

2. Consolidated Financial Statements

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

MARCH 31, 2017, 2016 AND 2015

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|---------------------|---------------------|---------------------|--------------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| ASSETS: | | | | |
| Cash and deposits (Notes 3 and 25) | ¥ 1,366,086 | ¥ 1,862,636 | ¥ 2,213,786 | \$ 12,177 |
| Call loans (Note 25) | 150,000 | 360,000 | 445,428 | 1,337 |
| Receivables under securities borrowing transactions (Note 25) | 3,520,722 | 3,008,591 | 2,720,856 | 31,382 |
| Monetary claims bought (Note 25) | 27,561 | 430,150 | 449,068 | 246 |
| Money held in trust (Notes 4 and 25) | 2,127,042 | 1,644,547 | 1,434,943 | 18,959 |
| Securities (Notes 4, 5 and 25) | 63,485,289 | 63,609,906 | 66,276,260 | 565,873 |
| Loans (Notes 6 and 25) | 8,060,902 | 8,978,437 | 9,977,345 | 71,850 |
| Tangible fixed assets (Note 7): | | | | |
| Land | 68,272 | 68,262 | 68,350 | 609 |
| Buildings | 44,664 | 49,502 | 34,237 | 398 |
| Leased assets | 2,047 | 1,780 | 2,009 | 18 |
| Construction in progress | 6,255 | 6,176 | 9,759 | 56 |
| Other tangible fixed assets | 16,022 | 20,133 | 17,433 | 143 |
| Total tangible fixed assets | 137,262 | 145,855 | 131,790 | 1,223 |
| Intangible fixed assets: | | | | |
| Software | 185,498 | 185,281 | 155,045 | 1,653 |
| Leased assets | — | 0 | 5 | — |
| Other intangible fixed assets | 21 | 18 | 16 | 0 |
| Total intangible fixed assets | 185,520 | 185,300 | 155,067 | 1,654 |
| Agency accounts receivable | 50,888 | 81,193 | 95,023 | 454 |
| Reinsurance receivables | 2,293 | 1,368 | 630 | 20 |
| Other assets | 371,905 | 525,835 | 468,700 | 3,315 |
| Deferred tax assets (Note 15) | 851,942 | 712,132 | 547,053 | 7,594 |
| Reserve for possible loan losses | (658) | (772) | (943) | (6) |
| Total assets | ¥ 80,336,760 | ¥ 81,545,182 | ¥ 84,915,012 | \$ 716,078 |
| LIABILITIES: | | | | |
| Policy reserves and others: | | | | |
| Reserve for outstanding claims (Note 8) | ¥ 577,376 | ¥ 635,167 | ¥ 718,156 | \$ 5,146 |
| Policy reserves (Notes 8 and 13) | 70,175,234 | 72,362,503 | 75,112,601 | 625,503 |
| Reserve for policyholder dividends (Note 10) | 1,772,565 | 1,936,494 | 2,074,919 | 15,800 |
| Total policy reserves and others | 72,525,176 | 74,934,165 | 77,905,677 | 646,450 |
| Reinsurance payables | 4,774 | 3,377 | 2,017 | 43 |
| Payables under securities lending transactions (Notes 5 and 25) | 4,889,066 | 3,648,478 | 3,658,492 | 43,578 |
| Other liabilities (Notes 11 and 14) | 213,565 | 233,106 | 602,573 | 1,904 |
| Liability for retirement benefits (Note 12) | 62,184 | 60,803 | 58,356 | 554 |
| Reserve for management board benefit trust | 76 | — | — | 1 |
| Reserve for price fluctuations (Note 13) | 788,712 | 782,268 | 712,167 | 7,030 |
| Total liabilities | ¥ 78,483,557 | ¥ 79,662,200 | ¥ 82,939,284 | \$ 699,559 |
| NET ASSETS (Note 16): | | | | |
| Capital stock | ¥ 500,000 | ¥ 500,000 | ¥ 500,000 | \$ 4,457 |
| Capital surplus | 500,044 | 500,044 | 500,044 | 4,457 |
| Retained earnings | 527,358 | 472,362 | 411,992 | 4,701 |
| Treasury stock | (521) | — | — | (5) |
| Total shareholders' equity | 1,526,882 | 1,472,406 | 1,412,036 | 13,610 |
| Net unrealized gains (losses) on available-for-sale securities | 321,904 | 405,412 | 558,033 | 2,869 |
| Net deferred gains (losses) on hedges | 50 | 140 | 22 | 0 |
| Accumulated adjustments for retirement benefits | 4,366 | 5,022 | 5,635 | 39 |
| Total accumulated other comprehensive income | 326,321 | 410,575 | 563,691 | 2,909 |
| Total net assets | 1,853,203 | 1,882,982 | 1,975,727 | 16,518 |
| Total liabilities and net assets | ¥ 80,336,760 | ¥ 81,545,182 | ¥ 84,915,012 | \$ 716,078 |

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|--|-----------------|-------------|-------------|--------------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| ORDINARY INCOME: | | | | |
| Insurance premiums and others (Note 19) | ¥ 5,041,868 | ¥ 5,413,862 | ¥ 5,956,716 | \$ 44,940 |
| Investment income: | | | | |
| Interest and dividend income | 1,226,193 | 1,308,679 | 1,365,796 | 10,930 |
| Gains on money held in trust | 56,535 | 44,939 | 32,762 | 504 |
| Gains on sales of securities | 85,142 | 1,241 | 61,908 | 759 |
| Gains on redemption of securities | 33 | 36 | 36 | 0 |
| Gains on foreign exchanges | – | – | 12 | – |
| Reversal of reserve for possible loan losses | 11 | 6 | 14 | 0 |
| Other investment income | 21 | 63 | 215 | 0 |
| Total investment income | 1,367,937 | 1,354,966 | 1,460,745 | 12,193 |
| Other ordinary income: | | | | |
| Reversal of reserve for outstanding claims (Note 18) | 57,790 | 82,988 | 113,534 | 515 |
| Reversal of policy reserves (Note 18) | 2,187,268 | 2,750,098 | 2,632,889 | 19,496 |
| Other ordinary income | 4,579 | 3,827 | 5,354 | 41 |
| Total other ordinary income | 2,249,639 | 2,836,914 | 2,751,779 | 20,052 |
| Total ordinary income | 8,659,444 | 9,605,743 | 10,169,241 | 77,186 |
| ORDINARY EXPENSES: | | | | |
| Insurance claims and others: | | | | |
| Insurance claims (Note 20) | 6,487,267 | 7,577,151 | 8,253,973 | 57,824 |
| Annuity payments | 371,216 | 340,904 | 304,096 | 3,309 |
| Benefits | 57,111 | 49,192 | 41,538 | 509 |
| Surrender benefits | 433,053 | 378,862 | 291,290 | 3,860 |
| Other refunds | 185,982 | 193,610 | 162,462 | 1,658 |
| Reinsurance premiums | 15,692 | 10,754 | 6,188 | 140 |
| Total insurance claims and other | 7,550,323 | 8,550,474 | 9,059,549 | 67,299 |
| Provision for interest on policyholder dividends | 25 | 132 | 1,497 | 0 |
| Investment expenses: | | | | |
| Interest expenses | 2,218 | 4,370 | 4,298 | 20 |
| Losses on sales of securities | 124,734 | 1,592 | 4,963 | 1,112 |
| Losses on redemption of securities | 7,480 | 664 | 44 | 67 |
| Losses on derivative financial instruments | 20,599 | 1,511 | 773 | 184 |
| Losses on foreign exchanges | 3,362 | 402 | – | 30 |
| Other investment expenses | 2,018 | 1,209 | 915 | 18 |
| Total investment expenses | 160,414 | 9,749 | 10,994 | 1,430 |
| Operating expenses (Note 17) | 560,423 | 538,510 | 513,159 | 4,995 |
| Other ordinary expenses | 108,502 | 95,371 | 91,415 | 967 |
| Total ordinary expenses | 8,379,689 | 9,194,239 | 9,676,616 | 74,692 |
| Ordinary profit | 279,755 | 411,504 | 492,625 | 2,494 |

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|---|------------------|----------|----------|-----------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| EXTRAORDINARY GAINS (Note 21) | – | 341 | – | – |
| EXTRAORDINARY LOSSES (Note 22) | 6,892 | 71,847 | 99,366 | 61 |
| Provision for reserve for policyholder dividends (Note 23) | 152,679 | 178,004 | 200,722 | 1,361 |
| Income before income taxes | 120,182 | 161,994 | 192,536 | 1,071 |
| Income taxes (Note 15): | | | | |
| Current | 136,749 | 174,316 | 208,365 | 1,219 |
| Deferred | (105,163) | (97,219) | (97,152) | (937) |
| Total income taxes | 31,586 | 77,096 | 111,213 | 282 |
| Net income | ¥ 88,596 | ¥ 84,897 | ¥ 81,323 | \$ 790 |
| Net income attributable to non-controlling interests | – | – | – | – |
| Net income attributable to Japan Post Insurance | 88,596 | 84,897 | 81,323 | 790 |

| | Yen | | | U.S. Dollars |
|---|-----------------|----------|----------|----------------|
| | ¥ | ¥ | ¥ | \$ |
| Per share of common stock (Note 30): | | | | |
| Basic net income | ¥ 147.71 | ¥ 141.50 | ¥ 135.54 | \$ 1.32 |
| 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, 2017, 2016 AND 2015

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|--|-----------------|------------|-----------|--------------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Net income | ¥ 88,596 | ¥ 84,897 | ¥ 81,323 | \$ 790 |
| Other comprehensive income (Note 24): | | | | |
| Net unrealized gains (losses) on available-for-sale securities | (83,507) | (152,621) | 373,258 | (744) |
| Net deferred gains (losses) on hedges | (90) | 118 | 11 | (1) |
| Adjustments for retirement benefits | (655) | (613) | 3,339 | (6) |
| Total other comprehensive income (loss) | (84,254) | (153,116) | 376,609 | (751) |
| Comprehensive income (loss) | ¥ 4,342 | ¥ (68,218) | ¥ 457,932 | \$ 39 |
| Total comprehensive income (loss) attributable to: | | | | |
| Japan Post Insurance | 4,342 | (68,218) | 457,932 | 39 |
| 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, 2017, 2016 AND 2015

| | Millions of Yen | | | | |
|---|----------------------|------------------|-------------------|----------------|----------------------------|
| | Shareholders' equity | | | | |
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| BALANCE, APRIL 1, 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 |
| Purchases of treasury stock | | | | | – |
| Disposals of treasury stock | | | | | – |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | – | – | 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 |
| Purchases of treasury stock | | | | | – |
| Disposals of treasury stock | | | | | – |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | – | – | 60,370 | – | 60,370 |
| BALANCE, MARCH 31, 2016 | 500,000 | 500,044 | 472,362 | – | 1,472,406 |
| Cumulative effects of changes in accounting policies | | | | | – |
| RESTATED BALANCE, APRIL 1, 2016 | 500,000 | 500,044 | 472,362 | – | 1,472,406 |
| Changes in the fiscal year: | | | | | |
| Cash dividends | | | (33,600) | | (33,600) |
| Net income attributable to Japan Post Insurance | | | 88,596 | | 88,596 |
| Purchases of treasury stock | | | | (538) | (538) |
| Disposals of treasury stock | | | | 17 | 17 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | – | – | 54,996 | (521) | 54,475 |
| BALANCE, MARCH 31, 2017 | ¥ 500,000 | ¥ 500,044 | ¥ 527,358 | ¥ (521) | ¥ 1,526,882 |

Millions of Yen

| | Accumulated other comprehensive income | | | | Total net assets |
|---|--|---------------------------------------|---|--|------------------|
| | Net unrealized gains (losses) on available-for-sale securities | Net deferred gains (losses) on hedges | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | |
| BALANCE, APRIL 1, 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 |
| Purchases of treasury stock | | | | | - |
| Disposals of treasury stock | | | | | - |
| Net changes in items other than shareholders' equity in the fiscal year | 373,258 | 11 | 3,339 | 376,609 | 376,609 |
| Net changes in the fiscal year | 373,258 | 11 | 3,339 | 376,609 | 441,123 |
| 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 |
| Purchases of treasury stock | | | | | - |
| Disposals of treasury stock | | | | | - |
| Net changes in items other than shareholders' equity in the fiscal year | (152,621) | 118 | (613) | (153,116) | (153,116) |
| Net changes in the fiscal year | (152,621) | 118 | (613) | (153,116) | (92,745) |
| BALANCE, MARCH 31, 2016 | 405,412 | 140 | 5,022 | 410,575 | 1,882,982 |
| Cumulative effects of changes in accounting policies | | | | | - |
| RESTATED BALANCE, APRIL 1, 2016 | 405,412 | 140 | 5,022 | 410,575 | 1,882,982 |
| Changes in the fiscal year: | | | | | |
| Cash dividends | | | | | (33,600) |
| Net income attributable to Japan Post Insurance | | | | | 88,596 |
| Purchases of treasury stock | | | | | (538) |
| Disposals of treasury stock | | | | | 17 |
| Net changes in items other than shareholders' equity in the fiscal year | (83,507) | (90) | (655) | (84,254) | (84,254) |
| Net changes in the fiscal year | (83,507) | (90) | (655) | (84,254) | (29,778) |
| BALANCE, MARCH 31, 2017 | ¥ 321,904 | ¥ 50 | ¥ 4,366 | ¥ 326,321 | ¥ 1,853,203 |

Millions of U.S. Dollars (Note 1)

| Shareholders' equity | | | | | |
|---|---------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| BALANCE, MARCH 31, 2016 | \$ 4,457 | \$ 4,457 | \$ 4,210 | \$ – | \$ 13,124 |
| Cumulative effects of changes in accounting policies | | | | | – |
| RESTATED BALANCE, APRIL 1, 2016 | 4,457 | 4,457 | 4,210 | – | 13,124 |
| Changes in the fiscal year: | | | | | |
| Cash dividends | | | (299) | | (299) |
| Net income attributable to Japan Post Insurance | | | 790 | | 790 |
| Purchases of treasury stock | | | | (5) | (5) |
| Disposals of treasury stock | | | | 0 | 0 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | – | – | 490 | (5) | 486 |
| BALANCE, MARCH 31, 2017 | \$ 4,457 | \$ 4,457 | \$ 4,701 | \$ (5) | \$ 13,610 |

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, 2016 | \$ 3,614 | \$ 1 | \$ 45 | \$ 3,660 | \$ 16,784 |
| Cumulative effects of changes in accounting policies | | | | | – |
| RESTATED BALANCE, APRIL 1, 2016 | 3,614 | 1 | 45 | 3,660 | 16,784 |
| Changes in the fiscal year: | | | | | |
| Cash dividends | | | | | (299) |
| Net income attributable to Japan Post Insurance | | | | | 790 |
| Purchases of treasury stock | | | | | (5) |
| Disposals of treasury stock | | | | | 0 |
| Net changes in items other than shareholders' equity in the fiscal year | (744) | (1) | (6) | (751) | (751) |
| Net changes in the fiscal year | (744) | (1) | (6) | (751) | (265) |
| BALANCE, MARCH 31, 2017 | \$ 2,869 | \$ 0 | \$ 39 | \$ 2,909 | \$ 16,518 |

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|--|-----------------|---------------|---------------|--------------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Income before income taxes | ¥ 120,182 | ¥ 161,994 | ¥ 192,536 | \$ 1,071 |
| Depreciation and amortization | 46,819 | 36,700 | 35,224 | 417 |
| Net change in reserve for outstanding claims | (57,790) | (82,988) | (113,534) | (515) |
| Net change in policy reserves | (2,187,268) | (2,750,098) | (2,632,889) | (19,496) |
| Provision for interest on policyholder dividends | 25 | 132 | 1,497 | 0 |
| Provision for reserve for policyholder dividends | 152,679 | 178,004 | 200,722 | 1,361 |
| Net change in reserve for possible loan losses | (114) | (170) | (92) | (1) |
| Net change in reserve for possible claim payments | – | – | (1,881) | – |
| Net change in liability for retirement benefits | 1,381 | 2,446 | (3,375) | 12 |
| Net change in reserve for management board benefit trust | 76 | – | – | 1 |
| Net change in reserve for price fluctuations | 6,444 | 70,100 | 97,934 | 57 |
| Interest and dividend income (accrual basis) | (1,226,193) | (1,308,679) | (1,365,796) | (10,930) |
| Net (gains) losses on securities | 47,039 | 978 | (56,937) | 419 |
| Interest expenses (accrual basis) | 2,218 | 4,370 | 4,298 | 20 |
| Net (gains) losses on foreign exchanges | 3,362 | 402 | (12) | 30 |
| Net (gains) losses on tangible fixed assets | 183 | 999 | 1,310 | 2 |
| Net change in agency accounts receivable | 30,304 | 13,829 | 7,628 | 270 |
| Net change in reinsurance receivables | (924) | (738) | (396) | (8) |
| Net change in other assets (excluding those related to investing activities and financing activities) | 141,332 | (42,294) | (86,519) | 1,260 |
| Net change in reinsurance payables | 1,396 | 1,360 | 782 | 12 |
| Net change in other liabilities (excluding those related to investing activities and financing activities) | (1,914) | (22,185) | (8,926) | (17) |
| Other, net | (30,292) | (44,128) | (28,995) | (270) |
| Subtotal | (2,951,050) | (3,779,964) | (3,757,421) | (26,304) |
| Interest and dividends received (cash basis) | 1,315,932 | 1,376,599 | 1,438,805 | 11,729 |
| Interest paid (cash basis) | (2,142) | (4,401) | (4,311) | (19) |
| Policyholder dividends paid | (316,351) | (316,246) | (349,687) | (2,820) |
| Other, net | – | 32 | – | – |
| Income taxes paid | (137,326) | (198,998) | (215,874) | (1,224) |
| Net cash used in operating activities | ¥ (2,090,939) | ¥ (2,922,978) | ¥ (2,888,489) | \$ (18,637) |

| | Millions of Yen | | | Millions of U.S. Dollars (Note 1) |
|--|-----------------|----------------|----------------|--------------------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Purchases of call loans | ¥ (26,495,000) | ¥ (36,244,900) | ¥ (33,053,228) | \$ (236,162) |
| Proceeds from redemption of call loans | 26,705,000 | 36,330,328 | 32,837,825 | 238,034 |
| Net change in receivables under securities borrowing transactions | (512,131) | (287,734) | 101,332 | (4,565) |
| Purchases of monetary claims bought | (1,616,999) | (2,508,852) | (3,417,540) | (14,413) |
| Proceeds from sale and redemption of monetary claims bought | 2,018,804 | 2,474,034 | 3,131,989 | 17,995 |
| Purchases of money held in trust | (215,000) | (400,400) | (550,000) | (1,916) |
| Proceeds from decrease in money held in trust | – | 40,000 | – | – |
| Purchases of securities | (8,424,473) | (4,264,540) | (3,849,529) | (75,091) |
| Proceeds from sale and redemption of securities | 8,107,266 | 6,728,431 | 7,196,095 | 72,264 |
| Payments for loans | (1,065,448) | (1,172,737) | (1,354,547) | (9,497) |
| Proceeds from collection of loans | 1,982,969 | 2,171,621 | 2,397,748 | 17,675 |
| Net change in payables under securities lending transactions | 1,240,587 | (10,013) | (44,684) | 11,058 |
| Other, net | (43,843) | (163,575) | 144,115 | (391) |
| Total of net cash provided by investment transactions | 1,681,731 | 2,691,662 | 3,539,576 | 14,990 |
| Total of net cash provided by (used in) operating activities and investment transactions | (409,207) | (231,316) | 651,086 | (3,647) |
| Purchases of tangible fixed assets | (3,219) | (31,889) | (28,399) | (29) |
| Purchases of intangible fixed assets | (49,347) | (62,952) | (56,722) | (440) |
| Other, net | (152) | 86 | (5,692) | (1) |
| Net cash provided by investing activities | 1,629,012 | 2,596,907 | 3,448,761 | 14,520 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Repayment of lease obligations | (519) | (552) | (514) | (5) |
| Purchases of treasury stock | (538) | – | – | (5) |
| Dividends paid | (33,564) | (24,527) | (16,808) | (299) |
| Net cash used in financing activities | (34,622) | (25,080) | (17,322) | (309) |
| Effect of exchange rate changes on cash and cash equivalents | – | – | – | – |
| Net change in cash and cash equivalents | (496,549) | (351,150) | 542,949 | (4,426) |
| Cash and cash equivalents at the beginning of the year | 1,862,636 | 2,213,786 | 1,670,837 | 16,603 |
| Cash and cash equivalents at the end of the year (Note 3) | ¥ 1,366,086 | ¥ 1,862,636 | ¥ 2,213,786 | \$ 12,177 |

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

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 to present them in a form that 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 ¥112.19 to US\$1, the approximate rate of exchange as of March 31, 2017. 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 the average market prices during the final month of the fiscal year are used to value stocks. The cost of securities sold is calculated using the moving-average method.

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

Government and corporate bonds (including foreign bonds) without a market price for which the premium or discount represents the interest adjustments are carried at the 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 currency exchange fluctuation risk for a portion of its foreign-currency-denominated bonds, as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). The 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 the foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts that 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 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. The 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, 2017, 2016 and 2015, were ¥214 million (\$2 million), ¥211 million and ¥294 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 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, 2017, 2016 and 2015, were ¥180,359 million (\$1,608 million), ¥179,558 million and ¥176,491 million, respectively.

The Management Organization was established in October 2007 to support 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) Retirement Benefits

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

The 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 year ended March 31, 2015, 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, the projected benefit obligation decreased and prior service cost of ¥5,174 million was recognized for the year ended March 31, 2015.

(9) Reserve for Management Board Benefit Trust

To provide for the granting of shares and others of the Company to executive officers of the Company in accordance with the stock benefit rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(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.

(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 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, the 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 the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter 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."

(16) Additional Information

1) Adoption of the implementation guidance on the recoverability of deferred tax assets

Effective from the year ended March 31, 2017, the Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

2) Transactions for granting shares and others of the Company to executive officers of the Company through a trust

The Company has introduced a trust-based performance-linked stock compensation system for executive officers of the Company from the year ended March 31, 2017.

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

A) Outline of the transaction

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

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

B) Shares of the Company held in trust
Shares of the Company held in trust are recorded as treasury stock under the category of net assets at book value in the trust (excluding accompanying expenses). The book value of such treasury stock at the end of the year ended March 31, 2017, was ¥521 million (\$5 million), while the number of such treasury stock was 221 thousand shares.

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2017, 2016 and 2015, and cash and deposits in the consolidated balance sheets as of March 31, 2017, 2016 and 2015, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-------------|-------------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Cash and deposits | ¥ 1,366,086 | ¥ 1,862,636 | ¥ 2,213,786 | \$ 12,177 |
| Cash and cash equivalents at the end of the year | ¥ 1,366,086 | ¥ 1,862,636 | ¥ 2,213,786 | \$ 12,177 |

4. SECURITIES

(1) Securities

Securities as of March 31, 2017, 2016 and 2015, consisted of the following:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---------------------------------|-----------------|--------------|--------------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Japanese government bonds | ¥ 42,732,364 | ¥ 44,178,631 | ¥ 48,086,445 | \$ 380,893 |
| Japanese local government bonds | 9,226,804 | 9,405,494 | 9,555,857 | 82,243 |
| Japanese corporate bonds | 5,698,945 | 6,236,913 | 6,652,464 | 50,797 |
| Stocks | 58,321 | — | — | 520 |
| Foreign securities | 4,351,731 | 3,688,822 | 1,981,492 | 38,789 |
| Other | 1,417,122 | 100,044 | — | 12,631 |
| Total | ¥ 63,485,289 | ¥ 63,609,906 | ¥ 66,276,260 | \$ 565,873 |

Securities lent under lending agreements in the amount of ¥4,341,253 million (\$38,696 million), ¥2,980,599 million and ¥3,211,916 million were included in "Securities" in the consolidated balance sheets as of March 31, 2017, 2016 and 2015, 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 was ¥3,532,340 million (\$31,485 million), ¥3,015,817 million and ¥2,701,601 million as of March 31, 2017, 2016 and 2015, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2017, 2016 and 2015, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|-----------------------------------|-----------------|--------------|--------------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Consolidated balance sheet amount | ¥ 12,517,334 | ¥ 13,563,423 | ¥ 15,493,208 | \$ 111,573 |
| Fair value | 13,697,410 | 15,062,160 | 16,668,447 | 122,091 |

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 to manage risks arising from fluctuations in the 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 (insurance policies with a remaining period within 20 years)
- Japan Post Insurance life insurance contracts (general) (all insurance policies)
- Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The sub-group covering Japan Post Insurance life insurance contracts (general) was formerly a sub-group consisting of insurance policies with a remaining period within 20 years; however, effective from the year ended March 31, 2017, said sub-group has been changed to a sub-group consisting of all general insurance policies due to a recent increase in policy reserves for contracts with a remaining period of more than 20 years. This change has no effect on profit or loss.

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds
1) Held-to-maturity bonds

(Millions of Yen)

| | | 2017 | | | | |
|--------------------|---------------------------------|-----------------------------------|--------------|-------------------------------|------------------|-------------------|
| March 31 | | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Bonds | | ¥ 40,343,881 | ¥ 46,417,557 | ¥ 6,073,676 | ¥ 6,146,805 | ¥ (73,129) |
| | Japanese government bonds | 30,440,345 | 35,952,917 | 5,512,572 | 5,575,863 | (63,290) |
| | Japanese local government bonds | 7,464,729 | 7,879,829 | 415,100 | 420,514 | (5,414) |
| | Japanese corporate bonds | 2,438,806 | 2,584,809 | 146,003 | 150,427 | (4,424) |
| Foreign securities | | 98,000 | 101,136 | 3,136 | 3,136 | – |
| | Foreign bonds | 98,000 | 101,136 | 3,136 | 3,136 | – |
| Total | | ¥ 40,441,881 | ¥ 46,518,693 | ¥ 6,076,812 | ¥ 6,149,942 | ¥ (73,129) |

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

| | | 2017 | | | | |
|--------------------|---------------------------------|-----------------------------------|------------|-------------------------------|------------------|-------------------|
| March 31 | | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Bonds | | \$ 359,603 | \$ 413,741 | \$ 54,137 | \$ 54,789 | \$ (652) |
| | Japanese government bonds | 271,329 | 320,465 | 49,136 | 49,700 | (564) |
| | Japanese local government bonds | 66,536 | 70,236 | 3,700 | 3,748 | (48) |
| | Japanese corporate bonds | 21,738 | 23,040 | 1,301 | 1,341 | (39) |
| Foreign securities | | 874 | 901 | 28 | 28 | – |
| | Foreign bonds | 874 | 901 | 28 | 28 | – |
| Total | | \$ 360,477 | \$ 414,642 | \$ 54,165 | \$ 54,817 | \$ (652) |

2) Policy-reserve-matching bonds

(Millions of Yen)

| | | 2017 | | | | |
|---------------------------------|--|-----------------------------------|--------------|-------------------------------|------------------|-------------------|
| March 31 | | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Bonds | | ¥ 12,517,334 | ¥ 13,697,410 | ¥ 1,180,075 | ¥ 1,204,445 | ¥ (24,370) |
| Japanese government bonds | | 11,869,126 | 13,012,106 | 1,142,980 | 1,166,866 | (23,886) |
| Japanese local government bonds | | 515,707 | 543,841 | 28,134 | 28,619 | (484) |
| Japanese corporate bonds | | 132,501 | 141,461 | 8,960 | 8,960 | — |
| Total | | ¥ 12,517,334 | ¥ 13,697,410 | ¥ 1,180,075 | ¥ 1,204,445 | ¥ (24,370) |

(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 | — |
| 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) |
| Total | | ¥ 15,493,208 | ¥ 16,668,447 | ¥ 1,175,238 | ¥ 1,175,453 | ¥ (214) |

(Millions of U.S. Dollars)

| | | 2017 | | | | |
|---------------------------------|--|-----------------------------------|------------|-------------------------------|------------------|-------------------|
| March 31 | | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| Bonds | | \$ 111,573 | \$ 122,091 | \$ 10,519 | \$ 10,736 | \$ (217) |
| Japanese government bonds | | 105,795 | 115,983 | 10,188 | 10,401 | (213) |
| Japanese local government bonds | | 4,597 | 4,847 | 251 | 255 | (4) |
| Japanese corporate bonds | | 1,181 | 1,261 | 80 | 80 | — |
| Total | | \$ 111,573 | \$ 122,091 | \$ 10,519 | \$ 10,736 | \$ (217) |

3) Available-for-sale securities

(Millions of Yen)

| | 2017 | | | | |
|---------------------------------|-----------------------------------|--------------|-------------------------------|------------------|-------------------|
| | Consolidated balance sheet amount | Cost | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| March 31 | | | | | |
| Bonds | ¥ 4,796,899 | ¥ 4,758,489 | ¥ 38,409 | ¥ 71,613 | ¥ (33,204) |
| Japanese government bonds | 422,893 | 444,229 | (21,335) | 181 | (21,517) |
| Japanese local government bonds | 1,246,368 | 1,250,422 | (4,054) | 1,331 | (5,386) |
| Japanese corporate bonds | 3,127,637 | 3,063,837 | 63,800 | 70,100 | (6,299) |
| Stocks | 54,081 | 50,206 | 3,874 | 4,205 | (331) |
| Foreign securities | 4,253,731 | 4,224,600 | 29,130 | 175,028 | (145,898) |
| Foreign bonds | 4,248,732 | 4,219,602 | 29,130 | 175,028 | (145,898) |
| Foreign other securities | 4,998 | 4,998 | – | – | – |
| Other ¹ | 1,794,684 | 1,803,149 | (8,465) | 6,498 | (14,964) |
| Total | ¥ 10,899,395 | ¥ 10,836,447 | ¥ 62,948 | ¥ 257,346 | ¥ (194,398) |

(Millions of Yen)

| | 2016 | | | | |
|---------------------------------|-----------------------------------|-------------|-------------------------------|------------------|-------------------|
| | Consolidated balance sheet amount | Cost | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| March 31 | | | | | |
| 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) |
| Stocks | – | – | – | – | – |
| 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) |
| Foreign other securities | – | – | – | – | – |
| Other ² | 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 | | | | | |
| 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) |
| Stocks | – | – | – | – | – |
| 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) |
| Foreign other securities | – | – | – | – | – |
| Other ³ | 1,744,068 | 1,741,973 | 2,095 | 2,095 | – |
| Total | ¥ 8,811,560 | ¥ 8,385,080 | ¥ 426,480 | ¥ 427,384 | ¥ (904) |

(Millions of U.S. Dollars)

| | 2017 | | | | |
|---------------------------------|-----------------------------------|-----------|-------------------------------|------------------|-------------------|
| | Consolidated balance sheet amount | Cost | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| March 31 | | | | | |
| Bonds | \$ 42,757 | \$ 42,415 | \$ 342 | \$ 638 | \$ (296) |
| Japanese government bonds | 3,769 | 3,960 | (190) | 2 | (192) |
| Japanese local government bonds | 11,109 | 11,146 | (36) | 12 | (48) |
| Japanese corporate bonds | 27,878 | 27,309 | 569 | 625 | (56) |
| Stocks | 482 | 448 | 35 | 37 | (3) |
| Foreign securities | 37,915 | 37,656 | 260 | 1,560 | (1,300) |
| Foreign bonds | 37,871 | 37,611 | 260 | 1,560 | (1,300) |
| Foreign other securities | 45 | 45 | – | – | – |
| Other ¹ | 15,997 | 16,072 | (75) | 58 | (133) |
| Total | \$ 97,151 | \$ 96,590 | \$ 561 | \$ 2,294 | \$ (1,733) |

Notes:

1. "Other" includes negotiable certificates of deposit (cost: ¥350,000 million (\$3,120 million), consolidated balance sheet amount: ¥350,000 million (\$3,120 million)) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥25,149 million (\$224 million), consolidated balance sheet amount: ¥27,561 million (\$246 million)) as of March 31, 2017.
2. "Other" includes negotiable certificates of deposit (cost: ¥630,000 million, consolidated balance sheet amount: ¥630,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥426,954 million, consolidated balance sheet amount: ¥430,150 million) as of March 31, 2016.
3. "Other" includes negotiable certificates of deposit (cost: ¥1,295,000 million, consolidated balance sheet amount: ¥1,295,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥446,973 million, consolidated balance sheet amount: ¥449,068 million) as of March 31, 2015.
4. Bonds among available-for-sale securities denominated in foreign currencies, in the event of significant yen appreciation causing a significant drop in their yen values, are subject to recognition of losses on valuation. Although the existence of "significant yen appreciation" was determined based on the exchange rate at the end of each period so far, the Company has decided to make such determination based on the average exchange rate during the final month of the period from the year ended March 31, 2017. As investments in bonds denominated in foreign currencies are on the rise, this change intends to present business results more appropriately reflecting the Company's investment policy to ensure stable profits over the medium to long term period.
There was no recognition of losses on valuation for the year ended March 31, 2017, and no impact due to such change.

4) Policy-reserve-matching bonds sold for the years ended March 31, 2017, 2016 and 2015

(Millions of Yen)

| | 2017 | | |
|---------------------------|-------|-------|--------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ – | ¥ – | ¥ – |
| Japanese government bonds | – | – | – |
| Total | ¥ – | ¥ – | ¥ – |

(Millions of Yen)

| | 2016 | | |
|---------------------------|-------|-------|--------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ – | ¥ – | ¥ – |
| Japanese government bonds | – | – | – |
| Total | ¥ – | ¥ – | ¥ – |

(Millions of Yen)

| | 2015 | | |
|---------------------------|-------------|----------|--------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ 1,717,375 | ¥ 56,869 | ¥ – |
| Japanese government bonds | 1,717,375 | 56,869 | – |
| Total | ¥ 1,717,375 | ¥ 56,869 | ¥ – |

(Millions of U.S. Dollars)

| | 2017 | | |
|---------------------------|-------|-------|--------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | \$ – | \$ – | \$ – |
| Japanese government bonds | – | – | – |
| Total | \$ – | \$ – | \$ – |

5) Available-for-sale securities sold for the years ended March 31, 2017, 2016 and 2015

(Millions of Yen)

| | 2017 | | |
|---------------------------------|-------------|----------|-------------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ 202,108 | ¥ 1,384 | ¥ (147) |
| Japanese local government bonds | 55,716 | 126 | (138) |
| Japanese corporate bonds | 146,392 | 1,258 | (8) |
| Stocks | 4,703 | 352 | (53) |
| Foreign securities | 2,488,583 | 83,406 | (124,533) |
| Foreign bonds | 2,488,583 | 83,406 | (124,533) |
| Total | ¥ 2,695,395 | ¥ 85,142 | ¥ (124,734) |

(Millions of Yen)

| | 2016 | | |
|---------------------------------|-----------|---------|-----------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ 4,705 | ¥ 8 | ¥ - |
| Japanese local government bonds | - | - | - |
| Japanese corporate bonds | 4,705 | 8 | - |
| Stocks | - | - | - |
| Foreign securities | 276,241 | 1,233 | (1,592) |
| Foreign bonds | 276,241 | 1,233 | (1,592) |
| Total | ¥ 280,946 | ¥ 1,241 | ¥ (1,592) |

(Millions of Yen)

| | 2015 | | |
|---------------------------------|-----------|---------|-----------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | ¥ - | ¥ - | ¥ - |
| Japanese local government bonds | - | - | - |
| Japanese corporate bonds | - | - | - |
| Stocks | - | - | - |
| Foreign securities | 158,468 | 5,038 | (4,963) |
| Foreign bonds | 158,468 | 5,038 | (4,963) |
| Total | ¥ 158,468 | ¥ 5,038 | ¥ (4,963) |

(Millions of U.S. Dollars)

| | 2017 | | |
|---------------------------------|-----------|--------|------------|
| | Sales | Gains | Losses |
| March 31 | | | |
| Bonds | \$ 1,801 | \$ 12 | \$ (1) |
| Japanese local government bonds | 497 | 1 | (1) |
| Japanese corporate bonds | 1,305 | 11 | (0) |
| Stocks | 42 | 3 | (0) |
| Foreign securities | 22,182 | 743 | (1,110) |
| Foreign bonds | 22,182 | 743 | (1,110) |
| Total | \$ 24,025 | \$ 759 | \$ (1,112) |

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

(Millions of Yen)

| | | 2017 | | | | |
|-----------------|-------------------------------|---|-------------|----------------------------------|---------------------|----------------------|
| | | Consolidated balance sheet amount | Cost | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| March 31 | Specified money held in trust | ¥ 2,127,042 | ¥ 1,746,326 | ¥ 380,716 | ¥ 400,483 | ¥ (19,767) |

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

| | | 2017 | | | | |
|-----------------|-------------------------------|---|-----------|----------------------------------|---------------------|----------------------|
| | | Consolidated balance sheet amount | Cost | Net unrealized gains (losses) | Unrealized gains | Unrealized losses |
| March 31 | Specified money held in trust | \$ 18,959 | \$ 15,566 | \$ 3,393 | \$ 3,570 | \$ (176) |

Note:

For the year ended March 31, 2017

The Group recognized losses on valuation of ¥1,066 million (\$10 million).

With respect to stocks in money held in trust managed as trust assets, losses on valuation are recognized for those with a significant decline in fair values below their cost and remote likelihood of fair values recovering to the cost.

A significant decline in fair values is determined based on the following criteria.

- Stocks with fair values declining by 50% or more of their cost
- Stocks with fair values declining by 30% or more, but less than 50% of their cost, and with market prices remaining lower than a certain level

In the past, the Company recognized losses on valuation of the stocks with fair values other than trading securities, if the fair values decline by 30% or more of the cost, based on the judgment that their fair values "declined significantly." Lately, however, given an increase in the stock investment balance, the Company has decided to change the method of recognizing losses on valuation from the year ended March 31, 2017, to present business results more appropriately reflecting the Company's investment policy of long-term investments. In the new method, in principle, losses on valuation will be recognized for stocks with fair values declining by 50% or more of their cost. For stocks with fair values declining by 30% or more, but less than 50%, losses on valuation will be recognized after determining whether the decline of the fair value falls under a "significant decline" in light of trends of market prices, when there is remote likelihood of fair values recovering to the cost.

As a result of adopting the aforementioned method, losses on valuation decreased by ¥94 million (\$1 million) compared with the figures based on the previous method.

For the years ended March 31, 2016 and 2015

The Group recognized losses on valuation of ¥16,748 million and ¥442 million for the years ended March 31, 2016 and 2015, 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, 2017, 2016 and 2015, consisted of the following:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-------------|-------------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Assets pledged as collateral: | | | | |
| Securities | ¥ 4,184,239 | ¥ 2,980,599 | ¥ 3,211,916 | \$ 37,296 |
| Liabilities corresponding to assets pledged as collateral: | | | | |
| Payables under securities lending transactions | 4,889,066 | 3,648,478 | 3,658,492 | 43,578 |

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 |
|-----------------|-----------------|---------|------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Securities | ¥ 15,489 | ¥ 3,940 | ¥ - | \$ 138 |

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, 2017, 2016 and 2015. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4, of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). The interest accruals of such loans are suspended because 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 to assist and support 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, 2017, 2016 and 2015, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|------------------------------|-----------------|------|---------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Amount of unused commitments | ¥ — | ¥ — | ¥ 1,250 | \$ — |

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2017, 2016 and 2015, was as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--------------------------|-----------------|----------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Accumulated depreciation | ¥ 75,722 | ¥ 63,882 | ¥ 63,635 | \$ 675 |

8. REINSURANCE

The reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3, of the Ordinance (hereinafter the “reserve for outstanding claims—ceded”), as of March 31, 2017, 2016 and 2015, was as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--------------------------------------|-----------------|-------|-------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Reserve for outstanding claims—ceded | ¥ 399 | ¥ 314 | ¥ 285 | \$ 4 |

The policy reserves for reinsured part defined in Article 71, Paragraph 1, of said Ordinance (hereinafter “policy reserves—ceded”) as of March 31, 2017, 2016 and 2015, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|-----------------------|-----------------|-------|-------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| March 31 | | | | |
| Policy reserves—ceded | ¥ 768 | ¥ 558 | ¥ 314 | \$ 7 |

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

The Company estimated future contributions to Life Insurance Policyholders Protection Corporation in the amounts of ¥28,868 million (\$257 million), ¥26,866 million and ¥22,829 million, as of March 31, 2017, 2016 and 2015, 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, 2017, 2016 and 2015, were as follows:

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-------------|-------------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Balance at the beginning of the year | ¥ 1,936,494 | ¥ 2,074,919 | ¥ 2,222,759 | \$ 17,261 |
| Policyholder dividends paid | (316,351) | (316,246) | (349,687) | (2,820) |
| Interest accrual | 25 | 132 | 1,497 | 0 |
| Reduction due to the acquisition of additional annuity | (283) | (315) | (372) | (3) |
| Provision for reserve for policyholder dividends | 152,679 | 178,004 | 200,722 | 1,361 |
| Balance at the end of the year | ¥ 1,772,565 | ¥ 1,936,494 | ¥ 2,074,919 | \$ 15,800 |

11. LEASE OBLIGATIONS AND OTHER INTEREST-BEARING DEBT

Lease obligations and other interest-bearing debt as of March 31, 2017, 2016 and 2015, were as follows:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars | Average interest rate | Due |
|--|-----------------|-------------|-------------|--------------------------|-----------------------|---------------|
| | 2017 | 2016 | 2015 | 2017 | 2017 | |
| Lease obligations | ¥ 2,202 | ¥ 1,909 | ¥ 2,154 | \$ 20 | – | December 2023 |
| Other interest-bearing debt: | | | | | | |
| Payables under securities lending transactions | 4,889,066 | 3,648,478 | 3,658,492 | 43,578 | 0.09% | – |
| Total | ¥ 4,891,269 | ¥ 3,650,388 | ¥ 3,660,646 | \$ 43,598 | – | – |

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, 2017, was as follows:

| March 31 | Millions of Yen | Millions of U.S. Dollars |
|-----------------------------------|-----------------|--------------------------|
| | ¥ | \$ |
| Within 1 year | 585 | 5 |
| Due after 1 year through 2 years | 500 | 4 |
| Due after 2 years through 3 years | 434 | 4 |
| Due after 3 years through 4 years | 348 | 3 |
| Due after 4 years through 5 years | 217 | 2 |
| Due after 5 years | 115 | 1 |
| Total | ¥ 2,202 | \$ 20 |

12. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Group has lump-sum severance indemnity plans that 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 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 years ended March 31, 2017 and 2016, was ¥345 million (\$3 million) and ¥200 million, respectively.

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

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|----------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Balance at the beginning of the year | ¥ 60,803 | ¥ 58,356 | ¥ 56,627 | \$ 542 |
| Cumulative effects of changes in accounting policies | – | – | 5,104 | – |
| Restated balance at the beginning of the year | 60,803 | 58,356 | 61,731 | 542 |
| Service cost | 3,993 | 3,901 | 3,639 | 36 |
| Interest cost | 421 | 404 | 428 | 4 |
| Actuarial differences | 281 | 294 | 242 | 3 |
| Benefits paid | (3,342) | (2,642) | (2,483) | (30) |
| Prior service cost | – | – | (5,174) | – |
| Increase associated with the change from the simplified method to the principle method | – | 384 | – | – |
| Other | 27 | 103 | (26) | 0 |
| Balance at the end of the year | ¥ 62,184 | ¥ 60,803 | ¥ 58,356 | \$ 554 |

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

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

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|---|-----------------|----------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Unfunded retirement benefit obligations | ¥ 62,184 | ¥ 60,803 | ¥ 58,356 | \$ 554 |
| Liability for retirement benefits recorded on the consolidated balance sheets | ¥ 62,184 | ¥ 60,803 | ¥ 58,356 | \$ 554 |

3) Retirement benefit costs

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|---|-----------------|---------|---------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Service cost | ¥ 3,993 | ¥ 3,901 | ¥ 3,639 | \$ 36 |
| Interest cost | 421 | 404 | 428 | 4 |
| Amortization of actuarial differences | (259) | (280) | (297) | (2) |
| Amortization of prior service cost | (369) | (369) | (30) | (3) |
| Effect of the change from the simplified method to the principle method | – | 384 | – | – |
| Other | 166 | 68 | 69 | 1 |
| Retirement benefit expenses of defined benefit plans | ¥ 3,952 | ¥ 4,108 | ¥ 3,808 | \$ 35 |

4) Adjustments for retirement benefits (before tax effect)

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|-----------------------|-----------------|---------|---------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Prior service cost | ¥ (369) | ¥ (369) | ¥ 5,143 | \$ (3) |
| Actuarial differences | (541) | (575) | (540) | (5) |
| Total | ¥ (911) | ¥ (944) | ¥ 4,603 | \$ (8) |

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

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|------------------------------------|-----------------|---------|---------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Unrecognized prior service cost | ¥ 4,404 | ¥ 4,774 | ¥ 5,143 | \$ 39 |
| Unrecognized actuarial differences | 1,660 | 2,201 | 2,777 | 15 |
| Total | ¥ 6,064 | ¥ 6,975 | ¥ 7,920 | \$ 54 |

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2017, 2016 and 2015, were as follows:

| Years ended March 31 | 2017 | 2016 | 2015 |
|----------------------|-------------|-------------|------|
| Discount rate | 0.3% – 0.7% | 0.3% – 0.7% | 0.7% |

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. Such amount is set not to fall below the amount 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 the reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2017, 2016 and 2015, were as follows:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|---|-----------------|--------------|--------------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Policy reserves (excluding contingency reserve) | ¥ 42,010,637 | ¥ 46,712,164 | ¥ 52,156,724 | \$ 374,460 |
| Contingency reserve | 1,838,804 | 2,011,685 | 2,182,885 | 16,390 |
| Reserve for price fluctuations | 648,432 | 635,806 | 626,849 | 5,780 |

14. DEPOSITS FROM THE MANAGEMENT ORGANIZATION

"Other liabilities" in the consolidated balance sheets include deposits from the Management Organization. Deposits from the Management Organization refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which were 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, 2017, 2016 and 2015, were as follows:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|---|-----------------|----------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Deposits from the Management Organization | ¥ 50,481 | ¥ 53,792 | ¥ 59,058 | \$ 450 |

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2017, 2016 and 2015, were as follows:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-----------|-----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Deferred tax assets: | | | | |
| Policy reserves | ¥ 736,401 | ¥ 640,360 | ¥ 559,683 | \$ 6,564 |
| Reserve for price fluctuations | 165,422 | 157,340 | 134,860 | 1,474 |
| Reserve for outstanding claims | 42,646 | 45,603 | 49,850 | 380 |
| Liability for retirement benefits | 17,456 | 17,078 | 16,875 | 156 |
| Unrealized losses on available-for-sale securities | 59,950 | 27,048 | 769 | 534 |
| Other | 20,737 | 19,007 | 15,020 | 185 |
| Subtotal | 1,042,615 | 906,439 | 777,060 | 9,293 |
| Valuation allowance | (4,482) | (7,582) | (2,948) | (40) |
| Total deferred tax assets | 1,038,133 | 898,857 | 774,111 | 9,253 |
| Deferred tax liabilities: | | | | |
| Unrealized gains on available-for-sale securities | (181,710) | (183,164) | (224,458) | (1,620) |
| Other | (4,481) | (3,560) | (2,599) | (40) |
| Total deferred tax liabilities | (186,191) | (186,724) | (227,057) | (1,660) |
| Net deferred tax assets (liabilities) | ¥ 851,942 | ¥ 712,132 | ¥ 547,053 | \$ 7,594 |

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 28.24%, 28.85% and 30.78% for the years ended March 31, 2017, 2016 and 2015, 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, 2017, 2016 and 2015, was as follows:

| Years ended March 31 | 2017 | 2016 | 2015 |
|--|--------|--------|--------|
| Statutory tax rate | 28.24% | 28.85% | 30.78% |
| Reduction in net deferred tax assets resulting from tax rate changes | – | 15.91 | 26.85 |
| Change in valuation allowance | (2.61) | 3.00 | 0.08 |
| Other | 0.65 | (0.17) | 0.06 |
| Effective income tax rate | 26.28% | 47.59% | 57.76% |

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 for which the collection or payment is expected within the period from April 1, 2016, to March 31, 2018, and to 28.00% for assets and liabilities for which the 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, and deferred income taxes and net unrealized gains (losses) on available-for-sale securities increased by ¥25,780 million and ¥4,617 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.

16. NET ASSETS

(1) Type and Number of Shares Issued

| | Thousands of shares | | | |
|----------------------------------|---------------------|----------|----------|----------------|
| | April 1, 2016 | Increase | Decrease | March 31, 2017 |
| Year ended March 31, 2017 | | | | |
| Shares issued: | | | | |
| Common stock | 600,000 | – | – | 600,000 |
| Total | 600,000 | – | – | 600,000 |
| Treasury stock | | | | |
| Common stock | – | 228 | 7 | 221 |
| Total | – | 228 | 7 | 221 |

Notes:

- The number of treasury stock of common stock at the end of the year ended March 31, 2017, was 221 thousand shares of the Company held in the BBT.
- The increase of 228 thousand shares of treasury stock of common stock was attributable to purchases by the BBT.
- The decrease of 7 thousand shares of treasury stock of common stock was attributable to the granting of shares via the BBT.

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

Notes:

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

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

(2) Information on Dividends

1) Dividends paid

Dividend paid for the year ended March 31, 2017

| Resolution | Type 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, 2016 | Common stock | ¥ 33,600 | \$ 299 | ¥ 56.00 | \$ 0.50 | March 31, 2016 | June 23, 2016 |

Dividend paid for the year ended March 31, 2016

| Resolution | Type of shares | Total amount (Millions of Yen) | Per share amount (Yen) | Record date | Effective date |
|--|----------------|--------------------------------|------------------------|----------------|----------------|
| Board of Directors' meeting held on May 13, 2015 | Common stock | ¥ 24,527 | ¥ 1,226.38 | March 31, 2015 | May 14, 2015 |

Dividend paid for the year ended March 31, 2015

| Resolution | Type 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 |

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

Dividends for which the effective date falls after the end of the year ended March 31, 2017

| Resolution | Type 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 15, 2017 | Common stock | ¥ 36,000 | \$ 321 | Retained earnings | ¥ 60.00 | \$ 0.53 | March 31, 2017 | June 22, 2017 |

Notes:

1. Total amount of dividends includes ¥13 million (\$0 million) of dividends paid to shares of the Company held in the BBT.

2. The amount of dividends per share includes a commemorative dividend of ¥2 (\$0.02) per share, in celebration of the 100th anniversary of the establishment of Postal Life Insurance Services.

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2017, 2016 and 2015, consisted of the following:

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|---------------------------------|-----------------|-----------|-----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Sales activity expenses | ¥ 201,199 | ¥ 191,078 | ¥ 182,243 | \$ 1,793 |
| Sales administration expenses | 20,618 | 18,041 | 17,147 | 184 |
| General administration expenses | 338,605 | 329,391 | 313,767 | 3,018 |
| Total | ¥ 560,423 | ¥ 538,510 | ¥ 513,159 | \$ 4,995 |

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, 2017, 2016 and 2015, were ¥84 million (\$1 million), ¥28 million and ¥203 million, respectively.

The amounts of provision for policy reserves—ceded that are added to the calculation of reversal of policy reserves for the years ended March 31, 2017, 2016 and 2015, were ¥210 million (\$2 million), ¥243 million and ¥130 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, 2017, 2016 and 2015, were as follows:

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|----------------------|-----------------|-------------|-------------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Insurance premiums | ¥ 1,002,816 | ¥ 1,322,308 | ¥ 1,697,140 | \$ 8,939 |

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2017, 2016 and 2015, were as follows:

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|----------------------|-----------------|-------------|-------------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Insurance claims | ¥ 6,413,751 | ¥ 7,518,791 | ¥ 8,208,198 | \$ 57,169 |

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2017, 2016 and 2015, consisted of the following:

| Years ended March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|--------------------------------|-----------------|-------|------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Gains on sales of fixed assets | ¥ — | ¥ 341 | ¥ — | \$ — |
| Total | ¥ — | ¥ 341 | ¥ — | \$ — |

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2017, 2016 and 2015, consisted of the following:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|----------|----------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Years ended March 31 | | | | |
| Losses on sales and disposal of fixed assets | ¥ 448 | ¥ 1,747 | ¥ 1,432 | \$ 4 |
| Provision for reserve for price fluctuations | 6,444 | 70,100 | 97,934 | 57 |
| Total | ¥ 6,892 | ¥ 71,847 | ¥ 99,366 | \$ 61 |

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, 2017, 2016 and 2015, was as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-----------|-----------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Years ended March 31 | | | | |
| Provision for reserve for policyholder dividends | ¥ 137,061 | ¥ 170,458 | ¥ 190,363 | \$ 1,222 |

24. OTHER COMPREHENSIVE INCOME

The amount reclassified and the tax effect amounts related to other comprehensive income for the years ended March 31, 2017, 2016 and 2015, were as follows:

| | Millions of Yen | | | Millions of U.S. Dollars |
|---|-----------------|-------------|-----------|-----------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Years ended March 31 | | | | |
| Net unrealized gains (losses) on available-for-sale securities: | | | | |
| Amount arising during the fiscal year | ¥ (147,188) | ¥ (214,061) | ¥ 524,140 | \$ (1,312) |
| Reclassification adjustments | 29,325 | (6,132) | (7,947) | 261 |
| Before tax-effect adjustments | (117,862) | (220,194) | 516,192 | (1,051) |
| Tax effect | 34,355 | 67,573 | (142,934) | 306 |
| Net unrealized gains (losses) on available-for-sale securities | (83,507) | (152,621) | 373,258 | (744) |
| Net deferred gains (losses) on hedges: | | | | |
| Amount arising during the fiscal year | (91) | 164 | 15 | (1) |
| Reclassification adjustments | (34) | – | – | (0) |
| Before tax-effect adjustments | (125) | 164 | 15 | (1) |
| Tax effect | 35 | (45) | (4) | 0 |
| Net deferred gains (losses) on hedges | (90) | 118 | 11 | (1) |
| Adjustments for retirement benefits: | | | | |
| Amount arising during the fiscal year | (281) | (294) | 4,932 | (3) |
| Reclassification adjustments | (629) | (650) | (328) | (6) |
| Before tax-effect adjustments | (911) | (944) | 4,603 | (8) |
| Tax effect | 255 | 331 | (1,263) | 2 |
| Adjustments for retirement benefits | (655) | (613) | 3,339 | (6) |
| Total other comprehensive income (loss) | ¥ (84,254) | ¥ (153,116) | ¥ 376,609 | \$ (751) |

25. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Company promotes matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which the 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 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 foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to interest rate risk.

Derivative transactions that the Company uses are mainly foreign exchange contracts and interest rate swaps. These are used to hedge 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 that include off-balance sheet assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates and stock prices. Market risk is categorized into interest rate risk and market price fluctuation risk for its management. Interest rate risk is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in yen and insurance liabilities due to fluctuations in yen interest rates, and the risk arises as the Company has a certain limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including market risk, the Company identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of the quantified risks.

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 the financial conditions of borrowers and other reasons.

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 for which the market prices are not readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions could 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, 2017, 2016 and 2015, were as follows. Financial instruments for which the 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 | |

| 2017 | | |
|-----------------------------------|--------------|-------------------------------|
| Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) |
| ¥ 1,366,086 | ¥ 1,366,086 | ¥ - |
| 350,000 | 350,000 | - |
| 150,000 | 150,000 | - |
| 3,520,722 | 3,520,722 | - |
| 27,561 | 27,561 | - |
| 27,561 | 27,561 | - |
| 2,127,042 | 2,127,042 | - |
| 63,481,050 | 70,737,937 | 7,256,887 |
| 40,441,881 | 46,518,693 | 6,076,812 |
| 12,517,334 | 13,697,410 | 1,180,075 |
| 10,521,834 | 10,521,834 | - |
| 8,060,843 | 8,767,861 | 707,018 |
| 118,141 | 118,141 | - |
| 873,720 | 941,241 | 67,580 |
| 7,069,040 | 7,708,478 | 639,438 |
| (59) | - | - |
| ¥ 78,733,306 | ¥ 86,697,213 | ¥ 7,963,906 |
| ¥ 4,889,066 | ¥ 4,889,066 | ¥ - |
| ¥ 4,889,066 | ¥ 4,889,066 | ¥ - |
| ¥ - | ¥ - | ¥ - |
| (4,585) | (4,585) | - |
| ¥ (4,585) | ¥ (4,585) | ¥ - |

| (Millions of Yen) | | | |
|--|---|--------------|----------------------------------|
| 2016 | | | |
| | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) |
| March 31 | | | |
| 1) Cash and deposits | ¥ 1,862,636 | ¥ 1,862,636 | ¥ – |
| Available-for-sale securities (negotiable certificates of deposit) | 630,000 | 630,000 | – |
| 2) Call loans | 360,000 | 360,000 | – |
| 3) Receivables under securities borrowing transactions | 3,008,591 | 3,008,591 | – |
| 4) Monetary claims bought | 430,150 | 430,150 | – |
| Available-for-sale securities | 430,150 | 430,150 | – |
| 5) Money held in trust ¹ | 1,644,547 | 1,644,547 | – |
| 6) Securities | 63,609,906 | 72,621,736 | 9,011,830 |
| Held-to-maturity bonds | 42,239,821 | 49,752,914 | 7,513,092 |
| Policy-reserve-matching bonds | 13,563,423 | 15,062,160 | 1,498,737 |
| Available-for-sale securities | 7,806,661 | 7,806,661 | – |
| 7) Loans | 8,978,366 | 9,844,960 | 866,593 |
| Policy loans | 95,629 | 95,629 | – |
| Industrial and commercial loans ² | 829,027 | 909,184 | 80,228 |
| Loans to the Management Organization ² | 8,053,780 | 8,840,145 | 786,365 |
| Reserve for possible loan losses ³ | (71) | – | – |
| Total assets | ¥ 79,894,197 | ¥ 89,772,621 | ¥ 9,878,423 |
| Payables under securities lending transactions | ¥ 3,648,478 | ¥ 3,648,478 | ¥ – |
| Total liabilities | ¥ 3,648,478 | ¥ 3,648,478 | ¥ – |
| Derivative transactions ⁴ | | | |
| Hedge accounting not applied | ¥ – | ¥ – | ¥ – |
| Hedge accounting applied | 4,841 | 4,841 | – |
| Total derivative transactions | ¥ 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 U.S. Dollars)

| | 2017 | | |
|--|-----------------------------------|-------------------|-------------------------------|
| | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) |
| March 31 | | | |
| 1) Cash and deposits | \$ 12,177 | \$ 12,177 | \$ – |
| Available-for-sale securities (negotiable certificates of deposit) | 3,120 | 3,120 | – |
| 2) Call loans | 1,337 | 1,337 | – |
| 3) Receivables under securities borrowing transactions | 31,382 | 31,382 | – |
| 4) Monetary claims bought | 246 | 246 | – |
| Available-for-sale securities | 246 | 246 | – |
| 5) Money held in trust ¹ | 18,959 | 18,959 | – |
| 6) Securities | 565,835 | 630,519 | 64,684 |
| Held-to-maturity bonds | 360,477 | 414,642 | 54,165 |
| Policy-reserve-matching bonds | 111,573 | 122,091 | 10,519 |
| Available-for-sale securities | 93,786 | 93,786 | – |
| 7) Loans | 71,850 | 78,152 | 6,302 |
| Policy loans | 1,053 | 1,053 | – |
| Industrial and commercial loans ² | 7,788 | 8,390 | 602 |
| Loans to the Management Organization ² | 63,010 | 68,709 | 5,700 |
| Reserve for possible loan losses ³ | (1) | – | – |
| Total assets | \$ 701,785 | \$ 772,771 | \$ 70,986 |
| Payables under securities lending transactions | \$ 43,578 | \$ 43,578 | \$ – |
| Total liabilities | \$ 43,578 | \$ 43,578 | \$ – |
| Derivative transactions ⁴ | | | |
| Hedge accounting not applied | \$ – | \$ – | \$ – |
| Hedge accounting applied | (41) | (41) | – |
| Total derivative transactions | \$ (41) | \$ (41) | \$ – |

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.

The calculation methods for fair values of financial instruments are as follows:

Assets

- 1) Cash and deposits
Deposits (including negotiable certificates of deposit) mature within the short term (one year), and their fair value approximates book value.
- 2) Call loans and 3) Receivables under securities borrowing transactions
These are settled within the short term (one year), and their fair value approximates book value.
- 4) Monetary claims bought
The fair value of monetary claims bought accounted for as securities in the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) is calculated in a similar manner to the method described in 5) "Securities" below.
- 5) Money held in trust
The fair value of money held in trust is based on the price quoted by the exchange for stocks and the net asset value for mutual funds.
Money held in trust is provided in Note 4 (4) "Money Held in Trust" in accordance with the purpose of the holdings.
- 6) Securities
The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or the price offered by the financial institutions, while the fair value of stocks is based on the price

quoted by the exchange. The fair value of mutual funds is based on the 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 the 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, for which the 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 the 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 the fair values are deemed extremely difficult to determine are as shown below:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|-----------------|-----------------|------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Unlisted stocks | ¥ 4,239 | ¥ – | ¥ 20,000 | \$ 38 |

Note: The above instruments are not included in "6) Securities" 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 | 2017 | | | |
|---|---------------|----------------------------------|------------------------------------|--------------------|
| | Within 1 year | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| Deposits | ¥ 1,364,622 | ¥ – | ¥ – | ¥ – |
| Call loans | 150,000 | – | – | – |
| Receivables under securities borrowing transactions | 3,520,722 | – | – | – |
| Monetary claims bought | – | – | – | 25,149 |
| Securities | 6,649,154 | 12,516,396 | 10,831,362 | 31,028,793 |
| Held-to-maturity bonds | 3,083,603 | 6,945,392 | 5,525,129 | 24,331,730 |
| Bonds | 3,083,603 | 6,847,392 | 5,525,129 | 24,331,730 |
| Japanese government bonds | 1,835,700 | 2,157,400 | 3,121,600 | 22,776,200 |
| Japanese local government bonds | 788,814 | 3,823,086 | 1,808,457 | 1,037,670 |
| Japanese corporate bonds | 459,089 | 866,906 | 595,072 | 517,860 |
| Foreign securities | – | 98,000 | – | – |
| Policy-reserve-matching bonds | 2,863,055 | 3,206,932 | 2,680,153 | 3,638,100 |
| Bonds | 2,863,055 | 3,206,932 | 2,680,153 | 3,638,100 |
| Japanese government bonds | 2,844,400 | 3,009,200 | 2,356,000 | 3,533,100 |
| Japanese local government bonds | 18,655 | 150,462 | 267,414 | 77,200 |
| Japanese corporate bonds | – | 47,270 | 56,739 | 27,800 |
| Available-for-sale securities with maturities | 702,495 | 2,364,070 | 2,626,079 | 3,058,963 |
| Bonds | 692,495 | 1,746,447 | 1,218,189 | 1,081,599 |
| Japanese government bonds | 20,000 | – | – | 425,200 |
| Japanese local government bonds | 140,508 | 463,130 | 637,891 | – |
| Japanese corporate bonds | 531,987 | 1,283,317 | 580,298 | 656,399 |
| Foreign securities | 10,000 | 617,623 | 1,407,890 | 1,974,363 |
| Other securities | – | – | – | 3,000 |
| Loans | 993,472 | 3,454,804 | 2,383,943 | 1,229,022 |
| Total | ¥ 12,677,972 | ¥ 15,971,200 | ¥ 13,215,305 | ¥ 32,282,966 |

(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 |
| 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 |
| Other securities | – | – | – | – |
| 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)

| | 2015 | | | |
|---|---------------|----------------------------------|------------------------------------|--------------------|
| | Within 1 year | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| March 31 | | | | |
| 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 |
| Other securities | - | - | - | - |
| 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 U.S. Dollars)

| | 2017 | | | |
|---|---------------|----------------------------------|------------------------------------|--------------------|
| | Within 1 year | Due after 1 year through 5 years | Due after 5 years through 10 years | Due after 10 years |
| March 31 | | | | |
| Deposits | \$ 12,163 | \$ - | \$ - | \$ - |
| Call loans | 1,337 | - | - | - |
| Receivables under securities borrowing transactions | 31,382 | - | - | - |
| Monetary claims bought | - | - | - | 224 |
| Securities | 59,267 | 111,564 | 96,545 | 276,574 |
| Held-to-maturity bonds | 27,486 | 61,907 | 49,248 | 216,880 |
| Bonds | 27,486 | 61,034 | 49,248 | 216,880 |
| Japanese government bonds | 16,362 | 19,230 | 27,824 | 203,015 |
| Japanese local government bonds | 7,031 | 34,077 | 16,120 | 9,249 |
| Japanese corporate bonds | 4,092 | 7,727 | 5,304 | 4,616 |
| Foreign securities | - | 874 | - | - |
| Policy-reserve-matching bonds | 25,520 | 28,585 | 23,889 | 32,428 |
| Bonds | 25,520 | 28,585 | 23,889 | 32,428 |
| Japanese government bonds | 25,353 | 26,822 | 21,000 | 31,492 |
| Japanese local government bonds | 166 | 1,341 | 2,384 | 688 |
| Japanese corporate bonds | - | 421 | 506 | 248 |
| Available-for-sale securities with maturities | 6,262 | 21,072 | 23,407 | 27,266 |
| Bonds | 6,173 | 15,567 | 10,858 | 9,641 |
| Japanese government bonds | 178 | - | - | 3,790 |
| Japanese local government bonds | 1,252 | 4,128 | 5,686 | - |
| Japanese corporate bonds | 4,742 | 11,439 | 5,172 | 5,851 |
| Foreign securities | 89 | 5,505 | 12,549 | 17,598 |
| Other securities | - | - | - | 27 |
| Loans | 8,855 | 30,794 | 21,249 | 10,955 |
| Total | \$ 113,004 | \$ 142,358 | \$ 117,794 | \$ 287,753 |

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

(Millions of Yen)

| | 2017 | | | | | |
|--|---------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | 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 | ¥ 4,889,066 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |

| | | (Millions of Yen) | | | | | |
|-----------------|--|----------------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | | 2016 | | | | | |
| | | Within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
| March 31 | Payables under securities lending transactions | ¥ 3,648,478 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| | | (Millions of Yen) | | | | | |
| | | 2015 | | | | | |
| | | Within 1 year | Due after 1 year through 2 years | Due after 2 years through 3 years | Due after 3 years through 4 years | Due after 4 years through 5 years | Due after 5 years |
| March 31 | Payables under securities lending transactions | ¥ 3,658,492 | ¥ - | ¥ - | ¥ - | ¥ - | ¥ - |
| | | (Millions of U.S. Dollars) | | | | | |
| | | 2017 | | | | | |
| | | 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 | \$ 43,578 | \$ - | \$ - | \$ - | \$ - | \$ - |

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, 2017, 2016 and 2015.

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

1) Currency-related derivatives

| | | (Millions of Yen) | | | |
|-----------------------------|--------------------------|------------------------------------|--------------------|----------------------------------|------------------|
| | | 2017 | | | |
| 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 | | ¥ 1,603,918 | ¥ - | ¥ (5,630) |
| | Euros | | | | |
| | | | ¥ 834,472 | ¥ - | ¥ 973 |
| | | Total | ¥ 2,438,390 | ¥ - | ¥ (4,657) |
| | | (Millions of Yen) | | | |
| | | 2016 | | | |
| Hedge accounting method | Type of derivative | Major hedged item | Contract amount | Contract amount due after 1 year | Fair value |
| Fair value hedge accounting | Forward foreign exchange | Foreign currency-denominated bonds | | | |
| | Sold | | | | |
| | U.S. dollars | | ¥ 392,081 | ¥ - | ¥ 5,408 |
| | Euros | | | | |
| | | | ¥ 1,301,602 | ¥ - | ¥ (764) |
| | | Total | ¥ 1,693,683 | ¥ - | ¥ 4,644 |
| | | (Millions of Yen) | | | |
| | | 2015 | | | |
| Hedge accounting method | Type of derivative | Major hedged item | Contract amount | Contract amount due after 1 year | Fair value |
| Fair value hedge accounting | Forward foreign exchange | Foreign currency-denominated bonds | | | |
| | Sold | | | | |
| | U.S. dollars | | ¥ 172,008 | ¥ - | ¥ (12,843) |
| | Euros | | | | |
| | | | ¥ 191,112 | ¥ - | ¥ 13,337 |
| | | Total | ¥ 363,120 | ¥ - | ¥ 493 |

(Millions of U.S. Dollars)

| March 31 | | | 2017 | | |
|-----------------------------|--------------------------|------------------------------------|------------------|----------------------------------|----------------|
| 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 | | \$ 14,296 | \$ - | \$ (50) |
| | Euros | | | | 9 |
| | | Total | \$ 21,734 | \$ - | \$ (42) |

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 | | | 2017 | | |
|---|---|-------------------|-----------------|----------------------------------|----------------|
| 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 | | ¥ 11,750 | ¥ 11,750 | ¥ 71 |
| Exceptional treatment for interest rate swaps | Interest rate swaps: | Loans | | | |
| | Receivable fixed rate / Payable floating rate | | 46,050 | 39,750 | - ² |
| | | Total | | | ¥ 71 |

(Millions of Yen)

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

(Millions of Yen)

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

(Millions of U.S. Dollars)

| March 31 | | | 2017 | | |
|---|---|-------------------|-----------------|----------------------------------|----------------|
| 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 | | \$ 105 | \$ 105 | \$ 1 |
| Exceptional treatment for interest rate swaps | Interest rate swaps: | Loans | | | |
| | Receivable fixed rate / Payable floating rate | | 410 | 354 | — ² |
| Total | | | | | \$ 1 |

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, 2017, 2016 and 2015, were as follows:

| March 31 | Millions of Yen | | | Millions of U.S. Dollars |
|-------------------|-----------------|---------|---------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Due within 1 year | ¥ 5,044 | ¥ 4,636 | ¥ 687 | \$ 45 |
| Due after 1 year | 211 | 299 | 424 | 2 |
| Total | ¥ 5,256 | ¥ 4,936 | ¥ 1,112 | \$ 47 |

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, 2017, 2016 and 2015.

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, 2017, 2016 and 2015.

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, 2017, 2016 and 2015.

29. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2017, 2016 and 2015, were as follows:

| 2017 | | | | | | | | | | |
|------------------------------|-------------------------------|-------------------|---------------------------------------|---|-----------------------------|--|---|------------------------------------|-------------------------|---------------------------------|
| 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 (\$31,197 million) | Holding company | Directly owned 89% | Group management Interlocking officers | Payments of brand royalty fees ¹ | ¥3,259 million (\$29 million) | Accounts payable—other | ¥293 million (\$3 million) |
| Subsidiary of parent company | JAPAN POST Co., Ltd. | Chiyoda-ku, Tokyo | ¥400,000 million (\$3,565 million) | Postal and logistics business Post office business | — | Insurance agency Interlocking officers | Payments for commission of agency services ² | ¥392,768 million (\$3,501 million) | Agency accounts payable | ¥43,812 million (\$391 million) |
| 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 | Holding company | Directly owned 89% | Group management Interlocking officers | Payments of brand royalty fees ¹ | ¥3,366 million | Accounts payable—other | ¥302 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 | ¥377,955 million | Agency accounts payable | ¥44,593 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 |

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 the insurance premiums of each contract by the commission rates set for each class of insurance, and the commission of maintenance and collection calculated by multiplying the unit prices set for outsourcing services, such as the 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 the 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 |
|----------------------|------------|------------|------------|--------------|
| | 2017 | 2016 | 2015 | 2017 |
| Net assets per share | ¥ 3,089.81 | ¥ 3,138.30 | ¥ 3,292.88 | \$ 27.54 |

Years ended March 31

Net income per share

| | Yen | | | U.S. Dollars |
|----------------------|----------|----------|----------|--------------|
| | 2017 | 2016 | 2015 | 2017 |
| Net income per share | ¥ 147.71 | ¥ 141.50 | ¥ 135.54 | \$ 1.32 |

Notes:

- Diluted net income per share is not presented for the years ended March 31, 2017, 2016 and 2015, as potential common stock did not exist.
- Net income per share is calculated based on the following:

Years ended March 31

Net income

Amount not attributable to common stockholders

Net income attributable to common stock

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|----------|----------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Net income | ¥ 88,596 | ¥ 84,897 | ¥ 81,323 | \$ 790 |
| Amount not attributable to common stockholders | – | – | – | – |
| Net income attributable to common stock | ¥ 88,596 | ¥ 84,897 | ¥ 81,323 | \$ 790 |

Years ended March 31

Average number of common stock during the fiscal year

| | Thousands of shares | | |
|---|---------------------|---------|---------|
| | 2017 | 2016 | 2015 |
| Average number of common stock during the fiscal year | 599,804 | 600,000 | 600,000 |

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

March 31

Net assets

Amount deducted from net assets

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

| | Millions of Yen | | | Millions of U.S. Dollars |
|--|-----------------|-------------|-------------|--------------------------|
| | 2017 | 2016 | 2015 | 2017 |
| Net assets | ¥ 1,853,203 | ¥ 1,882,982 | ¥ 1,975,727 | \$ 16,518 |
| Amount deducted from net assets | – | – | – | – |
| Net assets attributable to common stock at the fiscal year-end | ¥ 1,853,203 | ¥ 1,882,982 | ¥ 1,975,727 | \$ 16,518 |

March 31

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

| | Thousands of shares | | |
|--|---------------------|---------|---------|
| | 2017 | 2016 | 2015 |
| Number of common stock at the fiscal year-end used for the calculation of net assets per share | 599,778 | 600,000 | 600,000 |

- Changes in Accounting Policies

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

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

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

- 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, 2017, 2016 and 2015, have been calculated assuming the stock split was implemented on April 1, 2014.
- The Company established the Board Benefit Trust (BBT) from the year ended March 31, 2017, whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year, for the purpose of calculating net income per share. In addition, they were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

The average number of treasury stock during the fiscal year that were deducted from the calculation of net income per share for the year ended March 31, 2017, was 195,660 shares. The number of treasury stock at the end of the fiscal year that were deducted from the calculation of net assets per share as of March 31, 2017, was 221,200 shares.

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, 2017, 2016 and 2015, 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, 2017, 2016 and 2015, 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, 2017 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 10, 2017
Tokyo, Japan

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