the loss of our credibility. Therefore, as the risk management section for computer system risk, the IT Systems Planning Department strives to reduce computer system risk by verifying and supervising that the risk is appropriately managed by system administration personnel in the departments that maintain information systems. The occurrence of a system failure prompts the section to survey the effects on customers, identify the causes and

implement adequate countermeasures for the prevention of a recurrence.

We have formulated a manual to respond to a major system failure and set up a structure to take immediate action. For the overall information systems for Japan Post Insurance, our main systems, we operate two main computer centers, one in eastern Japan and the other in western Japan, thereby establishing a structure for mutual data backups and to respond to the risk resulting from a system failure. In case of a system failure, we investigate the impact on customers, analyze the causes and implement appropriate countermeasures in order to prevent a recurrence.

3) Other Operational Risk Sub-Categories

Other detailed sub-categories of operational risk are legal risk, human risk, reputational risk, tangible asset risk and outsourcing risk. For each sub-category, we designate a risk

management section, undertake relevant activities and implement initiatives for enhancing our risk management systems.

Unlike the Postal Life Insurance Policies before the privatization, the life insurance policies of Japan Post Insurance after the privatization do not involve government guarantees for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.



Life Insurance Policyholders Protection Corporation of Japan

Life Insurance Policyholders Protection Corporation of Japan ("Protection Corporation") is a corporation established pursuant to the Insurance Business Act. It serves as a mutual assistance mechanism for the purpose of life insurance policyholder protection in the event of the default of a member life insurance company. The Protection Corporation engages in processes and measures including financial support for facilitating the transfer of the insurance portfolio from the insurer in default, along with the succeeding insurer's general business administration, underwriting of the transferred portfolio and financial support for the payment of insurance claims covered under the policyholder protection scheme, as well as the purchase of rights of claim for insurance concerned, in an effort to ensure policyholder protection, thereby sustaining the credibility of the life insurance industry.

Because of the nature of life insurance policies, taking out a new insurance policy under the same conditions as the insurer in default could involve some difficulty due to the policyholder's age and health status. Therefore, in the event of the default of an insurance company, the Protection Corporation provides financial support for the transfer of the insurance portfolio, thereby ensuring continuous insurance coverage for the policyholder.

The portfolio subject to transfer covered under the policyholder protection scheme must, according to the provisions of the Insurance Business Act, etc., comprise life insurance policies originally written in Japan (excluding those associated with the specified special account ^(*) for the performance-linked insurance contract), in which the limits of indemnity are set

to be equivalent to 90% of the relevant policy reserve, etc. ^(*), except for the high assumed interest rate policies ^(**) (which does not mean that the policyholder protection scheme provides 90% of the level of protection provided by the original insurance claims or annuities ^(***)).

The transfer of the insurance portfolio might involve, apart from the reduction in policy reserve, etc., changes in experience assumptions (including assumed interest rate, assumed rate of mortality and assumed rate of expenses) that serve as the basis of calculating policy terms and conditions, in order to ensure adequate maintenance of the insurance portfolio with reasonable security on a continuous basis, which could entail a reduction in the level of protection provided by the original insurance policies or annuities. Furthermore, special early surrender loading (involving a special surrender charge apart from the normal surrender charge for a certain period of time, for the purpose of sustaining a group of insured parties and the insurance policies associated therewith) might be established.

*1 This refers to a special account for the insurance policies that do not involve minimum guarantees (such as guaranteed minimum death benefit and guaranteed minimum maturity benefit), of the insurance policies involving the establishment of a special account. Corporate reorganization procedures for the insurer in default might be based on the preparation of a reorganization plan without involving a reduction in the policy reserve, etc., for the insurance policies concerned (whether implementing such reduction or not shall be determined in the course of an individual reorganization procedure).

*2 Policy reserve, etc., refers to the reserve funded based on insurance premiums and investment proceeds for the future payment of insurance claims, annuities and benefits.

*3 This refers to the policies with an assumed interest rate constantly beyond a basic interest rate (Note 1) in the five years prior to the default (Note 2). For such policies, the limit of indemnity for the policy reserve, etc., shall be as follows, provided, however, that such limit shall not go below the limit of reimbursement in the case where no financial support is provided to the insurer in default.

*4 Likewise, it does not mean that the Protection Corporation provides 90% of the level of the guaranteed minimum maturity benefit originally provided under the individual variable annuity.

$$\text{Indemnity ratio in the high assumed interest rate policies} = 90\% - \frac{\text{[aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)]}}{2}$$

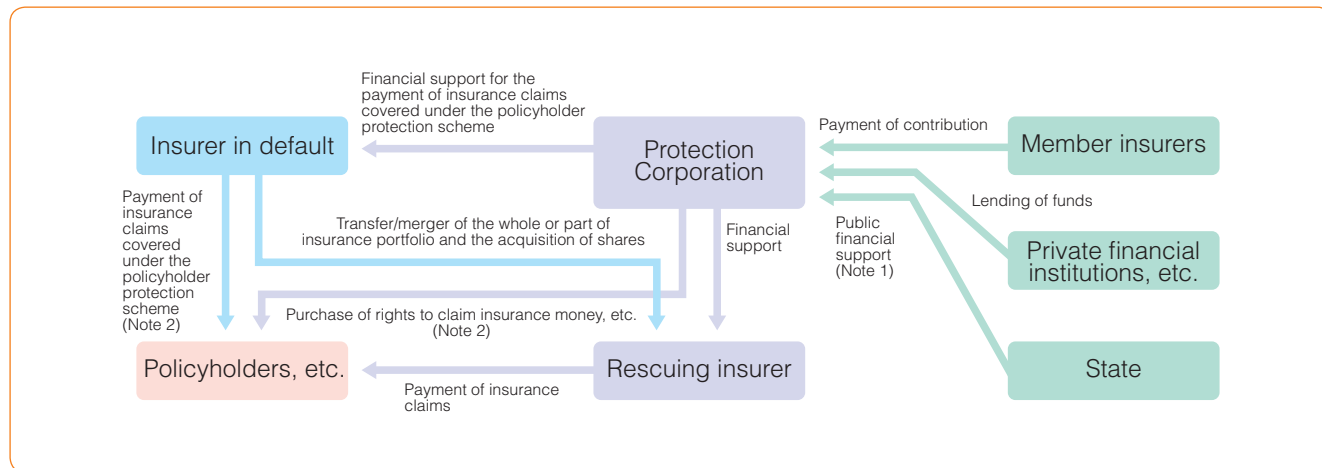
Note 1: The basic interest rate shall be determined by the Commissioner of the Financial Services Agency and the Minister of Finance, based on the average rate of investment returns in the past five years at life insurance companies. Information about the current basic interest rate is provided on our website.

Note 2: In the case where different assumed interest rates apply to the basic coverage and riders under one policy, each such basic coverage and rider applied by a different assumed interest rate shall be regarded as an independent insurance policy, and subject to the evaluation to determine whether it constitutes a high assumed interest rate policy. Meanwhile, in the case of a collective insurance policy such as a group insurance policy where a premium is paid by each insured individual to whom a different assumed interest rate applies, each such insured individual is considered to have taken out an independent insurance policy individually, and is subject to the evaluation regarding whether or not such independent individual policy constitutes a high assumed interest rate policy. However, in the case of defined contribution plan products, each insured individual is subject to the evaluation regarding whether or not he/she is a holder of a high assumed interest rate policy, regardless of whether he/she pays the premium.

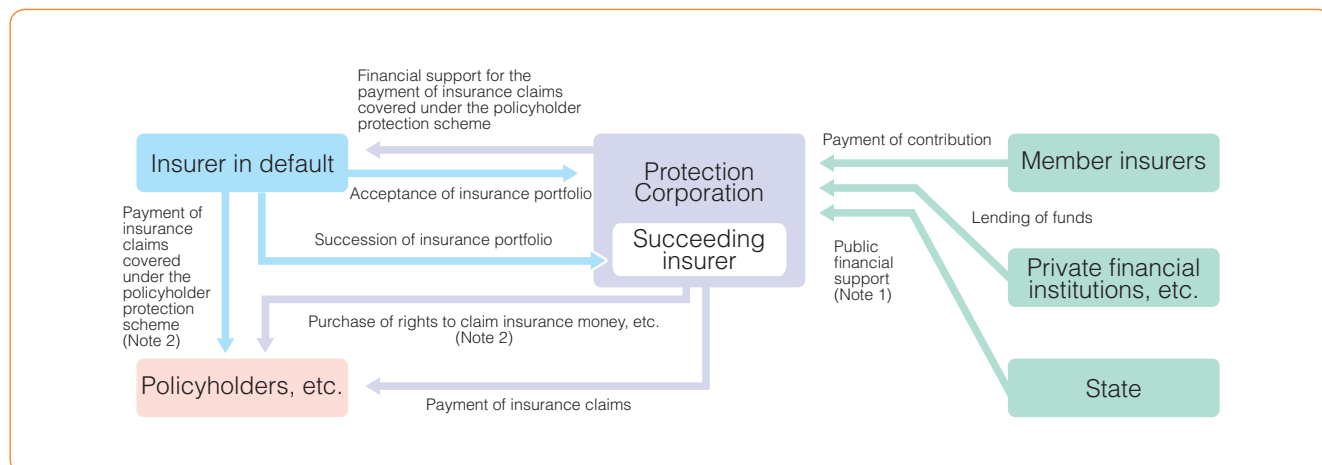


Illustrated Outline of the Scheme

In the case where a rescuing insurer appears



In the case where no rescuing insurer appears



Note 1: The aforementioned "public financial support" is provided in the form of a government measure against the default of a life insurance company in the period up to the end of March 2017, for approved through deliberation in the Diet, in the case where contributions by the member insurers fail to cover the cost for the financial support.

Note 2: This refers to the payment of insurance claims, covered under the policyholder protection scheme based on insurable events during the default proceedings, as well as the Protection Corporation's purchase of rights to claim insurance money, etc., associated with the insurance policies covered under the policyholder protection scheme. In such instances, the payment ratio and purchase ratio are the same as the ratio of the limit of indemnity for policy reserve, etc. (The ratios in the case of high assumed interest rate policies are as described in ^(*).)

* All descriptions of the scheme, including the scope and the limit of indemnity of the policies covered under the policyholder protection scheme, are based on current laws and regulations, and could be subject to change in the future in accordance with revisions of relevant laws and regulations.

[Reference] Government guarantee for the Postal Life Insurance Policies

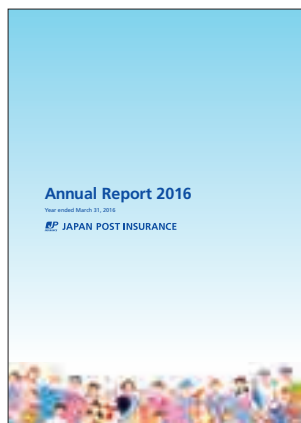
The administration for the Postal Life Insurance Policies taken out before the privatization will be succeeded and managed by the Management Organization until expiry. The government guarantee for the payment of insurance claims associated with them will continue until those policies expire.

Unlike the Postal Life Insurance Policies, the life insurance policies of Japan Post Insurance do not involve a government guarantee for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.



Japan Post Insurance believes that it is extremely important to provide full disclosure in order to help our stakeholders including our customers to have a better understanding of the Company's management, and thus strives to promote active disclosure through its website, including this publication of "JAPAN POST INSURANCE Annual Report 2016."

Publication of Disclosure Materials



◀ Annual Report
"JAPAN POST INSURANCE Annual Report 2016"

To promote better understanding of our current status with as many customers as possible, we make this publication available to everyone interested at the branches and agencies, including post offices, throughout Japan.

Disclosure of Various Information on Our Website



▲ Website of Japan Post Insurance
<http://www.jp-life.japanpost.jp/en/index.html>

A wide range of information is presented, including our financial data such as financial results and information about our products and services.

The mobile website and website for smartphones are available along with a PC website, making our information accessible by users of various devices.

This annual report is also posted on our website.



◀ The top page of the website for smartphones



◀ Financial information on the website of Japan Post Insurance
<http://investor.jp-life.japanpost.jp/en/finance/index.html>



◀ Website of Japan Post Insurance
List of "contract guidelines and policy conditions"
http://www.jp-life.japanpost.jp/products/yakkan/prd_ykn_ssn.html (in Japanese)

● Disclosure of financial information

We disclose financial information on our website.

● Contract guidelines and policy conditions

We post the "contract guidelines and policy conditions" for various insurance products on our website.

Corporate Information



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Corporate Information

1 History

Japan Post Insurance Co., Ltd. was established as “Kampo Co., Ltd.” on September 1, 2006 under the Postal Service Privatization Act enacted in October 2005. During the period up to September 30, 2007, the Company prepared to launch operations as a life insurance company. On October 1,

2007, the Company changed its trade name to “JAPAN POST INSURANCE Co., Ltd.”

We currently engage in Postal Life Insurance management business under commission from the Management Organization for Postal Savings and Postal Life Insurance.

September 2006	Established Kampo Co., Ltd. under the Postal Service Privatization Act
October 2007	Changed trade name to JAPAN POST INSURANCE Co., Ltd. in line with commencement of life insurance business Started Postal Life Insurance management operations under commission from the Management Organization for Postal Savings and Postal Life Insurance
December 2007	Obtained approval for new operations (liberalization of investment products)
June 2008	Commenced commissioned sales of life insurance products for corporate clients
July 2008	Launched “ <i>Sono hi kara</i> , a new hospitalization rider”
July 2009	Established branches in all prefectures through opening of the Nara Branch and Wakayama Branch
October 2011	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current consolidated subsidiary) became a subsidiary
April 2014	Launched “ <i>Hajime no Kampo</i> ,” an educational endowment insurance
July 2014	Commenced handling commissioned sales of cancer insurance products for American Family Life Assurance Company of Columbus (Aflac)
October 2015	Commenced sales of endowment insurance “ <i>Shin Free Plan</i> (limited payment)”
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange
November 2015	Commenced commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)
March 2016	Obtained approval for new operations (underwriting of reinsurance policies)
March 2016	Obtained approval for new operations (related services)
March 2016	Business alliance with The Dai-ichi Life Insurance Company, Limited

(Reference)

◆ History of Postal Life Insurance

October 1916	Foundation of Postal Life Insurance business by the Ministry of Communications
October 1926	Foundation of postal annuity business by the Ministry of Communications
June 1949	Establishment of The Ministry of Posts and Telecommunications
January 2001	Creation of Postal Services Agency as part of realignment of government ministries
April 2003	Establishment of Japan Post

New Operations after Privatization

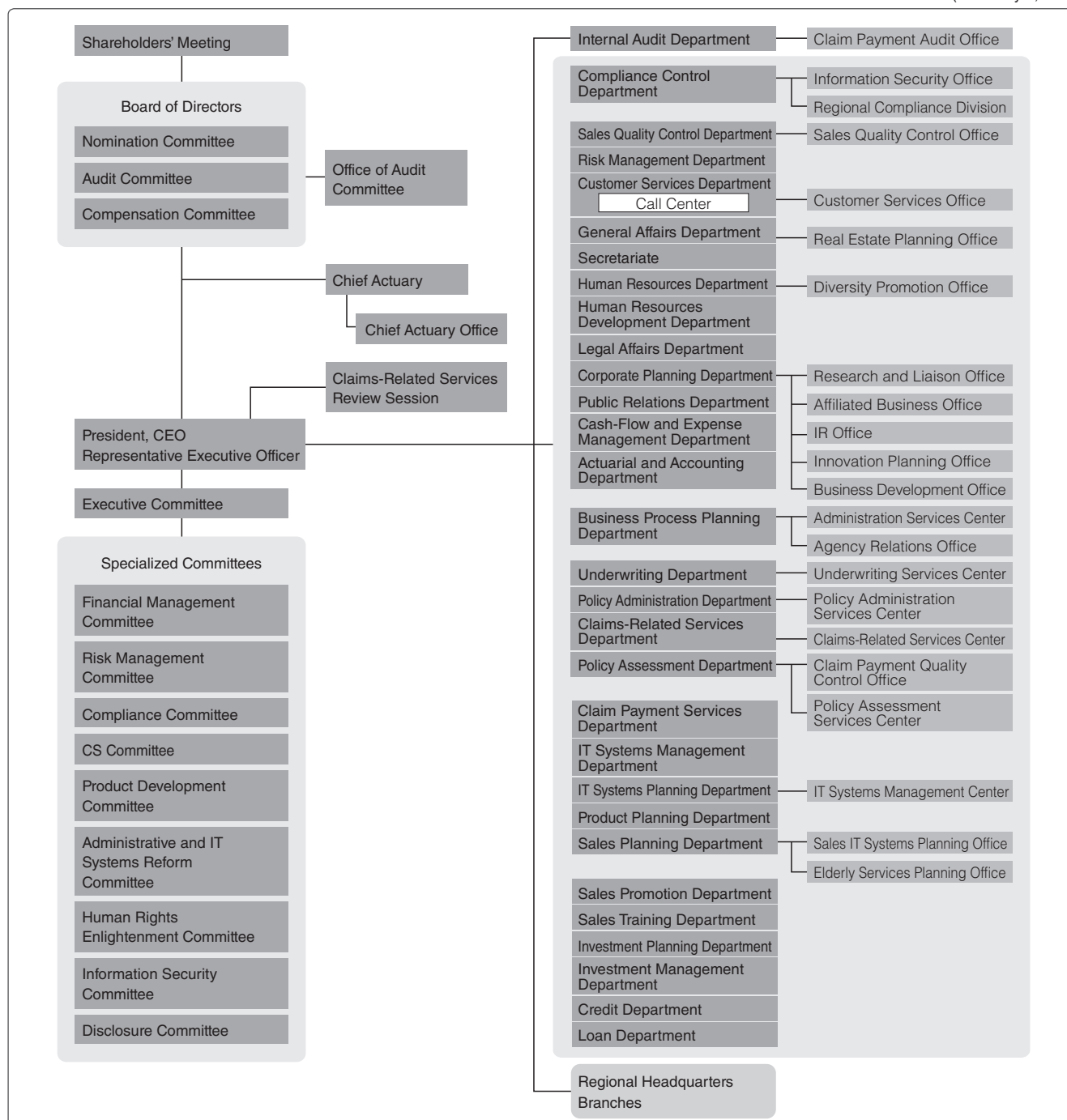
- Approval for the liberalization of investment products (including derivative transactions)
Pursuant to Article 138, Paragraph 2 of the Postal Service Privatization Act, application for approval was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on October 4, 2007. Accordingly, business operations including syndicated loans (participation loans) and the acquisition of trust beneficiary interests, etc. were approved on December 19, 2007.
- Approval for the commencement of commissioned sales of life insurance products for corporate clients (term insurance for managers) and the review on the hospitalization rider
Pursuant to Article 138, Paragraph 1 and Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on November 26, 2007 and approved on April 18, 2008.
- Approval for the revision on the educational endowment insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on September 3, 2012 and conditional approval was acquired on November 30, 2012 according to the said Act. Accordingly, the revision was approved on January 24, 2014.
- Approval for the sales of short-term premium payment endowment insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on February 19, 2015 and approved on April 15, 2015.
- Approval for commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)
Pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on July 1, 2015 and approved on September 30, 2015.
- Approval for the underwriting of reinsurance policies
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on January 19, 2016 and approved on March 11, 2016.
- Approval for the commencement of related services
Pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on January 19, 2016 and approved on March 11, 2016.

2 Major Businesses

- (1) Life insurance businesses
- (2) Agency or administration services for other insurance companies (including foreign insurance companies) and other financial services companies and loan guarantees and other businesses supplemental to previously mentioned businesses
- (3) Trading of Japanese government bonds, local government bonds and government-guaranteed bonds; accepting subscriptions for local government bonds, corporate bonds and other bonds; commissioned management and other businesses provided for under the Insurance Business Act; and other life insurance businesses not covered by the Insurance Business Act but legally permissible
- (4) Management of Postal Life Insurance Policies commissioned by the Management Organization for Postal Savings and Postal Life Insurance
- (5) Other business supplemental or related to previously mentioned businesses

3 Organization Chart

(As of July 1, 2016)



4 Paid-in Capital

Date	Gain (loss) on investments	Gain (loss) on capital after contribution	Outline
October 1, 2007	¥499,950 million	¥500,000 million	Capital increase by privatization

5 Total Number of Stocks

Total number of issuable stocks	2,400,000,000
Total number of issued stocks	600,000,000
Current period shareholders	237,981

6 Condition of Stocks

(1) Class of stocks issued

	Class	Number of issued stocks	Contents
Issued stocks	Common stock	600,000,000	The Company's standard type of stock which offers shareholders with total voting rights and imposes no limitations on the contents of rights. The number of shares composing one share unit is 100.

(2) Major shareholders

Name	Investments in Japan Post Insurance Co., Ltd.	
	Number of stocks held	Ratio of number of stocks held
Japan Post Holdings Co., Ltd.	534,000,000	89.00%
JAPAN POST INSURANCE EMPLOYEE SHAREHOLDING ASSOCIATION	1,401,000	0.23%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,392,000	0.23%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,164,000	0.19%
The Master Trust Bank of Japan, Ltd. (Trust Account)	832,000	0.14%
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	708,000	0.12%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	618,000	0.10%
Japan Trustee Services Bank, Ltd. (Trust Account 6)	617,000	0.10%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	616,000	0.10%
Japan Trustee Services Bank, Ltd. (Trust Account 3)	607,000	0.10%

7 Principal Shareholder

Name	Address of main place of business or sales	Paid-in capital or investment	Business outline	Date of establishment	Percentage of owned shares included in the total number of shares
Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Management of the Japan Post Group	January 23, 2006	89.00%

8 Directors and Executive Officers

Male: 30 Female: 5 (Percentage of female directors/executive officers: 14.3%)

(As of July 1, 2016)

(1) Directors

Masami Ishii

(Born 1952)

Director and President, CEO, Representative Executive Officer

Apr. 1976	Joined Yasuda Fire & Marine Insurance Co., Ltd.	Jun. 2010	Representative Director, Senior Managing Executive Officer, Kansai Regional Headquarters I of Sompo Japan Insurance Inc.
Apr. 2005	Executive Officer, General Manager, Planning Development Department and General Manager, Institutional Organization Development Department of Sompo Japan Insurance Inc.	Apr. 2011	Representative Director, Deputy President and Senior Managing Executive Officer, Kansai Regional Headquarters I of Sompo Japan Insurance Inc.
Jul. 2005	Executive Officer of Sompo Japan Insurance Inc.	Jun. 2012	Director and President, CEO, Representative Executive Officer of Japan Post Insurance (current position)
Apr. 2007	Managing Executive Officer, General Manager, Corporate Lines Planning & Development Department of Sompo Japan Insurance Inc.	Jun. 2013	Director of Japan Post Holdings Co., Ltd. (current position)
Jun. 2007	Director, Managing Executive Officer of Sompo Japan Insurance Inc.	Jul. 2014	Advisor of Sompo Japan Insurance Inc.
		Sept. 2014	Advisor of Sompo Japan Nipponkoa Insurance Inc. (current position)



Toshihisa Minakata

(Born 1953)

Director and Deputy President, Representative Executive Officer

Apr. 1977	Joined the Ministry of Posts and Telecommunications	Mar. 2010	Managing Executive Officer of Japan Post Holdings Co., Ltd.
Apr. 2004	Executive Officer, General Manager of Corporate Planning Division, Corporate Planning Department of Japan Post Corporation	Jun. 2010	Senior Managing Executive Officer of Japan Post Insurance
Apr. 2006	Managing Executive Officer, General Manager of Corporate Planning Division, Corporate Planning Department of Japan Post Corporation	Jul. 2012	Deputy President, Executive Officer of Japan Post Insurance
Oct. 2007	Managing Executive Officer of Japan Post Insurance	Jun. 2013	Director and Deputy President, Representative Executive Officer of Japan Post Insurance (current position)



Kiyoshi Ido

(Born 1955)

Director and Deputy President, Representative Executive Officer

Apr. 1978	Joined Yasuda Fire & Marine Insurance Co., Ltd.	Oct. 2011	Director, Senior Managing Executive Officer of NKSJ Himawari Life Insurance, Inc.
Jun. 2002	President and Representative Director of Yasuda Fire System Development Co., Ltd.	Jun. 2013	Senior Managing Executive Officer of Japan Post Insurance
Jul. 2002	President and Representative Director of Sompo Japan System Solutions Inc.	Jul. 2013	Director of JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current position)
Apr. 2007	Executive Officer of Sompo Japan Insurance Inc.	Jun. 2016	Director and Deputy President, Representative Executive Officer of Japan Post Insurance (current position)
Apr. 2009	Director, Managing Executive Officer of Sompo Japan Himawari Life Insurance Co., Ltd.		
Apr. 2010	Director, Senior Managing Executive Officer of Sompo Japan Himawari Life Insurance Co., Ltd.		



Akira Anzai

(Born 1950)

Director

Apr. 1973	Joined The Tokio Marine & Fire Insurance Co., Ltd.	Jul. 2011	Full-Time Audit & Supervisory Board Member of Tokio Marine Millea SAST Insurance Co., Ltd.
Jun. 2005	Executive Officer and General Manager of Production Dept. I, Head Office of Tokio Marine & Nichido Fire Insurance Co., Ltd.	Jul. 2011	Audit & Supervisory Board Member of Tokio Marine & Nichido Life Insurance Co., Ltd.
Jun. 2007	Managing Executive Officer and General Manager of Production Dept. I, Head Office of Tokio Marine & Nichido Fire Insurance Co., Ltd.	Jul. 2012	General Officer of Office of Audit Committee of Japan Post Insurance
Aug. 2007	Managing Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.	Jul. 2013	Senior Managing Executive Officer of Japan Post Insurance
Jun. 2008	Standing Auditor of the General Insurance Rating Organization of Japan	Jun. 2015	Director of Japan Post Insurance (current position)



Masatsugu Nagato

(Born 1948)

Director

Apr. 1972	Joined The Industrial Bank of Japan, Ltd.	Jun. 2011	Director & Deputy Chairman of Citibank Japan, Ltd.
Jun. 2000	Executive Officer of The Industrial Bank of Japan, Ltd.	Jan. 2012	Director & Chairman of Citibank Japan, Ltd.
Jun. 2001	Managing Executive Officer of The Industrial Bank of Japan, Ltd.	May 2015	Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.
Apr. 2002	Managing Executive Officer of Mizuho Bank, Ltd.	Jun. 2015	Director of Japan Post Holdings Co., Ltd.
Apr. 2003	Managing Executive Officer of Mizuho Corporate Bank, Ltd.	Apr. 2016	Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. (current position)
Jun. 2006	Corporate Executive Vice President of Fuji Heavy Industries, Ltd.	Apr. 2016	Director of Japan Post Co., Ltd. (current position)
Jun. 2007	Director, Corporate Executive Vice President of Fuji Heavy Industries, Ltd.	Apr. 2016	Director of Japan Post Bank Co., Ltd. (current position)
Jun. 2010	Representative Director & Executive Vice President of Fuji Heavy Industries, Ltd.	Jun. 2016	Director of Japan Post Insurance (current position)



Masaharu Hino

(Born 1936)
Outside Director

Mar. 1961	Appointed as Public Prosecutor of Osaka District Prosecutors Office	Feb. 1997	Superintending Prosecutor of Nagoya High Public Prosecutors Office
Jun. 1989	Chief Public Prosecutor of Morioka District Prosecutors Office	Jun. 1998	Commissioner of Financial Supervisory Agency
Aug. 1990	Public Prosecutor of Supreme Public Prosecutors Office	Jul. 2000	Commissioner of Financial Services Agency
Jul. 1993	General Manager of the Public Securities Department, Supreme Public Prosecutors Office	Feb. 2001	Registered as attorney-at-law; established Hino Masaharu Law Office (up to current)
Nov. 1994	Chief of Research and Training Institute of the Ministry of Justice	Sept. 2006	Director of Japan Post Insurance (current position)
Jun. 1996	Superintending Prosecutor of Sendai High Public Prosecutors Office	Dec. 2006	Auditor of ZENKOKU HOSHO Co., Ltd. (current position)



Kiyomi Saito

(Born 1950)
Outside Director

Apr. 1973	Joined Nikkei Inc.	Apr. 2011	President and CEO of the Totan Information Technology Co., Ltd.
Sept. 1975	Joined Sony Corporation		
Aug. 1986	Joined Morgan Stanley Investment Bank, Inc.	Mar. 2012	Auditor of Showa Denko K.K. (current position)
Apr. 2000	President and Representative Director of JBond Co., Ltd.	Jun. 2012	Director of Toshiba Corporation
Apr. 2008	CEO of JBond Totan Securities Co., Ltd. (current position)	Jun. 2014	Director of Japan Post Insurance (current position)
Apr. 2009	Member of Postal Service Privatization Committee	Jun. 2015	Director of KAJIMA CORPORATION (current position)



Shin Yoshidome

(Born 1951)
Outside Director

Apr. 1974	Joined Daiwa Securities Co. Ltd.	Apr. 2011	Director of Daiwa Securities Group Inc.
Jun. 2001	Managing Director of Daiwa Securities SB Capital Markets Co. Ltd.	Apr. 2011	Chairman of Daiwa Securities Capital Markets Co., Ltd.
		Apr. 2012	Senior Advisor of Daiwa Securities Co. Ltd.
May 2004	Senior Managing Director of Daiwa Securities SB Capital Markets Co. Ltd.	Apr. 2012	Chairman of Daiwa Institute of Research Business Innovation Ltd.
Jun. 2004	Senior Managing Director of Daiwa Securities SB Capital Markets Co. Ltd.	Apr. 2014	Senior Advisor of Daiwa Institute of Research Business Innovation Ltd.
Apr. 2006	Senior Executive Managing Director of Daiwa Securities Group Inc.	Jun. 2014	Director of Japan Post Insurance (current position)
Apr. 2006	Representative Director and Senior Executive Managing Director of Daiwa Securities SMBC Co., Ltd.	Jun. 2015	Director of Nojima Corporation (current position)
		Apr. 2016	Advisor of Daiwa Securities Co. Ltd. (current position)
Jun. 2006	Director, Senior Executive Managing Director of Daiwa Securities Group Inc.		
Apr. 2007	Director, Deputy President and COO of Daiwa Securities Group Inc.		
Apr. 2007	President of Daiwa Securities SMBC Co., Ltd.		



Shinji Hattori

(Born 1953)
Outside Director

Apr. 1975	Joined Mitsubishi Corporation	Jun. 2009	Executive Vice President of Seiko Holdings Corporation
Jul. 1984	Joined Seikosha, Inc.	Apr. 2010	President of Seiko Holdings Corporation
Jun. 2001	President of SEIKO Precision Inc.	Oct. 2012	Chairman & Group CEO of Seiko Holdings Corporation (current position)
Jun. 2003	President of Seiko Watch Corporation		
Jun. 2007	Director of Seiko Corporation	Jun. 2014	Director of Japan Post Insurance (current position)
Jul. 2007	Director of Seiko Holdings Corporation	Jun. 2015	President & CEO of Seiko Watch Corporation (current position)



Michiko Matsuda

(Born 1955)
Outside Director

Apr. 1979	Joined Ministry of Construction	Jul. 2008	Assistant Vice-Minister of Ministry of Land, Infrastructure, Transport and Tourism (in charge of Urban Residence Environment)
Jun. 2003	Attached to Minister's Secretariat of Ministry of Land, Infrastructure, Transport and Tourism		
Jul. 2003	Attached to Minister's Secretariat and Counsellor of Private Finance Initiative Promotion Office, Cabinet Office Government of Japan	Aug. 2010	Research Councillor, Council's Secretariat, Agriculture, Forestry and Fisheries Research Council of Ministry of Agriculture, Forestry and Fisheries
Aug. 2005	Manager, National Land Environment and Coordination Division of Ministry of Land, Infrastructure, Transport and Tourism	Aug. 2012	Auditor, Japan Expressway Holding and Debt Repayment Agency
Jul. 2007	Manager, Environmental Policy Division of Ministry of Land, Infrastructure, Transport and Tourism	Aug. 2014	President of College of Land, Infrastructure, Transport and Tourism
Jul. 2007	Manager, General Affairs Division of Ministry of Land, Infrastructure, Transport and Tourism	Apr. 2015	Advisor, IHI Enviro Corporation (current position)
		Jun. 2015	Director of Japan Post Insurance (current position)



Nobuhiro Endo

(Born 1953)
Outside Director

Apr. 1981 Joined NEC Corporation
Apr. 2006 Senior Vice President, Executive General Manager of Mobile Network Operations Unit of NEC Corporation
Apr. 2009 Executive Vice President of NEC Corporation
Jun. 2009 Executive Vice President and Member of the Board of NEC Corporation

Apr. 2010 President (Representative Director) of NEC Corporation
Apr. 2016 Chairman of the Board (Representative Director) of NEC Corporation (current position)
Jun. 2016 Director of Japan Post Insurance (current position)



Masako Suzuki

(Born 1954)
Outside Director

Apr. 1972 Joined Nippon Yusen Kabushiki Kaisha
Jul. 1983 Joined Pasona Inc.
Apr. 1999 Executive Officer of Pasona Inc.
Jun. 2000 Managing Executive Officer of Pasona Inc.
Aug. 2004 Managing Director of Pasona Inc.
Sept. 2004 Senior Managing Director of Pasona Inc.
Sept. 2007 Senior Managing Director of Pasona Group Inc.

Jun. 2010 Director, Vice President of Benefit One Inc. (current position)
Jun. 2010 Director of Pasona Group Inc.
Mar. 2012 Director of Benefit one Solutions (current position)
Jul. 2012 Auditor of Benefit one Health care Inc.
Aug. 2015 Director of Benefit One Payroll Inc. (current position)
Jan. 2016 President and Representative Director of Benefit one Health care Inc. (current position)
Jun. 2016 Director of Japan Post Insurance (current position)



Note: Seven Directors, namely, Mr. Masaharu Hino, Ms. Kiyomi Saito, Mr. Shin Yoshidome, Mr. Shinji Hattori, Ms. Michiko Matsuda, Mr. Nobuhiro Endo and Ms. Masako Suzuki, are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

(2) Executive Officers

In charge of respective departments

President, CEO Representative Executive Officer	Masami Ishii	
Deputy President Representative Executive Officer	Toshihisa Minakata	Secretariate, Regional Headquarters and In charge of 100th Anniversary Business
Deputy President Representative Executive Officer	Kiyoshi Ido	IT Systems Planning Department and IT Systems Management Department
Deputy President Executive Officer	Kunio Tanigaki	Compliance Control Department, Sales Quality Control Department and Customer Services Department
Senior Managing Executive Officer	Masaaki Horigane	Actuarial and Accounting Department, Policy Assessment Department and Claim Payment Services Department
Senior Managing Executive Officer	Mitsuhiko Uehira	Product Planning Department and Sales Planning Department
Senior Managing Executive Officer	Yoshito Horiie	Senior General Manager, Kinki Regional Headquarters
Senior Managing Executive Officer	Tetsuya Senda	Corporate Planning Department, Public Relations Department and Cash-Flow and Expense Management Department
Managing Executive Officer	Yasuhiro Sadayuki	Risk Management Department, Legal Affairs Department and Credit Department
Managing Executive Officer	Yoshihiko Ido	Sales Promotion Department and Sales Training Department
Managing Executive Officer	Yoshio Inoue	Internal Audit Department
Managing Executive Officer	Hiromichi Udagawa	Senior General Manager, Tokyo Regional Headquarters
Managing Executive Officer	Hiroshi Nagaso	Senior General Manager, Tokai Regional Headquarters
Managing Executive Officer	Hisao Nishikawa	Senior General Manager, Kyushu Regional Headquarters
Managing Executive Officer	Masato Kawagoe	Senior General Manager, Kanto Regional Headquarters
Managing Executive Officer	Atsushi Tachibana	Investment Planning Department, Investment Management Department and Loan Department
Managing Executive Officer	Shinji Ando	Senior General Manager, IT Systems Management Department
Managing Executive Officer	Nobuyasu Kato	General Affairs Department, Human Resources Department and Human Resources Development Department
Managing Executive Officer	Yasuaki Hironaka	Corporate Planning Department, Business Process Planning Department, Underwriting Department, Policy Administration Department and Claims-Related Services Department
Executive Officer	Tomoaki Nara	Senior General Manager, Investment Planning Department
Executive Officer	Yasumi Suzukawa	Senior General Manager, Policy Assessment Department
Executive Officer	Kieko Onoki	General Manager, Sendai Administration Services Center
Executive Officer	Toru Onishi	Senior General Manager, Corporate Planning Department and Affiliated Business Office
Executive Officer	Keiki Ikejiri	Senior General Manager, Chugoku Regional Headquarters
Executive Officer	Hidekazu Sakamoto	Senior General Manager, Public Relations Department
Executive Officer	Junko Koie	Chief Actuary

9 Accounting Advisor

Not applicable.

10 Independent Auditor

KPMG AZSA LLC

(Designated Limited Liability Partners, Engagement Partners)

Certified Public Accountant Yoshihide Takehisa

Certified Public Accountant Yukihiisa Tatsumi

Certified Public Accountant Noriyuki Akiyama

11 Total Number of Employees and Conditions of Employment

(Unit: persons, years)

Category	As of the end of FY2014/3	As of the end of FY2015/3	As of the end of FY2016/3	FY2014/3	FY2015/3	FY2016/3	As of the end of FY2014/3		As of the end of FY2015/3		As of the end of FY2016/3	
	Total	Total	Total	Staff employed	Staff employed	Staff employed	Average age	Average years of service	Average age	Average years of service	Average age	Average years of service
In-house employees	5,874	6,078	6,279	318	375	350	37.7	14.1	37.8	14.1	38.0	14.2
(Male)	3,377	3,425	3,432	124	142	97	40.5	17.0	40.7	17.1	41.1	17.4
(Female)	2,497	2,653	2,847	194	233	253	33.9	10.2	34.2	10.3	34.3	10.3
Sales employees	1,074	1,075	1,099	32	53	71	39.3	15.0	39.4	15.1	39.2	14.9
(Male)	930	920	940	15	29	50	41.1	16.7	41.3	16.9	41.0	16.6
(Female)	144	155	159	17	24	21	27.5	3.9	27.9	4.3	28.3	4.6

Notes: 1. Number of employees represents the number of employees in full-time employment (including those seconded from other companies, but excluding those seconded to other companies) and excludes those in temporary employment.

2. Average number of years of service represents the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.

3. Average age and average years of service are based on attained ages as of March 31, 2016, and truncated to the first decimal place.

12 Average Monthly Salary (In-house employees)

(Thousands of yen)

As of March 31	March 2014	March 2015	March 2016
In-house employees	332	334	339

Note: Average monthly salary represents the pre-tax regular salary for March 2016 which excludes bonuses and overtime allowances.

13 Average Monthly Salary (Sales employees)

(Thousands of yen)

As of March 31	March 2014	March 2015	March 2016
Sales employees	307	309	301

Note: Average monthly salary represents the pre-tax regular salary for March 2016 which excludes bonuses and overtime allowances.

14 Summary of the Subsidiaries

(1) Major Businesses and the Organizational Structure

Number of consolidated subsidiaries: One

On October 3, 2011, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (former trade name: JICD Corporation), which had been engaged in systems development for the Company, became a subsidiary.

(2) Subsidiaries

Name	Location	Amount of capital stock	Description of business	Date of establishment	Ratio of the voting rights in the subsidiary held by the Company against the voting rights held by all shareholders or equity holders	Ratio of the voting rights in the subsidiary held by the Subsidiaries of the Company against the voting rights held by all shareholders or equity holders
JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥60 million	Commissioning of design, development, maintenance and operation of information systems	March 8, 1985	100 %	—

(3) Outline of Business in the Most Recent Fiscal Year

With the aim to strengthen our system development capabilities, JICD Corporation, which had been engaged in system development for the Company, was made into a subsidiary on October 3, 2011, and its trade name was changed to JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.. We will strive for further enhancement of development quality and productivity while promoting the recruitment and development of human resources along with in-house system development, in collaboration with JAPAN POST INSURANCE SYSTEM SOLUTIONS.

Financial Statements



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Note 1: Figures (except for % and ‰) shown in this Annual Report have been truncated, with exceptions as indicated.

Note 2: [-] indicates "not applicable," and [0] indicates less than one unit.

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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:

	Millions of Yen			Millions of U.S. Dollars
March 31	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:

	Millions of Yen			Millions of U.S. Dollars
March 31	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:

	Millions of Yen			Millions of U.S. Dollars
March 31	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)

March 31	2016				
	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)

March 31	2015				
	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)

March 31	2014				
	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)

March 31	2016				
	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)

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

Specified money held in trust

(Millions of Yen)

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

Specified money held in trust

(Millions of Yen)

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

Specified money held in trust

(Millions of U.S. Dollars)

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

Specified money held in trust

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:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
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.

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
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:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
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:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
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:

March 31	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
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

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:

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

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:

	Millions of Yen			Millions of U.S. Dollars	Average interest rate	Due
March 31	2016	2015	2014	2016	2016	
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:

	Millions of Yen	Millions of U.S. Dollars
March 31		
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

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	2016	2015	2014	2016
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

	Millions of Yen			Millions of U.S. Dollars
March 31	2016	2015	2014	2016
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
March 31	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
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

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

Notes:

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

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

Year ended March 31, 2014	Thousands of shares			
	April 1, 2013	Increase	Decrease	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:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	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:

	Millions of Yen			Millions of U.S. Dollars
Years ended March 31	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

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

March 31Payables under securities
lending transactions

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
¥ 3,658,492	¥ —	¥ —	¥ —	¥ —	¥ —

(Millions of Yen)

March 31Payables under securities
lending transactions

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
¥ 3,703,176	¥ —	¥ —	¥ —	¥ —	¥ —

(Millions of U.S. Dollars)

March 31Payables under securities
lending transactions

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
\$ 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)

March 31

Hedge accounting method	Type of derivative	Major hedged item	2016		
			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)

March 31

Hedge accounting method	Type of derivative	Major hedged item	2015		
			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)

March 31

Hedge accounting method	Type of derivative	Major hedged item	2014		
			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		11,551	–	(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			(millions of yen)		
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		¥ 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			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		\$ 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	2015	2014
	¥ 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	2015	2014
	¥ 141.50	¥ 135.54	¥ 104.67
	\$ 1.26		

Notes:

1. 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.
2. 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	2015	2014
	¥ 84,897	¥ 81,323	¥ 62,802
	\$ 753		
	—	—	—
	¥ 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
	2016	2015
	600,000	600,000
	600,000	600,000

3. 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	2015	2014
	¥ 1,882,982	¥ 1,975,727	¥ 1,538,136
	\$ 16,711		
	—	—	—
	¥ 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
	2016	2015
	600,000	600,000
	600,000	600,000

4. 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.

5. 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 corporation incorporated under the Arizona Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG network/Cooperative ("KPMG network"), a Swiss entity.

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	111,322	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
Net changes in the fiscal year	373,258	11	373,269	438,219
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)
Net changes in the fiscal year	(152,621)	118	(152,502)	(90,691)
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 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.

(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:

	Millions of Yen			Millions of U.S. Dollars
	2016	2015	2014	2016
March 31				
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:

	Millions of Yen			Millions of U.S. Dollars
March 31	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
Years ended March 31	2016	2015	2014	2016
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
Years ended March 31	2016	2015	2014	2016
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
Years ended March 31	2016	2015	2014	2016
Income	¥ 197	¥ 0	¥ 0	\$ 2
Expenses	12,657	12,535	10,448	112

	Millions of Yen			Millions of U.S. Dollars
March 31	2016	2015	2014	2016
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	¥	—	¥	—	¥	—	¥	40,726
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	\$	—	\$	—	\$	—	\$	606
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

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

3. Status of Financial Assets (Consolidated)

3-1 Status of Risk-Monitored Loans (Consolidated)

Not applicable.

3-2 Status of Insurance Claims Paying Ability of the Company and Its Subsidiaries (Consolidated Solvency Margin Ratio)

(Millions of yen)

As of March 31	2014	2015	2016
Total amount of solvency margin (A)	¥ 5,134,732	¥ 5,706,126	¥ 5,547,846
Capital stock, etc.	1,334,246	1,387,508	1,438,806
Reserve for price fluctuations	614,233	712,167	782,268
Contingency reserve	2,588,798	2,498,711	2,374,846
Catastrophe loss reserve	—	—	—
General reserve for possible loan losses	91	77	71
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	238,976	703,549	505,374
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3,465)	(10,077)	(3,474)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	3,317	7,920	6,975
Excess of continued Zillmerized reserve	358,533	406,267	442,977
Capital raised through debt financing	—	—	—
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk (B)	631,890	694,064	706,591
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$			
Insurance risk R ₁	168,426	163,796	159,046
General insurance risk R ₅	—	—	—
Catastrophe risk R ₆	—	—	—
Underwriting risk of third-sector insurance R ₈	99,913	88,568	78,262
Small amount and short-term insurance risk R ₉	—	—	—
Anticipated yield risk R ₂	198,138	184,450	170,717
Minimum guarantee risk R ₇	—	—	—
Investment risk R ₃	355,728	443,176	476,029
Business management risk R ₄	16,444	17,599	17,681
Solvency margin ratio (A) — (1/2) × (B) × 100	1,625.1%	1,644.2%	1,570.3%

Note: These figures are calculated based on the provisions set forth in public notification No. 23 issued by the Financial Services Agency in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

For the above figures as of March 31, 2016, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016. (The figures as of March 31, 2014 and 2015 provided above were determined based on existing standards.)

3-3 Status of Insurance Claims Paying Ability of the Company's Subsidiaries (Solvency Margin Ratio)

There are no subsidiaries classified as an insurance company.

4. Status of Financial Assets (Non-Consolidated)

4-1 Loans by Borrower Category

(Millions of yen, %)

As of March 31	2014	2015	2016
Bankrupt or quasi-bankrupt loans	¥ —	¥ —	¥ —
Doubtful loans	—	—	—
Substandard loans	—	—	—
Subtotal	—	—	—
(Percentage in total)	(—)	(—)	(—)
Normal loans	11,385,224	10,291,347	9,197,548
Total	11,385,224	10,291,347	9,197,548

Notes:

1. Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
2. Doubtful loans are loans which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower is not fallen into bankruptcy.
3. Substandard loans are past due loans for three months or more and restructured loans.
"Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
4. Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

4-2 Status of Risk-Monitored Loans

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

4-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

4-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

As of March 31	2014	2015	2016
Total amount of solvency margin (A)	¥ 5,130,031	¥ 5,697,257	¥ 5,541,363
Capital stock, etc.	1,332,862	1,386,560	1,439,299
Reserve for price fluctuations	614,233	712,167	782,268
Contingency reserve	2,588,798	2,498,711	2,374,846
General reserve for possible loan losses	91	77	71
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	238,976	703,549	505,374
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3,465)	(10,077)	(3,474)
Excess of continued Zillmerized reserve	358,533	406,267	442,977
Capital raised through debt financing	—	—	—
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ (B)	632,004	694,176	706,716
Insurance risk R ₁	168,426	163,796	159,046
Underwriting risk of third-sector insurance R ₈	99,913	88,568	78,262
Anticipated yield risk R ₂	198,138	184,450	170,717
Minimum guarantee risk R ₇	—	—	—
Investment risk R ₃	355,852	443,294	476,159
Business management risk R ₄	16,446	17,602	17,683
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,623.4%	1,641.4%	1,568.1%

Note: These figures are calculated based on the provisions set forth in public notification No. 50 issued by the Ministry of Finance in 1996 and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act.

For the above figures as of March 31, 2016, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016. (The figures as of March 31, 2014 and 2015 provided above were determined based on existing standards.)

4-5 Fair Value Information of Securities (Company Total)

(1) Fair Value Information of Securities

1) Net Valuation Gain/Loss of Trading Securities

The Company did not hold securities for trading as of March 31, 2014, 2015 and 2016.

2) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

(Millions of yen)

As of March 31	2014					2015					2016				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥ 45,257,324	¥ 48,427,090	¥ 3,169,765	¥3,174,107	¥ 4,342	¥ 43,695,559	¥ 48,232,675	¥ 4,537,116	¥4,537,655	¥ 539	¥ 42,239,821	¥ 49,752,914	¥ 7,513,092	¥7,513,093	¥ 0
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152	1,100,453	1,300	15,493,208	16,668,447	1,175,238	1,175,453	214	13,563,423	15,062,160	1,498,737	1,498,737	-
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	7,148,598	7,414,127	265,529	278,007	12,478	9,411,484	10,193,205	781,721	784,470	2,748	9,918,112	10,479,639	561,527	658,164	96,636
Corporate and government bonds	4,927,726	5,025,535	97,809	100,097	2,287	5,105,394	5,203,999	98,605	99,163	558	4,012,950	4,115,794	102,844	103,597	752
Domestic stocks	337,777	412,261	74,484	78,011	3,527	713,204	996,906	283,701	285,545	1,844	1,065,422	1,202,513	137,091	195,326	58,235
Foreign securities	1,072,516	1,164,581	92,065	98,718	6,652	1,850,911	2,248,231	397,319	397,666	346	3,682,785	4,001,136	318,351	355,894	37,542
Foreign corporate and government bonds	917,500	1,001,464	83,964	90,616	6,652	1,537,712	1,863,492	325,779	326,126	346	3,299,371	3,590,822	291,450	319,363	27,912
Foreign stocks and other securities	155,016	163,117	8,101	8,101	-	313,198	384,738	71,539	71,539	-	383,413	410,314	26,901	36,531	9,630
Other securities	-	-	-	-	-	-	-	-	-	-	100,000	100,044	44	150	105
Monetary claims bought	106,278	107,448	1,170	1,181	11	446,973	449,068	2,095	2,095	-	426,954	430,150	3,195	3,195	-
Negotiable certificates of deposit	704,300	704,300	-	-	-	1,295,000	1,295,000	-	-	-	630,000	630,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	70,359,590	74,894,037	4,534,446	4,552,568	18,121	68,600,251	75,094,328	6,494,077	6,497,580	3,502	65,721,357	75,294,714	9,573,357	9,669,994	96,637
Corporate and government bonds	68,040,718	72,403,664	4,362,946	4,370,876	7,930	64,196,162	70,003,228	5,807,066	5,808,378	1,312	59,718,195	68,828,482	9,110,287	9,111,040	753
Domestic stocks	337,777	412,261	74,484	78,011	3,527	713,204	996,906	283,701	285,545	1,844	1,065,422	1,202,513	137,091	195,326	58,235
Foreign securities	1,170,516	1,266,362	95,846	102,499	6,652	1,948,911	2,350,125	401,213	401,560	346	3,780,785	4,103,523	322,738	360,281	37,542
Foreign corporate and government bonds	1,015,500	1,103,245	87,745	94,397	6,652	1,635,712	1,965,386	329,673	330,020	346	3,397,371	3,693,209	295,837	323,750	27,912
Foreign stocks and other securities	155,016	163,117	8,101	8,101	-	313,198	384,738	71,539	71,539	-	383,413	410,314	26,901	36,531	9,630
Other securities	-	-	-	-	-	-	-	-	-	-	100,000	100,044	44	150	105
Monetary claims bought	106,278	107,448	1,170	1,181	11	446,973	449,068	2,095	2,095	-	426,954	430,150	3,195	3,195	-
Negotiable certificates of deposit	704,300	704,300	-	-	-	1,295,000	1,295,000	-	-	-	630,000	630,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥1,448,835 million with net unrealized gains of ¥163,992 million as of March 31, 2016, ¥1,026,403 million with net unrealized gains of ¥355,241 million as of March 31, 2015 and ¥492,793 million with net unrealized gains of ¥82,585 million as of March 31, 2014.

○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2014			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥44,523,542	¥47,697,650	¥ 3,174,107	¥43,624,994	¥48,162,650	¥ 4,537,655	¥42,239,421	¥49,752,514	¥ 7,513,093
Corporate and government bonds	44,425,542	47,595,869	3,170,326	43,526,994	48,060,756	4,533,761	42,141,421	49,650,127	7,508,706
Foreign securities	98,000	101,781	3,781	98,000	101,894	3,894	98,000	102,387	4,387
Other	-	-	-	-	-	-	-	-	-
Those for which fair value does not exceed the balance sheet amount	733,781	729,439	(4,342)	70,564	70,025	(539)	400	399	(0)
Corporate and government bonds	733,781	729,439	(4,342)	70,564	70,025	(539)	400	399	(0)
Foreign securities	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-

○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2014			2015			2016		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥17,610,495	¥18,710,949	¥ 1,100,453	¥15,462,719	¥16,638,173	¥ 1,175,453	¥13,563,423	¥15,062,160	¥ 1,498,737
Corporate and government bonds	17,610,495	18,710,949	1,100,453	15,462,719	16,638,173	1,175,453	13,563,423	15,062,160	1,498,737
Foreign securities	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Those for which fair value does not exceed the balance sheet amount	343,171	341,870	(1,300)	30,488	30,273	(214)	-	-	-
Corporate and government bonds	343,171	341,870	(1,300)	30,488	30,273	(214)	-	-	-
Foreign securities	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-

○ Available-for-sale securities

(Millions of yen)

As of March 31	2014			2015			2016		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 5,351,840	¥ 5,543,735	¥ 191,894	¥ 6,252,670	¥ 6,680,055	¥ 427,384	¥ 6,365,429	¥ 6,791,735	¥ 426,306
Corporate and government bonds	4,554,372	4,654,469	100,097	4,768,988	4,868,151	99,163	3,660,820	3,764,417	103,597
Domestic stocks	-	-	-	-	-	-	-	-	-
Foreign securities	775,889	866,505	90,616	1,455,693	1,781,819	326,126	2,602,654	2,922,017	319,363
Other securities	-	-	-	-	-	-	75,000	75,150	150
Monetary claims bought	21,578	22,759	1,181	27,989	30,084	2,095	26,954	30,150	3,195
Negotiable certificates of deposit	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Those for which the balance sheet amount does not exceed book value	1,303,964	1,295,013	(8,951)	2,132,410	2,131,505	(904)	2,103,847	2,075,076	(28,770)
Corporate and government bonds	373,353	371,066	(2,287)	336,406	335,848	(558)	352,130	351,377	(752)
Domestic stocks	-	-	-	-	-	-	-	-	-
Foreign securities	141,610	134,958	(6,652)	82,019	81,673	(346)	696,717	668,804	(27,912)
Other securities	-	-	-	-	-	-	25,000	24,894	(105)
Monetary claims bought	84,700	84,688	(11)	418,983	418,983	-	399,999	399,999	-
Negotiable certificates of deposit	704,300	704,300	-	1,295,000	1,295,000	-	630,000	630,000	-
Other	-	-	-	-	-	-	-	-	-

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

(Millions of yen)

As of March 31	2014	2015	2016
Held-to-maturity bonds	¥ —	¥ —	¥ —
Unlisted foreign bonds	—	—	—
Other	—	—	—
Policy-reserve-matching bonds	—	—	—
Equities of subsidiaries and affiliates	984	984	984
Available-for-sale securities	140,000	20,000	—
Unlisted domestic stocks (excluding OTC traded equities)	—	—	—
Unlisted foreign stocks (excluding OTC traded equities)	140,000	20,000	—
Unlisted foreign bonds	—	—	—
Other	—	—	—
Total	140,984	20,984	984

(2) Data on Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2014					2015					2016				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses				Gains	Losses
Money held in trust	¥ 581,627	¥ 581,627	¥ —	¥ —	¥ —	¥1,434,943	¥1,434,943	¥ —	¥ —	¥ —	¥1,644,547	¥1,644,547	¥ —	¥ —	¥ —

1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2014, 2015 and 2016.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2014					2015					2016				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses				Gains	Losses
Assets held-to-maturity in trust	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Assets held for reserves in trust	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other money held in trust	499,042	581,627	82,585	86,112	3,527	1,079,701	1,434,943	355,241	357,085	1,844	1,480,555	1,644,547	163,992	231,857	67,865
Domestic stock fund	342,583	417,067	74,484	78,011	3,527	765,237	1,048,938	283,701	285,545	1,844	1,090,727	1,227,819	137,091	195,326	58,235
Foreign stock fund	55,742	60,755	5,013	5,013	—	158,944	195,510	36,565	36,565	—	228,532	235,713	7,180	16,811	9,630
Foreign bond fund	100,716	103,804	3,087	3,087	—	155,519	190,493	34,974	34,974	—	161,295	181,015	19,720	19,720	—

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

1) Qualitative Information

(i) Detail of the transactions

The main derivative transactions used by the Company are as follows:

- Interest rate related: Interest rate swaps
- Currency related: Foreign exchange contracts

(ii) Policy for using derivative transactions

The Company uses derivative transactions for the purpose of hedging interest rate risk and foreign exchange fluctuation risk to our investment assets. The Company limits the use of derivative transactions to the purpose of hedging in principle and their use is not meant for speculative purposes.

(iii) Purposes of the use of derivative transactions

The main purposes of the use of derivative transactions for the Company are as follows:

- Interest rate swaps are used for converting floating interest rate loans of the Company into fixed interest rate loans.
- Foreign exchange contracts are used to determine the yen value of the foreign currency cash flows associated with the purchase, sale and redemption of foreign-currency-denominated assets, as well as for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

Of the above transactions, for the interest rate swaps used for converting floating interest rate loans into fixed interest rate loans, the Company applies the exceptional treatment and deferred hedge accounting for interest rate swaps, and applies fair value hedge accounting for the foreign exchange contracts used for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

(iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in interest rates and foreign exchange rates) and credit risk (risks of transaction partners' default, including bankruptcy).

The Company uses derivative transactions for the purpose, in principle, of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their

ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

(v) Risk management framework

The Company has formulated the Basic Risk Management Policy, whereby the investment policies of derivative transactions are provided, limiting the use of derivative transactions to the purpose of hedging and prohibiting their use for speculative purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

(vi) Additional notes about quantitative information

- Additional notes about credit risk
We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

- Additional notes about the calculation of fair value

We calculate fair value on the following basis:

[Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Foreign exchange contracts]

Fair value is calculated using the forward foreign exchange rate as of the fiscal year-end date.

- Additional notes about net unrealized gains (losses)

We use derivative transactions as a means to hedge the market risk of our investment assets in principle, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

2) Quantitative information

(i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	Interest rate related	Currency related	Stock related	Bond related	Others	Total
As of March 31, 2014	¥ 326	¥ (15,655)	¥ –	¥ –	¥ –	¥ (15,328)
Portion with hedge accounting applied	326	(15,655)	–	–	–	(15,328)
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2015	971	493	–	–	–	1,465
Portion with hedge accounting applied	971	493	–	–	–	1,465
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2016	2,060	4,644	–	–	–	6,704
Portion with hedge accounting applied	2,060	4,644	–	–	–	6,704
Portion with hedge accounting not applied	–	–	–	–	–	–

Notes:

1. Of the hedge accounting applied as of March 31, 2014, the portion with hedge accounting (the fair value hedge method) applied to the net loss (currency related ¥15,655 million) is accrued in the statement of income
2. Of the hedge accounting applied as of March 31, 2015, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥493 million) is accrued in the statement of income.
3. Of the hedge accounting applied as of March 31, 2016, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥4,644 million) is accrued in the statement of income.

Derivative transactions to which hedge accounting is not applied

(ii) Interest rate-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(iii) Currency-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(vi) Others

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

Derivative transactions to which hedge accounting is applied

(ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2014			As of March 31, 2015			As of March 31, 2016		
			Contract amount		Fair value	Contract amount		Fair value	Contract amount		Fair value
				Contract amount due after 1 year			Contract amount due after 1 year			Contract amount due after 1 year	
Deferred hedge method	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	¥ 9,950	¥ 9,950	¥ 16	¥ 13,750	¥13,750	¥ 32	¥ 13,750	¥13,750	¥ 197
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	102,780	85,400	310	88,200	65,500	938	65,500	46,050	1,862
Total					326			971			2,060

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2014	¥ 17,380	¥ 42,150	¥ 24,550	¥ 7,500	¥ 11,150	¥ 10,000	¥ 112,730
Fixed receipt swap notional principal	17,380	42,150	24,550	7,500	11,150	10,000	112,730
Average fixed interest receipt	0.82	0.53	0.39	0.55	0.93	1.05	0.63
Average floating interest payment	0.36	0.23	0.20	0.26	0.28	0.28	0.25
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—
As of March 31, 2015	22,700	25,750	22,300	10,050	16,150	5,000	101,950
Fixed receipt swap notional principal	22,700	25,750	22,300	10,050	16,150	5,000	101,950
Average fixed interest receipt	0.55	0.44	0.45	0.48	0.94	1.12	0.58
Average floating interest payment	0.17	0.16	0.18	0.20	0.24	0.24	0.19
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—
As of March 31, 2016	19,450	24,550	8,400	8,600	13,250	5,000	79,250
Fixed receipt swap notional principal	19,450	24,550	8,400	8,600	13,250	5,000	79,250
Average fixed interest receipt	0.50	0.39	0.52	0.61	0.94	1.12	0.59
Average floating interest payment	0.09	0.05	0.11	0.15	0.10	0.13	0.09
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—

(iii) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2014			As of March 31, 2015			As of March 31, 2016		
			Contract amount		Fair value	Contract amount		Fair value	Contract amount		Fair value
				Contract amount due after 1 year			Contract amount due after 1 year			Contract amount due after 1 year	
Fair value hedge accounting	Foreign exchange contracts	Available-for-sale securities									
	Sold		¥ 404,257	¥ -	¥ (15,655)	¥ 363,120	¥ -	¥ 493	¥1,693,683	¥ -	¥ 4,644
	U.S. dollars		270,312	-	(6,817)	172,008	-	(12,843)	392,081	-	5,408
	Euros		133,944	-	(8,837)	191,112	-	13,337	1,301,602	-	(764)
	Purchased		-	-	-	-	-	-	-	-	-
Total					(15,655)			493			4,644

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(vi) Others

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

4-6 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31	2014	2015	2016
Core profit A	¥ 482,052	¥ 515,417	¥ 464,285
Capital gains	82,269	94,683	46,180
Gains on money held in trust	9,736	32,762	44,939
Gains on trading securities	—	—	—
Gains on sales of securities	71,074	61,908	1,241
Gains on derivative financial instruments	—	—	—
Gains on foreign exchanges	1,452	12	—
Other capital gains	5	—	—
Capital losses	20,493	30,527	41,748
Losses on money held in trust	—	—	—
Losses on trading securities	—	—	—
Losses on sales of securities	10,205	4,963	1,592
Losses on valuation of securities	—	—	—
Losses on derivative financial instruments	2,161	773	1,511
Losses on foreign exchanges	—	—	402
Other capital losses	8,126	24,790	38,242
Net capital gains (losses) B	61,776	64,156	4,432
Core profit including net capital gains (losses) A+B	543,828	579,573	468,717
Other one-time gains	94,807	90,087	123,864
Reinsurance income	—	—	—
Reversal of contingency reserve	94,807	90,087	123,864
Reversal of specific reserve for possible loan losses	—	—	—
Other	—	—	—
Other one-time losses	175,129	176,491	179,558
Reinsurance premiums	—	—	—
Provision for contingency reserve	—	—	—
Provision for specific reserve for possible loan losses	—	—	—
Provision for reserve for specific foreign loans	—	—	—
Write-off of loans	—	—	—
Other	175,129	176,491	179,558
Other one-time profits (losses) C	(80,322)	(86,403)	(55,694)
Ordinary profit A+B+C	463,506	493,169	413,023

Notes:

1. Amount equivalent to income gains associated with money held in trust (¥8,126 million for 2014, ¥24,790 million for 2015 and ¥38,242 million for 2016) is recognized as "other capital losses" and included in core profit.
2. Amount equivalent to capital gains of other investment income (¥5 million for 2014) is not included in core profit, but recorded under "other capital gains."
3. Amount equivalent to capital losses of other investment expenses (¥0 million for 2014) is not included in core profit, but recorded under "other capital losses."
4. "Other" in "other one-time losses" includes the amount of additional policy reserve accumulated pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act (¥175,129 million for 2014, ¥176,491 million for 2015 and ¥179,558 million for 2016).

5. Main Business Indicators

5-1 Five-Year Summary of Selected Financial Data and Other Information (Non-Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2012	2013	2014	2015	2016
Ordinary income	¥ 12,538.6	¥ 11,834.9	¥ 11,233.9	¥ 10,169.2	¥ 9,605.8
Ordinary profit	531.3	529.3	463.5	493.1	413.0
Core profit	571.6	570.0	482.0	515.4	464.2
Net income	67.7	91.0	63.4	81.7	86.3
Capital stock (Number of shares issued: thousands of shares)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (600,000)
Total assets	93,688.6	90,462.3	87,088.6	84,911.9	81,543.6
Separate account	—	—	—	—	—
Policy reserves	85,143.8	81,401.9	77,745.4	75,112.6	72,362.5
Loans	13,929.0	12,691.5	11,020.5	9,977.3	8,978.4
Securities	74,587.1	72,558.1	69,378.9	66,277.2	63,610.8
Solvency margin ratio (%)	1,336.1%	1,467.9%	1,623.4%	1,641.4%	1,568.1%
Number of employees (persons)	6,741	6,789	6,948	7,153	7,378
Policy amount in force	25,824.7	31,675.3	37,179.5	42,774.9	47,882.7
Individual insurance	23,043.1	28,480.7	33,735.6	39,159.0	44,406.2
Individual annuities	2,781.5	3,194.6	3,443.8	3,615.9	3,476.4
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes:

1. The number of shares issued reflects the 30:1 stock split effective August 1, 2015.

2. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance.

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

5-2 Selected Financial Data and Other Information

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2014				2015				2016			
	Number of policies		Policy amount		Number of policies		Policy amount		Number of policies		Policy amount	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	11,668,254	118.2%	¥ 33,735,661	118.5%	13,539,479	116.0%	¥ 39,159,046	116.1%	15,350,407	113.4%	¥ 44,406,257	113.4%
Individual annuities	1,194,072	112.9	3,443,863	107.8	1,318,287	110.4	3,615,908	105.0	1,367,445	103.7	3,476,492	96.1
Group insurance	—	—	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—	—	—

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

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2014					2015					2016				
	Number of policies		Policy amount			Number of policies		Policy amount			Number of policies		Policy amount		
		Year-on-year comparison		Year-on-year comparison	Net increase arising from the conversion		Year-on-year comparison		Year-on-year comparison	Net increase arising from the conversion		Year-on-year comparison		Year-on-year comparison	Net increase arising from the conversion
Individual insurance	2,233,907	101.2%	¥ 6,559,803	100.7%	—	2,381,977	106.6%	¥ 7,002,593	106.8%	—	2,397,286	100.6%	¥ 7,168,485	102.4%	—
Individual annuities	148,824	81.8	524,095	82.7	—	137,965	92.7	493,582	94.2	—	63,542	46.1	219,721	44.5	—
Group insurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note: Policy amounts for individual annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.

(2) Annualized Premiums

1) Policies in Force

(Millions of yen, %)

As of March 31	2014		2015		2016	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 2,192,230	118.1%	¥ 2,526,861	115.3%	¥ 2,863,561	113.3%
Individual annuities	661,402	99.1	673,838	101.9	656,079	97.4
Total	¥ 2,853,633	113.1	¥ 3,200,699	112.2	¥ 3,519,640	110.0
Medical coverage, living benefits and other	227,460	121.1	257,460	113.2	293,413	114.0

Notes:

- Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
- Medical coverage, living benefits and other includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

2) New Policies

(Millions of yen, %)

For the years ended March 31	2014		2015		2016	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 439,081	101.7%	¥ 457,852	104.3%	¥ 485,374	106.0%
Individual annuities	179,878	80.7	162,575	90.4	105,100	64.6
Total	¥ 618,960	94.6	¥ 620,427	100.2	¥ 590,474	95.2
Medical coverage, living benefits and other	49,175	120.4	41,120	83.6	49,588	120.6

Notes:

1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
2. Medical coverage, living benefits and other includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits) and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

(3) New Policies by Product

(Number of policies, millions of yen)

For the years ended March 31	2014		2015		2016	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	2,233,907	¥ 6,559,803	2,381,977	¥ 7,002,593	2,397,286	¥ 7,168,485
Ordinary whole life insurance	351,885	1,176,837	292,827	1,002,218	385,036	1,198,852
Fixed amount type	98,192	247,766	84,197	226,816	187,082	456,306
Increased amount type	253,693	929,071	208,630	775,402	197,954	742,546
Special whole life insurance	304,736	1,002,628	297,911	1,052,297	277,490	1,027,512
Ordinary term insurance	610	1,470	539	1,209	409	914
Ordinary endowment insurance	963,201	2,459,956	777,359	2,163,389	941,743	2,668,545
Special endowment insurance	432,143	1,724,894	344,033	1,380,944	310,548	1,214,803
Designated endowment insurance	2,651	2,873	1,400	1,738	1,033	1,299
Educational endowment insurance	168,086	178,939	930	992	—	—
Educational endowment insurance with scholarship annuity	10,595	12,203	112	125	—	—
Educational endowment insurance (H24)	—	—	666,866	1,399,677	481,027	1,056,557
Individual annuities	148,824	¥ 524,095	137,965	¥ 493,582	63,542	¥ 219,721
Immediate term annuity	40,910	137,231	29,758	101,282	15,172	51,411
Deferred term annuity	107,914	386,863	108,207	392,300	48,370	168,310
Asset-formation insurance	34	¥ 0	26	¥ 0	20	¥ 0
Asset-formation savings insurance	32	0	25	0	20	0
Asset-formation housing funding insurance	2	0	1	0	—	—
Asset-formation annuities	3	¥ 12	3	¥ 13	—	¥ —
Asset-formation whole life annuity	3	12	3	13	—	—

Notes:

1. Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.
2. Policy amounts for individual annuities and asset-formation annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.
3. Amount for asset-formation insurance is the amount of the first premium payment.
4. Educational endowment insurance (H24) includes educational endowment insurance (H24) (without premium protection agreement).

(4) Policies in Force by Product

(Number of policies, millions of yen)

As of March 31	2014		2015		2016	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	11,668,254	¥33,735,661	13,539,479	¥39,159,046	15,350,407	¥44,406,257
Ordinary whole life insurance	1,688,020	5,684,650	1,899,469	6,383,252	2,194,077	7,241,490
Fixed amount type	368,198	925,012	440,434	1,120,353	612,244	1,534,396
Increased amount type	1,319,822	4,759,638	1,459,035	5,262,898	1,581,833	5,707,093
Special whole life insurance	1,094,695	3,448,724	1,357,312	4,376,825	1,590,936	5,237,290
Whole life insurance with nursing care benefit	134	401	129	379	125	364
Ordinary term insurance	3,492	14,883	3,662	15,662	3,661	16,037
Ordinary endowment insurance	4,987,377	12,483,847	5,544,136	13,917,569	6,218,219	15,677,004
Special endowment insurance	2,495,667	10,123,843	2,723,853	11,003,909	2,909,065	11,676,158
Designated endowment insurance	77,884	128,732	71,809	128,600	67,638	124,761
Educational endowment insurance	1,224,533	1,700,681	1,183,928	1,784,974	1,150,421	1,857,689
Educational endowment insurance with scholarship annuity	95,945	147,778	93,014	155,717	90,494	161,289
Educational endowment insurance (H24)	—	—	661,691	1,390,168	1,125,323	2,412,328
Husband-and-wife insurance	80	196	75	183	73	175
Whole life insurance with whole life annuity	426	1,917	400	1,799	374	1,665
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3	1	3
Individual annuities	1,194,072	¥ 3,443,863	1,318,287	¥ 3,615,908	1,367,445	¥ 3,476,492
Immediate whole life annuity	1,041	4,819	1,034	4,528	1,030	4,294
Deferred whole life annuity	11,233	90,188	10,827	86,320	10,494	83,196
Whole life annuity with additional nursing annuity	5	51	5	51	5	51
Immediate term annuity	358,219	790,194	383,967	765,755	394,959	684,684
Deferred term annuity	823,562	2,558,528	922,442	2,759,172	960,945	2,704,185
Immediate husband-and-wife annuity	2	7	2	6	2	6
Deferred husband-and-wife annuity	10	72	10	72	10	72
Asset-formation insurance	258	¥ 217	216	¥ 175	168	¥ 136
Asset-formation savings insurance	247	209	208	165	161	126
Asset-formation housing funding insurance	11	7	8	10	7	9
Asset-formation annuities	10	¥ 42	12	¥ 51	12	¥ 51
Asset-formation whole life annuity	10	42	12	51	12	51

Notes:

- Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.
- Policy amounts for individual annuities and asset-formation annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Amount for asset-formation insurance is the amount of policy reserves.
- Educational endowment insurance (H24) includes educational endowment insurance (H24) (without premium protection agreement).

(5) Policies in Force by Benefit Type

(Millions of yen)

As of March 31			Policy amount in force		
			2014	2015	2016
Death benefit	General death	Individual insurance	¥ 33,735,661	¥ 37,768,877	¥ 41,993,929
		Individual annuities	—	—	—
		Group insurance	—	—	—
		Group annuities	—	—	—
		Net, including others	93,556,044	88,291,510	84,007,365
	Accidental death	Individual insurance	[40,373,430]	[46,526,034]	[51,394,045]
		Individual annuities	[14,952]	[15,447]	[15,113]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[140,859,570]	[132,584,532]	[124,324,080]
	Other conditional death	Individual insurance	[—]	[—]	[—]
		Individual annuities	[—]	[—]	[—]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[—]	[—]	[—]
Survival benefit	Maturity/living benefits	Individual insurance	—	1,390,168	2,412,328
		Individual annuities	1,399,386	1,433,551	1,286,840
		Group insurance	—	—	—
		Group annuities	—	—	—
		Net, including others	4,745,182	5,717,790	6,229,815
	Annuities	Individual insurance	[22,774]	[22,062]	[21,450]
		Individual annuities	[423,765]	[470,687]	[488,335]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[1,890,380]	[1,725,640]	[1,564,838]
	Others	Individual insurance	—	—	—
		Individual annuities	2,044,477	2,182,357	2,189,651
		Group insurance	—	—	—
		Group annuities	—	—	—
		Net, including others	12,081,083	11,927,372	11,692,836
Hospitalization benefit	Hospitalization due to accident	Individual insurance	[38,507]	[42,604]	[46,427]
		Individual annuities	[36]	[37]	[36]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[121,598]	[114,039]	[107,383]
	Hospitalization due to illness	Individual insurance	[37,833]	[41,924]	[45,750]
		Individual annuities	[8]	[9]	[8]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[120,237]	[112,858]	[106,359]
	Other conditional hospitalization	Individual insurance	[6,316]	[7,003]	[7,644]
		Individual annuities	[5]	[6]	[5]
		Group insurance	[—]	[—]	[—]
		Group annuities	[—]	[—]	[—]
		Net, including others	[14,033]	[13,543]	[13,129]

Notes:

1. Values within brackets "[]" are supplementary benefits of the basic policy and rider benefits.
2. Amounts for individual annuities in the maturity/living benefits column in survival benefit are the accumulated contribution payments as of the date of annuity payment commencement for the annuity before payments commence.
3. Amounts of annuities in survival benefit are the amounts of annuities to be paid annually.
4. Amounts of others in survival benefit are the amounts of policy reserves for individual annuities (the annuity after payments have commenced).
5. Amounts for hospitalization benefits are the amounts of daily hospitalization benefits.

(Number of policies)

As of March 31		Number of policies in force		
		2014	2015	2016
Disability benefit	Individual insurance	[8,581,023]	[9,451,508]	[10,199,136]
	Individual annuities	[4,041]	[4,181]	[4,091]
	Group insurance	[-]	[-]	[-]
	Group annuities	[-]	[-]	[-]
	Net, including others	[29,200,037]	[27,208,821]	[25,383,257]
Surgery benefit	Individual insurance	[9,246,191]	[10,343,759]	[11,485,819]
	Individual annuities	[6,511]	[6,755]	[6,606]
	Group insurance	[-]	[-]	[-]
	Group annuities	[-]	[-]	[-]
	Net, including others	[29,521,468]	[27,826,182]	[26,468,796]

Note: Values within brackets "[]" are supplementary benefits of the basic policy and rider benefits.

(6) Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

As of March 31		2014	2015	2016
Death protection insurance	Whole life insurance	¥ 9,133,776	¥ 10,760,457	¥ 12,479,144
	Whole life insurance with term rider	—	—	—
	Term insurance	14,883	15,662	16,037
	Net, including others	9,150,580	10,777,922	12,496,850
Mixed insurance	Endowment insurance	22,736,423	25,050,079	27,477,924
	Endowment insurance with term rider	—	—	—
	Net, including others	24,585,080	26,990,955	29,497,078
Pure endowment insurance		—	1,390,168	2,412,328
Annuities	Individual annuities	3,443,863	3,615,908	3,476,492
Accident/illness riders	Accident rider	23,845,990	26,207,252	28,171,519
	Nursing care rider	265	243	232
	Accident hospitalization rider	46	42	38
	Illness hospitalization rider	1	1	1
	Illness and accident hospitalization rider	1,788	1,711	1,645
	Non-participating accident hospitalization rider	655	666	666
	Non-participating illness and accident hospitalization rider	36,052	40,221	44,112

Notes:

1. Policy amounts for individual annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
2. Amounts for hospitalization riders are the amounts of daily hospitalization benefits.

(7) Trend of Changes in Policies

1) Individual Insurance

(Number of policies, millions of yen, %)

For the years ended March 31	2014		2015		2016	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
At the beginning of the fiscal year	9,871,863	¥ 28,480,738	11,668,254	¥ 33,735,661	13,539,479	¥ 39,159,046
New policies	2,233,907	6,559,803	2,381,977	7,002,593	2,397,286	7,168,485
Renewals	—	—	—	—	—	—
Reinstatements	9,134	24,010	10,739	29,138	11,025	30,100
Increase in coverage amount	[3]	0	[—]	—	[2]	0
Increase by conversion	—	—	—	—	—	—
Death	12,454	31,218	15,839	39,277	19,350	47,668
Maturity	2,217	2,499	4,733	5,913	6,907	8,794
Decrease in coverage amount	[43,414]	139,138	[58,691]	182,528	[74,484]	227,725
Decrease by conversion	—	—	—	—	—	—
Surrender	365,007	1,157,886	424,434	1,353,923	490,707	1,592,068
Lapse	65,075	193,955	74,557	220,088	75,747	223,992
Decrease by other changes	1,897	(195,808)	1,928	(193,385)	4,672	(148,873)
At the end of the fiscal year	11,668,254	33,735,661	13,539,479	39,159,046	15,350,407	44,406,257
[Increase ratio]	[18.2 %]	[18.5 %]	[16.0 %]	[16.1 %]	[13.4 %]	[13.4 %]
Net increase	1,796,391	5,254,922	1,871,225	5,423,385	1,810,928	5,247,211
[Increase ratio]	[(3.1)%]	[(3.4)%]	[4.2 %]	[3.2 %]	[(3.2)%]	[(3.2)%]

Notes:

- The policy amounts are the total of policy amounts for the main part of death protection insurance, mixed insurance and pure endowment insurance.
- Number of policies for increase in coverage amount and decrease in coverage amount is not included in "at the end of the fiscal year" or in "net increase."
- Policy amount for increase in coverage amount includes the amount of policy amount increase agreements, similar type policy amount increase agreements, policy term extension agreements and payment period extension agreements.

2) Individual Annuities

(Number of policies, millions of yen, %)

For the years ended March 31	2014		2015		2016	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
At the beginning of the fiscal year	1,058,046	¥ 3,194,646	1,194,072	¥ 3,443,863	1,318,287	¥ 3,615,908
New policies	148,824	524,095	137,965	493,582	63,542	219,721
Reinstatements	62	233	87	370	93	383
Increase by conversion	—	—	—	—	—	—
Death	4,201	11,376	5,183	13,072	5,987	13,968
Full payment	—	—	—	—	—	—
Decrease in coverage amount	[205]	719	[251]	802	[254]	807
Decrease by conversion	—	—	—	—	—	—
Surrender	8,220	27,155	8,145	27,139	8,009	25,903
Lapse	359	1,261	414	1,509	411	1,575
Decrease by other changes	80	234,598	95	279,384	70	317,267
At the end of the fiscal year	1,194,072	3,443,863	1,318,287	3,615,908	1,367,445	3,476,492
[Increase ratio]	[12.9 %]	[7.8 %]	[10.4 %]	[5.0 %]	[3.7 %]	[(3.9)%]
Net increase	136,026	249,216	124,215	172,045	49,158	(139,416)
[Increase ratio]	[(20.3)%]	[(39.7)%]	[(8.7)%]	[(31.0)%]	[(60.4)%]	[(181.0)%]

Notes:

- Policy amounts for individual annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Number of policies for decrease in coverage amount is not included in "at the end of the fiscal year" or in "net increase."

3) Group Insurance

Not applicable.

4) Group Annuities

Not applicable.

(8) Embedded Value (“EV”)

The Company has been disclosing EV calculated on the basis of the European Embedded Value Principles (“EEV Principles”) since the end of the year ended March 31, 2013.

Notes:

1. The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurance companies, in order to improve consistency and transparency in EV calculation and reporting.
2. The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that users exercise caution.

1) EV Results

(Billions of yen)

As of March 31	2015 (Revised (Note 1))	2016	
			Increase (Decrease)
EV	¥ 3,501.3	¥ 2,718.3	¥ (782.9)
Adjusted net worth	1,739.6	1,894.3	154.6
Total net assets on the balance sheet (Note 2)	1,412.0	1,472.4	60.3
Reserve for price fluctuations (Note 3)	85.3	146.4	61.1
Contingency reserve (Note 3)	315.8	363.1	47.3
Others (Note 4)	59.3	76.4	17.1
Tax effect on the above	(132.8)	(164.1)	(31.2)
Value of in-force covered business	1,761.6	824.0	(937.6)
Certainty equivalent present value of future profits	2,137.2	1,559.7	(577.5)
Time value of financial options and guarantees	(292.7)	(567.1)	(274.4)
Cost of holding required capital	(0.1)	(0.0)	0.1
Allowance for non-financial risk	(82.7)	(168.5)	(85.7)

For the year ended March 31	2015	2016	
			Increase (Decrease)
Value of new business	¥ 134.2	¥ 118.2	¥ (15.9)
Certainty equivalent present value of future profits	172.3	179.2	6.9
Time value of financial options and guarantees	(31.0)	(51.4)	(20.3)
Cost of holding required capital	(3.2)	(3.2)	(0.0)
Allowance for non-financial risk	(3.8)	(6.3)	(2.4)

Notes:

1. For the EV as of March 31, 2016, we have revised the allocation of unrealized gains/losses on securities and certain other assets in respect of insurance policies, such that the unrealized gains/losses are included within the VIF rather than the ANW. For consistency, the EV as of March 31, 2015 is revised to reflect equivalent allocation of unrealized gains/losses. For details, please refer to “5) Notes on the Use of Results (ii).”
2. The total net assets are the total net assets as on the consolidated balance sheet, excluding the total amount of accumulated other comprehensive income.
3. Excluding amounts in respect of the Postal Life Insurance policies that are included in the VIF.
4. Unrealized gains/losses on securities, loans, and general reserve for possible loan losses (excluding those related to insurance policies) and unfunded retirement benefit obligations (unrecognized prior service cost and unrecognized actuarial differences).

2) Movement Analysis

(Billions of yen)

	Adjusted net worth	Value of in-force covered business	EV
Values as of March 31, 2015	¥ 2,975.5	¥ 525.8	¥ 3,501.3
(1) Change in allocation of unrealized gains/losses between ANW and VIF	(1,235.8)	1,235.8	—
Values as of March 31, 2015 (Revised)	¥ 1,739.6	¥ 1,761.6	¥ 3,501.3
(2) Opening adjustments	(24.5)	—	(24.5)
Values as of March 31, 2015 after adjustment	1,715.1	1,761.6	3,476.7
(3) Value of new business	—	118.2	118.2
(4) Expected existing business contribution (risk-free rate)	0.3	54.4	54.8
(5) Expected existing business contribution (in excess of risk-free rate)	0.6	22.6	23.2
(6) Expected transfer from value of in-force covered business to adjusted net worth	139.9	(139.9)	—
On in-force at the beginning of the fiscal year	171.0	(171.0)	—
On new business	(31.0)	31.0	—
(7) Non-economic experience variances	12.0	1.3	13.3
(8) Non-economic assumption changes	(2.4)	8.9	6.5
(9) Economic variances	28.5	(1,003.2)	(974.7)
Values as of March 31, 2016	¥ 1,894.3	¥ 824.0	¥ 2,718.3

3) Sensitivities

(Billions of yen)

Assumptions		EV		Value of new business	
			Change in EV		Change in value of new business
Base Scenario	March 31, 2016	¥ 2,718.3	¥ —	¥ 118.2	¥ —
Sensitivity 1	50bp increase in risk-free rate	3,369.9	651.6	205.2	87.0
Sensitivity 2	50bp decrease in risk-free rate	1,850.4	(867.9)	49.5	(68.6)
Sensitivity 3	10% decrease in equity and real estate value	2,644.6	(73.7)	118.2	—
Sensitivity 4	10% decrease in maintenance expenses	2,908.7	190.3	138.7	20.4
Sensitivity 5	10% decrease in surrender and lapse rates	2,713.1	(5.2)	126.7	8.4
Sensitivity 6	5% decrease in claim incidence rates for life business	2,841.2	122.8	126.0	7.8
Sensitivity 7	5% decrease in claim incidence rates for annuity business	2,516.9	(201.4)	118.3	0.0
Sensitivity 8	Change the required capital to statutory minimum	2,718.3	0.0	120.6	2.3
Sensitivity 9	25% increase in implied volatilities of equity and real estate values	2,660.7	(57.5)	117.3	(0.8)
Sensitivity 10	25% increase in implied volatilities of swaptions	2,513.6	(204.6)	98.4	(19.8)

4) Main EV Assumptions

(i) Economic Assumptions

Based on the assets held by the Company, the risk-free rates for use in the certainty equivalent calculation have been determined based on Japanese government bonds as at the valuation date.

The table at right shows, for selected terms, the risk-free rates (converted to spot rates) used for the calculation. The Company assumed that the forward rates for terms longer than 40 years were the same as the 40 year forward rate.

Term (Years)	For calculation of the value of in-force covered business		For calculation of the value of new business	
	March 31, 2015	March 31, 2016	September 30, 2014	September 30, 2015
1	0.030%	(0.154)%	0.065%	0.010%
2	0.037%	(0.206)%	0.078%	0.015%
3	0.057%	(0.229)%	0.093%	0.018%
4	0.093%	(0.205)%	0.122%	0.037%
5	0.131%	(0.190)%	0.167%	0.062%
10	0.402%	(0.048)%	0.529%	0.352%
15	0.817%	0.209%	1.001%	0.785%
20	1.198%	0.454%	1.441%	1.203%
25	1.406%	0.601%	1.678%	1.430%
30	1.450%	0.571%	1.749%	1.497%
40	1.581%	0.683%	1.890%	1.631%

Source: Analysis of Ministry of Finance data

(ii) Non-Economic Assumptions

All cash flows (premiums, expenses, claims and benefits, cash surrender values, taxes, etc.) are projected applying the best estimate assumptions up to the termination of the policies. Best estimate assumptions are specified by product group, considering recent experience and expected future prospects.

5) Notes on the Use of Results

- (i) As the profits arising from the release of the contingency reserve and reserve for price fluctuations related to the Postal Life Insurance policies form a part of the reinsurance dividend paid to the Management Organization, the EV calculations take into consideration the profits net of this reinsurance dividend. Therefore, the contingency reserve and reserve for price fluctuations related to these policies are included in the VIF, rather than the ANW, as it is assumed that these reserves will be released in the future.
- (ii) For the EV as of March 31, 2016, the Company has revised the allocation of unrealized gains/losses on securities and certain other assets in respect of insurance policies underwritten after postal service privatization on October 1, 2007, such that the unrealized gains/losses are included within the VIF rather than the ANW. For consistency, the EV as of March 31, 2015 is revised to reflect the equivalent allocation of unrealized gains and losses. Both before and after the revision, the VIF is calculated considering statutory accounting and our dividend policy, such that unrealized gains/losses on assets in respect of insurance policies are a source of earnings which affect policyholder dividends. As a result, the total EV is unchanged by the revision. Unrealized gains on assets in respect of Postal Life Insurance policies were already considered in the VIF, rather than in ANW, and are unaffected by the change.
- (iii) The Company requested an independent actuarial firm to review the assumptions and the calculation of the Company's EV results and obtained a written opinion verifying the validity. For further details of this written opinion and the Company's EV, please refer to the Company's website (http://www.jp-life.japanpost.jp/en/news/2016/en_news_id000040.html).

6) (Reference) EV based on the ultimate forward rate

The EVs measured by using the ultimate forward rate as of March 31, 2015 and March 31, 2016 were ¥3,613.7 billion and ¥3,151.0 billion, respectively and the values of new business for the year ended March 31, 2015 and the year ended March 31, 2016 were ¥154.9 billion and ¥143.5 billion, respectively. For details, please see our website (http://www.jp-life.japanpost.jp/en/news/2016/en_news_id000043.html).

Note: The risk-free rate is an important assumption for the valuation of life insurance liabilities. Regarding the level of interest rates at longer durations, for which sufficiently liquid markets and reliable data are not available, we take an approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods instead of by the previous method of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

5-3 Insurance Policy Indicators

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2014				2015				2016			
	Number of policies		Policy amount		Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	11,668,254	18.2%	¥ 33,735,661	18.5%	13,539,479	16.0%	¥ 39,159,046	16.1%	15,350,407	13.4%	¥ 44,406,257	13.4%
Death protection insurance	2,786,768	25.0	9,150,580	24.8	3,260,973	17.0	10,777,922	17.8	3,789,174	16.2	12,496,850	15.9
Mixed insurance	8,881,486	16.2	24,585,080	16.2	9,616,815	8.3	26,990,955	9.8	10,435,910	8.5	29,497,078	9.3
Pure endowment insurance	—	—	—	—	661,691	—	1,390,168	—	1,125,323	70.1	2,412,328	73.5
Individual annuities	1,194,072	12.9	3,443,863	7.8	1,318,287	10.4	3,615,908	5.0	1,367,445	3.7	3,476,492	(3.9)
Group insurance	—	—	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—	—	—
Asset-formation insurance	258	(7.5)	217	2.6	216	(16.3)	175	(19.4)	168	(22.2)	136	(22.3)
Asset-formation annuities	10	42.9	42	40.6	12	20.0	51	20.9	12	0.0	51	0.0

Notes:

- Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.
- Policy amounts for individual annuities and asset-formation annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Amount for asset-formation insurance is the amount of policy reserves.

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2014				2015				2016			
	Number of policies		Policy amount		Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	2,233,907	1.2%	¥ 6,559,803	0.7%	2,381,977	6.6%	¥ 7,002,593	6.8%	2,397,286	0.6%	¥ 7,168,485	2.4%
Death protection insurance	657,231	19.4	2,180,936	18.0	591,277	(10.0)	2,055,726	(5.7)	662,935	12.1	2,227,279	8.3
Mixed insurance	1,576,676	(4.9)	4,378,867	(6.2)	1,123,834	(28.7)	3,547,189	(19.0)	1,253,324	11.5	3,884,648	9.5
Pure endowment insurance	—	—	—	—	666,866	—	1,399,677	—	481,027	(27.9)	1,056,557	(24.5)
Individual annuities	148,824	(18.2)	524,095	(17.3)	137,965	(7.3)	493,582	(5.8)	63,542	(53.9)	219,721	(55.5)
Group insurance	—	—	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—	—	—
Asset-formation insurance	34	(27.7)	0	(34.7)	26	(23.5)	0	(24.8)	20	(23.1)	0	(18.8)
Asset-formation annuities	3	200.0	12	177.5	3	0.0	13	5.3	—	(100.0)	—	(100.0)

Notes:

- Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.
- Policy amounts for individual annuities and asset-formation annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- Amount for asset-formation insurance is the amount of the first premium payment.

(2) Average Policy Amount of New Policies and Policies in Force (individual insurance)

(Thousands of yen)

Items	New Policies			Policies in Force		
	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016	As of March 31, 2014	As of March 31, 2015	As of March 31, 2016
Individual insurance	¥ 2,936	¥ 2,939	¥ 2,990	¥ 2,891	¥ 2,892	¥ 2,892
Death protection insurance	3,318	3,476	3,359	3,283	3,305	3,298
Mixed insurance	2,777	3,156	3,099	2,768	2,806	2,826
Pure endowment insurance	—	2,098	2,196	—	2,100	2,143

(3) Ratio of New Policies (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2014	2015	2016
Individual insurance	23.0%	20.8%	18.3%
Individual annuities	16.4	14.3	6.1
Group insurance	—	—	—

Note: This refers to the ratio of the policy amount of new policies against the policy amount in force at the beginning of fiscal year.

(4) Ratio of Surrender and Lapse (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2014	2015	2016
Individual insurance	5.2%	5.1%	5.1%
Individual annuities	1.5	1.5	1.4
Group insurance	—	—	—

Notes:

- Ratio of surrender and lapse is calculated based on the policy amount associated with surrenders and lapses as modified by decrease or increase in policy amount, as well as the amount of the policy reinstatement.
- Ratio of surrender and lapse for individual annuities is based on the annuity before payments commence.

(5) Average Premium for New Policies of Individual Insurance (monthly payment agreement)

(Yen)

For the years ended March 31	2014	2015	2016
Individual insurance	¥ 230,040	¥ 242,088	¥ 259,071

Note: These are annual premiums for the policies involving monthly payment agreement.

(6) Mortality Rates (basic policies in individual insurance)

(‰)

For the years ended March 31	2014	2015	2016
In terms of number of policies	1.16‰	1.26‰	1.34‰
In terms of policy amount	1.00	1.08	1.14

Notes:

- Mortality rates are calculated by dividing the number of/policy amount for policies filing death claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing death claim) ÷ 2

(7) Ratio of Riders Filing Claim (individual insurance)

(‰)

For the years ended March 31		2014	2015	2016
Accident death benefit	In terms of number of policies	0.08‰	0.09‰	0.10‰
	In terms of policy amount	0.07	0.07	0.08
Disability benefit	In terms of number of policies	0.12	0.14	0.15
	In terms of policy amount	0.04	0.04	0.05
Accident hospitalization benefit	In terms of number of policies	3.40	3.94	4.28
	In terms of policy amount	0.12	0.13	0.13
Illness hospitalization benefit	In terms of number of policies	32.40	34.78	37.52
	In terms of policy amount	0.68	0.72	0.78
Accident surgery benefit	In terms of number of policies	2.48	2.68	2.80
	In terms of policy amount	0.04	0.04	0.05
Illness surgery benefit	In terms of number of policies	19.60	21.13	22.77
	In terms of policy amount	0.50	0.54	0.57
Accident outpatient benefit	In terms of number of policies	0.36	0.37	0.41
	In terms of policy amount	0.00	0.00	0.01
Illness outpatient benefit	In terms of number of policies	1.30	1.28	1.42
	In terms of policy amount	0.02	0.02	0.02
Nursing care benefit	In terms of number of policies	0.00	0.00	0.00
	In terms of policy amount	0.00	0.00	0.00
Accident long-term hospitalization benefit	In terms of number of policies	0.08	0.08	0.09
	In terms of policy amount	0.00	0.00	0.00
Illness long-term hospitalization benefit	In terms of number of policies	0.63	0.70	0.75
	In terms of policy amount	0.02	0.02	0.02

Notes:

- Ratio of the number of/policy amount for riders filing claim is calculated by dividing the number of/policy amount for riders filing claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:

$$(\text{Number of/policy amount for policies in force at the beginning of fiscal year} + \text{number of/policy amount for policies in force at the end of fiscal year} + \text{the number of/policy amount for policies filing full-paid rider claim}) \div 2$$

(8) Ratio of Operating Expenses (against premium revenues)

(%)

For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016
8.68	8.61	9.93

(9) In the Cases Where Insurance Policies are Reinsured, Number of Principal Insurance Companies Accepting Reinsurance

(Number of companies)

For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016
1	1	3

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(10) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid to the Top Five Reinsurers in Terms of the Volume of Reinsurance Premiums Paid, Against Reinsurance Premiums Paid to All Reinsurers Accepting Reinsurance

(%)

For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016
100.0%	100.0%	100.0%

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(11) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid, of Each Group of Principal Reinsurers Accepting Reinsurance, Where the Grouping is Done Based on Ratings by a Rating Agency

(%)

Category of credit ratings	For the year ended March 31, 2014	For the year ended March 31, 2015	For the year ended March 31, 2016
A or superior	100.0%	100.0%	100.0%
BBB or superior	—	—	—
Other	—	—	—

Notes:

1. The above ratings are based on the ratings provided by Standard & Poor's at each fiscal year-end, where "A or superior" represents A- or superior, while "BBB or superior" represents the range from BBB- to less than A-.
2. This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(12) Amount of Reinsurance Proceeds Yet to be Recovered

(Millions of yen)

As of March 31, 2014	As of March 31, 2015	As of March 31, 2016
¥ 232	¥ 627	¥ 1,177

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance

(%)

For the years ended March 31	2014	2015	2016
Claim-filing ratio in third-sector insurance	44.9%	42.6%	42.5%
Medical (Illness)	34.3	33.1	33.0
Cancer	—	—	—
Nursing care	30.7	49.7	42.2
Other	96.3	92.0	93.0

5-4 Accounting Data

(1) Reserve for Outstanding Claims

(Millions of yen)

As of March 31		2014	2015	2016
Insurance claims	Death benefits	¥ 12,286	¥ 14,602	¥ 9,975
	Accidental benefits	1,667	1,786	1,602
	Serious disability benefits	277	424	298
	Maturity benefits	229	437	560
	Other	790,774	670,870	587,905
	Subtotal	805,235	688,122	600,342
Annuity payments		4,702	4,486	4,916
Benefits		10,878	12,483	13,886
Surrender benefits		10,549	10,916	13,596
Deferred insurance benefits payment		—	—	—
Net, including other reserve for outstanding claims		831,690	718,156	635,167

(2) Policy Reserves

(Millions of yen)

As of March 31		2014	2015	2016
Policy reserves [excluding contingency reserve]	Individual insurance	¥ 13,988,727	¥ 17,002,000	¥ 19,917,093
	[General account]	[13,988,727]	[17,002,000]	[19,917,093]
	[Separate account]	[—]	[—]	[—]
	Individual annuities	3,288,109	3,454,976	3,358,246
	[General account]	[3,288,109]	[3,454,976]	[3,358,246]
	[Separate account]	[—]	[—]	[—]
	Group insurance	—	—	—
	[General account]	[—]	[—]	[—]
	[Separate account]	[—]	[—]	[—]
	Group annuities	—	—	—
	[General account]	[—]	[—]	[—]
	[Separate account]	[—]	[—]	[—]
	Other	57,879,855	52,156,913	46,712,315
	[General account]	[57,879,855]	[52,156,913]	[46,712,315]
	[Separate account]	[—]	[—]	[—]
Subtotal		75,156,691	72,613,890	69,987,656
	[General account]	[75,156,691]	[72,613,890]	[69,987,656]
	[Separate account]	[—]	[—]	[—]
Contingency reserve		2,588,798	2,498,711	2,374,846
Total		77,745,490	75,112,601	72,362,503
[General account]		[77,745,490]	[75,112,601]	[72,362,503]
[Separate account]		[—]	[—]	[—]

Note: Other includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

(3) Balance of Policy Reserves

(Millions of yen)

	Insurance premium reserves	Unearned premiums	Reserve for refunds	Contingency reserve	Total
As of March 31, 2014	¥ 63,668,814	¥ 11,487,877	¥ —	¥ 2,588,798	¥ 77,745,490
As of March 31, 2015	60,938,274	11,675,615	—	2,498,711	75,112,601
As of March 31, 2016	58,405,526	11,582,129	—	2,374,846	72,362,503

(4) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves in Individual Insurance and Individual Annuities (by contract year)

1) Reserving Method and Reserve Ratio for Policy Reserves

As of March 31		2014	2015	2016
Reserving method	Contracts subject to the standard policy reserves	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)
	Contracts outside the scope of the standard policy reserves	—	—	—
Reserve ratio (excluding contingency reserve)		100.0%	100.0%	100.0%

Notes:

- Individual insurance and individual annuities are subject to the reserving method and the reserve ratio. Asset-formation insurance, asset-formation annuities and reinsurance contracts from the Management Organization are not included here, while they are computed based on the net level premium method.
- Reserve ratios here are the ratios against insurance premium reserves and unearned premiums as calculated by the method prescribed by the public notification No. 48 issued by the Ministry of Finance in 1996.

2) Balance of Policy Reserves (by contract year)

(Millions of yen)

Contract year	Balance of policy reserves	Assumed rates of return
For the years ended March 31, 2008 to 2011	¥ 9,176,135	1.00%-1.50%
For the year ended March 31, 2012	3,020,511	0.80%-1.50%
For the year ended March 31, 2013	3,011,922	0.70%-1.50%
For the year ended March 31, 2014	2,852,618	0.70%-1.00%
For the year ended March 31, 2015	2,958,775	0.55%-1.00%
For the year ended March 31, 2016	2,255,377	0.50%-1.00%

Notes:

- Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).
- Assumed rates of return here refer to the main assumed rates of return applicable to policy reserves by contract year.

(5) Balance of Policy Reserves in General Account Associated with Insurance Policies Involving a Separate Account with a Guarantee for Minimum Insurance Claims and Others, Their Calculation Methods and the Multiplier Used in Such Calculation

Not applicable as of March 31, 2014, 2015 and 2016.

(6) Rationality and Adequacy of the Confirmation under Article 121, Paragraph 1, Item 1 of the Insurance Business Act (limited to the confirmation pertaining to third-sector insurance)

1) Principles for Ensuring Appropriateness of Reserving Practice for Policy Reserves in Third-sector Insurance

We carry out the liability adequacy test and stress test as required by laws and regulations in order to ensure a sufficient level of policy reserves.

The scope of the stress test includes the applicable products of Postal Life Insurance.

2) Rationality and Adequacy of Risk Frequency and Others Assumed for the Purpose of the Liability Adequacy Test and Stress Test

For the purpose of assuming the risk frequency, we calculate the occurrence ratio that covers the fluctuations of payment of hospitalization benefits and others with a certain probability (99% and 97.7%) during the next 10 years, based on the historical actual payment of hospitalization benefits and others.

3) Results of the Liability Adequacy Test and Stress Test

We have verified as a result of the stress test that there is no need for an additional provision of contingency reserve or policy reserves in the third-sector insurance, as the expected occurrence ratio we assumed beforehand adequately covers the risks expected to materialize in the future.

(7) Reserve for Policyholder Dividends

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance Asset-formation annuities	Other insurance	Total
For the year ended March 31, 2014							
Balance at the beginning of the fiscal year	¥ 37,081	¥ 918	¥ –	¥ –	¥ –	¥ 2,358,946	¥ 2,396,947
Interest accrual	106	2	–	–	–	4,518	4,627
Reduction due to policyholder dividends paid	996	10	–	–	–	419,516	420,523
Reduction due to the acquisition of additional annuity	–	2	–	–	–	436	438
Provision for reserve for policyholder dividends	18,925	408	–	–	–	222,812	242,146
Balance at the end of the fiscal year	55,117	1,317	–	–	–	2,166,325	2,222,759
	[35,563]	[901]	[–]	[–]	[–]	[–]	[36,464]
For the year ended March 31, 2015							
Balance at the beginning of the fiscal year	55,117	1,317	–	–	–	2,166,325	2,222,759
Interest accrual	179	4	–	–	–	1,313	1,497
Reduction due to policyholder dividends paid	1,788	17	–	–	–	347,881	349,687
Reduction due to the acquisition of additional annuity	–	3	–	–	–	369	372
Provision for reserve for policyholder dividends	10,361	(3)	–	–	–	190,363	200,722
Balance at the end of the fiscal year	63,869	1,297	–	–	–	2,009,752	2,074,919
	[52,991]	[1,295]	[–]	[–]	[–]	[–]	[54,287]
For the year ended March 31, 2016							
Balance at the beginning of the fiscal year	63,869	1,297	–	–	–	2,009,752	2,074,919
Interest accrual	129	3	–	–	–	–	132
Reduction due to policyholder dividends paid	2,395	18	–	–	–	313,832	316,246
Reduction due to the acquisition of additional annuity	–	2	–	–	–	313	315
Provision for reserve for policyholder dividends	7,544	0	–	–	–	170,458	178,004
Balance at the end of the fiscal year	69,148	1,280	–	–	–	1,866,065	1,936,494
	[61,238]	[1,279]	[–]	[–]	[–]	[–]	[62,518]

Note: Figures within brackets “[]” are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Organization (¥2,166,325 million for the year ended March 31, 2014, ¥2,009,752 million for the year ended March 31, 2015 and ¥1,866,065 million for the year ended March 31, 2016) is scheduled to be distributed/paid to the Management Organization, based on the reinsurance contract.

(8) Reserves

(Millions of yen)

For the years ended March 31		2014			2015			2016		
		Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year
Reserve for Possible Loan Losses	General reserve for possible loan losses	¥ 83	¥ 91	¥ 8	¥ 91	¥ 77	¥ (14)	¥ 77	¥ 71	¥ (6)
	Specific reserve for possible loan losses	1,012	944	(68)	944	865	(78)	865	701	(164)
	Reserve for specific foreign loans	—	—	—	—	—	—	—	—	—
Reserve for possible claim payments		7,003	1,881	(5,122)	1,881	—	(1,881)	—	—	—
Reserve for employees' retirement benefits		58,331	59,385	1,053	64,489	65,645	1,156	65,645	66,675	1,030
Reserve for directors' retirement benefits		164	0	(164)	—	—	—	—	—	—
Reserve for price fluctuations		522,872	614,233	91,360	614,233	712,167	97,934	712,167	782,268	70,100

Note: Reason for reserving and its calculation method are omitted here as they are stated in the notes to non-consolidated financial statements.

(9) Provision for Reserve for Specific Foreign Loans

Not applicable for the years ended March 31, 2014, 2015 and 2016.

(10) Capital Stock, etc.

(Millions of yen)

		Balance at the beginning of the year ended March 31, 2016	Increase in the fiscal year	Decrease in the fiscal year	Balance at the end of the year ended March 31, 2016	Remarks
Capital stock		¥ 500,000	¥ —	¥ —	¥ 500,000	
Of which shares issued	[Common stock]	[20,000 thousand shares]	[580,000 thousand shares]	—	[600,000 thousand shares]	(Notes 1 and 2)
		500,000	—	—	500,000	
	Total	500,000	—	—	500,000	
Capital surplus	[Legal capital surplus]	405,044	—	—	405,044	
	[Other capital surplus]	95,000	—	—	95,000	
	Total	500,044	—	—	500,044	

Notes:

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

(11) Premiums

(Millions of yen)

For the year ended March 31	2014	2015	2016
Individual insurance	¥ 3,231,507	¥ 3,771,275	¥ 3,827,844
(Lump-sum payment)	—	—	—
(Annual payment)	—	—	—
(Semi-annual payment)	—	—	—
(Monthly payment)	3,231,507	3,771,275	3,827,844
Individual annuities	524,287	486,361	259,398
(Lump-sum payment)	386,491	321,477	226,117
(Annual payment)	—	—	—
(Semi-annual payment)	—	—	—
(Monthly payment)	137,796	164,883	33,281
Group insurance	—	—	—
Group annuities	—	—	—
Net, including other premiums	5,911,269	5,954,839	5,409,598

Note: Net, including other premiums includes asset-formation insurance, asset-formation annuities and reinsurance.

• Premiums by Income Year

(Millions of yen)

For the year ended March 31		2014	2015	2016
Individual insurance	First-year premiums	¥ 902,119	¥ 908,172	¥ 793,045
	Premiums for the following years	2,853,675	3,349,464	3,294,197
Individual annuities	Subtotal	3,755,795	4,257,637	4,087,242
Group insurance	First-year premiums	—	—	—
	Premiums for the following years	—	—	—
Group annuities	Subtotal	—	—	—
Net, including other premiums	First-year premiums	902,127	908,178	793,050
	Premiums for the following years	5,009,141	5,046,661	4,616,548
	Total	5,911,269	5,954,839	5,409,598

Note: Net, including other premiums includes asset-formation insurance, asset-formation annuities and reinsurance.

(12) Insurance Claims

1) Insurance Claims (amounts)

(Millions of yen)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2014						
Individual insurance	¥ 28,225	¥ 2,550	¥ 761	¥ 2,316	¥ –	¥ 33,854
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	46	–	46
Other insurance	–	–	–	–	9,477,426	9,477,426
Total	28,225	2,550	761	2,362	9,477,426	9,511,326
For the year ended March 31, 2015						
Individual insurance	36,089	3,125	775	5,710	–	45,701
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	73	–	73
Other insurance	–	–	–	–	8,208,198	8,208,198
Total	36,089	3,125	775	5,784	8,208,198	8,253,973
For the year ended March 31, 2016						
Individual insurance	44,905	3,636	1,080	8,670	–	58,293
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	66	–	66
Other insurance	–	–	–	–	7,518,791	7,518,791
Total	44,905	3,636	1,080	8,736	7,518,791	7,577,151

Note: Other insurance includes reinsurance.

2) Insurance Claims (number of benefits)

(Number of benefits)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2014						
Individual insurance	11,582	1,163	285	2,046	–	15,076
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	39	–	39
Other insurance	–	–	–	–	25,741,659	25,741,659
Total	11,582	1,163	285	2,085	25,741,659	25,756,774
For the year ended March 31, 2015						
Individual insurance	14,747	1,412	291	4,603	–	21,053
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	42	–	42
Other insurance	–	–	–	–	22,599,566	22,599,566
Total	14,747	1,412	291	4,645	22,599,566	22,620,661
For the year ended March 31, 2016						
Individual insurance	18,342	1,651	420	6,813	–	27,226
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	45	–	45
Other insurance	–	–	–	–	20,119,804	20,119,804
Total	18,342	1,651	420	6,858	20,119,804	20,147,075

Note: Other insurance includes reinsurance.

(13) Annuities

(Millions of yen)

For the year ended March 31, 2014						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 19	¥ 256,726	¥ –	¥ –	¥ –	¥ –	¥ 256,746

For the year ended March 31, 2015						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 29	¥ 304,067	¥ –	¥ –	¥ –	¥ –	¥ 304,096

For the year ended March 31, 2016						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 44	¥ 340,859	¥ –	¥ –	¥ –	¥ –	¥ 340,904

(14) Benefits

1) Benefits (amounts)

(Millions of yen)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2014							
Individual insurance	¥ –	¥ 19,030	¥ 12,646	¥ 892	¥ 877	¥ 457	¥ 33,904
Individual annuities	–	24	8	2	–	0	36
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	–	19,055	12,655	895	877	457	33,941
For the year ended March 31, 2015							
Individual insurance	1	22,782	15,545	1,012	1,606	560	41,509
Individual annuities	–	20	8	–	–	0	29
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	1	22,802	15,553	1,012	1,606	561	41,538
For the year ended March 31, 2016							
Individual insurance	13	26,621	18,131	1,243	2,475	665	49,150
Individual annuities	–	27	10	3	–	0	41
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	13	26,648	18,142	1,246	2,475	666	49,192

2) Benefits (number of benefits)

(Number of benefits)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2014							
Individual insurance	—	305,901	171,122	1,002	5,490	6,481	489,996
Individual annuities	—	131	87	1	—	6	225
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	—	306,032	171,209	1,003	5,490	6,487	490,221
For the year ended March 31, 2015							
Individual insurance	38	372,041	211,756	1,239	8,722	8,004	601,800
Individual annuities	—	150	91	—	—	6	247
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	38	372,191	211,847	1,239	8,722	8,010	602,047
For the year ended March 31, 2016							
Individual insurance	110	441,230	251,830	1,480	12,833	9,498	716,981
Individual annuities	—	176	112	1	—	3	292
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	110	441,406	251,942	1,481	12,833	9,501	717,273

(15) Surrender Benefits

(Millions of yen)

For the year ended March 31, 2014						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 204,209	¥ 16,031	¥ —	¥ —	¥ 23	¥ —	¥ 220,263

For the year ended March 31, 2015						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 274,490	¥ 16,778	¥ —	¥ —	¥ 20	¥ —	¥ 291,290

For the year ended March 31, 2016						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 362,654	¥ 16,188	¥ –	¥ –	¥ 18	¥ –	¥ 378,862

(16) Depreciation and Amortization

(Millions of yen, %)

	Cost	Depreciation and amortization in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Accumulated depreciation percentage
For the year ended March 31, 2014					
Tangible fixed assets	¥ 110,424	¥ 6,103	¥ 63,476	¥ 46,948	57.5
Buildings	49,323	1,889	16,036	33,287	32.5
Leased assets	2,432	364	976	1,456	40.2
Other tangible fixed assets	58,668	3,848	46,463	12,204	79.2
Intangible fixed assets	265,078	28,091	139,038	126,040	52.5
Others	260	22	97	162	37.5
Total	375,764	34,217	202,612	173,152	53.9
For the year ended March 31, 2015					
Tangible fixed assets	117,097	5,750	63,535	53,562	54.3
Buildings	51,541	2,070	17,365	34,176	33.7
Leased assets	3,138	438	1,167	1,970	37.2
Other tangible fixed assets	62,417	3,241	45,001	17,415	72.1
Intangible fixed assets	325,147	29,770	167,566	157,580	51.5
Others	294	31	128	166	43.7
Total	442,539	35,552	231,230	211,308	52.3
For the year ended March 31, 2016					
Tangible fixed assets	134,865	6,672	63,808	71,056	47.3
Buildings	68,688	2,946	19,379	49,308	28.2
Leased assets	2,978	472	1,248	1,730	41.9
Other tangible fixed assets	63,198	3,253	43,181	20,017	68.3
Intangible fixed assets	382,704	30,465	193,835	188,868	50.6
Others	634	61	189	445	29.9
Total	518,204	37,199	257,834	260,370	49.6

Notes:

1. "Buildings" is booked as the sum total of buildings, facilities and structures.
2. "Intangible fixed assets" includes software in progress.

(17) Operating Expenses

(Millions of yen)

For the years ended March 31	2014	2015	2016
Sales activity expenses	¥ 190,508	¥ 182,243	¥ 191,078
Sales administration expenses	13,847	17,147	18,041
General administration expenses	308,690	313,025	327,968
Total	513,046	512,417	537,087

Note: General administration expenses include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥1,636 million for the year ended March 31, 2014, ¥1,636 million for the year ended March 31, 2015, and ¥1,923 million for the year ended March 31, 2016), pursuant to Article 259 of the Insurance Business Act.

(18) Taxes

(Millions of yen)

For the years ended March 31	2014	2015	2016
National taxes	¥ 25,545	¥ 37,213	¥ 37,537
Consumption tax	19,535	30,479	32,941
Special local corporation tax	5,122	5,801	3,820
Stamp duty	801	773	773
Registration license tax	0	156	1
Other national taxes	85	2	0
Local taxes	12,647	17,024	19,359
Local consumption tax	4,883	8,224	8,888
Enterprise tax	6,619	7,504	9,160
Fixed property tax	881	868	1,015
Real estate acquisition tax	—	176	2
Business office tax	247	249	291
Automobile tax	—	—	—
Other local taxes	14	0	0
Total	38,193	54,238	56,896

Note: Fixed property tax includes city planning tax.

(19) Lease Transactions

Lease transactions (as lessee)

[Finance lease transactions without transfer of ownership that apply accounting treatment equivalent to those for operating lease transactions]

Not applicable for the years ended March 31, 2014, 2015 and 2016.

(20) Borrowings by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2014							
Payables under securities lending transactions	¥ 3,703,176	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3,703,176
Total	3,703,176	—	—	—	—	—	3,703,176
As of March 31, 2015							
Payables under securities lending transactions	3,658,492	—	—	—	—	—	3,658,492
Total	3,658,492	—	—	—	—	—	3,658,492
As of March 31, 2016							
Payables under securities lending transactions	3,648,478	—	—	—	—	—	3,648,478
Total	3,648,478	—	—	—	—	—	3,648,478

5-5 Indicators Related to Asset Management (General Account)

(1) Portfolio Trends

Asset Structure, Increase/Decrease in Assets

(Millions of yen, %)

As of March 31	2014			2015			2016		
	Amount	Percentage	Increase/ decrease	Amount	Percentage	Increase/ decrease	Amount	Percentage	Increase/ decrease
Cash, deposits, call loans	¥ 1,893,601	2.2	¥ 965,968	¥ 2,651,397	3.1	¥ 757,796	¥ 2,216,037	2.7	¥ (435,359)
Receivables under resale agreements	–	–	–	–	–	–	–	–	–
Receivables under securities borrowing transactions	2,822,188	3.2	490,901	2,720,856	3.2	(101,332)	3,008,591	3.7	287,734
Monetary claims bought	107,448	0.1	(319,969)	449,068	0.5	341,619	430,150	0.5	(18,918)
Trading account securities	–	–	–	–	–	–	–	–	–
Money held in trust	581,627	0.7	324,795	1,434,943	1.7	853,315	1,644,547	2.0	209,604
Securities	69,378,975	79.7	(3,179,205)	66,277,244	78.1	(3,101,731)	63,610,890	78.0	(2,666,354)
Corporate and government bonds	68,138,527	78.2	(3,516,419)	64,294,767	75.7	(3,843,759)	59,821,039	73.4	(4,473,728)
Domestic stocks	984	0.0	–	984	0.0	–	984	0.0	–
Foreign securities	1,239,464	1.4	337,214	1,981,492	2.3	742,028	3,688,822	4.5	1,707,329
Foreign corporate and government bonds	1,099,464	1.3	337,214	1,961,492	2.3	862,028	3,688,822	4.5	1,727,329
Foreign stocks and other securities	140,000	0.2	–	20,000	0.0	(120,000)	–	–	(20,000)
Other securities	–	–	–	–	–	–	100,044	0.1	100,044
Loans	11,020,585	12.7	(1,670,968)	9,977,345	11.8	(1,043,239)	8,978,437	11.0	(998,907)
Policy loans	54,271	0.1	18,347	74,097	0.1	19,825	95,629	0.1	21,532
Industrial and commercial loans	763,298	0.9	86,506	806,259	0.9	42,961	829,027	1.0	22,768
Loans to the Management Organization	10,203,015	11.7	(1,775,822)	9,096,988	10.7	(1,106,026)	8,053,780	9.9	(1,043,208)
Real estate	75,662	0.1	1,657	112,286	0.1	36,624	123,747	0.2	11,460
Investment property	–	–	–	–	–	–	–	–	–
Deferred tax assets	592,665	0.7	131,151	548,210	0.6	(44,455)	712,615	0.9	164,405
Other	616,907	0.7	(118,129)	741,537	0.9	124,629	819,378	1.0	77,841
Reserve for possible loan losses	(1,036)	(0.0)	59	(943)	(0.0)	92	(772)	(0.0)	170
General account total	87,088,626	100.0	(3,373,737)	84,911,946	100.0	(2,176,680)	81,543,623	100.0	(3,368,322)
Foreign currency denominated assets	1,128,780	1.3	469,826	2,196,349	2.6	1,067,568	3,949,417	4.8	1,753,068

Notes:

1. "Loans to the Management Organization" includes lending to the Management Organization (Postal Life Insurance Account).
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.

(2) Yield

(%)

For the year ended March 31	2014	2015	2016
Cash, deposits and call loans	0.05	0.05	0.05
Receivables under resale agreements	—	—	—
Receivables under securities borrowing transactions	—	—	—
Monetary claims bought	0.34	0.32	0.26
Trading account securities	—	—	—
Money held in trust	3.04	3.54	3.37
Securities	1.71	1.73	1.66
Corporate and government bonds	1.71	1.70	1.63
Domestic stocks	—	—	—
Foreign securities	1.95	2.87	2.10
Loans	2.31	2.25	2.19
Industrial and commercial loans	1.58	1.53	1.51
Real estate	—	—	—
General account total	1.71	1.70	1.62
Overseas loans and investments	1.98	2.88	2.22

Notes:

1. Yields are calculated by dividing investment income less investment expenses by the daily average balance based on book value.
2. General account total includes assets related to securities trusts.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(3) Average Balance on Primary Assets

(Millions of yen)

For the year ended March 31	2014	2015	2016
Cash, deposits and call loans	¥ 508,225	¥ 697,545	¥ 957,918
Receivables under resale agreements	—	—	—
Receivables under securities borrowing transactions	—	—	—
Monetary claims bought	169,426	213,732	265,032
Trading account securities	—	—	—
Money held in trust	322,995	932,276	1,336,401
Securities	72,303,279	68,089,151	65,745,089
Corporate and government bonds	71,275,552	66,560,265	62,636,408
Domestic stocks	984	984	984
Foreign securities	1,026,743	1,527,902	3,068,762
Loans	11,817,657	10,738,264	9,686,940
Industrial and commercial loans	723,681	780,733	793,687
Real estate	74,029	100,636	119,810
General account total	89,156,089	85,268,102	83,153,764
Overseas loans and investments	1,086,882	1,820,170	3,412,008

Notes:

1. General account total includes assets related to securities trusts.
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(4) Investment Income

(Millions of yen)

For the year ended March 31	2014	2015	2016
Interest and dividend income	¥ 1,458,190	¥ 1,365,796	¥ 1,308,679
Gains on trading account securities	—	—	—
Gains on money held in trust	9,736	32,762	44,939
Gains on trading securities	—	—	—
Gains on sales of securities	71,074	61,908	1,241
Gains on redemption of securities	54	36	36
Gains on derivative financial instruments	—	—	—
Gains on foreign exchanges	1,452	12	—
Reversal of reserve for possible loan losses	—	14	6
Other investment income	107	215	63
Total	1,540,615	1,460,745	1,354,966

(5) Investment Expenses

(Millions of yen)

For the year ended March 31	2014	2015	2016
Interest expenses	¥ 4,963	¥ 4,298	¥ 4,370
Losses on trading account securities	—	—	—
Losses on money held in trust	—	—	—
Losses on trading securities	—	—	—
Losses on sales of securities	10,205	4,963	1,592
Losses on valuation of securities	—	—	—
Losses on redemption of securities	62	44	664
Losses on derivative financial instruments	2,161	773	1,511
Losses on foreign exchanges	—	—	402
Provision for reserve for possible loan losses	8	—	—
Write-off loans	—	—	—
Depreciation of real estate for lease and other assets	—	—	—
Other investment expenses	721	915	1,209
Total	18,122	10,994	9,749

(6) Interest, Dividends and Other Income

(Millions of yen)

For the year ended March 31	2014	2015	2016
Interest on deposits	¥ 465	¥ 694	¥ 692
Interest and dividends on securities	1,180,339	1,119,333	1,090,551
Interest on corporate and government bonds	1,152,433	1,074,732	1,023,237
Domestic stock dividends	—	—	—
Interest and dividends on foreign securities	27,906	44,600	67,313
Interest on loans	12,478	13,489	14,017
Interest on loans to the Management Organization	260,797	227,682	198,205
Rent revenue from real estate	—	—	—
Net, including other income	1,458,190	1,365,796	1,308,679

(7) Gains on Sales of Securities

(Millions of yen)

For the year ended March 31	2014	2015	2016
Japanese government bonds and other bonds	¥ 70,968	¥ 56,869	¥ 8
Domestic stocks and other securities	—	—	—
Foreign securities	106	5,038	1,233
Net, including other gains on sales of securities	71,074	61,908	1,241

(8) Losses on Sales of Securities

(Millions of yen)

For the year ended March 31	2014	2015	2016
Japanese government bonds and other bonds	¥ 2,948	¥ —	¥ —
Domestic stocks and other securities	—	—	—
Foreign securities	7,256	4,963	1,592
Net, including other losses on sales of securities	10,205	4,963	1,592

(9) Losses on Valuation of Securities

Not applicable as of March 31, 2014, 2015 and 2016.

(10) Proprietary Trading Securities

Not applicable as of March 31, 2014, 2015 and 2016.

(11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2014, 2015 and 2016.

(12) Securities Composition

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Corporate and government bonds	¥ 68,138,527	98.2	¥ 64,294,767	97.0	¥ 59,821,039	94.0
Japanese government bonds	52,522,914	75.7	48,086,445	72.6	44,178,631	69.5
Japanese local government bonds	9,173,780	13.2	9,555,857	14.4	9,405,494	14.8
Japanese corporate bonds	6,441,832	9.3	6,652,464	10.0	6,236,913	9.8
Public entity bonds	4,060,169	5.9	4,240,887	6.4	4,151,928	6.5
Domestic stocks	984	0.0	984	0.0	984	0.0
Foreign securities	1,239,464	1.8	1,981,492	3.0	3,688,822	5.8
Foreign corporate and government bonds	1,099,464	1.6	1,961,492	3.0	3,688,822	5.8
Foreign stocks and other securities	140,000	0.2	20,000	0.0	—	—
Other securities	—	—	—	—	100,044	0.2
Total	69,378,975	100.0	66,277,244	100.0	63,610,890	100.0

(13) Securities by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2014	¥ 5,947,902	¥13,047,132	¥11,038,215	¥ 4,695,520	¥ 7,426,365	¥28,035,587	¥70,190,724
Securities	5,162,602	13,047,132	11,038,215	4,695,520	7,426,365	28,009,139	69,378,975
Japanese government bonds	4,337,884	10,137,211	7,114,491	1,730,372	3,211,422	25,991,532	52,522,914
Japanese local government bonds	369,133	1,290,360	2,150,133	1,904,499	2,516,451	943,201	9,173,780
Japanese corporate bonds	455,584	1,603,752	1,589,107	858,753	1,042,779	891,855	6,441,832
Stocks	—	—	—	—	—	984	984
Foreign securities	—	15,807	184,483	201,894	655,712	181,565	1,239,464
Foreign corporate and government bonds	—	15,807	184,483	201,894	655,712	41,565	1,099,464
Foreign stocks and other securities	—	—	—	—	—	140,000	140,000
Other securities	—	—	—	—	—	—	—
Monetary claims bought	81,000	—	—	—	—	26,448	107,448
Negotiable certificates of deposit	704,300	—	—	—	—	—	704,300
Other	—	—	—	—	—	—	—
As of March 31, 2015	8,033,323	12,094,811	7,044,877	5,252,746	6,849,337	28,746,217	68,021,312
Securities	6,319,339	12,094,811	7,044,877	5,252,746	6,849,337	28,716,133	66,277,244
Japanese government bonds	5,239,170	8,108,693	3,493,485	1,753,254	2,784,240	26,707,601	48,086,445
Japanese local government bonds	435,823	1,809,681	2,126,745	2,127,428	2,056,248	999,930	9,555,857
Japanese corporate bonds	644,345	1,966,464	1,273,042	899,062	930,926	938,622	6,652,464
Stocks	—	—	—	—	—	984	984
Foreign securities	—	209,972	151,603	473,000	1,077,921	68,994	1,981,492
Foreign corporate and government bonds	—	209,972	151,603	473,000	1,077,921	48,994	1,961,492
Foreign stocks and other securities	—	—	—	—	—	20,000	20,000
Other securities	—	—	—	—	—	—	—
Monetary claims bought	418,983	—	—	—	—	30,084	449,068
Negotiable certificates of deposit	1,295,000	—	—	—	—	—	1,295,000
Other	—	—	—	—	—	—	—
As of March 31, 2016	6,240,545	11,176,068	5,296,948	5,377,509	6,684,076	29,895,893	64,671,040
Securities	5,210,545	11,176,068	5,296,948	5,377,509	6,684,076	29,865,742	63,610,890
Japanese government bonds	3,398,766	6,939,719	1,723,155	2,162,625	2,994,719	26,959,644	44,178,631
Japanese local government bonds	858,586	2,189,881	2,120,597	1,797,979	1,397,692	1,040,757	9,405,494
Japanese corporate bonds	953,191	1,798,271	984,814	1,024,778	490,802	985,054	6,236,913
Stocks	—	—	—	—	—	984	984
Foreign securities	—	248,195	468,380	392,126	1,800,861	779,257	3,688,822
Foreign corporate and government bonds	—	248,195	468,380	392,126	1,800,861	779,257	3,688,822
Foreign stocks and other securities	—	—	—	—	—	—	—
Other securities	—	—	—	—	—	100,044	100,044
Monetary claims bought	399,999	—	—	—	—	30,150	430,150
Negotiable certificates of deposit	630,000	—	—	—	—	—	630,000
Other	—	—	—	—	—	—	—

Note: Includes the handling of securities based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10).

(14) Bond Term-End Balance Yield

(%)

As of March 31	2014	2015	2016
Corporate and government bonds	1.63	1.62	1.64
Foreign corporate and government bonds	2.38	2.46	2.17

(15) Breakdown of Local Government Bonds by Region

(Millions of yen)

As of March 31	2014	2015	2016
Hokkaido	¥ 219,140	¥ 216,261	¥ 212,169
Tohoku	75,457	79,880	81,034
Kanto	2,195,188	2,258,807	2,164,978
Chubu	962,679	1,016,316	1,023,277
Kinki	898,265	916,662	940,934
Chugoku	254,851	281,093	292,457
Shikoku	77,991	83,167	84,685
Kyushu	614,000	642,712	615,464
Other	3,876,204	4,060,955	3,990,494
Total	9,173,780	9,555,857	9,405,494

Note: "Other" indicates the balance of joint issuance local government bonds.

(16) Shareholdings by Industry Sector

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fishery, agriculture and forestry	¥ —	—	¥ —	—	¥ —	—
Mining	—	—	—	—	—	—
Construction	—	—	—	—	—	—
Manufacturing						
Foods	—	—	—	—	—	—
Textiles and apparel	—	—	—	—	—	—
Pulp and paper	—	—	—	—	—	—
Chemicals	—	—	—	—	—	—
Pharmaceuticals	—	—	—	—	—	—
Oil and coal products	—	—	—	—	—	—
Rubber products	—	—	—	—	—	—
Glass and ceramic products	—	—	—	—	—	—
Iron and steel	—	—	—	—	—	—
Nonferrous metals	—	—	—	—	—	—
Metal products	—	—	—	—	—	—
Machinery	—	—	—	—	—	—
Electric appliances	—	—	—	—	—	—
Transportation equipment	—	—	—	—	—	—
Precision instruments	—	—	—	—	—	—
Other products	—	—	—	—	—	—
Electric power and gas	—	—	—	—	—	—
Transportation, information and communications						
Land transportation	—	—	—	—	—	—
Marine transportation	—	—	—	—	—	—
Air transportation	—	—	—	—	—	—
Warehousing and port transportation services	—	—	—	—	—	—
Information and communications	984	100.0	984	100.0	984	100.0
Trade and services						
Wholesale trade	—	—	—	—	—	—
Retail trade	—	—	—	—	—	—
Finance and insurance						
Banking	—	—	—	—	—	—
Securities and trading	—	—	—	—	—	—
Insurance	—	—	—	—	—	—
Other financial services	—	—	—	—	—	—
Real estate	—	—	—	—	—	—
Services	—	—	—	—	—	—
Total	984	100.0	984	100.0	984	100.0

Note: Industry sector category is based on the sector classification table of the Securities Identification Code Committee.

(17) Loans

(Millions of yen)

As of March 31	2014	2015	2016
Policy loans	¥ 54,271	¥ 74,097	¥ 95,629
Policyholder loans	54,270	74,096	95,628
Policy premium loans	0	0	1
Industrial and commercial loans	10,966,313	9,903,247	8,882,807
(Loans to non-residents)	(-)	(-)	(-)
Loans to companies	10,462,147	9,370,103	8,293,303
(Loans to domestic corporations)	(10,462,147)	(9,370,103)	(8,293,303)
Loans to state, international organizations and government organizations	-	-	-
Loans to public bodies and public businesses	504,165	533,144	589,504
Housing loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Total	11,020,585	9,977,345	8,978,437

Note: Loans to the Management Organization (Postal Life Insurance account) are recorded as loans to companies, as they are classified into loans to companies in "finance and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(18) Loans by Contractual Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
Total industrial and commercial loans as of March 31, 2014	¥ 1,071,617	¥ 2,619,145	¥ 1,704,473	¥ 1,476,533	¥ 1,832,874	¥ 2,261,669	¥10,966,313
Variable rate loans	17,380	42,150	24,550	7,500	11,150	10,000	112,730
Fixed rate loans	1,054,237	2,576,995	1,679,923	1,469,033	1,821,724	2,251,669	10,853,583
Total industrial and commercial loans as of March 31, 2015	1,029,154	2,394,514	1,598,396	1,389,612	1,657,335	1,834,234	9,903,247
Variable rate loans	22,700	25,750	22,300	10,050	16,150	5,000	101,950
Fixed rate loans	1,006,454	2,368,764	1,576,096	1,379,562	1,641,185	1,829,234	9,801,297
Total industrial and commercial loans as of March 31, 2016	1,004,959	2,173,092	1,504,175	1,289,343	1,399,825	1,511,411	8,882,807
Variable rate loans	19,450	24,550	8,400	8,600	13,250	5,000	79,250
Fixed rate loans	985,509	2,148,542	1,495,775	1,280,743	1,386,575	1,506,411	8,803,557

Notes:

1. "Fixed rate loans" includes loans to the Management Organization (Postal Life Insurance Account).
2. Among the loans to the Management Organization (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

(19) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

As of March 31		2014		2015		2016	
			Percentage		Percentage		Percentage
Large companies	Number of borrowers	41	93.2	45	90.0	41	87.2
	Amount of loans	¥ 243,210	2.3	¥ 255,110	2.7	¥ 220,410	2.7
Medium-sized companies	Number of borrowers	—	—	—	—	—	—
	Amount of loans	—	—	—	—	—	—
Small companies	Number of borrowers	3	6.8	5	10.0	6	12.8
	Amount of loans	10,218,937	97.7	9,114,993	97.3	8,072,893	97.3
Total loans to domestic companies	Number of borrowers	44	100.0	50	100.0	47	100.0
	Amount of loans	10,462,147	100.0	9,370,103	100.0	8,293,303	100.0

Notes:

- Loans to the Management Organization (Postal Life Insurance Account) are classified as “small and medium-sized companies” in the “Corporate Guideline of Entry Statistics Questionnaire” as specified by the Research and Statistics Department, the Bank of Japan.
- Classifications are defined as shown below.
- Number of borrowers indicates the number of borrowers identified by name and is not the number of loans.

Industry type	1. All industries (excluding 2–4)		2. Retail and restaurant		3. Service		4. Wholesale	
Large companies	More than 300 employees	Paid-in capital over ¥1 billion	More than 50 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.1 billion and ¥1 billion
Small companies	Paid-in capital under ¥0.3 billion or fewer than 300 employees		Paid-in capital under ¥0.05 billion or fewer than 50 employees		Paid-in capital under ¥0.05 billion or fewer than 100 employees		Paid-in capital under ¥0.1 billion or fewer than 100 employees	

(20) Breakdown of Loans by Industry

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Domestic						
Manufacturing	¥ 79,040	0.7	¥ 74,040	0.7	¥ 67,040	0.8
Foods	8,800	0.1	8,800	0.1	8,800	0.1
Textiles and apparel	2,000	0.0	2,000	0.0	—	—
Wood, wood products	—	—	—	—	—	—
Pulp and paper	11,950	0.1	11,950	0.1	11,950	0.1
Printing	5,000	0.0	5,000	0.1	—	—
Chemicals	10,150	0.1	10,150	0.1	10,150	0.1
Oil and coal products	4,650	0.0	4,650	0.0	4,650	0.1
Ceramics, soil and stone	7,000	0.1	7,000	0.1	7,000	0.1
Iron and steel	8,000	0.1	8,000	0.1	8,000	0.1
Nonferrous metals	—	—	—	—	—	—
Metal products	—	—	—	—	—	—
General purpose, production and industrial machinery	1,490	0.0	1,490	0.0	1,490	0.0
Electric appliances	15,000	0.1	10,000	0.1	10,000	0.1
Transportation equipment	5,000	0.0	5,000	0.1	5,000	0.1
Other manufacturing products	—	—	—	—	—	—
Agriculture and forestry	—	—	—	—	—	—
Fishery	—	—	—	—	—	—
Mining, quarrying and gravel extraction	—	—	—	—	—	—
Construction	—	—	900	0.0	900	0.0
Electric power, gas, heat supply and waterworks	—	—	—	—	—	—
Information and communications	7,950	0.1	9,350	0.1	4,350	0.0
Transportation and postal	43,662	0.4	49,824	0.5	48,245	0.5
Wholesale trade	64,400	0.6	64,600	0.7	48,700	0.5
Retail trade	—	—	—	—	—	—
Financing and insurance	10,248,115	93.5	9,149,788	92.4	8,101,280	91.2
Real estate	18,980	0.2	21,600	0.2	22,787	0.3
Rental	—	—	—	—	—	—
Academic research, specialist and technology services	—	—	—	—	—	—
Lodging	—	—	—	—	—	—
Restaurant	—	—	—	—	—	—
Lifestyle-related services, amusement	—	—	—	—	—	—
Education and learning support	—	—	—	—	—	—
Medical and welfare	—	—	—	—	—	—
Other services	—	—	—	—	—	—
Local organizations and public entities	504,165	4.6	533,144	5.4	589,504	6.6
Individuals (residential/consumption/local taxes/other)	—	—	—	—	—	—
Total	10,966,313	100.0	9,903,247	100.0	8,882,807	100.0
Overseas						
Governments and public entities	—	—	—	—	—	—
Financial institutions	—	—	—	—	—	—
Commerce and industry, etc.	—	—	—	—	—	—
Total	—	—	—	—	—	—
Total industrial and commercial loans	10,966,313	100.0	9,903,247	100.0	8,882,807	100.0

Notes:

- Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).
- Loans to the Management Organization (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type of "the Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Capital investments	¥ 419,032	3.8	¥ 453,077	4.6	¥ 516,941	5.8
Operations	10,547,281	96.2	9,450,170	95.4	8,365,865	94.2
Total	10,966,313	100.0	9,903,247	100.0	8,882,807	100.0

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "operations."

(22) Breakdown of Loans by Region

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Hokkaido	¥ –	–	¥ –	–	¥ –	–
Tohoku	32,217	0.3	31,042	0.3	35,468	0.4
Kanto	10,536,982	96.1	9,443,809	95.4	8,368,828	94.2
Chubu	135,290	1.2	156,417	1.6	160,858	1.8
Kinki	165,455	1.5	177,852	1.8	209,510	2.4
Chugoku	16,642	0.2	15,672	0.2	27,430	0.3
Shikoku	8,812	0.1	8,218	0.1	7,624	0.1
Kyushu	70,912	0.6	70,234	0.7	73,087	0.8
Total	10,966,313	100.0	9,903,247	100.0	8,882,807	100.0

Notes:

- Loans to individuals, non-residents and for insurance policies are not included.
- Regional classification depends on the location of the borrower's headquarters.
- Loans to the Management Organization (Postal Life Insurance Account) are classified under "Kanto," as the organization is located in Tokyo.

(23) Breakdown of Loans by Collateral

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Secured loans	¥ 1,922	0.0	¥ 1,844	0.0	¥ 2,953	0.0
Loans secured by securities	–	–	–	–	–	–
Loans secured by real estate, movable property or foundation	–	–	–	–	–	–
Loans secured by nominative claims	1,922	0.0	1,844	0.0	2,953	0.0
Guaranteed loans	24,600	0.2	25,840	0.3	29,650	0.3
Credit loans	736,775	6.7	778,574	7.9	796,424	9.0
Other	10,203,015	93.0	9,096,988	91.9	8,053,780	90.7
Industrial and commercial loans	10,966,313	100.0	9,903,247	100.0	8,882,807	100.0
Subordinated loans	–	–	–	–	–	–

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "other."

(24) Tangible Fixed Assets

1) Tangible Fixed Assets

(Millions of yen, %)

	Balance at the end of the previous fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Balance at the end of the fiscal year	Accumulated depreciation	Accumulated depreciation percentage
For the year ended March 31, 2014							
Land	¥ 40,726	¥ –	¥ –	¥ –	¥ 40,726	¥ –	–
Buildings, net	33,262	1,967	52	1,889	33,287	16,036	32.5
Leased assets, net	1,335	513	27	364	1,456	976	40.2
Construction in progress	15	3,792	2,159	–	1,648	–	–
Others, net	10,628	5,589	164	3,848	12,204	46,463	79.2
Total	85,968	11,863	2,405	6,103	89,322	63,476	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–
For the year ended March 31, 2015							
Land	40,726	27,624	–	–	68,350	–	–
Buildings, net	33,287	3,911	952	2,070	34,176	17,365	33.7
Leased assets, net	1,456	959	6	438	1,970	1,167	37.2
Construction in progress	1,648	12,445	4,334	–	9,759	–	–
Others, net	12,204	8,567	115	3,241	17,415	45,001	72.1
Total	89,322	53,510	5,409	5,750	131,672	63,535	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–
For the year ended March 31, 2016							
Land	68,350	54	142	–	68,262	–	–
Buildings, net	34,176	18,755	676	2,946	49,308	19,379	28.2
Leased assets, net	1,970	242	10	472	1,730	1,248	41.9
Construction in progress	9,759	16,830	20,413	–	6,175	–	–
Others, net	17,415	5,948	92	3,253	20,017	43,181	68.3
Total	131,672	41,831	21,335	6,672	145,495	63,808	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–

2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

As of March 31	2014	2015	2016
Value of real estate holdings	¥ 75,662	¥ 112,286	¥ 123,747
For business operations	75,662	112,286	123,747
For lease	–	–	–
Number of buildings held for leasing	–	–	–

Note: "Value of real estate holdings" is booked as the sum total of land, buildings (including facilities and structures) and construction in progress.

(25) Gains on Disposal of Fixed Assets

(Millions of yen)

For the year ended March 31	2014	2015	2016
Tangible fixed assets	¥ –	¥ –	¥ 341
Land	–	–	341
Buildings	–	–	–
Leased assets	–	–	–
Other assets	–	–	–
Intangible fixed assets	–	–	–
Others	–	–	–
Total	–	–	341
Includes rentals and other real estate	–	–	–

(26) Losses on Disposal of Fixed Assets

(Millions of yen)

For the year ended March 31	2014	2015	2016
Tangible fixed assets	¥ 248	¥ 1,358	¥ 1,118
Land	—	—	—
Buildings	57	1,273	1,007
Leased assets	27	6	10
Other assets	163	78	100
Intangible fixed assets	8,389	69	417
Others	—	3	112
Total	8,638	1,432	1,647
Includes rentals and other real estate	—	—	—

Note: "Buildings" is booked as the sum total of buildings, facilities and structures.

(27) Depreciation on Real Estate, Movables and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2014, 2015 and 2016.

(28) Overseas Loans and Investments

1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2014		2015		2016	
		Amount	Percentage	Amount	Percentage	Amount	Percentage
Foreign-currency-denominated assets	Foreign corporate and government bonds	¥1,068,324	76.2	¥2,001,781	84.6	¥3,719,819	90.7
	Foreign stocks	60,455	4.3	194,567	8.2	229,405	5.6
	Cash and cash equivalents	—	—	—	—	192	0.0
	Subtotal	1,128,780	80.5	2,196,349	92.8	3,949,417	96.3
Foreign-currency-denominated assets with fixed yen value	Foreign corporate and government bonds	—	—	—	—	—	—
	Cash and cash equivalents	—	—	—	—	—	—
	Subtotal	—	—	—	—	—	—
Yen-denominated assets	Loans to non-residents	—	—	—	—	—	—
	Foreign corporate and government bonds and other assets	273,801	19.5	169,882	7.2	149,911	3.7
	Subtotal	273,801	19.5	169,882	7.2	149,911	3.7
Net overseas loans and investments		1,402,581	100.0	2,366,231	100.0	4,099,329	100.0

Note: "Foreign-currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.

2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

	Foreign securities						Loans to non-residents	
			Corporate and government bonds		Stocks and other securities			
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
As of March 31, 2014	¥ 1,402,581	100.0	¥ 1,099,464	100.0	¥ 303,117	100.0	¥ –	–
North America	854,523	60.9	799,786	72.7	54,737	18.1	–	–
Europe	190,897	13.6	185,178	16.8	5,718	1.9	–	–
Oceania	16,499	1.2	16,499	1.5	–	–	–	–
Asia	–	–	–	–	–	–	–	–
Central and South America	242,661	17.3	–	–	242,661	80.1	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
International organization	98,000	7.0	98,000	8.9	–	–	–	–
As of March 31, 2015	2,366,231	100.0	1,961,492	100.0	404,738	100.0	–	–
North America	1,596,736	67.5	1,418,613	72.3	178,122	44.0	–	–
Europe	318,609	13.5	302,164	15.4	16,445	4.1	–	–
Oceania	101,266	4.3	101,266	5.2	–	–	–	–
Asia	–	–	–	–	–	–	–	–
Central and South America	210,171	8.9	–	–	210,171	51.9	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
International organization	139,447	5.9	139,447	7.1	–	–	–	–
As of March 31, 2016	4,099,136	100.0	3,688,822	100.0	410,314	100.0	–	–
North America	2,152,359	52.5	1,942,082	52.6	210,277	51.2	–	–
Europe	1,461,585	35.7	1,442,457	39.1	19,128	4.7	–	–
Oceania	94,783	2.3	94,783	2.6	–	–	–	–
Asia	–	–	–	–	–	–	–	–
Central and South America	180,908	4.4	–	–	180,908	44.1	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
International organization	209,499	5.1	209,499	5.7	–	–	–	–

3) Composition of Foreign-Currency-Denominated Assets by Currency

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
U.S. dollar	¥ 955,973	84.7	¥ 1,824,884	83.1	¥ 2,441,056	61.8
Euro	148,185	13.1	180,615	8.2	1,329,283	33.7
British pound	23,409	2.1	109,698	5.0	104,034	2.6
Australian dollar	–	–	77,679	3.5	71,141	1.8
Canadian dollar	1,211	0.1	3,470	0.2	3,901	0.1
Total	1,128,780	100.0	2,196,349	100.0	3,949,417	100.0

(29) Yield on Overseas Loans and Investments

(%)

For the year ended March 31	2014	2015	2016
Yield on overseas loans and investments	1.98	2.88	2.22

(30) Summary of New Public-Sector Investment Underwriting and Loans

(Millions of yen)

For the year ended March 31		2014	2015	2016
Public bonds	Japanese government bonds	¥ —	¥ —	¥ —
	Japanese local government bonds	—	—	—
	Public entity bonds	25	14	16
	Subtotal	25	14	16
Loans	Government organizations	—	—	—
	Public entities	68,886	50,456	79,812
	Subtotal	68,886	50,456	79,812
Total		68,912	50,471	79,829

(31) Loan Interest Rates

Not applicable for the years ended March 31, 2014, 2015 and 2016

(32) Other Assets

(Millions of yen)

Asset class	Cost	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Remarks
For the year ended March 31, 2014						
Other	¥ 2,886	¥ 9,134	¥ 8,912	¥ —	¥ 3,108	
Total	2,886	9,134	8,912	—	3,108	
For the year ended March 31, 2015						
Other	3,108	5,221	6,172	—	2,157	
Total	3,108	5,221	6,172	—	2,157	
For the year ended March 31, 2016						
Other	2,157	5,722	5,764	—	2,115	
Total	2,157	5,722	5,764	—	2,115	

5-6 Fair Value Information of Securities (General Account)

(1) Fair Value of Securities

1) Net Valuation Gain/Loss of Trading Securities

Japan Post Insurance did not hold securities for trading as of March 31, 2014, 2015 and 2016.

2) Fair Value Information of Securities (with fair value, other than trading securities)

(Millions of yen)

As of March 31	2014					2015					2016				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥ 45,257,324	¥ 48,427,090	¥ 3,169,765	¥3,174,107	¥ 4,342	¥ 43,695,559	¥ 48,232,675	¥ 4,537,116	¥4,537,655	¥ 539	¥ 42,239,821	¥ 49,752,914	¥ 7,513,092	¥7,513,093	¥ 0
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152	1,100,453	1,300	15,493,208	16,668,447	1,175,238	1,175,453	214	13,563,423	15,062,160	1,498,737	1,498,737	-
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	7,148,598	7,414,127	265,529	278,007	12,478	9,411,484	10,193,205	781,721	784,470	2,748	9,918,112	10,479,639	561,527	658,164	96,636
Corporate and government bonds	4,927,726	5,025,535	97,809	100,097	2,287	5,105,394	5,203,999	98,605	99,163	558	4,012,950	4,115,794	102,844	103,597	752
Domestic stocks	337,777	412,261	74,484	78,011	3,527	713,204	996,906	283,701	285,545	1,844	1,065,422	1,202,513	137,091	195,326	58,235
Foreign securities	1,072,516	1,164,581	92,065	98,718	6,652	1,850,911	2,248,231	397,319	397,666	346	3,682,785	4,001,136	318,351	355,894	37,542
Foreign corporate and government bonds	917,500	1,001,464	83,964	90,616	6,652	1,537,712	1,863,492	325,779	326,126	346	3,299,371	3,590,822	291,450	319,363	27,912
Foreign stocks and other securities	155,016	163,117	8,101	8,101	-	313,198	384,738	71,539	71,539	-	383,413	410,314	26,901	36,531	9,630
Other securities	-	-	-	-	-	-	-	-	-	-	100,000	100,044	44	150	105
Monetary claims bought	106,278	107,448	1,170	1,181	11	446,973	449,068	2,095	2,095	-	426,954	430,150	3,195	3,195	-
Negotiable certificates of deposit	704,300	704,300	-	-	-	1,295,000	1,295,000	-	-	-	630,000	630,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	70,359,590	74,894,037	4,534,446	4,552,568	18,121	68,600,251	75,094,328	6,494,077	6,497,580	3,502	65,721,357	75,294,714	9,573,357	9,669,994	96,637
Corporate and government bonds	68,040,718	72,403,664	4,362,946	4,370,876	7,930	64,196,162	70,003,228	5,807,066	5,808,378	1,312	59,718,195	68,828,482	9,110,287	9,111,040	753
Domestic stocks	337,777	412,261	74,484	78,011	3,527	713,204	996,906	283,701	285,545	1,844	1,065,422	1,202,513	137,091	195,326	58,235
Foreign securities	1,170,516	1,266,362	95,846	102,499	6,652	1,948,911	2,350,125	401,213	401,560	346	3,780,785	4,103,523	322,738	360,281	37,542
Foreign corporate and government bonds	1,015,500	1,103,245	87,745	94,397	6,652	1,635,712	1,965,386	329,673	330,020	346	3,397,371	3,693,209	295,837	323,750	27,912
Foreign stocks and other securities	155,016	163,117	8,101	8,101	-	313,198	384,738	71,539	71,539	-	383,413	410,314	26,901	36,531	9,630
Other securities	-	-	-	-	-	-	-	-	-	-	100,000	100,044	44	150	105
Monetary claims bought	106,278	107,448	1,170	1,181	11	446,973	449,068	2,095	2,095	-	426,954	430,150	3,195	3,195	-
Negotiable certificates of deposit	704,300	704,300	-	-	-	1,295,000	1,295,000	-	-	-	630,000	630,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities for which the book value was ¥1,448,835 million with a gain of ¥163,992 million as of March 31, 2016, ¥1,026,403 million with a gain of ¥355,241 million as of March 31, 2015 and ¥492,793 million with a gain of ¥82,585 million as of March 31, 2014.

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

(Millions of yen)

As of March 31	2014	2015	2016
Held-to-maturity bonds	¥ —	¥ —	¥ —
Unlisted foreign bonds	—	—	—
Other	—	—	—
Policy-reserve-matching bonds	—	—	—
Equities of subsidiaries and affiliates	984	984	984
Available-for-sale securities	140,000	20,000	—
Unlisted domestic stocks (excluding OTC-traded equities)	—	—	—
Unlisted foreign stocks (excluding OTC-traded equities)	140,000	20,000	—
Unlisted foreign bonds	—	—	—
Other	—	—	—
Total	140,984	20,984	984

(2) Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2014					2015					2016				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses				Gains	Losses	
Money held in trust	¥ 581,627	¥ 581,627	¥ —	¥ —	¥ —	¥1,434,943	¥1,434,943	¥ —	¥ —	¥ —	¥1,644,547	¥1,644,547	¥ —	¥ —	¥ —

1) Money Held in Trust for Trading Purposes

Japan Post Insurance did not hold money held in trust for trading purposes as of March 31, 2014, 2015 and 2016.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2014					2015					2016				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses				Gains	Losses	
Assets held-to-maturity in trust	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Assets held for reserves in trust	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other money held in trust	499,042	581,627	82,585	86,112	3,527	1,079,701	1,434,943	355,241	357,085	1,844	1,480,555	1,644,547	163,992	231,857	67,865
Domestic stock fund	342,583	417,067	74,484	78,011	3,527	765,237	1,048,938	283,701	285,545	1,844	1,090,727	1,227,819	137,091	195,326	58,235
Foreign stock fund	55,742	60,755	5,013	5,013	—	158,944	195,510	36,565	36,565	—	228,532	235,713	7,180	16,811	9,630
Foreign bond fund	100,716	103,804	3,087	3,087	—	155,519	190,493	34,974	34,974	—	161,295	181,015	19,720	19,720	—

3) Balances of Securities in Money Held in Trust

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2014							
Domestic stock						¥ 412,261	
Foreign securities						163,117	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						163,117	¥ 575,379
As of March 31, 2015							
Domestic stock						996,906	
Foreign securities						384,738	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						384,738	1,381,644
As of March 31, 2016							
Domestic stock						1,202,513	
Foreign securities						410,314	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						410,314	1,612,827

4) Currency Composition of Money Held in Trust

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Japanese yen	¥ 412,261	71.7	¥ 996,906	72.2	¥ 1,202,513	74.6
U.S. dollar	156,187	27.1	364,823	26.4	387,285	24.0
Euro	—	—	—	—	—	—
Others	6,930	1.2	19,915	1.4	23,029	1.4
Total	575,379	100.0	1,381,644	100.0	1,612,827	100.0

Note: Excluding cash and deposits

5) Industry Composition of Japanese Stocks of Money Held in Trust

(Millions of yen, %)

As of March 31	2014		2015		2016	
	Fair value	Percentage	Fair value	Percentage	Fair value	Percentage
Fishery, agriculture and forestry	¥ 308	0.1	¥ 559	0.1	¥ 801	0.1
Mining	1,973	0.5	3,022	0.3	3,003	0.2
Construction	10,616	2.6	29,857	3.0	41,353	3.4
Manufacturing						
Foods	15,978	3.9	41,889	4.2	62,603	5.2
Textiles and apparel	2,979	0.7	5,604	0.6	6,517	0.5
Pulp and paper	1,236	0.3	1,706	0.2	2,328	0.2
Chemicals	22,226	5.4	50,087	5.0	67,118	5.6
Pharmaceuticals	19,132	4.6	57,218	5.7	74,337	6.2
Oil and coal products	2,502	0.6	9,614	1.0	4,046	0.3
Rubber products	3,837	0.9	10,529	1.1	25,414	2.1
Glass and ceramic products	4,196	1.0	6,766	0.7	8,050	0.7
Iron and steel	6,612	1.6	12,032	1.2	12,174	1.0
Nonferrous metals	4,170	1.0	12,243	1.2	13,116	1.1
Metal products	2,874	0.7	4,884	0.5	5,650	0.5
Machinery	21,365	5.2	47,724	4.8	57,642	4.8
Electric appliances	52,032	12.6	109,326	11.0	144,451	12.0
Transportation equipment	48,147	11.7	125,236	12.6	136,059	11.3
Precision instruments	5,903	1.4	23,188	2.3	15,440	1.3
Other products	5,974	1.4	10,460	1.0	13,261	1.1
Electric power and gas	9,206	2.2	14,463	1.5	18,050	1.5
Transportation, information and communications						
Land transportation	15,514	3.8	40,836	4.1	45,044	3.7
Marine transportation	1,528	0.4	2,446	0.2	1,992	0.2
Air transportation	2,124	0.5	7,150	0.7	8,575	0.7
Warehousing and port transportation services	932	0.2	1,670	0.2	1,704	0.1
Information and communications	30,676	7.4	92,457	9.3	124,335	10.3
Trade and services						
Wholesale trade	19,273	4.7	69,127	6.9	70,010	5.8
Retail trade	17,244	4.2	36,775	3.7	51,225	4.3
Finance and insurance						
Banking	38,556	9.4	81,461	8.2	75,608	6.3
Securities and trading	6,951	1.7	10,079	1.0	10,842	0.9
Insurance	9,045	2.2	18,380	1.8	24,695	2.1
Other financial services	5,343	1.3	9,349	0.9	13,446	1.1
Real estate	13,723	3.3	23,379	2.3	29,266	2.4
Services	10,070	2.4	27,373	2.7	34,344	2.9
Total	412,261	100.0	996,906	100.0	1,202,513	100.0

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

(i) Breakdown of gains and losses (breakdown of hedge accounting applied and not applied portions)

(Millions of yen)

	Interest rate related	Currency related	Stock related	Bond related	Others	Total
As of March 31, 2014	¥ 326	¥ (15,655)	¥ –	¥ –	¥ –	¥ (15,328)
Portion with hedge accounting applied	326	(15,655)	–	–	–	(15,328)
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2015	971	493	–	–	–	1,465
Portion with hedge accounting applied	971	493	–	–	–	1,465
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2016	2,060	4,644	–	–	–	6,704
Portion with hedge accounting applied	2,060	4,644	–	–	–	6,704
Portion with hedge accounting not applied	–	–	–	–	–	–

Notes:

1. Of the hedge accounting applied as of March 31, 2014, the portion with hedge accounting (the fair value hedge method) applied to the net loss (currency related ¥15,655 million) is accrued in the statement of income.
2. Of the hedge accounting applied as of March 31, 2015, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥493 million) is accrued in the statement of income.
3. Of the hedge accounting applied as of March 31, 2016, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥4,644 million) is accrued in the statement of income.

(ii) Interest rate related

(Millions of yen)

Category	As of March 31	2014				2015				2016			
	Type	Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year				Over one year		
Over-the-counter	Interest rate swap												
	Fixed interest receipt/ variable interest payment	¥112,730	¥ 95,350	¥ 326	¥ 326	¥101,950	¥ 79,250	¥ 971	¥ 971	¥ 79,250	¥ 59,800	¥ 2,060	¥ 2,060
Total					326				971				2,060

Note: The fair value (current price) of swap transactions is indicated in the net gain/loss column.

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2014	¥ 17,380	¥ 42,150	¥ 24,550	¥ 7,500	¥ 11,150	¥ 10,000	¥ 112,730
Fixed receipt swap notional principal	17,380	42,150	24,550	7,500	11,150	10,000	112,730
Average fixed interest receipt	0.82	0.53	0.39	0.55	0.93	1.05	0.63
Average variable interest payment	0.36	0.23	0.20	0.26	0.28	0.28	0.25
As of March 31, 2015	22,700	25,750	22,300	10,050	16,150	5,000	101,950
Fixed receipt swap notional principal	22,700	25,750	22,300	10,050	16,150	5,000	101,950
Average fixed interest receipt	0.55	0.44	0.45	0.48	0.94	1.12	0.58
Average variable interest payment	0.17	0.16	0.18	0.20	0.24	0.24	0.19
As of March 31, 2016	19,450	24,550	8,400	8,600	13,250	5,000	79,250
Fixed receipt swap notional principal	19,450	24,550	8,400	8,600	13,250	5,000	79,250
Average fixed interest receipt	0.50	0.39	0.52	0.61	0.94	1.12	0.59
Average variable interest payment	0.09	0.05	0.11	0.15	0.10	0.13	0.09

(iii) Currency related

(Millions of yen)

Category	As of March 31	2014				2015				2016			
	Type	Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts												
	Sold	¥ 404,257	¥ -	¥ (15,655)	¥ (15,655)	¥ 363,120	¥ -	¥ 493	¥ 493	¥1,693,683	¥ -	¥ 4,644	¥ 4,644
	U.S. dollar	270,312	-	(6,817)	(6,817)	172,008	-	(12,843)	(12,843)	392,081	-	5,408	5,408
	Euro	133,944	-	(8,837)	(8,837)	191,112	-	13,337	13,337	1,301,602	-	(764)	(764)
	Purchased	-	-	-	-	-	-	-	-	-	-	-	-
Total					(15,655)				493				4,644

Notes:

1. Future quotation for the exchange rate at the end of the fiscal year is used.
2. The net gain/loss is described for the exchange contract fair value.

(iv) Stock related

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(v) Bond related

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

(vi) Others

There were no such outstanding balances as of March 31, 2014, 2015 and 2016.

6. Indicators for Separate Accounts

Not applicable.

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The information of this Annual Report is as of March 31, 2016 unless expressly stated otherwise.

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