

3. Non-Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. NON-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:				
Cash	¥ 1,464	¥ 2,129	¥ 3,118	\$ 13
Deposits	1,358,673	1,853,908	2,202,851	12,110
Total cash and deposits	1,360,137	1,856,037	2,205,969	12,124
Call loans	150,000	360,000	445,428	1,337
Receivables under securities borrowing transactions	3,520,722	3,008,591	2,720,856	31,382
Monetary claims bought	27,561	430,150	449,068	246
Money held in trust	2,127,042	1,644,547	1,434,943	18,959
Securities (Notes 3 and 4):				
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	59,305	984	984	529
Foreign securities	4,351,731	3,688,822	1,981,492	38,789
Other securities	1,417,122	100,044	–	12,631
Total securities	63,486,273	63,610,890	66,277,244	565,882
Loans (Note 5):				
Policy loans	118,141	95,629	74,097	1,053
Industrial and commercial loans	873,720	829,027	806,259	7,788
Loans to the Management Organization	7,069,040	8,053,780	9,096,988	63,010
Total loans	8,060,902	8,978,437	9,977,345	71,850
Tangible fixed assets (Note 24):				
Land	68,272	68,262	68,350	609
Buildings	44,483	49,308	34,176	396
Leased assets	2,004	1,730	1,970	18
Construction in progress	6,255	6,175	9,759	56
Other tangible fixed assets	15,911	20,017	17,415	142
Total tangible fixed assets	136,928	145,495	131,672	1,221
Intangible fixed assets (Note 24):				
Software	189,788	188,850	157,564	1,692
Other intangible fixed assets	21	18	15	0
Total intangible fixed assets	189,809	188,868	157,580	1,692
Agency accounts receivable	50,888	81,193	95,023	454
Reinsurance receivables	2,293	1,368	630	20
Other assets:				
Accounts receivable	160,780	301,884	259,663	1,433
Prepaid expenses (Note 24)	1,589	1,592	924	14
Accrued income	176,280	189,319	184,944	1,571
Money on deposit	6,941	6,826	7,243	62
Derivative financial instruments	22,068	22,131	13,393	197
Suspense payments	2,990	2,329	589	27
Other assets	1,597	2,115	2,157	14
Total other assets	372,248	526,199	468,916	3,318
Deferred tax assets (Note 11)	852,263	712,615	548,210	7,597
Reserve for possible loan losses (Note 24)	(658)	(772)	(943)	(6)
Total assets	¥ 80,336,414	¥ 81,543,623	¥ 84,911,946	\$ 716,075

See accompanying notes to non-consolidated financial statements.

	Millions of Yen			Millions of U.S. Dollars (Note 1)
	2017	2016	2015	2017
LIABILITIES:				
Policy reserves and others:				
Reserve for outstanding claims (Note 6)	¥ 577,376	¥ 635,167	¥ 718,156	\$ 5,146
Policy reserves (Notes 6 and 9)	70,175,234	72,362,503	75,112,601	625,503
Reserve for policyholder dividends (Note 8)	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
Other liabilities:				
Payables under securities lending transactions (Note 4)	4,889,066	3,648,478	3,658,492	43,578
Income taxes payable	68,075	75,435	19,452	607
Accounts payable	25,227	44,557	463,217	225
Accrued expenses	30,065	28,075	16,218	268
Deposits received	2,660	2,786	11,184	24
Deposits from the Management Organization (Note 10)	50,481	53,792	59,058	450
Derivative financial instruments	26,653	17,289	12,866	238
Lease obligations	2,153	1,852	2,105	19
Asset retirement obligation	15	15	15	0
Suspense receipt	6,411	5,866	13,963	57
Other liabilities	568	533	719	5
Total other liabilities	5,101,380	3,878,684	4,257,294	45,471
Reserve for employees' retirement benefits	67,040	66,675	65,645	598
Reserve for management board benefit trust (Note 24)	76	–	–	1
Reserve for price fluctuations (Notes 9 and 24)	788,712	782,268	712,167	7,030
Total liabilities	¥ 78,487,161	¥ 79,665,171	¥ 82,942,802	\$ 699,591
NET ASSETS:				
Capital stock	¥ 500,000	¥ 500,000	¥ 500,000	\$ 4,457
Capital surplus:				
Legal capital surplus	405,044	405,044	405,044	3,610
Other capital surplus	95,000	95,000	95,000	847
Total capital surplus	500,044	500,044	500,044	4,457
Retained earnings:				
Legal retained earnings	32,209	25,489	20,584	287
Retained earnings brought forward	495,565	447,365	390,459	4,417
Total retained earnings	527,775	472,855	411,043	4,704
Treasury stock	(521)	–	–	(5)
Total shareholders' equity	1,527,298	1,472,899	1,411,088	13,613
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
Total valuation and translation adjustments	321,954	405,553	558,055	2,870
Total net assets	1,849,253	1,878,452	1,969,143	16,483
Total liabilities and net assets	¥ 80,336,414	¥ 81,543,623	¥ 84,911,946	\$ 716,075

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-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:				
Insurance premiums (Note 13)	¥ 5,034,273	¥ 5,409,598	¥ 5,954,839	\$ 44,873
Reinsurance income	7,594	4,264	1,876	68
Total insurance premiums and others	5,041,868	5,413,862	5,956,716	44,940
Investment income:				
Interest and dividend income:				
Interest on deposits	22	692	694	0
Interest and dividends on securities	1,037,359	1,090,551	1,119,333	9,246
Interest on loans	14,037	14,017	13,489	125
Interest on loans to the Management Organization	170,098	198,205	227,682	1,516
Other interest and dividend income	4,676	5,212	4,596	42
Total interest and dividend income	1,226,193	1,308,679	1,365,796	10,930
Gains on money held in trust (Note 15)	56,535	44,939	32,762	504
Gains on sales of securities (Note 16)	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 12)	57,790	82,988	113,534	515
Reversal of policy reserves (Note 12)	2,187,268	2,750,098	2,632,889	19,496
Reversal of reserve for possible claim payments	—	—	1,881	—
Other ordinary income	4,577	3,902	3,468	41
Total other ordinary income	2,249,636	2,836,989	2,751,774	20,052
Total ordinary income	8,659,442	9,605,818	10,169,236	77,186
ORDINARY EXPENSES:				
Insurance claims and others:				
Insurance claims (Note 14)	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 (Note 17)	124,734	1,592	4,963	1,112
Losses on redemption of securities	7,480	664	44	67
Losses on derivative financial instruments (Note 18)	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	560,206	537,087	512,417	4,993
Other ordinary expenses:				
Taxes	60,956	56,896	54,238	543
Depreciation and amortization	47,607	37,199	35,552	424
Provision for reserve for employees' retirement benefits	221	819	1,099	2
Other ordinary expenses	338	434	717	3
Total other ordinary expenses	109,124	95,349	91,608	973
Total ordinary expenses	8,380,094	9,192,794	9,676,067	74,696
Ordinary profit	279,347	413,023	493,169	2,490
EXTRAORDINARY GAINS (Note 19)	—	341	—	—
EXTRAORDINARY LOSSES (Note 20)	6,897	71,748	99,366	61
Provision for reserve for policyholder dividends (Note 21)	152,679	178,004	200,722	1,361
Income before income taxes	119,770	163,612	193,080	1,068
Income taxes (Note 11):				
Current	136,507	174,151	208,234	1,217
Deferred	(105,257)	(96,877)	(96,912)	(938)
Total income taxes	31,250	77,274	111,321	279
Net income	¥ 88,520	¥ 86,338	¥ 81,758	\$ 789

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

	Millions of Yen								
	Shareholders' equity							Treasury stock	Total shareholders' equity
	Capital surplus			Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings		
BALANCE, APRIL 1, 2014	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 17,222	¥ 332,404	¥ 349,627		
Cumulative effects of changes in accounting policies						(3,533)	(3,533)		(3,533)
RESTATED BALANCE, APRIL 1, 2014	500,000	405,044	95,000	500,044	17,222	328,871	346,094	-	1,346,138
Changes in the fiscal year:									
Cash dividends					3,361	(20,170)	(16,808)		(16,808)
Net income						81,758	81,758		81,758
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	-	-	-	-	3,361	61,588	64,949	-	64,949
BALANCE, MARCH 31, 2015	500,000	405,044	95,000	500,044	20,584	390,459	411,043	-	1,411,088
Cumulative effects of changes in accounting policies									-
RESTATED BALANCE, APRIL 1, 2015	500,000	405,044	95,000	500,044	20,584	390,459	411,043	-	1,411,088
Changes in the fiscal year:									
Cash dividends					4,905	(29,433)	(24,527)		(24,527)
Net income						86,338	86,338		86,338
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	-	-	-	-	4,905	56,905	61,811	-	61,811
BALANCE, MARCH 31, 2016	500,000	405,044	95,000	500,044	25,489	447,365	472,855	-	1,472,899
Cumulative effects of changes in accounting policies									-
RESTATED BALANCE, APRIL 1, 2016	500,000	405,044	95,000	500,044	25,489	447,365	472,855	-	1,472,899
Changes in the fiscal year:									
Cash dividends					6,720	(40,320)	(33,600)		(33,600)
Net income						88,520	88,520		88,520
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	-	-	-	-	6,720	48,200	54,920	(521)	54,399
BALANCE, MARCH 31, 2017	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 32,209	¥ 495,565	¥ 527,775	¥ (521)	¥ 1,527,298

	Millions of Yen			
	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
¥		¥	¥	
BALANCE, APRIL 1, 2014	184,774	11	184,785	1,534,457
Cumulative effects of changes in accounting policies				(3,533)
RESTATED BALANCE, APRIL 1, 2014	184,774	11	184,785	1,530,924
Changes in the fiscal year:				
Cash dividends				(16,808)
Net income				81,758
Purchases of treasury stock				-
Disposals of treasury stock				-
Net changes in items other than shareholders' equity in the fiscal year	373,258	11	373,269	373,269
Net changes in the fiscal year	373,258	11	373,269	438,219
BALANCE, MARCH 31, 2015	558,033	22	558,055	1,969,143
Cumulative effects of changes in accounting policies				-
RESTATED BALANCE, APRIL 1, 2015	558,033	22	558,055	1,969,143
Changes in the fiscal year:				
Cash dividends				(24,527)
Net income				86,338
Purchases of treasury stock				-
Disposals of treasury stock				-
Net changes in items other than shareholders' equity in the fiscal year	(152,621)	118	(152,502)	(152,502)
Net changes in the fiscal year	(152,621)	118	(152,502)	(90,691)
BALANCE, MARCH 31, 2016	405,412	140	405,553	1,878,452
Cumulative effects of changes in accounting policies				-
RESTATED BALANCE, APRIL 1, 2016	405,412	140	405,553	1,878,452
Changes in the fiscal year:				
Cash dividends				(33,600)
Net income				88,520
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)	(83,598)	(83,598)
Net changes in the fiscal year	(83,507)	(90)	(83,598)	(29,199)
BALANCE, MARCH 31, 2017	¥ 321,904	¥ 50	¥ 321,954	¥ 1,849,253

Millions of U.S. Dollars (Note 1)

	Shareholders' equity									
	Capital surplus				Retained earnings				Treasury stock	Total shareholders' equity
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings brought forward	Total retained earnings			
BALANCE, MARCH 31, 2016	\$ 4,457	\$ 3,610	\$ 847	\$ 4,457	\$ 227	\$ 3,988	\$ 4,215	\$ -	\$ 13,129	
Cumulative effects of changes in accounting policies									-	
RESTATED BALANCE, APRIL 1, 2016	4,457	3,610	847	4,457	227	3,988	4,215	-	13,129	
Changes in the fiscal year:										
Cash dividends					60	(359)	(299)		(299)	
Net income						789	789		789	
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	-	-	-	-	60	430	490	(5)	485	
BALANCE, MARCH 31, 2017	\$ 4,457	\$ 3,610	\$ 847	\$ 4,457	\$ 287	\$ 4,417	\$ 4,704	\$ (5)	\$ 13,613	

Millions of U.S. Dollars (Note 1)

	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, MARCH 31, 2016	\$ 3,614	\$ 1	\$ 3,615	\$ 16,743
Cumulative effects of changes in accounting policies				-
RESTATED BALANCE, APRIL 1, 2016	3,614	1	3,615	16,743
Changes in the fiscal year:				
Cash dividends				(299)
Net income				789
Purchases of treasury stock				(5)
Disposals of treasury stock				0
Net changes in items other than shareholders' equity in the fiscal year	(744)	(1)	(745)	(745)
Net changes in the fiscal year	(744)	(1)	(745)	(260)
BALANCE, MARCH 31, 2017	\$ 2,869	\$ 0	\$ 2,870	\$ 16,483

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

1. BASIS OF PRESENTATION

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

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

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

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.19 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) Securities

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

1) Held-to-maturity bonds

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

2) Policy-reserve-matching bonds

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

3) Equities of subsidiaries and affiliates

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

4) Available-for-sale securities

A) Available-for-sale securities at fair value

Available-for-sale securities at fair value are carried at their fiscal year-end market price, of which 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.

(2) Derivative Transactions

All derivative transactions are valued at fair value.

(3) Hedge Accounting

1) Methods for hedge accounting

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign currency fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting 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.

(4) Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is calculated using the straight-line method based on the following useful lives:

Buildings : 2-60 years

Other tangible fixed assets: 2-20 years

2) Intangible fixed assets (excluding leased assets)

The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years using the straight-line method.

3) Leased assets

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

Finance lease transactions that do not transfer ownership are depreciated to a residual value of zero using the straight-line method over the lease term.

(5) Reserve for Possible Loan Losses

Reserve for possible loan losses is provided pursuant to the Company's standards for self-assessment of asset quality, and general allowance is provided using a rate based on historical collectability experience. In addition, specific allowances, which are determined based on individual collectability of accounts, are 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.

(6) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for other contracts are calculated based on the net level premium method.

Pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter 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.

(7) Reserve for Employees' Retirement Benefits

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

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

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

(Additional information)

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum

severance indemnity plan has been changed from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥5,174 million was recognized for the year ended March 31, 2015.

(8) 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.

(9) Reserve for Price Fluctuations

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

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

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(11) Consumption Taxes

All figures are net of consumption taxes.

(12) Consolidated Tax Payment System

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

(13) Changes in Accounting Policies

For the Year Ended March 31, 2015

Effective from the year ended March 31, 2015, with respect to the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter 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 brought forward at the beginning of the year ended March 31, 2015.

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

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

(14) 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

Notes to the transactions for granting shares and others of the Company to executive officers of the Company through a trust are omitted as they are presented in Note 2 (16) "Additional Information" of the consolidated financial statements as of and for the year ended March 31, 2017.

3. SECURITIES

(1) Securities

Equities of subsidiaries and affiliates in the amount of ¥984 million (\$9 million) were included in "Stocks" as of March 31, 2017, 2016 and 2015, respectively. Equities of subsidiaries and affiliates are carried at cost because their fair values are deemed extremely difficult to determine.

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 balance sheets as of March 31, 2017, 2016 and 2015, respectively.

The Company has the right to sell or pledge securities borrowed under borrowing agreements and accepted as collateral for exchange settlements and others. The fair value of such securities held in hand 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 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				
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 the contracts with a remaining period of more than 20 years. This change has no effect on profit or loss.

4. 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

5. LOANS

There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of March 31, 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	\$ —

6. 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

7. 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.

8. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends 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				
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

9. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, are provided at amounts calculated based on the statement of calculation procedures for the Company’s insurance premiums and policy reserves. 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:

	Millions of Yen			Millions of U.S. Dollars
	2017	2016	2015	2017
March 31				
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

10. 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.

11. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities 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				
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
Reserve for employees' retirement benefits	18,784	18,693	18,936	167
Unrealized losses on available-for-sale securities	59,950	27,048	769	534
Other	19,706	17,872	14,114	176
Subtotal	1,042,912	906,920	778,215	9,296
Valuation allowance	(4,468)	(7,580)	(2,947)	(40)
Total deferred tax assets	1,038,444	899,340	775,267	9,256
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(181,710)	(183,164)	(224,458)	(1,620)
Other	(4,470)	(3,560)	(2,599)	(40)
Total deferred tax liabilities	(186,180)	(186,724)	(227,057)	(1,660)
Net deferred tax assets (liabilities)	¥ 852,263	¥ 712,615	¥ 548,210	\$ 7,597

The Company is 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 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	—	15.74	26.76
Change in valuation allowance	(2.62)	2.97	0.08
Other	0.47	(0.32)	0.03
Effective income tax rate	26.09%	47.23%	57.66%

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 ¥21,125 million, and deferred income taxes and net unrealized gains (losses) on available-for-sale securities increased by ¥25,745 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 ¥51,900 million and ¥15,200 million, respectively, and deferred income taxes increased by ¥51,675 million for the year ended March 31, 2015.

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

The amounts of provision for reserve for outstanding claims—ceded that are added to the calculation of reversal of reserve for outstanding claims for the years ended March 31, 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.

13. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the years ended March 31, 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

14. 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

15. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included losses on valuation of ¥1,066 million (\$10 million), ¥16,748 million and ¥442 million for the years ended March 31, 2017, 2016 and 2015, respectively.

16. GAINS ON SALES OF SECURITIES

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

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2017	2016	2015	2017
Japanese government bonds, etc.	¥ 1,384	¥ 8	¥ 56,869	\$ 12
Stocks	352	—	—	3
Foreign securities	83,406	1,233	5,038	743

17. LOSSES ON SALES OF SECURITIES

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

Years ended March 31	Millions of Yen			Millions of U.S. Dollars
	2017	2016	2015	2017
Japanese government bonds, etc.	¥ 147	¥ —	¥ —	\$ 1
Stocks	53	—	—	0
Foreign securities	124,533	1,592	4,963	1,110

18. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included losses on valuation of ¥4,657 million (\$42 million) for the year ended March 31, 2017 and gains on valuation of ¥4,644 million and ¥493 million for the years ended March 31, 2016 and 2015, respectively.

19. 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	¥ —	\$ —

20. 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	¥ 453	¥ 1,647	¥ 1,432	\$ 4
Provision for reserve for price fluctuations	6,444	70,100	97,934	57
Total	¥ 6,897	¥ 71,748	¥ 99,366	\$ 61

21. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, for the years ended March 31, 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

22. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2017, 2016 and 2015, and outstanding balances arising from such transactions as of 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				
Income	¥ 0	¥ 197	¥ 0	\$ 0
Expenses	15,634	12,657	12,535	139

	Millions of Yen			Millions of U.S. Dollars
	2017	2016	2015	2017
March 31				
Monetary claims	¥ 378	¥ 601	¥ 314	\$ 3
Monetary obligations	13,862	20,501	107,445	124

23. SUBSEQUENT EVENTS

None.

24. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

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
Field sales staff related expenses	10,780	9,951	8,937	96
Sales agencies related expenses	190,418	181,126	173,306	1,697
Selection expenses of policyholders	0	0	0	0
Sales administration expenses:	20,618	18,041	17,147	184
Management of sales agencies	9,465	9,101	8,518	84
Training and education of sales staff	72	47	29	1
Advertising	11,079	8,892	8,599	99
General administration expenses:	338,388	327,968	313,025	3,016
Personnel expenses	46,672	46,131	44,661	416
Property expenses	289,646	279,913	266,728	2,582
Donation, contribution and miscellaneous dues	788	537	427	7
Burden money	2,069	1,923	1,636	18
Total	¥ 560,206	¥ 537,087	¥ 512,417	\$ 4,993

Notes:

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

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

Schedule of Tangible and Intangible Fixed Assets

Type of assets	Millions of Yen						
	Year ended March 31, 2017						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	¥ —	¥ —	¥ —	¥ 68,272	¥ —	¥ —	¥ 68,272
Buildings	—	—	—	69,820	25,337	5,903	44,483
Leased assets	—	—	—	3,700	1,695	457	2,004
Construction in progress	—	—	—	6,255	—	—	6,255
Other	—	—	—	64,503	48,592	5,986	15,911
Total tangible fixed assets	—	—	—	212,552	75,624	12,347	136,928
Intangible fixed assets:							
Software	—	—	—	415,908	226,120	35,197	189,788
Other	—	—	—	39	17	2	21
Total intangible fixed assets	—	—	—	415,947	226,137	35,200	189,809
Long-term prepaid expenses	634	—	—	634	250	60	384
Deferred assets	—	—	—	—	—	—	—

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

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

Millions of U.S. Dollars							
Year ended March 31, 2017							
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Tangible fixed assets:							
Land	\$	–	\$	–	\$	–	\$
Buildings	–	–	–	622	226	53	396
Leased assets	–	–	–	33	15	4	18
Construction in progress	–	–	–	56	–	–	56
Other	–	–	–	575	433	53	142
Total tangible fixed assets	–	–	–	1,895	674	110	1,221
Intangible fixed assets:							
Software	–	–	–	3,707	2,016	314	1,692
Other	–	–	–	0	0	0	0
Total intangible fixed assets	–	–	–	3,708	2,016	314	1,692
Long-term prepaid expenses	6	–	–	6	2	1	3
Deferred assets	–	–	–	–	–	–	–

Notes:

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

Schedule of Reserves

Millions of Yen						
Year ended March 31, 2017						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 772	¥ 658	¥ 195	¥ 576	¥ 658	
General reserve	71	59	–	71	59	
Specific reserve	701	598	195	505	598	
Reserve for management board benefit trust	–	98	22	–	76	
Reserve for price fluctuations	782,268	18,951	12,507	–	788,712	

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

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

Millions of U.S. Dollars						
Year ended March 31, 2017						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	\$ 7	\$ 6	\$ 2	\$ 5	\$ 6	
General reserve	1	1	–	1	1	
Specific reserve	6	5	2	5	5	
Reserve for management board benefit trust	–	1	0	–	1	
Reserve for price fluctuations	6,973	169	111	–	7,030	

Note: Decrease (for other reasons) of reserve for possible loan losses represents the reversed amount of the unused balance of previous year's reserve.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying non-consolidated financial statements of JAPAN POST INSURANCE Co., Ltd., which comprise the non-consolidated balance sheets as at March 31, 2017, 2016 and 2015, and the non-consolidated statements of income and statements of changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. as at March 31, 2017, 2016 and 2015, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 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 non-consolidated financial statements.

KPMG AZSA LLC

August 10, 2017
Tokyo, Japan

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