









Year ended March 31, 2017

















JAPAN POST INSURANCE Co.,Ltd.



# yume: dream

In the years to come, Kampo will live by its slogan "Life is Full of Dreams," supporting those who overcome challenges for their dreams.

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payments and receipt of insurance

premiums, etc.

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| 3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan TEL +81-3-3504-4411 (Japan Post Group main number)  President, CEO (Representative Executive Officer) Mitsuhiko Uehira  Number of Employees 7,424 (As of March 31, 2017)  | 3 | Engagen  ⇒ P29    | nent with Stakeholders  Stakeholders Supporting Japan Post Insurance Together with Customers Together with Shareholders and Investors Involvement with Society Together with Employees   | 30<br>32<br>55<br>57                                 |
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Message from CEO

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Notes:1. Unless otherwise noted, financial figures in this report are reported on a consolidated basis. Unless this context indicates otherwise, references in this report to "we," "us," "our," "the Company" or similar terms are to Japan Post Insurance Co., Ltd. Unless otherwise specified in this report, the information herein is as of March 31, 2017.

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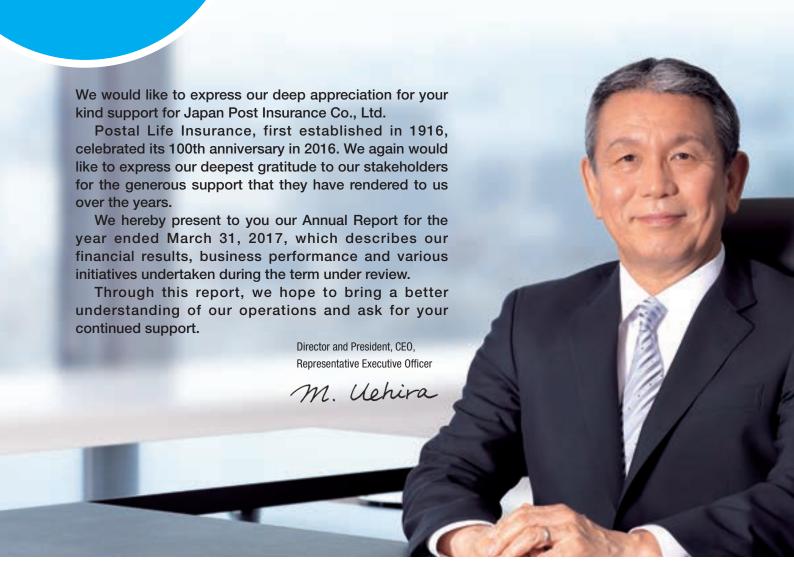
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<sup>2.</sup> This report is intended to provide information to the public and is not intended to constitute a solicitation to invest in stock or other marketable securities of Japan Post Insurance Co., Ltd. or its subsidiaries. This report contains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

# Message from CEO Providing easy-to-understand products



#### Review of the Year Ended March 2017

We are currently working on our medium-term management plan covering three years from the year ended March 31, 2016. This plan lays out the roadmap towards full-scale growth in these three years, through developing products and services that will further enhance our strengths, while establishing the financial management base which will be necessary for growth.

The fiscal year ended March 31, 2017 presented a harsh operating environment due to the effects of the prolonged low interest rate environment. However, through various campaigns and enhancement measures commemorating the 100th anniversary of Postal Life Insurance, we were able to work as one and make some concrete progress

towards the achievement of this medium-term management plan.

With regards to products and services, we promoted an initiative called "Kampo Platinum Life Service" to offer elderly customer-friendly services that emphasize a sense of security and trust by improving contacts with all customers from the perspective of our customers.

Furthermore, as a response to the low interest rates in markets, we cancelled the sales of a part of our high-savings products, and amended overall insurance premiums in line with the decrease in interest rates in markets and prolonged lifespans. The amendments included restricted increases for policies with increases in premiums, while premiums were reduced for policies mainly with enrollment at an advanced age and products primarily with death benefits.

# and heartfelt services to all our customers

With regard to administration and systems, we introduced the "paperless application" method in April 2016, which utilizes tablet-type portable devices for business, replacing conventional application procedures by paper. Moreover, we renewed our core IT system in January 2017. Through these changes, we have accelerated product amendments, while enhancing system quality, development productivity, and business efficiency. Furthermore, in March 2017, we officially introduced IBM Watson into our operations related to insurance claim payment examination operations in order to further enhance the quality of our claim payment operations as well as expedite our payments.

Also, alongside promoting diversity management that creates a diverse and inclusive working environment, we are also promoting reforms of the work style, in order for all employees to be highly motivated, as well as to achieve a working environment that grows together with the Company.

Aside from the above measures, we have also signed a comprehensive business alliance agreement with Dai-ichi Life Holdings, Inc. In the international life insurance business, a trilateral memorandum regarding the sales of life insurance at post offices in Vietnam was signed among the two companies and Vietnam Post Corporation, in April 2016. In the asset management business, we have implemented measures such as the shared utilization of asset management companies, and joint investments in growth areas. Furthermore, in the domestic life insurance business, we have collaborated with NTT DATA Corporation in March 2017 to organize the first business contest in Japan's life insurance industry.

Going forward, through complementing and fusing each other's strengths, we aim for sustainable increases in the corporate value of our companies.

Regarding the business results for the fiscal year ended March 31, 2017, a stronger collaboration with Japan Post Co., Ltd. led to an even higher number of new individual insurance policies compared to the previous fiscal year, which marked a record-high since privatization, and annualized premiums from new policies reached ¥507.9 billion (a 4.7% increase year on year) for individual insurance and ¥55.7 billion (a 12.4% increase year on year) for third-sector insurance; 2.44 million individual insurance policies were sold (a 1.8% increase year on year) for the total policy amount of ¥7,847.4 billion (a 9.5% increase year on year).

Looking at consolidated profit and loss, ordinary profit amounted to ¥279.7 billion and net income attributable to Japan Post Insurance amounted to ¥88.5 billion, which exceeded the previous year's level.

In addition, consolidated solvency margin ratio, an indicator of financial soundness, remains high at 1,290.6% despite being lower than the previous year due to the diversification of asset management and other areas. Internal reserves within liability, combined with contingency reserve and reserve for price fluctuations, amounted to ¥3,042.7 billion, and we thereby were able to secure a strong financial base

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

#### **Future Outlook**

The fiscal year ending March 31, 2018 marks the final year of our medium-term management plan.

Based on our management policy of aiming for the "No. 1 Japanese insurance company selected by customers," we strive to deliver insurance services as a means of security through the nationwide post office network to customers throughout Japan, and continue to protect the livelihood of each and every one of our customers by the power of insurance. We will continue our efforts so as to gain trust and confidence from our customers.

In April 2017, we announced a "Basic Policy for Customer-First Business Operations," believing the continuation of efforts will lead to our goal of "customer-first business operations." By offering easy-to-understand products and heartfelt services to all customers, thoroughly implementing heartfelt communication with a human touch and putting this into practice every day, we will work to earn an even greater sense of trust and familiarity from customers.

In addition, there have been astonishing advancements in financial technologies recently, including developments in big data utilization and Al technology. We will aim for the sophistication and the enhancement of efficiency of business processes by proactively introducing and leveraging these new technologies.

We will continue to work, with all our employees united, toward contributing to the regional societies focusing on our network of post offices and toward the corporate vision of aiming to be the "No. 1 Japanese insurance company selected by customers" to stay trusted and loved by our customers for centuries to come.

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

July 2017

# History of Japan Post Insurance

The Postal Life Insurance Service was created in October 1916 with the social mission of "providing basic measures of life with simple procedures for the people of Japan." Inheriting this social mission, we have provided simple and easy-to-understand products with smaller coverage amounts through the nationwide network of post offices, while enhancing the quality of customer services.

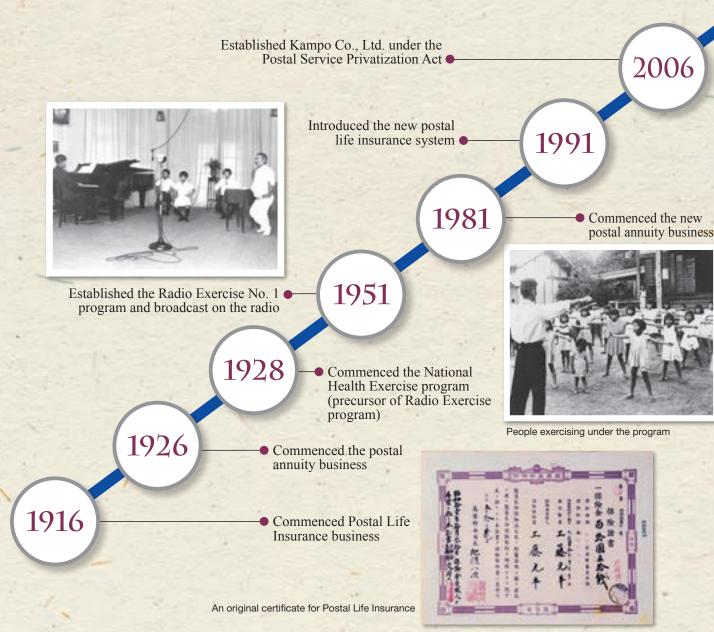
Going forward, the Company will strive to earn an even greater sense of familiarity and credibility from

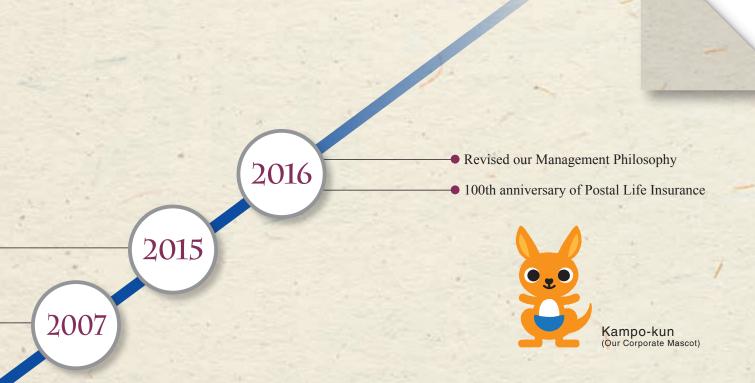
customers, which constitutes its strength.



Listed on the First Section of the Tokyo Stock Exchange

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





# Management Philosophy, Management Policy and Code of Conduct

Our Management Philosophy is a determination that all executives and employees will work together to be always close at hand and to protect the well-being of every one of our customers.

Keeping this Management Philosophy in our mind, we will work to build a stable foundation for sustainable growth and remain a company that is trusted and loved by our customers for centuries to come.



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



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

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

Code of Conduct

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

Total Assets

480,336.7
billion
Industry's No. 1

Note 1
Note 3

Insurance in Numbers

¥88.5 billion

Achieved a 4.4% increase over the previous year

Note 2 Page **109** 

Dividend Payout Ratio

40.6%

Paid a dividend of ¥60 per share to shareholders

Note 1

Consolidated Solvency
Margin Ratio

1,290.6%

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

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Notes: 1 Consolidated

- 2 Net income attributable to Japan Post Insurance
- 3 "Industry's No.1" calculated by Japan Post Insurance based on figures disclosed by life insurance companies in Japan as of March 31, 2017

Monthly Premiums from New Policies

¥55.3 billion

Achieved an 8.4% increase over the previous year

Japan Post

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Status of Accumulation

of Internal Reserves

¥3,042.7

The total of contingency reserve and reserve for price fluctuations

Annualized Premiums from New Policies

Individual insurance (Industry's No.1)

¥507.9 billion

Third-sector

¥55.7 billion

Note 3 Page 20

Annualized Premiums from Policies in Force

Individual insurance

¥4,979.6 billion

Third-sector

¥736.1 billion

Note 4 Page 21

Nationwide Post Office Network

20,050 post offices

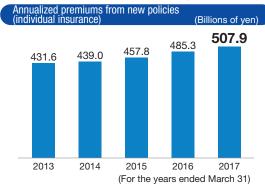
Note 7 Page

- Notes: 4 The figures for policies in force are the sum of individual life insurance and Postal Life Insurance reinsured by us under commission from the Management Organization.
  - 5 The number of customers is the sum of policyholders and insured persons (including individual life insurance and individual annuity insurance as well as Postal Life Insurance reinsured by us under commission from the Management Organization.).
  - 6 This refers to payments according to insurance policies, including insurance claims, annuity payments, benefits, and refunds, etc.
  - 7 Number of post offices undertaking life insurance solicitations.

#### **CLOSE UP**

#### **Annualized Premiums from New Policies**

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



Annualized premiums from new policies (third-sector)

(Billions of yen)

55.7

49.1

40.8

41.1

Number of New Policies (individual insurance)

2.44 million

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Number of Policies in Force (individual insurance)

(For the years ended March 31)

31.56

million

Industry's No.1

Note 3 Note 4 Page 21

**Number of Customers** 

29.48 million

Note 5 Page 32

Insurance Claims, etc.
Paid to Customers

¥7,550.3

Industry's No.1

Note 3 Note 6 Page 25

# Management Strategy of Japan Post Insurance

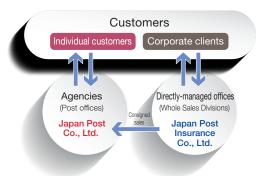
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### **Business Profile**



#### **Framework of Business Operations**

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



#### Bases for providing our products and services

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



#### Agency sales channel

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

We have placed organizations (Agency Relations Divisions) for agency support at 76 directly-managed offices (as of March 31, 2017) and offer support for sales promotion, as well as training and administration support. We also take advantage of our strengths while working as one with Japan Post Co. to promote development of products that meet customers' needs,

development of new markets and channels, and sophistication of sales processes.

As of March 31, 2017, there were 20,050 post offices undertaking life insurance solicitations.

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

As of March 31, 2017, there were 599 contracted post offices that had concluded life insurance solicitation consignment contracts with Japan Post Insurance.

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



#### Directly-managed wholesales channel

Whole Sales Divisions of our directly-managed offices are placed in 76 major cities nationwide and we have also established the Whole Sales Department at the Head Office (as of April 1, 2017), where they provide

our products and services primarily to the corporate and worksite market, and also handle other life insurance companies' products for corporate customers.

#### Bases for various procedures

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

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

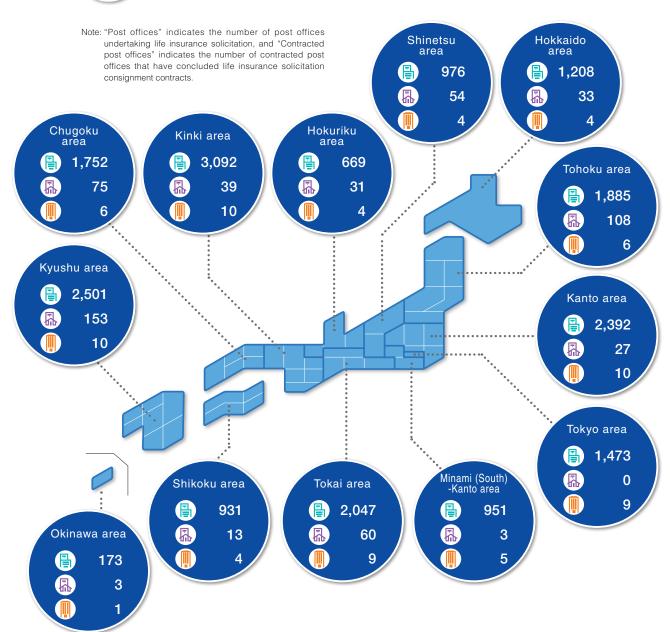
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The Post Office Network and Japan Post Insurance Bases across Japan (As of March 31, 2017)









### Management Strategy



#### **Overview of Medium-term Management Plan**

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

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

#### Strategic Goals

Establish our financial management base which will be necessary for growth

Develop products and services to enhance our strengths

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

#### **Business Objectives (FY2018/3)**

#### O Contracted monthly insurance premiums from new policies

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

#### Net income

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

#### O Dividend payout ratio

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



#### **Direction of the Management Strategy**

We continuously make efforts to earn trust and confidence from customers, in order to deliver insurance services as a means of security to a wide range of customers, thereby protecting the well-being of every one of them with the function of insurance and supporting local communities for years to come. Based on the belief that this continuity of efforts is our core mission, which enables us to attain "customer-first business operations," we will strive to earn yet more sense of familiarity and credibility from customers, which constitutes our strength.

Going forward, we will work to upgrade and optimize business processes by actively implementing and utilizing advanced technologies. In addition, we will strive to thoroughly engage in warmhearted communication with customers.

#### Enhancing sales force of distribution channel

- Ensure thoroughgoing customer-first solicitation activities
- Secure new sales of policies by increasing sales opportunities (campaigns and life plan consultation meetings, etc.)

#### Product development corresponding to customers' needs and improvement of services for elderly customers

- Appeal the value of protection unique to insurance, and strengthen the sales of protection-type products
- Pursue our business model to provide heartfelt and friendly services to elderly customers

#### Deployment of administrative and IT system

- Further pursue the establishment of simple, prompt and accurate administrative and system operations
- Strengthen system development capabilities that serve as the basis for future growth and development

#### Improving capacity for earnings from investment

- Ensure earnings of yields by increasing investment in risk assets
- Generate constant investment returns by expansion of the scope of investment and strengthening of investment capabilities
- Investment activities based on the Environment, Society and Governance (ESG) perspective

#### Enhancing internal control system

- Promote initiatives to make use of our customers' voices in management
- Further enhancement of corporate governance
- Further strengthen our internal audit system as well as risk management system

#### Enhancing human resource development

• Further promote reforms of the work style (promote management reinforcement and diversity)



#### **Topics**



#### Renewal of the Core IT System

On January 4, 2017, we renewed our core IT system to accelate the development of products and services, and to enhance the offering of even better customer services. In line with this renewal, the Company has enhanced system quality, development productivity, and operational efficiency, as well as reduced system-related expenses.

We will continue to constantly promote IT investment.

Please also refer to page 53.



#### **Initiatives Utilizing IBM Watson**

On March 21, 2017, Japan Post Insurance introduced support for claims examination staff utilizing IBM Watson® ("Watson") with the aim of enhancing customer service and improving the operational efficiency of our insurance claim payment examination operations.

In the area of decision support for claims examination staff utilizing Watson, when Watson is asked about cases where claims examination staff face difficulties in making a decision, the system presents results of estimations for payment decisions based on learned results and past cases with certainty factors for reference purposes. As a result, claims examination staff are able to reach an examination decision based on the data presented by Watson. Therefore, even staff with relatively little experience will be able to make decisions over cases with a high degree of difficulty that up to now have been dealt with by highly experienced staff.

We anticipate that support for examination decisions utilizing Watson will reduce the time required to make these decisions, resulting in the prompt payment of insurance claims and improved operational efficiency. Furthermore, utilizing the experience and knowledge gained within Watson will not only lead to improved examination quality but will also lead to the promotion of work style reforms among claims examination staff by creating downtime.

Additionally, from April 2017, we introduced Watson to call center operations utilizing the expertise gained from the introduction of Watson to insurance claim payment examination operations, with the aim of further improving the quality of our services through the sophistication of our response to customers.

IBM Watson



#### Business Alliance with Dai-ichi Life Holdings, Inc.

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

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

#### **International Life Insurance Business**

On April 19, 2016, Japan Post Insurance, Dai-ichi Life Holdings, and Vietnam Post Corporation signed a memorandum with regard to their trilateral collaboration in sales of life insurance in Vietnam.

We are considering specific collaborative measures taking advantage of our knowledge in the support of post offices so as to spread and penetrate life insurance services within Vietnam as well as to contribute to the development of the Vietnamese society and economy.



We are also actively promoting the exchange of human resources, including visits and observation tours by officers and employees of the Company and Vietnam Post to each other's bases (head offices and post offices).

#### **Asset Management Business**

For the purpose of diversifying asset management strategy to secure profitability, we proceeded with the joint utilization of an asset management company that is an affiliate of The Dai-ichi Life Insurance Co., Ltd. (Dai-ichi Life), and also carried out joint investment in a photovoltaic power generation business (mega solar business) in Japan.

Furthermore, in order to strengthen asset management administration service platform, on October 20, 2016, Dai-ichi Life transferred 7% of outstanding shares in Trust & Custody Services Bank, Ltd. ("TCSB"), an affiliate of Dai-ichi Life, to Japan Post Insurance which consigns asset administration services to TCSB.

#### **Joint Research on Domestic Life Insurance Business**

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

As part of these efforts, Japan Post Insurance, Dai-ichi Life and NTT DATA Corporation held a business contest on March 22, 2017 for the purpose of creating new insurance products and services that will lead to an enhancement of QOL (Quality of Life)



and an extension of the healthy life expectancy. By advancing initiatives to create innovations in life insurance business, we will work to resolve social issues such as extending the healthy life expectancy of Japanese citizens.

# **Business Overview and Results**

| Performance for the Year Ended March 31, 2017 | 18 |
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# Performance for the Year Ended March 31, 2017



#### **Key Business Indicators (Consolidated)**

(Billions of yen unless specifically indicated)

| As of/For the years ended March 31              | 2013      | 2014      | 2015      | 2016      | 2017      |
|---|-----------|-----------|-----------|-----------|-----------|
| Ordinary income                                 | ¥11,834.9 | ¥11,234.1 | ¥10,169.2 | ¥9,605.7  | ¥8,659.4  |
| Ordinary profit                                 | 528.9     | 462.7     | 492.6     | 411.5     | 279.7     |
| Core profit (non-consolidated)                  | 570.0     | 482.0     | 515.4     | 464.2     | 390.0     |
| Net income attributable to Japan Post Insurance | 90.6      | 62.8      | 81.3      | 84.8      | 88.5      |
| Capital stock                                   | 500.0     | 500.0     | 500.0     | 500.0     | 500.0     |
| (Number of shares issued: thousands of shares)  | (20,000)  | (20,000)  | (20,000)  | (600,000) | (600,000) |
| Total assets                                    | 90,463.5  | 87,092.8  | 84,915.0  | 81,545.1  | 80,336.7  |
| Separate account                                | -         | _         | _         | -         | -         |
| Policy reserves                                 | 81,401.9  | 77,745.4  | 75,112.6  | 72,362.5  | 70,175.2  |
| Loans   | 12,691.5  | 11,020.5  | 9,977.3   | 8,978.4   | 8,060.9   |
| Securities                                      | 72,557.1  | 69,377.9  | 66,276.2  | 63,609.9  | 63,485.2  |
| Solvency margin ratio (%)                       | 1,468.8   | 1,625.1   | 1,644.2   | 1,570.3   | 1,290.6   |
| Number of employees (persons)                   | -         | 7,367     | 7,606     | 7,890     | 7,965     |
| Policy amount in force                          | 31,675.3  | 37,179.5  | 42,774.9  | 47,882.7  | 53,229.1  |
| Individual insurance                            | 28,480.7  | 33,735.6  | 39,159.0  | 44,406.2  | 50,097.9  |
| Individual annuities                            | 3,194.6   | 3,443.8   | 3,615.9   | 3,476.4   | 3,131.1   |
| Group insurance                                 | -         | -         | _         | _         | _         |
| Policy amount in force for group annuities      | -         | -         | -         | -         | _         |

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

#### **Assets and Liabilities**

#### O Key Line Items in the Consolidated Balance Sheets

(Billions of yen)

|    | As of March 31                               | 2015      | 2016      | 2017      |
|----|--|-----------|-----------|-----------|
| То | tal assets                                   | ¥84,915.0 | ¥81,545.1 | ¥80,336.7 |
|    | Cash and deposits                            | 2,213.7   | 1,862.6   | 1,366.0   |
|    | Money held in trust                          | 1,434.9   | 1,644.5   | 2,127.0   |
|    | Securities 1                                 | 66,276.2  | 63,609.9  | 63,485.2  |
|    | Loans  | 9,977.3   | 8,978.4   | 8,060.9   |
|    | Fixed assets                                 | 286.8     | 331.1     | 322.7     |
|    | Deferred tax assets                          | 547.0     | 712.1     | 851.9     |
| То | tal liabilities                              | ¥82,939.2 | ¥79,662.2 | ¥78,483.5 |
|    | Policy reserves 2                            | 75,112.6  | 72,362.5  | 70,175.2  |
|    | Reserve for price fluctuations (3)           | 712.1     | 782.2     | 788.7     |
| То | tal net assets                               | ¥ 1,975.7 | ¥ 1,882.9 | ¥ 1,853.2 |
|    | Total shareholders' equity                   | 1,412.0   | 1,472.4   | 1,526.8   |
|    | Total accumulated other comprehensive income | 563.6     | 410.5     | 326.3     |

Compared with the end of March 2016, total assets fell by ¥1,208.4 billion to ¥80,336.7 billion.

Total net assets were ¥1,853.2 billion due to factors such as a decrease in net unrealized gains (losses) on available-for-sale securities.

#### Securities

From an ALM perspective, we mainly hold corporate and government bonds. However, in light of the low interest rate environment in Japan, we also hold risk assets such as foreign securities and stocks under appropriate risk management, with the aim of raising investment income.

#### Policy reserves

Policy reserves, provided in accordance with Article 116 of the Insurance Business Act, are reserves that life insurance companies accumulate through financing sources such as insurance premiums and investment income to provide for the future payment of insurance claims, annuity payments and benefits.

#### 3 Reserve for price fluctuations

The purpose of this reserve, computed based on Article 115 of the Insurance Business Act, is to prepare for future losses in the event that the price falls for assets that are prone to significant price fluctuations, such as securities.

<sup>2. &</sup>quot;Policy amount in force" is the total of individual insurance, individual annuities and group insurance.

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



#### **Profits and Losses**

#### OKey Line Items in the Consolidated Statements of Income

(Billions of yen)

| Y    | ears ended March 31                          | 2015<br>(April 1, 2014 to<br>March 31, 2015) | 2016<br>(April 1, 2015 to<br>March 31, 2016) | 2017<br>(April 1, 2016 to<br>March 31, 2017) |
|------|--|--|--|--|
| Or   | dinary income                                | ¥10,169.2                                    | ¥9,605.7                                     | ¥8,659.4                                     |
|      | Insurance premiums and others 1              | 5,956.7                                      | 5,413.8                                      | 5,041.8                                      |
|      | Investment income 2                          | 1,460.7                                      | 1,354.9                                      | 1,367.9                                      |
|      | Reversal of policy reserves                  | 2,632.8                                      | 2,750.0                                      | 2,187.2                                      |
| Or   | dinary expenses                              | ¥ 9,676.6                                    | ¥9,194.2                                     | ¥8,379.6                                     |
|      | Insurance claims and others 3                | 9,059.5                                      | 8,550.4                                      | 7,550.3                                      |
|      | Investment expenses 4                        | 10.9   | 9.7  | 160.4  |
|      | Operating expenses                           | 513.1  | 538.5  | 560.4  |
| Or   | dinary profit                                | 492.6  | 411.5  | 279.7  |
| Ex   | traordinary gains and losses                 | (99.3)                                       | (71.5)                                       | (6.8)  |
| Prov | ision for reserve for policyholder dividends | 200.7  | 178.0  | 152.6  |
| Ind  | come before income taxes                     | 192.5  | 161.9  | 120.1  |
| То   | tal income taxes                             | 111.2  | 77.0   | 31.5   |
| Net  | income attributable to Japan Post Insurance  | ¥ 81.3                                       | ¥ 84.8                                       | ¥ 88.5                                       |

Ordinary income amounted to \$8,659.4 billion (a 9.9% decrease year on year), comprising the sum of insurance premiums and others of \$5,041.8 billion (a 6.9% decrease year on year), investment income of \$1,367.9 billion (a 1.0% increase year on year), and reversal of policy reserves to provide for payments of insurance claims and others of \$2,187.2 billion (a 20.5% decrease year on year).

Ordinary expenses amounted to ¥8,379.6 billion (a 8.9% decrease year on year), comprising the sum of insurance claims and others of ¥7,550.3 billion (a 11.7% decrease year on year), investment expenses of ¥160.4 billion (a 1,595.3% increase year on year), operating expenses of ¥560.4 billion (a 4.1% increase year on year) and other ordinary expenses.

As a result, ordinary profit amounted to ¥279.7 billion (a 32.0% decrease year on year) and net income attributable to Japan Post Insurance amounted to ¥88.5 billion (a 4.4% increase year on year), which is calculated by subtracting provision for reserve for price fluctuations, provision for reserve for policyholder dividends and total income taxes from ordinary profit.

#### 1 Insurance premiums and others

The income from the insurance premiums paid by policyholders is the primary source of our income.

•Insurance premiums included ¥1,002.8 billion of insurance premiums based on reinsurance contracts with the Management Organization.

#### Investment income

This refers to income from investments. In addition to income from interest and dividends, this includes gains on money held in trust and gains on sales of securities, etc.

●Interest and dividend income was ¥1,226.1 billion, gains on money held in trust were ¥56.5 billion and gains on sales of securities, etc., were ¥85.1 billion.

#### 3 Insurance claims and others

This refers to the payments according to insurance policies, including insurance claims, annuity payments, benefits and refunds, etc.

Insurance claims included ¥6,413.7 billion of insurance claims based on reinsurance contracts with the Management Organization.

#### Investment expenses

This refers to expenses incurred when generating investment income, including losses on sales of securities and losses on derivative financial instruments.

Losses on sales of securities were ¥124.7 billion, while losses on derivative financial instruments were ¥20.5 billion.

### **Insurance Policies**

During the year ended March 31, 2017, Japan Post Insurance Co., Ltd. sold 2.44 million individual insurance policies with a total policy amount of ¥7,847.4 billion. Annualized premiums of individual insurance policies amounted to ¥507.9 billion, whereas annualized premiums related to third-sector insurance amounted to ¥55.7 billion.

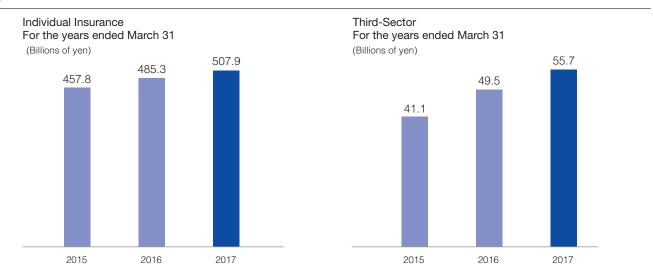
As of March 31, 2017, we had 17.15 million individual insurance policies in force with a total policy amount of ¥50,097.9 billion. Annualized premiums of individual insurance policies amounted to ¥3,207.9 billion (or ¥4,979.6 billion when reinsured Postal Life Insurance Policies (Insurance) are included), whereas annualized premiums related to third-sector insurance amounted to ¥333.8 billion (or ¥736.1 billion when reinsured Postal Life Insurance Policies are included).

Regarding the Postal Life Insurance Policies received from the Management Organization in the form of reinsurance, as of March 31, 2017, policies reinsured by us amounted to 14.41 million insurance policies with an insured amount of ¥38,605.4 billion and 2.24 million annuity policies with an annuity amount of ¥799.1 billion.



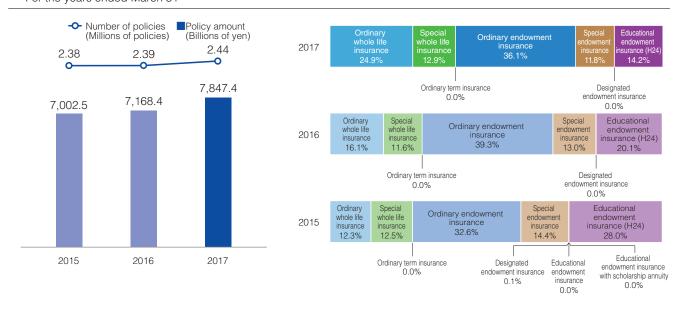
#### **New Policies**

#### Annualized Premiums



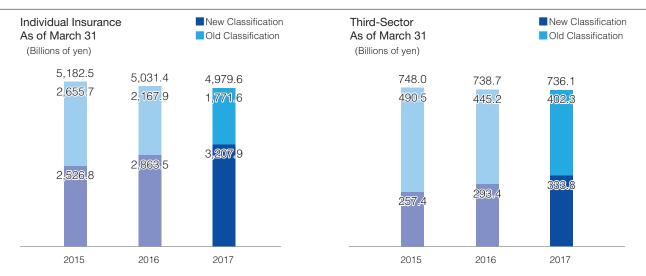
Note: "Third-sector" includes medical benefits (including hospitalization and surgery benefits).

#### Number of Policies, Policy Amount and Composition by Product (Individual Insurance) For the years ended March 31



#### **Policies in Force**

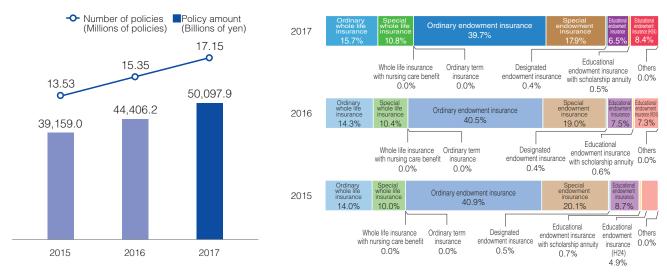
#### Annualized Premiums



- Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies (individual
  - insurance policies are limited to Postal Life Insurance Policies) which we have received from the Management Organization in the form of reinsurance.

    2. Regarding Postal Life Insurance Policies which we have received from the Management Organization in the form of reinsurance, the annualized premiums under "Old Classification" are calculated based on the same methods used to calculate annualized premiums of individual insurance policies and individual annuities underwritten by us.
  - 3. "Third-sector" includes medical benefits (including hospitalization and surgery benefits) and living benefits (including specified diseases and nursing care benefits).

#### Number of Policies, Policy Amount and Composition by Product (Individual Insurance) As of March 31



Note: The number of policies and policy amounts do not include the Postal Life Insurance Policies which we have received from the Management Organization in the form of

### [Reference] Reinsured Postal Life Insurance Policies

(Millions of policies, billions of yen)

|                | ( · · · · · · · · · · · · · · · · · · · |                    |                                   |                    |                                   |                    |                                   |
|----------------|---|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| As of March 31 |   | 20                 | 15                                | 20                 | 16                                | 20                 | 17                                |
|                |   | Number of policies | Insured amount/<br>Annuity amount | Number of policies | Insured amount/<br>Annuity amount | Number of policies | Insured amount/<br>Annuity amount |
|                | Insurance                               | 19.95              | ¥54,322.4                         | 16.97              | ¥46,114.5                         | 14.41              | ¥38,605.4                         |
|                | Annuities                               | 2.95               | ¥ 1,077.9                         | 2.58               | ¥ 932.1                           | 2.24               | ¥ 799.1                           |

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

# Asset Management Overview (General Account)



#### **Investment Environment in the Fiscal Year Ended March 31, 2017**

In the fiscal year ended March 31, 2017, the Japanese economy continued to recover gradually due to improvements in exports and production, despite a slump in consumer spending. The U.S. and European economies continued a steady recovery, while there was a pause in the decline of China's growth rate.

Under these economic conditions, the investment environment was as follows.

#### **Domestic Bond Market**

The domestic long-term yield declined to the minus 0.2% level as investors worldwide became more risk-averse after the majority vote in favor of leaving the European Union in the U.K. referendum in late June. However, in August, the yield rose to levels just under 0.0%, due to the possibility of changes in the Bank of Japan (BOJ)'s monetary policy, and remained at about that level after the BOJ introduced quantitative and qualitative monetary easing with yield curve control in September. Domestic interest rates, mainly for super-long-term bonds, subsequently increased owing to Donald Trump's victory in the U.S. presidential election in November and the resulting rise in U.S. interest rates in anticipation of economic stimulus measures such as tax cuts and infrastructure investment, and 10-year Japanese government bond yields remained in positive territory, ranging from 0.0 to 0.1%.



#### **Domestic Stock Market**

The Nikkei Stock Average rose to the ¥17,500 level in April due to the surge in U.S. stock prices as crude oil prices picked up. However, stock prices plunged globally, and the Nikkei Stock Average fell substantially to the ¥14,900 level, due to the unexpected results of the U.K. referendum in late June. Stock prices subsequently improved owing to high U.S. stock prices and an increase in ETF purchases by the BOJ, and recovered to the ¥17,400 level in October. After the U.S. presidential election in November, the stronger dollar and weaker yen that followed the surge in U.S. interest rates drew a positive reaction, and stock prices rose to the ¥18,900 level at year-end.



#### Foreign Exchange Markets

The USD/JPY exchange rate temporarily reached the ¥99 range as the yen appreciated due to the results of the U.K. referendum in late June. Subsequently, although the yen returned to the ¥107 range at one point in July due to expectations of fiscal spending by the government and additional easing by the BOJ, the USD/JPY exchange rate stayed mainly around the ¥100 - ¥103 level. Entering the second half, the yen depreciated to the ¥118 level in December, owing to the growing strength of the dollar stemming from rising U.S. interest rates. The yen subsequently returned temporarily to the ¥110 range as adjustments were made to the USD/JPY exchange market in March due to a lull in expectations of U.S. fiscal and economic policies and a drop in U.S. interest rates.

The euro depreciated due to comprehensive monetary easing by the European Central Bank and concerns about an economic downturn in the euro-zone following the U.K. referendum, and the EUR/JPY rate reached the ¥109 level at one point in June. However, the euro appreciated subsequently due to rising interest rates in Europe, and

stayed mainly around the ¥120 - ¥122 level from December onwards





#### **Performance Overview**

#### **Assets**

As of March 31, 2017, total assets of Japan Post Insurance Co., Ltd. amounted to ¥80,336.4 billion, a decrease of ¥1,207.2 billion from ¥81,543.6 billion at the previous fiscal year-end.

As domestic interest rates shifted downward, we increased investments in risk assets, such as foreign securities and stocks.

#### Corporate and government bonds [Decrease]

For corporate and government bonds, we limited investment based on the domestic interest rate environment. In this context, we made some investments mainly in super long-term bonds capturing a rise in interest rates in the latter half of the year.

As a result, corporate and government bonds amounted to ¥57,658.1 billion, a decrease of ¥2,162.9 billion from ¥59,821.0 billion at the previous fiscal year-end.

#### Stocks [Increase]

For stocks, we commenced in-house investment starting in the second half of the fiscal year ended March 31, 2017.

As a result, stocks amounted to ¥59.3 billion, an increase of ¥58.3 billion from ¥0.9 billion at the previous fiscal year-end.

#### Foreign securities [Increase]

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

As a result, foreign securities amounted to ¥4,351.7 billion, an increase of ¥662.9 billion from ¥3,688.8 billion at the previous fiscal year-end.

#### Other securities [Increase]

For other securities, we expanded investment in global credit and other funds, in line with diversification of asset management.

As a result, other securities amounted to ¥1,417.1 billion, an increase of ¥1,317.0 billion from ¥100.0 billion at the previous fiscal year-end.

#### Money held in trust [Increase]

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

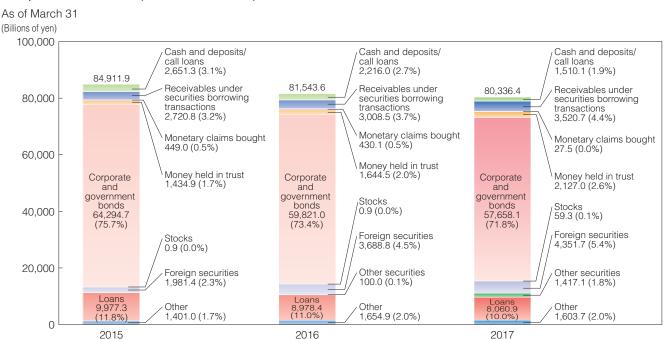
As a result, money held in trust amounted to ¥2,127.0 billion, an increase of ¥482.4 billion from ¥1,644.5 billion at the previous fiscal year-end.

#### Loans [Decrease]

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

As a result, loans amounted to ¥8,060.9 billion, a decrease of ¥917.5 billion from ¥8,978.4 billion at the previous fiscal year-end.

#### Composition of Assets (Non-Consolidated)



#### **Asset Management Yield**

#### Asset Management Yield

| Years ended March 31 | 2015  | 2016  | 2017  |
|----------------------|-------|-------|-------|
| Yield                | 1.70% | 1.62% | 1.50% |

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



#### **Investment Policies of Japan Post Insurance**

Our operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others. Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets

with a high affinity to the characteristics of liabilities, with the aim of gaining stable income while reducing interest risk.

We will also work to increase income by investing in risk assets such as foreign securities and stocks under appropriate risk management.

#### **Investment Diversification Initiatives**

In the fiscal year ended March 31, 2017, we strengthened our asset management system by recruiting specialist human resources, and steadily diversified our asset management by launching in-house investment of stocks and expanding investments in global credit and other funds.

For the fiscal year ending March 31, 2018, we will continue to enhance our asset management divisions, and promote further diversification of asset management through efforts such as launching investments in new areas including real estate and private equity.

(Billions of yen)

### **Sound Management Indicators**



# ¥390.0 billion

(Non-Consolidated Core Profit)

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

Our core profit for the year ended March 31, 2017 was ¥390.0 billion.

| Core Profit                 |  |
|-----------------------------|--|
| For the year ended March 31 |  |

(Billions of yen)



| Years ended March 31                     | 2015      | 2016     | 2017     |
|--|-----------|----------|----------|
| Core income ①                            | ¥10,185.7 | ¥9,653.5 | ¥8,621.4 |
| Insurance premiums and others            | 5,956.7   | 5,413.8  | 5,041.8  |
| Investment income (Note 1)               | 1,366.0   | 1,308.7  | 1,226.2  |
| Reversal of policy reserves (Note 2)     | 2,719.2   | 2,805.7  | 2,246.8  |
| Core expenses ②                          | 9,670.3   | 9,189.2  | 8,231.3  |
| Insurance claims and others              | 9,059.5   | 8,550.4  | 7,550.3  |
| Provision for policy reserves and others | 1.4       | 0.1      | 0.0      |
| Investment expenses (Note 1)             | 5.2       | 6.2      | 11.7     |
| Operating expenses                       | 512.4     | 537.0    | 560.2    |
| Core profit (1)-2) A                     | 515.4     | 464.2    | 390.0    |
| Net capital gains B                      | 64.1      | 4.4      | (51.1)   |
| Other one-time profits C                 | (86.4)    | (55.6)   | (59.5)   |
| Ordinary profit A+B+C                    | 493.1     | 413.0    | 279.3    |

Notes: 1. Excluding the amount regarding net capital gains 2. Excluding the amount regarding other one-time profits

(reversal of contingency reserve and others) (Please see page 173 for more details.)

#### Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a "positive spread." Conversely, a "negative spread" exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2017, there was a positive spread of ¥78.5 billion.

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

= [investment return on core profit - average assumed rate of return] × general account policy reserves Positive spread [¥78.5 billion] [1.84%] [¥68,364.3 billion] [1.73%]

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



#### **Status of Accumulation of Internal Reserves**

# ¥3,042.7 billion

(Total of contingency reserve and reserve for price fluctuations)

Life insurance companies accumulate contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating environment of the life insurance industry. Such

changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2017, we had a contingency reserve of ¥2,254.0 billion and a reserve for price fluctuations of ¥788.7 billion, a total of ¥3,042.7 billion.

In addition, as of March 31, 2017, we have additional policy reserves to cover for a negative spread and other risks amounting to ¥5,961.0



#### **Consolidated Solvency Margin Ratio**

# 1,290.6%

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

The solvency margin ratio is an indicator by which the regulatory agency determines whether or not an insurance company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk

should materialize, such as a major catastrophe or a stock market collapse.

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

Our consolidated solvency margin ratio as of March 31, 2017 was 1,290.6%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

Calculation method of consolidated solvency margin ratio

Consolidated solvency margin ratio =

Total amount of solvency margin

 $\times 100(\%)$ 

Total amount of risk  $\times$  1/2



#### **Consolidated Real Net Assets**

# ¥12,763.1 billion

"Consolidated real net assets" is calculated by subtracting liabilities, other than contingency reserve, reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses consolidated real net assets as an

indicator of an insurance company's financial soundness at the end of a fiscal period. A negative figure might lead to an order to suspend operations or other regulatory action. (Such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy-reserve-matching bonds is positive and liquid assets have been set aside.)

As of March 31, 2017, we had ¥12,763.1 billion in consolidated real net assets, an amount deemed to be sufficient.



#### **Net Unrealized Gains (Losses) on Securities**

# ¥7,700.5 billion

(Unrealized gain)

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

As of March 31, 2017, Japan Post Insurance recorded a net unrealized gain on securities of ¥7.700.5 billion.

We recorded a ¥380.7 billion net unrealized gain on money held in trust and a ¥443.6 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Consolidated Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.



#### **Risk-Monitored Loans**

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



#### **Credit Ratings**

In order to provide our customers and shareholders with a deeper understanding of Japan Post Insurance Co., Ltd., we have acquired credit ratings from rating agencies.

(As of June 1, 2017)

Rating and Investment Information, Inc. (R&I)

ΔΔ-

Insurance Claim Paying Ability (Definition of AA)

Very high claims paying ability supported by some excellent factors.

Japan Credit Rating Agency, Ltd. (JCR)

ΔΔ

Ability to Pay Insurance Claims Rating (Definition of AA)

A very high level of certainty to honor the financial obligations.

Standard & Poor's (S&P)

A+

Insurer Financial Strength Ratings (Definition of A)

An insurer rated 'A' has strong financial security characteristics, but is somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

Note: Ratings are the opinion of the ratings agencies, and do not represent any guarantee by the rating agencies regarding the payment of insurance claims or other matters. Ratings may be changed in the future based on the judgment of the ratings agencies.

# Policyholder Dividends

# ¥152.6 billion

(Provision for reserve for policyholder dividends)

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

For the year ended March 31, 2017, we posted a provision for reserve for policyholder dividends of ¥152.6 billion.

- For Japan Post Insurance Policies, we accounted for a provision for reserve for policyholder dividends of ¥15.6 billion.
- For Postal Life Insurance Policies, we posted a provision for reserve for policyholder dividends of ¥137.0 billion under the reinsurance agreement concluded with the Management Organization, based on the performance of the category related to the reinsurance. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

# Embedded Value (EV)

# ¥3,355.6 billion



#### What is Embedded Value?

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

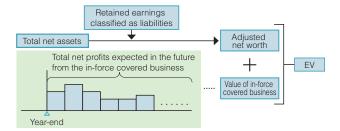
The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the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

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

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

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

#### Outline of EV





#### **EV as of March 31, 2017**

The EV of Japan Post Insurance Co., Ltd. as of March 31, 2017 was ¥3,355.6 billion, an increase of ¥204.6 billion from March 31, 2016.

#### Breakdown of EV

(Billions of yen)

|    | As of March 31                     | 2015     | 2016     | 2017     |
|----|------------------------------------|----------|----------|----------|
| E/ | V                                  | ¥3,613.7 | ¥3,151.0 | ¥3,355.6 |
|    | Adjusted net worth                 | 1,739.6  | 1,894.3  | 1,965.2  |
|    | Value of in-force covered business | 1,874.0  | 1,256.7  | 1,390.4  |

| Years ended March 31  | 2015    | 2016    | 2017   |
|-----------------------|---------|---------|--------|
| Value of new business | ¥ 154.9 | ¥ 192.7 | ¥ 36.8 |

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

Notes: 1. The risk-free rate is an important assumption for the valuation of life insurance liabilities. Regarding the level of interest rates at longer durations, for which sufficiently liquid markets and reliable data are not available, we had previously taken an approach of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available.

However, in light of the points below, from the EV as of March 31, 2016, and the value of new business for the fiscal year ended March 31, 2016, we have adopted an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods.

- In the previous approach, any change in the level of the risk-free rate at the last available duration of the market data resulted in a significant impact on the valuation of long-duration insurance liabilities. Considering recent movements in the risk-free rate, use of an ultimate forward rate approach should result in more stability than the previous approach.
- The method utilizing an ultimate forward rate is being considered for adoption as an extrapolation method for interest rates at longer durations in international regulations as well.

For consistency of valuations, the EV as of March 31, 2015 and value of new business for the fiscal year ended March 31, 2015, have been reevaluated based on the same revised method.

- 2. From the fiscal year ended March 31, 2017, we have opted to calculate the value of new business as the difference between EV calculated on the basis of gain/loss of total in-force covered business if new business had been obtained, and EV calculated on the basis of gain/loss of total in-force covered business if new business had not been obtained. For consistency of valuations, the value of new business for the fiscal year ended March 31, 2016 has been reevaluated based on the same re-
- 3. Please see pages 181 to 183 for more details.



#### **Third-Party Review**

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

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

# **Engagement with Stakeholders**

| Stakeholders Supporting Japan Post Insurance | 30 |
|--|----|
| Together with Customers                      | 32 |
| Together with Shareholders and Investors     | 55 |
| Involvement with Society                     | 57 |
| Together with Employees                      | 65 |

# Stakeholders Supporting Japan Post Insurance



**Comprehensive and Heartfelt Services** 

Feel Secure with Kampo

# Kampo Platinum Life Service

 We are always close to people's lives, offering easy-to-understand products and high-quality services.



Customers

We work to communicate closely with all stakeholders

### Radio Exercise

## Responsible Institutional Investors

Life is Full of Dreams

### **ESG**

• We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.

Community /



The Company's life insurance business has progressed to date with the support of various stakeholders.

Moving forward, we will further refine our business model to be a big, unique and heartfelt company through close communication with all stakeholders, aiming to become the "No. 1 Japanese insurance company selected by customers."



IR

### **Disclosure**

# **General Meeting of Shareholders**

Shareholders Investors

**Employees** 

 We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.

人生は、夢だらけ。



"Life is Full of Dreams"

JAPAN POST INSURANCE

### **Work-Life Balance**

# Reforms of the Work Style

**Expanding Roles of Female Employees** 

### Kampo Human Resources Development Declaration



- We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
- We create a working environment in which all employees can develop their talents and work with energy and vitality.

# **Together with Customers**



#### **Customer-First Business Operations**

Following our Management Philosophy "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," Japan Post Insurance Co., Ltd. currently provides 29,480,000<sup>(Note)</sup> customers with simple and easy-to-understand life insurance products with smaller coverage amounts through the nationwide post office network.

In an effort to provide the best benefits to each and every one of our 29,480,000 customers, we established and published the "Basic Policies regarding Customer-First Business Operations" on April 7, 2017, which describe our ideal form as a company with customer-first business operations, as well as measures in preparations and business operations in order to steadily achieve said form.

Based on the following "Basic Policies for Customer-First Business Operations," we shall work as one to further improve and enhance our customer-first business operations.

Note: Total number of policyholders and insured persons.

#### **Basic Policies for Customer-First Business Operations**

established April 7, 2017

Following our Management Philosophy "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," we currently provide customers with simple and easy-to-understand life insurance products with smaller coverage amounts through the nationwide post office network. We believe that our daily striving to gain the trust and confidence of our customers by "delivering reliable insurance services to customers over the nation, protecting the livelihood of each and every one of our customers with our products, and supporting regional communities going forward" is linked to our achieving "customer-first business operations."

Our basic policies to achieve "customer-first business operations" are stated below.

#### 1. Commitment of top management

- We shall work towards achieving our Management Philosophy and other goals by working as one, in order to be close at hand and endeavor to protect customers' well-being.
- Top management shall promote, inside and outside Japan Post Insurance Co., Ltd., the enhancement of customer satisfaction by the utilization of the valuable resource that is the diverse feedback from customers.
- We shall continue to improve ourselves by consolidating, analyzing, and evaluating customer feedback, under the leadership of our management team.
- We shall promote measures towards achieving customer-first business operations by collaborating with our business partner, Japan Post Co., Ltd.
- We shall become an insurance company that grows with the customers by working on customer-first employee development.

#### 2. Development of corporate culture regarding "customer-first business operations"

- We have established the "Code of Conduct" which includes a list of mottos, such as "customer first," that our employees should always keep in mind. This "Code of Conduct" is used as a model for our operations.
- We shall build a framework that grants the best benefits to our customers, continuously creating new conveniences for them and aiming to provide quality services.
- We aim to develop a customer-first attitude through the organization of the "Comprehensive and Heartfelt Services" movement, which includes improvements based on customer feedback and development of successful cases.
- As a responsible institutional investor, we shall contribute to the growth of the Japanese economy as a whole through investments and dialogue leading to the sustainable growth of corporations.

#### 3. Appropriate product proposals and other measures based on customer intention

- We shall conduct appropriate product proposals based on customer intention and life plans as well as conduct sales of policies so customers are well-informed and genuinely satisfied.
- For elderly customers in particular, in addition to attentive and easy-to-understand explanations, we provide meticulous responses such as having a family member or equivalent present at policy signings to ensure that the customer including family members are well-informed and are satisfied with our terms and conditions.
- We thoroughly manage conflicts of interests with customer transactions to ensure that their interests are protected.
- We set our insurance premiums, as well as the commissions paid to Japan Post Co., Ltd., at a reasonable amount that corresponds to the products and services we provide to our customers.

#### 4. Enrichment of information provision to customers and mutual information exchange

- We ensure that our customers stay up-to-date with our insurance coverage and other terms
  after the signing of policies through the mailing of the "Notice of Policy Details" and the "Feel
  Secure with Kampo" activities.
- In addition to widely providing information and services useful to customers' daily lives, we shall further enhance measures enabling direct customer feedback and mutual exchange of information.

#### 5. Simple, prompt and accurate payments of insurance claims and others to customers, and other measures

- In order to pay the insurance and other benefits we promised to policyholders, we have engaged in efforts to achieve simple, prompt and accurate claim payments toward the goal of upgrading our claim payments management structure to the industry's highest level.
- We shall work to implement state-of-the-art technology, as well as streamline administrative procedures, so that procedures concerning the underwriting and maintenance of insurance policies are made simple, prompt and accurate.

#### 6. Development of human resources and evaluation of business results

- As a policy for human resources development, we shall be aware of our corporate social responsibility and develop a customer-first attitude in our employees, as well as properly motivate employees to achieve "customer-first business operations" through the development of human resources and evaluation of business results.
- By setting "enhancement of customer satisfaction" as one of the criteria when evaluating employees, we will value employees who contribute to the achievement of "customer-first business operations."

#### 7. Confirmation of the implementation status of measures

- We shall regularly confirm the implementation status of measures based on these policies, and announce the results of our findings.
- These policies shall be regularly revised in order to enhance business operations reflecting changes in society and the business environment.
- Reference: Implementation status of measures towards the "Principles for Customer-Oriented Business Conduct" of the Financial Services Agency

The implementation status and views pertaining to measures towards the "Principles for Customer-Oriented Business Conduct" is stated on our website below.

http://www.jp-life.japanpost.jp/aboutus/company/abt\_cmp\_fiduciary.html



#### "Comprehensive and Heartfelt Services"

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

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





Comprehensive and Heartfelt Services



#### "Feel Secure with Kampo" Activities

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

To ensure that customers receive insurance and/

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

#### **Main Activities**

#### Verification

#### OVerification of policy details

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

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

#### Payment

#### O Automatic payment into a designated bank account

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

#### O Reminder for claiming hospitalization or other benefits

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

#### Notification

#### O Notification of services available for policyholders

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

### OSupport for reviewing the details of policy coverage

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



Through "Feel Secure with Kampo" activities, we have received favorable feedback from customers: "It helped me a lot, as I could find a claimable insurance benefit that I had not noticed." "Since I had a chance to reconfirm the details of policy coverage, I gained a better understanding of my policy." "It is convenient that even insurance benefits that mature several years

ahead will be automatically paid to my designated bank account."

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



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

#### The Intent and Purpose of the Kampo Platinum Life Service

We are conducting a company-wide initiative called "Kampo Platinum Life Service" to win the favor of the growing number of elderly customers by



Logo mark shared within Japan Post Insurance

offering age-friendly services based on a sense of security and trust that has been enabled by improving contacts with all customers from the perspective of our elderly customers.

This initiative aims to provide products and services matched to the needs of elderly customers. Under the initiative, we intend to encourage improvement whenever we interact with customers and build a business model that is friendly to elderly customers.

#### **Main Activities**

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

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

Provision of free telephone consultation service for policyholders

We offer a free telephone consultation service on health, medicine, nursing and "taxes in life" for the policyholders and insured persons of our life insurance and Postal Life Insurance policies and their families.



### Efforts when explaining our insurance products

When explaining our products to elderly customers, we try to explain in an attentive and easy-to understand manner. We are carrying out initiatives such as asking customers aged 70 or older to have a family member or equivalent present when listening to an explanation of our insurance and products, and sending written



guidance after enrollment so that the policyholder can reconfirm the details of the insurance policy.

### Publishing of videos on care skills

Aiming to prevent injuries and other accidents before they happen to elderly people, we publish videos on care skills on our website and our official "Kampo Platinum Life Service" YouTube channel.



Publishing of an information magazine for elderly customers

Twice a year, we publish an information magazine for elderly customers titled "Kampo Platinum Life Service" with tips for everyday life.

This magazine is available at post offices and on our website.



Operation of a dedicated call center for elderly customers

We operate a dedicated call center for elderly customers where operators trained on how to attend to elderly customers directly answer calls via an exclusive toll-free telephone line.

### Efforts for simpler, more legible and easier notifications

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

As a brochure that is more legible and easier for elderly customers to understand, the "Insurance Policy Handbook" enclosed in the "Certificate of Premium Payment and Notice of Policy Details" delivered in October 2016 acquired the certification of Universal Design Verified by Elderly Users from JITSUKEN, a nonprofit organization certified by the Cabinet Office.

For three consecutive years from the fiscal year ended March 31, 2015, the handbook also acquired the Certificate of Color Universal Design from the Color Universal Design Organization, a nonprofit organization, as it was created to achieve the best effect in terms of coloring and lettering size.



"FY2016 Insurance Policy Handbook" prepared in accordance with the "Internal Guidelines for Preparing Guides for Elderly Customers"



Certificate of Universal Design Verified by Elderly Users



Certificate of Color Universal Design

### Encouraging employees to acquire qualifications

From the perspective of enhancing customer services, we encourage employees to acquire qualifications as a Dementia Supporter, a Carefitter, or a Gerontology Expert (persons who have passed the Gerontology Literacy Test).



Carefitter training

### Holding free seminars on the use of tablet devices

For the purpose of improving the quality of life of elderly people through the acquisition of IT skills, we have held free seminars on the use of tablet devices for elderly people since 2015 in a tie-up

with various regional nonprofit organizations in Sendai and other Tohoku areas as well as Tokyo and Kumamoto.



At a seminar in February 2017 in Kumamoto
Prefecture

### For reference: Activities in consideration of customers with disabilities

Together with post offices, Japan Post Insurance provides services in consideration of customers with disabilities.

# Publication of various information guides in Braille

We will publish contract detail notifications in Braille upon requests from policyholders and others as well as publishing maturity information and others in Braille.

#### Initiatives for scribes/persons to read out text

When we receive various claims and other requests from policyholders with physical disabilities, employees will act as scribe or read out text as necessary.

# **Customer Satisfaction**

Japan Post Insurance recognizes that the "voices of our customers" are valuable "assets." We value dialogue with customers, and will strive to develop a structure for the ceaseless creation of new convenience for customers and pursuit of quality services. In addition, reviewing our services daily based on customer input in order to increase our customers' satisfaction is

fundamental to improving our business.

In addition to developing and improving products and services based on customer feedback, our Directors and Executive Officers, as well as our employees, give careful consideration to and act on customer feedback to ensure customer-first business operations.

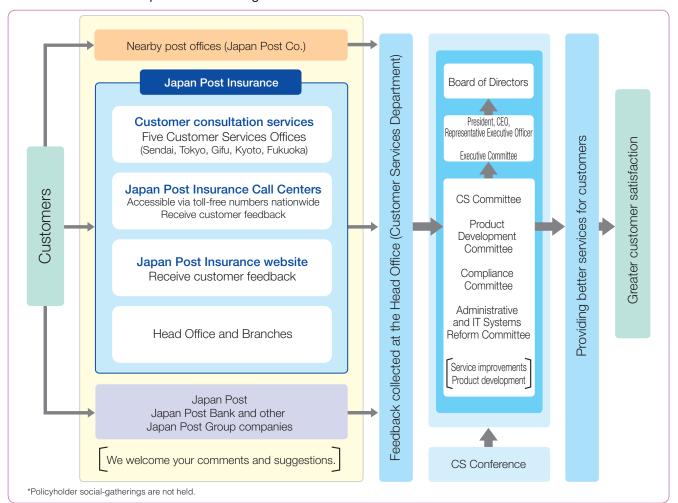
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## **Using Feedback from Each Customer to Increase Customer Satisfaction**

Customer feedback is compiled and centrally managed by our Customer Services Department. We analyze the feedback, identify management issues and devise solutions to improve our services and develop superior products. Through this process, we aim to provide services that bring satisfaction to our customers.

We have also held the "CS Conference" with external experts and representatives of policyholders as members to receive opinions for improving customer satisfaction.

#### Product and Service Improvements Using Customer Feedback





## **Quantity and Content of Customer Feedback**

The number of complaints received from customers during the period from April 1, 2016 to March 31, 2017 was as follows.

| Content   | April 2016 to March 2017 | %     |
|---|--------------------------|-------|
| Enrollment in insurance policies  | 76,777                   | 22.9  |
| Payments of premiums, etc.  | 27,644                   | 8.3   |
| Procedures, dividends and other issues following the enrollment in a policy | 55,620                   | 16.6  |
| Payments of insurance benefits  | 140,472                  | 42.0  |
| Deduction for insurance premiums  | 20,426                   | 6.1   |
| Other issues  | 13,896                   | 4.2   |
| Total   | 334,835                  | 100.0 |

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



### **Customer Satisfaction Survey**

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

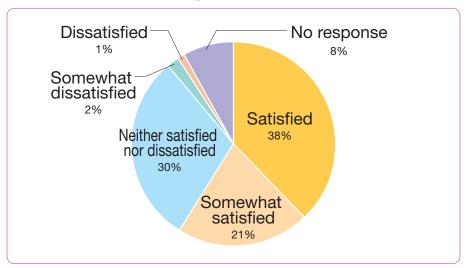
#### [Overview of Customer Satisfaction Survey Conducted in the Year Ended March 31, 2017]

- Period of survey: December 2016
- Survey targets: Customers who enrolled in our products for the first time and those who filed claims for maturity, death, hospitalization and other benefits
- Number of questionnaires sent: 30,000
- Number of questionnaires returned: 7,237

#### [Survey Results]

The general satisfaction level was rated "Satisfied" (total of "somewhat satisfied" and "satisfied") by approximately 60% of respondents. We will continue to undertake efforts to improve our customer service to receive high points from more customers.

#### Overall satisfaction levels for Japan Post Insurance





# **Compliments and Positive Comments**

During the period from April 1, 2016 to March 31, 2017, we received a total of 23,179 compliments and positive comments from our customers.

### <Sample of Customer Comments>

- I had insecurities regarding insurance coverage for the future, but thanks to your attentive insurance proposals in the presence of my family, taking time to explain so even seniors like me can understand, my family and I felt secure enrolling in a policy.
- Post office staff visited us as part of the Feel Secure with Kampo activities, explained to us attentively the content of the coverage using the "Regular check-up sheet" and the "Policy content confirmation sheet," so I felt reassured.



## **Examples of Improvement Based on Our Customer's Comments**

| Customer Comment  | Improvement  |
|---|--|
| When applying for an Insurance Policy, the size of the letters were too small and hard to read on the Declaration Form.   | We have revised the wording, design and size of the "Declaration Form" and "Additional Declaration Form" so it is easier to fill in and understand.  |
| After application, I was asked additional questions on the details of my Declaration. Could you make sure to get everything necessary for the contract at the time of application?  | For injuries and diseases that require additional questions, we have made it possible to make declarations using tablet-type portable devices, at the time of application so all necessary items for deciding whether to accept or decline the contract can now be asked in a single meeting.  |
| I applied for an Insurance Contract, but I was refused. I wish you could have told me from the beginning that I was unable to sign up.  | In line with customer requests, we have introduced an assessment system (that assesses if we cannot undertake the policy, etc.) called "Check Navi" where you can input your health condition relating to certain injuries and diseases prior to undergoing application procedures.  *"Check Navi" does not promise the undertaking of insurance contracts. Depending on the details of declaration provided at the time of application for an Insurance Contract as well as applications and the content of claims for hospitalization or other benefits from previous contracts, we may not be able to undertake the policy. |
| When designating bank accounts for multiple policies, it is troublesome to fill in many notification forms. Can you please do something about this?   | We have begun to accept the paperless designation of bank accounts for insurance benefits and others using tablet-type portable devices. By simply confirming details such as your bank account shown on the tablet-type portable device, and pressing a button, you can now designate bank accounts.  We have also revised our notification forms so that you can designate for up to three policies on a single notification form.   |
| My mother passed away, and I went to the post office to undertake the claim procedure for hospitalization and other benefits for a contract where my mother was the insured person, but it took a considerable amount of time because of the procedures for inheritance. Could you please make the process simpler? | Depending on the amount of benefit or other payments to be paid, we have widened the range of necessary documents (including official copy of the family register to confirm the inheritor) that can be omitted for inheritance procedures. We have also widened the scope of procedures to that can be undertaken solely by the representative of the inheritor.  |
| I made a claim for hospitalization benefits, but because my mother who is the policyholder and lives far away has the Insurance Policy (certificate), I was unable to smoothly make a claim for benefit payments. I was hoping to receive insurance benefits faster.  | We have made it so that even if you cannot submit your Insurance Policy (certificate), you can now undertake procedures by stating your Insurance Policy (certificate) number and other details.   |
| As there are a lot of documents that require me seal, could you please expand the range of procedures that do not require a seal?   | For procedures that used to require a seal, we have widened the range of procedures where you can omit the seal by providing a signature instead.  |

# Types and Features of Japan Post Insurance's Insurance Products

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# Major Types of Insurance

|   |   | (As of March 1, 2017)  Nickname ● Age Limit Range |                                      |  |   |       |    |    |
|---|---|---|--------------------------------------|--|---|-------|----|----|
| Purpose of Policy                             | Product Name                              |   | 10                                   |  |   | 60    | 70 | 80 |
| For lifetime coverage                         | Fixed amount type whole life insurance    | 0   |                                      |  | Shin Nagaiki Kun (flat-type)<br>5*-85 years old               |       |    |    |
|   | Double-type whole life insurance          |   |                                      |  | hin Nagaiki Kun (balance-type, dou<br>5*–65 years old         | ıble) |    |    |
| For balanced lifetime coverage                | Fivefold-type whole life insurance        |   |                                      |  | thin Nagaiki Kun (balance-type,<br>vefold)<br>5*-60 years old |       |    |    |
| For lifetime coverage with perks              | Special whole life insurance              |   |                                      |  | shin Nagaiki Kun (special-type)<br>5*–70 years old            |       |    |    |
| For large coverage with lower burden          | Ordinary term insurance                   |   |                                      |  | Shin Ordinary Term<br>Insurance<br>5–50 years old             |       |    |    |
| For coverage and hanefits at maturity         | Ordinary endowment                        |   | Shin Free<br>0-80 year               |  | )   |       | ·  |    |
| For coverage and benefits at maturity         | insurance                                 |   | Shin Free<br>0-75 year               |  | r (short-term premium payment)                                |       |    |    |
|   | Double-type special endowment insurance   |   |                                      |  | Shin Free Plan (double benefit)<br>5-70 years old             |       |    |    |
| For full coverage and benefits at maturity    | Fivefold-type special endowment insurance |   |                                      |  | <i>Shin Free Plan</i> (fivefold benefit)<br>5–65 years old    |       |    |    |
|   | Tenfold-type special endowment insurance  |   |                                      |  | <i>Shin Free Plan</i> (tenfold benefit)<br>5–60 years old     |       |    |    |
| or those who are spending life with a disease | Designated endowment insurance            |   |                                      |  | Shin Ichibyo So<br>Plan<br>40-65 years old                    |       |    |    |
|   |   | 1   | Hajime no<br>Kampo<br>D-12 years old |  |   |       |    |    |
| For preparing for educational funds           | Educational endowment insurance (H24)     |   |                                      |  | 18-65 years old (male)  |       |    |    |
|   |   |   |                                      |  | 16-65 years old (female)                                      |       |    |    |
|   | Asset-formation savings insurance         |   |                                      |  | 15*–65 years old  |       |    |    |
| For working people who want to form assets    | Asset-formation housing funding insurance |   |                                      |  | 15*–54 years old  |       |    |    |
|   | Asset-formation whole life annuities      |   |                                      |  | 36-54 years<br>old  |       |    |    |

Notes: 1. For educational endowment insurance (H24), shows the age range of insured persons, whereas shows that of policyholders. 2. Depending on the interest-rate situation, the sale of some products could be suspended.

<sup>3.</sup> Ages denoted with an asterisk (\*) show the applicant's attained age. All ages shown without an asterisk represent subscription age as insurance age.



# **Major Riders and Special Provisions**

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

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

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

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



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



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

Hospitalization due to illness or injury [hospitalization benefit]
 This benefit is paid for hospitalization for one day or more (including day case\*1).

¥15,000 (hospitalization × benefit per day) days of hospitalization (up to 120 days)

Surgery due to illness or injury [surgery benefit]
 This benefit is paid for a surgery requiring hospitalization.\*2

Depending on the type of surgery, ¥15,000 (hospitalization × 5, 10, 20 or 40 benefit per day)

 Long-term hospitalization due to illness or injury [lump-sum benefit for long-term hospitalization]
 This benefit is paid when the consecutive days of hospitalization reach 120 days.

¥300,000 (3% of the standard insured amount of the rider)

- \*1 The day case refers to the case where the patient enters and leaves the hospital on the same day, and whether it falls under the category of hospitalization depends on whether the basic fee for hospitalization was charged, etc.
- \*2 The range of insured surgeries has been expanded to include certain surgeries covered by the public health insurance system, such as the removal of tonsils requiring hospitalization.

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



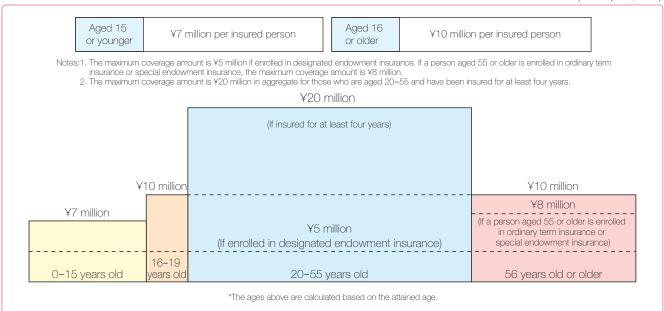
## **The Maximum Amount of Insurance Coverage**

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

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

#### The Maximum Coverage Amount of the Basic Insurance Policy

(As of April 1, 2017)



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

#### The Maximum Amount of Insurance Coverage for Riders

| Type of rider  | Maximum coverage amount                     | Remarks   |
|--|---|---|
| Accidental rider   | ¥10 million in aggregate per                | This upper limit is equal to the insurance<br>amount of the basic insurance policy to |
| Nursing care rider*  | insured person                              | which the rider is added.   |
| Accident hospitalization rider*                              |   |   |
| Illness hospitalization rider*                               |   | The insurance amount of these riders is<br>calculated separately from that of         |
| Illness and accident hospitalization rider*                  | ¥10 million in aggregate per insured person | accidental and nursing care riders.  This upper limit is equal to the insurance       |
| Non-participating accident hospitalization rider             | insurea person                              | amount of the basic insurance policy to   |
| Non-participating illness and accident hospitalization rider |   | which the rider is added.   |

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

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

| Type of rider Type of basic insurance policy | Accidental rider | Non-participating accident hospitalization rider | Non-participating illness and accident hospitalization rider |
|--|------------------|--|--|
| Ordinary whole life insurance                | 0                | 0  | 0  |
| Special whole life insurance                 | 0                | 0  | 0  |
| Ordinary term insurance                      | 0                | 0  | 0  |
| Ordinary endowment insurance                 | 0                | 0  | 0  |
| Special endowment insurance                  | 0                | 0  | 0  |
| Designated endowment insurance               | 0                | 0  | _  |
| Educational endowment insurance (H24)        | 0                | 0  | 0  |

- Notes: 1. The above riders can be added to the husband-and-wife insurance, the husband-and-wife annuity and the husband-and-wife insurance with husband-and-wife annuity that were signed between October 1, 2007 and April 1, 2008. In such cases, the riders apply only to the main insured
  - 2. The above riders can be added to the whole life insurance with nursing benefit, the whole life insurance with whole life annuity and the whole life annuity with additional nursing annuity signed between October 1, 2007 and March 31, 2010, except that the accidental rider cannot be added to the whole life annuity with additional nursing annuity.

  - 3. The above riders can be added to the whole life annuity signed between October 1, 2007 and October 2, 2011.

    4. The above riders can be added to the educational endowment insurance and the educational endowment insurance with scholarship annuity signed between October 1, 2007 and April 1, 2014.
  - 5. The above riders can be added to the term annuity, excluding lump-sum premium payment policies, signed between October 1, 2007 and June 1,
  - 6. The above riders can be added to the educational endowment insurance (H24) (without premium protection agreement) signed between April 2, 2014 and June 1, 2016.

# For Corporate Executives



## Risks Associated with Corporate Management and Demand for Funds

Managing a company involves various risks. In particular, in order to make provisions for retirement benefits for employees, coverage for injury or death and/or emergency demand for funds by the Company's management and officers, it is important to secure funds in a well-planned manner so as not to affect the Company's earnings and cash flows.

# Needs Concerning Management and Officers

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

# Needs Concerning Employees

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



## Major Insurance Products for Corporate Clients

Japan Post Insurance offers a wide range of insurance products to address various corporate needs. In addition to sales of our own endowment insurance and term insurance products, we commenced commissioned sales of life insurance products for corporate clients on behalf of other life insurance companies in June 2008, thereby addressing an extensive range of corporate managers' needs.

Examples of Products Addressing Various Needs

# **Insurance Products for Management and Officers**

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

# **Insurance Products for Officers and Employees**

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

### List of Insurance Products

|  | Product   |
|--|---|
| Own products   | Shin Free Plan (ordinary endowment insurance) Shin Free Plan (double, fivefold and tenfold benefits) (special endowment insurance) Shin Ichibyo Soken Plan (limited endowment insurance)  |
|  | Shin Ordinary Term Insurance (ordinary term insurance)  |
| Products sold on commission (Term insurance)                       | NN Life Insurance Company, Ltd.  Quality (term insurance), Smart Term (no cash value term insurance), Smart Term L (low cash value term insurance), Increasing term insurance  SUMITOMO LIFE INSURANCE COMPANY  Term life insurance Emblem YOU Premium (low cash value term insurance without a dividend)  The Dai-ichi Life Insurance Company, Limited  Top Plan Success U/Top Plan Success U EX99 (term insurance with dividends every fifth year), Top Plan Majesty U/Top Plan Majesty U/α (increasing term insurance with dividends every fifth year) and Top Plan Majesty U/Top Plan Majesty U/To |
| Products sold on commission (Cancer insurance)                     | Aflac (American Family Life Assurance Company of Columbus)  New Days—Insurance for Daily Living  Yorisou Days—Insurance for Daily Living  |
| Products sold on commission (General welfare group term insurance) | MetLife, Inc.  General welfare group term insurance and nonparticipating group insurance (general welfare group term insurance without a dividend)  |

Notes: 1. The company names are listed in the order of the Japanese syllabary.

2. The riders that can be added to the above products are limited.

# Flow of Insurance Policy Sign-up Procedures

Standard procedures for enrollment in individual insurance are as follows.



Plan proposal

Briefing on important matters/provision of literature about disadvantageous information



Application



4 Declaration

### በ Plan proposal

Through consulting services using product leaflets, Confirmation of Intention, an Insurance Design Document (Contract Outline) and a tablettype portable device, Japan Post Insurance will confirm customers' intention on what kind of coverage and other conditions they expect in an insurance product, and propose the insurance plan that best fits their intention.





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

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

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

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





### Application

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

When you apply for enrollment, you will be provided with our designated "Certificate of Receipt of Application for Insurance Contract" (Note). Please confirm the information on the certificate. Note: For customers who have paid the first insurance premium, the "Certificate of Payment Earmarked for Premium" will be issued and provided

Insurance Contract" and the "Insured Person Consent Form," respectively.

#### [ Contract Guidelines and Policy Conditions ]

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

### 4 Declaration

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

Attention)" and the "Questionnaire (Declaration Form)" to ensure that the applicants can conduct an appropriate declaration.

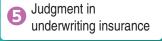
Insurance Contracts (Information Calling for

#### [ Duty of Declaration ]

An insured person (which includes a policyholder when applying for "Hajime no Kampo," educational endowment insurance (H24)) has the duty of declaring his/her state of health. The insured person's past history of injuries and diseases and current state of health must be declared accurately and without omission by filling out the "Questionnaire (Declaration Form)" completely.

### [ Breach of the Duty of Declaration ]

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



6 Contract concluded



Payment of the first premium

### 5 Judgment in underwriting insurance

We determine whether to underwrite an insurance contract after the application is filed, taking into account the maximum amount of insurance coverage (see page 42), the state of health and other conditions declared, any past application(s) for insurance and the content of claims for hospitalization and other benefits.

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

#### [ Commencement Date of Liability ]

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

#### [ Confirmation of a Contract by Japan Post Insurance ]

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

#### [ Improving the Underwriting Examination Skills ]

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

### 6 Contract concluded

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

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

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

#### [Cooling-Off System]

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

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

## Payment of the first premium

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

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

# **Notices for Ensuring the Receipt of Insurance Benefits**



## Notice of Policy Details

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

The Notice contains information such as the bank account for the receipt of insurance benefits

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



### **Certificate of Premium Payment**

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

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



# Notice of Other Important Information

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

#### <Requests for notification of a change of address>

To ensure the delivery of these notices to each policyholder, if a policyholder or an insured person has changed his/her address and/or name, please promptly notify us or your nearest post office.

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



# Various Procedures that can be Performed via the Internet

#### Information on Various Procedures

Information on procedures to be taken and necessary documents is available on our website for changing policy specifications, notifying us of a change of address, the reissuance of Insurance Policies (Certificate of Insurance) as well as making a claim for insurance benefits.



# **Payment of Insurance Benefits**

We are working to upgrade our claim payments management structure in order for policyholders to receive claim payments promised to them simply, promptly and accurately.

Together with efforts to simplify procedures and provide information thoroughly in order for policyholders to claim and receive insurance benefits without fail, we are also developing examination staff through various types of education and training, such as encouraging them to acquire the qualification of a Life

Insurance Payment Specialist as offered by The Life Insurance Association of Japan in addition to our proprietary payment examination skills, in order for policyholders to receive insurance benefits promptly and accurately. Furthermore, we are working to enhance the administrative procedures, leveraging image workflow (IWF) technologies that support the digitalization and management of insurance claim documentation and others.

Payment of Insurance and Other Benefits during Fiscal Year Ended March 31, 2017 Number of Cases Where Benefits Were Paid and Not Paid

| Classification         | Number of Cases |
|------------------------|-----------------|
| Benefits were paid     | 2,751,516       |
| Benefits were not paid | 121,170         |

Notes:1. The number of cases includes the cases relating to Postal Life Insurance.

### Number of Nonpayment Cases by Reason

| Classification                                     | Number of Cases |
|--|-----------------|
| Insured event is not applicable                    | 120,528         |
| Immunity   | 487             |
| Cancelled due to breach of the duty of declaration | 152             |
| Other  | 3               |
| Total number of nonpayment cases                   | 121,170         |

# 0

# **Establishing a Framework to Make Insurance Claims Easier**

In order to reduce the burden borne by customers and enhance our customer service, we are working to establish a framework to make claims easier.

Handling the omission of medical certificates

Depending on the details of the claim, in place of submitting a certificate verifying hospitalization or surgery (medical certificate), we now accept claims using a copy of another company's medical certificate, a circumstances of hospitalization form that is filled in by the customer him/herself, and a copy of receipts issued by medical institutions.

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

The number of cases does not include the cases for which payment examination is not necessary, such as maturity benefits, pure endowments and pensions.



## **Activities to Ensure Customers Receive Insurance Benefits Without Fail**

When a customer visits a post office to file a hospitalization insurance claim or other, we brief the customer on the coverage of his/her insurance policy, and inform the customer of the necessary documents for the claim procedure as well as the type of insurance claimable and other benefits using a brochure titled "Claims for Payment of Insurance and Other Benefits" and other guides, by which customers can review claimable insurance and other benefits by themselves.

In addition, whenever a payment examination is made by the Policy Assessment Services Center, we give a written notice of claimable insurance coverage outside of the insurance and other benefits being claimed.

Even after giving such notice, we work to follow up with the customers including explaining details via calls as well as the reissuance of the notice to those who make no claim, to ensure customers receive insurance benefits without fail.



## **Efforts to Ensure the Swift Payment of Insurance and Other Benefits**

Regarding the payment of insurance and other benefits, in principle, we pay within 5 business days from the day (including this day) after the claim was received.

In addition, if the insured person should pass away, depending on the details of the claim,

death benefits will be paid into the designated bank account on the next business day after the claim was received. Payment has been made on the following business day in approximately 120,000 cases.



## Efforts to Ensure Payment of Maturity Benefits and Other Benefits by Due Date

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

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



# **Highly Objective and Neutral Examination System for Insurance Claims**

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

More specifically, if it is possible that the insured event falls under the exclusions prescribed in the policy conditions, we investigate the detailed facts as necessary and have an external lawyer examine whether the exclusions are applicable.

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

# **Special Treatment in Case of Disaster**

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

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

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

#### [Specific examples of special treatment]

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

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

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

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

#### Double payment of insurance benefits, etc.

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

#### Reduction or exemption of interest on loans

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

#### Special treatment concerning hospitalization benefits

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

#### Extension of the grace period for premium payments

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

#### Special treatment concerning claim procedures

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

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

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

# **Information Systems to Support Customers**



## **System Development Efforts**

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

In recent years, we have been focusing on the renewal of our core IT system as we continually strive to upgrade and expand the functions of our systems in order to provide dependable services.



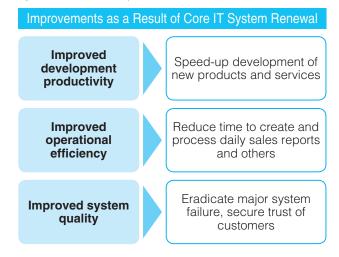
### **Renewal of the Core IT System**

The core IT system which is at the center of the Japan Post Insurance system was renewed and began service successfully in January 2017. Our system is a massive system that manages approximately 20,000 post offices and approximately 35 million policies in force, and the

core IT system is the central system that handles primarily the management of policy information.

Through the renewal of the core IT system, we have enabled the enhancement of system quality, development productivity and the reduction of system-related expenses and others.







# Future IT Strategies with Completion of Core IT System Renewal as the Starting Point

With the completion of the core IT system renewal in January 2017 as the starting point, we are aiming to actively implement and leverage the structural reform of information systems to support customer service and new technologies, and establish a business process system with a human touch.

System that primarily conducts the management of policy information

Moving forward, we are rolling out IT strategies for further system reform, the enhancement of quality of products and services for customers, as well as the realization of improvement in customer satisfaction and brand value in the pursuit of friendly and heartfelt services.



Enhancement of information systems to support customers

Enhancement of quality of products and services

Improvement in customer satisfaction and brand value



## Paperless Applications

In order to improve our customer service and contribute to environmental preservation, our tablet-type portable devices are equipped with a paperless application feature.

The text information that is displayed on the screen of a portable device, such as the content of an application for an insurance policy, can be enlarged for easier viewing by the young and elderly alike and the system check function prevents errors in filling out the application form, which reduces the burden on customers when completing the application.



In addition, from April 2017, it has become possible to make declarations on certain injuries and disease on-screen of the tablet-type portable device. Questions required for examination are displayed for each injury and disease, and by answering them, the period required to conclude the contract can be shortened.

Japan Post Insurance will continue to promote the simplification of contract administration procedures by using ICT for better customer service.



# Together with Shareholders and Investors



### **Announcement of Disclosure Policy**

Our "Disclosure Policy" is posted on our "Investor Relations (IR)" website.

#### **IR Activities for Individual Investors**

We strive to enhance the quality of information including presentation materials and the status of meetings held on the individual investors section of our IR website.

### IR Activities for Analysts and Institutional Investors

We hold financial results briefing sessions and conference calls for analysts and institutional investors quarterly, following announcements of financial results, and take these opportunities to have our management explain our financial condition, etc.

We also participate in investors' conferences and other events held by securities companies.

#### **IR Activities for Overseas Investors**

Our management visits overseas investors several times a year. Meanwhile, we translate information used domestically in Japan such as financial results announcements and IR materials into English and post them on our IR website. In doing so, we are making an effort to minimize the information gap between domestic and overseas investors.

#### **IR Website**

We post IR materials, financial results and timely disclosure information, etc. on our IR website. In addition, we present our history, strengths, growth strategy, etc. in an easy to understand way in order to further deepen investors' understanding.



Top page http://investor.jp-life.japanpost.jp/en/index.html



At a financial results briefing session



Financial information http://investor.jp-life.japanpost.jp/en/finance/index.html



### General Meeting of Shareholders

We held our 11th Ordinary General Meeting of Shareholders on June 21, 2017. (The number of attending shareholders was 219, and the meeting time was 1 hour and 5 minutes.)

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

We mailed the Convocation Notice on June 1, 2017 in view of early dispatch and disclosed its content on our website and elsewhere, prior to dispatch on May 30, 2017 so that our shareholders would have enough time to carefully review the proposals. Moreover, in addition to ensuring the exercise of voting rights via the Internet, we addressed improving the environment for shareholders to exercise their voting rights by participating in the virtual platform recommended by the Tokyo Stock Exchange, which allows institutional investors to conduct the electronic

exercise of voting rights.

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

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

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



The 11th Ordinary General Meeting of Shareholders



# Handling of Shareholders' Personal Information

#### OPurpose of use

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

The Company may use personal information for the following purposes.

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

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

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

 Administrative procedures related to the preparation of payment records for shareholders

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

# **Corporate Social Responsibility (CSR)**

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



## **Encouraging Social and Community Contribution**

As stated in our Management Policy to actively contribute to "health promotion" and the "development of local communities and society," we have been assisting people in promoting their health through such efforts as the Radio Exercise program, which has a history of 88 years.

#### **Radio Exercise and Japan Post Insurance**

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

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

**Milestones** 

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

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



# Popularization and Promotion of Radio Exercise Program through Various Events

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

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



At the 55th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on Sunday, July 31, 2016, Matsuyama City, Ehime Prefecture)

### Padio Exercise and Minna no Taiso ("Exercise for Everyone") Summer Tour and Special Tour

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

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

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

Note: Details of the schedule and venues for the Radio Exercise and *Minna no Taiso* Summer tours and Special tours in the fiscal year ending March 31, 2018, are available on our website (http://www.jp-life.japanpost.jp/ (in Japanese)).



Radio Exercise and *Minna no Taiso* Summer Tour event (on September 11, 2016, Sakai City, Fukui Prefecture)

### Holding the All-Japan Elementary School Radio Exercise Competition

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

For this competition, participants submit videos demonstrating their "daily efforts toward Radio Exercise" and "Radio Exercise No. 1 scene." Judging is based on whether children are correctly performing Radio Exercise with uniform motions and whether they are enthusiastically and

happily participating in Radio Exercise throughout the entire program. The winning teams are then decided and announced.



Gold award winning school in the third contest (the "2nd Generation Radio Exercise *Hirome-tai*," of Yagisato Elementary School, Misato City, Saitama Prefecture)

### **Radio Exercise Sessions at Elementary Schools**

With the aim of fostering the sound growth of children through the Radio Exercise program and popularizing and promoting the program further, we dispatch NHK TV and Radio Exercise program instructors and assistants to provide Radio Exercise sessions at elementary schools. During the fiscal year ended March 31, 2017, we held Radio Exercise sessions at 17 elementary schools across the country from among schools that requested sessions in addition to those which applied for the Radio Exercise Competition.



Radio Exercise session (on December 12, 2016, at Daimon Elementary School, Okazaki City, Aichi Prefecture)

### Marathons Supported by Japan Post Insurance

In the fiscal year ended March 31, 2017, we provided special sponsorship of the Fourth Nissan Stadium: Five-Hour Endurance Relay Marathon ~improvised and registered team~ (June 18) and the Fourth Challenge Relay Marathon at Kodomonokuni ~42.195 in Mid-Winter~ (January 28).



Fourth Nissan Stadium: Five-Hour Endurance Relay Marathon (on June 18, 2016, Yokohama City, Kanagawa Prefecture)

### **Local Community Contribution Activities by Business and Service Bases**

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

#### [Examples of Our Activities]

Business and Service Bases' Neighborhood Cleanup Projects As a voluntary initiative, our business and service bases regularly conduct activities to clean up their respective neighborhoods. These bases also participated in "Clean Up the City" events, working with fellow residents to beautify their neighborhoods. In the year ended March 31, 2017, we conducted cleanup activities in 60 bases.

### Cooperation for Blood Donation Drives

During the year ended March 31, 2017, a total of 57 business and service bases cooperated in blood donation drives.

### Participation in Volunteer Walks

In the year ended March 31, 2017, employees and their families took part in "Ashinaga P-Walks" in aid of orphaned children.

#### Volunteering in Recycling Activities

In the year ended March 31, 2017, PET bottle caps, used postage stamps and other similar items were collected at 55 business and service bases and donated to social welfare councils and other relevant organizations.



Cleanup activities at Hibiya Park



Cleanup activities at Hibiya Park



Street beautification awareness and rubbish collection activitie in spring



Cleanup activities in Takamatsu City



## Creating a People-Friendly Business Environment

### Kampo Eat & Smile Project

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



Eat & Smile Café

### Kampo Kids Smile World

As a community event to send the message of promoting child care support to society, the Kampo Kids Smile World was held over two days at Aeon Mall Odaka (Nagoya City, Aichi Prefecture).

On the day, we ran a program that children and parents could enjoy including a talk show with Megumi Yasu and Miwa Asao (TV personalities who are also raising children), scientific experiment performances and workshops where participants could freely draw pictures using crayons to create an original apron.



Kampo Kids Smile World



# **Promoting Environmental Conservation Activities**

#### **Energy-Saving Efforts**

As a countermeasure against global warming, we work to reduce carbon dioxide (CO<sub>2</sub>) emissions through energy-saving efforts at facilities owned by Japan Post Insurance. According to the results of an energy-saving diagnosis and other surveys, we constantly renovate facilities and equipment and improve their operations to achieve greater energy savings.

With the aim of facilitating basic energy-saving activities company-wide, we have developed a guide compiling specific examples of energy-saving actions. Every employee takes part in energy-saving efforts based on this guide to reduce CO<sub>2</sub> emissions and the use of copying paper.

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

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

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

Online contract guidelines and policy conditions will eliminate the need for conventional brochures, thereby enabling a reduction in the amount of paper used. In June 2017, we donated a total of ¥32.0 million to 32 environmental groups that are active in growing forests based on the

number of customers who made use of the online contract guidelines and policy conditions in the year from October 2015 to September 2016.



Tree-planting volunteering by citizens

# Social Responsibility as an Institutional Investor



Efforts to Fulfill the Principles for Responsible Institutional Investors: "Japan's Stewardship Code"

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

Although we previously entrusted the investment of shares to trust banks, investment advisory firms or other investment managing organizations, we also began internal management of investment starting in the second half of the year ended March 31, 2017.

We accordingly revised our "Policies on Japan's Stewardship Code," based on which we carry out various initiatives to fulfill our stewardship responsibilities from the respective standpoints of "internal management" and "entrusted management."

#### O Principal policies for fulfilling the stewardship responsibilities

### 1. Monitoring the status of investee companies and dialogue (Principle 3)

[Initiatives for internal management]

We strive to accurately monitor the status of investee companies through informationgathering, including company visits and on-site surveys by investment managers, from the viewpoint of enhancing the medium- to longterm corporate value of the investee companies.

In our efforts to monitor the status of investee companies, we will emphasize factors including management strategies, results and financial position, capital policies, policy on return to shareholders, and status of corporate governance in surveys and analysis of investee companies.

[Initiatives for entrusted management]

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

2. Exercise of voting rights (Principle 5) [Initiatives for internal management]

We have established our "Policies on the Exercise of Shareholders' Voting Rights" as our basic approach to the exercise of voting rights, and have disclosed the details of the policy on our website.

We review the policy regularly to ensure that it contributes to improving the corporate value

of investee companies.

With regard to voting decisions on individual proposals, we are guided by the results of dialogue with the investee company from the viewpoint of improving corporate value in the medium to long term.

[Initiatives for entrusted management]

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

Note: Our latest "Policies on Japan's Stewardship Code" are disclosed on our website



# Efforts for ESG Investment

As the concern for investment taking into consideration Environment, Society and Governance is rising globally, we have also been actively expanding investment in accordance with the viewpoint of "ESG" in order to contribute to the formation of a sustainable society.

Specifically, in addition to investing in green bonds for the purpose of global environmental initiatives and global warming countermeasures, we have invested in solar power generation

projects (mega-solar projects) in Japan as investment and financing in the field of renewable energy.

Additionally, we have begun investments that incorporate a company's ESG initiatives into the stock selection process, known as ESG fund investments, through entrusted investment in domestic stocks. We have also started incorporating an ESG perspective in our internal management of investment.

# Efforts for Enhancement of Our Brand Value

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



### Sense of Unity with Post Offices (Kampo-san)

For 10 years since October 2007, we have used TV personality Yoshihiko Inohara as our mascot Kampo-san (Mr. Kampo) who is a post office employee.

Through the appearance of Kampo-san in commercials including for Japan Post Insurance

products, the 100th anniversary of Postal Life Insurance and Feel secure with Kampo activities, together with post offices, Japan Post Insurance is communicating its brand image of delivering a sense of security and trust to everyone across the country.



### Life is Full of Dreams

### Life is Full of Dreams

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

Featuring actress Mitsuki Takahata as its spokesperson, our series of corporate ads, titled "What's coming next?" and "The future of this country children are seeing" have aired nationwide on TV since September 2016 and March 2017, respectively.

"The future of this country children are seeing" corporate ad depicts a world full of dreams as seen from the viewpoint of children and conveys the message "When you become an adult, you are bound by common sense and how things

should be, and tend to forget that within everyone lies the heart of a child. If you lived like you did back then once more, the world would definitely be more fun."

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

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





Corporate TV commercial "The future of this country children are seeing"



Transit ad

### "Full of Dreams" Caravan

To deliver the corporate message of "encouraging those who take on the challenges toward achieving their dreams" on a continuing basis and from many angles, we have some of Japan Post

Group's employees and their families who work enthusiastically toward their dreams appear in corporate ads (magazine and website ads).





\*The information displayed is as of the time of filming.

# Initiatives for Supporting Life with Dreams

JAPAN POST INSURANCE Presents DREAMS COME TRUE Concert Tour 2017/2018 and JAPAN POST INSURANCE Presents DREAMS COME TRUE Concert Tour 2017/2018 - Dreams Come True Evening - Special Sponsorship

We are sponsoring the special concert tour "Japan Post Insurance presents DREAMS COME TRUE Concert Tour 2017/2018" and "Japan Post Insurance presents DREAMS COME TRUE Concert Tour 2017/2018 - Dreams Come True

Evening-" by DREAMS COME TRUE, a popular J-POP group among people of all age groups.

Through this sponsorship, we would like to deliver dreams to everyone.



### § KAMPO DREAM THEATER, Sponsorship of the Takarazuka Revue

As one of our cultural activities, we sponsor the Takarazuka Revue's 2017 performances by the Snow troupe: Musical Comedy "The Sun in the Last Days of the Shogunate" and Show Spirit "Dramatic 'S'!" as we did in 2015 and 2016.

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



© Takarazuka Revue Company

### Sponsorship Contract with Female Professional Golfer Momoko Ueda

Since March 2015, we have been under a three-year sponsorship contract with Momoko Ueda, a professional golfer. Her committed efforts to making her dreams come true led to the sponsorship. Ms. Ueda has competed in various golf tournaments armed with a cap, golf clothing and a golf bag bearing the name of Japan Post Insurance.

# Special Sponsorship of Student Music Concours of Japan

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

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



### JAPAN POST INSURANCE presents NHKSO Beethoven 9th Special Concert

With the aim of supporting cultural activities, we sponsored the NHK Symphony Orchestra (NHKSO) Beethoven 9th Special Concert (Suntory Hall, Minato-ku, Tokyo) on December 27, 2016. NHKSO was formed around 90 years ago and is highly renowned for its excellent performances across the world.



© NHK Symphony Orchestra, Tokyo At NHKSO Beethoven 9th Special Concert

# Together with Employees

# **Promotion of Reforms of the Work Style**

In order to establish a workplace where all employees endeavor in their responsibilities with high motivation, and a workplace that grows with the company, we promote reforms in working methods focused on the following items, aiming for efficient work procedures, growth in employees and Japan Post Insurance Co., Ltd. through changes management methods, and the achievement of a working environment where employees with time constraints and other needs can play a more active role.

### Reduction of long working hours and adoption of a morningfocused work style

At our Head Office where overtime work is common, in order to cultivate an awareness of work efficiency, overtime work after 7:30 p.m. and working on holidays are prohibited in principle, and generally no overtime work is allowed on Wednesday.



Awareness reform seminar

Furthermore, if overtime work after 7:30 p.m. is deemed necessary, by utilizing the morning hours (before business hours the next working day) when concentration is relatively higher, employees can increase their work efficiency.

#### Implementation of work style review consultation

Starting from the year ended March 31, 2016, at several exemplary departments/sections of the Head Office, the work style of our employees is reviewed based on know-how utilizing external specialized consultations.



Final reporting meeting of work style review consultation

#### [Primary measures]

- Staying updated on work through morning and evening emails

  To enhance communication through emails with the aim of increasing work efficiency by letting employees be aware of their own work habits, as well as by allowing senior employees to check on the prioritization and progress of their subordinates' work.
- Utilizing "meetings for change" in the cycle of operation revisions

  To organize meetings that allow the structuring of measures needed to execute work style reforms, brainstormed by employees individually beforehand.
- Introducing concentration sessions and revising layouts

  To ensure an environment where telephone calls and jobs from other parties are not relayed, in order to prevent "interruptive jobs" splitting up work time.

#### Strengthening of management

Considering that reforms in the awareness of managerial positions are necessary in reforms of the work style, we implement management strengthening measures and hold awareness reform seminars for managerial positions.

### Implementation of self-enlightening e-learning

As part of the reward policy for reducing overtime work hours, we are implementing "e-learning courses" for head office employees who are first-handedly experiencing the work style reform. The purpose of these seminars is to further increase operation productivity through accelerating employee self-enlightenment and pursuing synergies between work and life.

#### Introduction of Web Conferencing System

We introduced a web conferencing system to facilitate meetings among a small number of participants at separate bases.

# **Promoting Diversity and Inclusion**

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

environment" in the Code of Conduct, Japan Post Insurance promotes diversity management initiatives in fields such as "Promotion of expanding roles of female employees," "Promoting employment of persons with disabilities" and "Balanced support between home and work."



## **Promotion of Expanding Roles of Female Employees**

In order to accelerate the advancement of female employees, we make all efforts to "support the careers of female employees in the medium to long term" and "create networks" through initiatives such as providing support for career enhancement and support for female managers. In combination, we have also stated our quantitative target as "increasing the percentage of management positions held by women to 14% or more by April 1, 2021," in the general employer action plan based on the Act on Promotion of Women's Career Activities, and we will promote diverse measures to achieve this target.

- •We publish the results of "Top Management Roundtable Discussions" among senior ranking female managers who are role models for our female employees in our company newsletter, and by conveying messages to employees, we aim to foment a desire for career progression among our female employees.
- •We hold a "Next-Generation Leaders Workshop" to develop leadership and confer management skills for prospective candidates for management positions as well as a "Career Design Seminar" for female employees aged around 30 years old, meant to support women in independently planning their careers and

- understanding different work styles at various life stages. These efforts help employees pursue avenues to enhance their careers in a systematic and continuous manner.
- •Aiming to support female employees who have newly been promoted to management positions, we conduct forums and mentoring.
- •In endorsement of the "Declaration on Action by A Group of Male Leaders Who Will Create a Society in which Women Shine" supported by the Gender Equality Bureau Cabinet Office, we have stated internally and externally that we are actively promoting female advancement.

Ratio of female managers

As of April 1, 2017

10.3%



Career Design Seminar

Conveying messages through the company newsletter



# 0

## **Promoting Employment of Persons with Disabilities**

We actively promote the employment of persons with disabilities recognizing that fair evaluation and providing work opportunities for a diverse population is a part of our corporate social responsibility.

During the year ended March 31, 2017, we established a business support team, and expanded our job variety, such as responding to operations distributed from different departments, for example delivering post and refilling copy paper, to build a workplace that can accommodate more persons with disabilities.

Our efforts are ongoing with the aim of increasing the percentage of persons with disabilities that form our workforce.



Employees with disabilities engaging in data entry operations



## **Balanced Support Between Home and Work**

In order for employees with time constraints due to childrearing or nursing family members, etc. and other employees in various situations to achieve a higher level of work-life balance, we are establishing measures that provide balanced support between home and work.



Due to our general employer action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children achieving its 3rd quarter (from April 1, 2013 to March 31, 2015) target, we received the "Kurumin Mark" from the Minister of Health, Labour and Welfare as a Childcare Support Company.



仕事と介護の両立支援

As a company that promotes the establishment of a work environment which accommodates both work and family care, the prevention of resignations due to nursing family members, and support towards reinstatement, we received the "Tomonin Mark" from the Ministry of Health, Labour and Welfare.

- •We organize "Return-to-work seminars" targeting employees who had taken childcare leave and those who returned from childcare leave within the past 12 months, from the viewpoint of resolving concerns about the coexistence of working and childcare and assisting in their subsequent career formation after returning to work.
- By encouraging male participation in childrearing, sharing issues regarding childrearing, and organizing "Seminars for fathers" in an aim to expand our intra-company network, we strive to create a workplace culture in which both males and females can easily fit in.
- •As the number of employees who will face the need for nursing care of family members is expected to increase in the year ahead, we started to phase in e-learning courses concerning nursing care so that they can appropriately cope with the need to handle nursing care for family members.
- •We joined the Ikuboss Corporate Alliance, and are implementing measures that fully support workplaces that encourage the coexistence of working and childcare, including the awareness reform of managerial positions.

Note: Ikuboss refers to a senior employee who considers the work-life balance of subordinates who share the workplace, supports their career and livelihood, and enjoys his/her own job and private life while producing outstanding results for the organization.



Provided childcare services at the Return-to-work seminars



Seminars for fathers



Ikuboss Corporate Alliance signing ceremony

# **Education and Training**

With the goal of becoming the "No.1 Japanese insurance company selected by customers," we vigorously promote human resources development throughout the Company. To do this, we take building "a corporate culture that nurtures people corresponds with an environment where OJT is actively undertaken" as the ultimate goal of our human resources development, based on our Management Policy to "create a working

environment in which all employees can develop their talents and work with energy and vitality."

In addition, we openly declared that we would vigorously promote human resources development throughout the Company under the "Kampo Human Resources Development Declaration," and are promoting to our employees the importance of human resources development by initiating work style reform.



## **Aspired Image of Human Resources**

As an "aspired image of human resources" that our employees should aim for, we set "four orientations" with the "customer first" concept serving as a basis.

#### Four orientations

•Ownership ... An "if I don't do it, who will?" awareness

•Challenge oriented ... A "don't fear failure and engage in business with a spirit that is willing to take

on challenges" awareness

•Speed oriented ... A "conduct business with a sense of speed" awareness

•Frontline oriented ... A "the Company is not only the frontline (branches and post offices), but

also exists for the customer" awareness

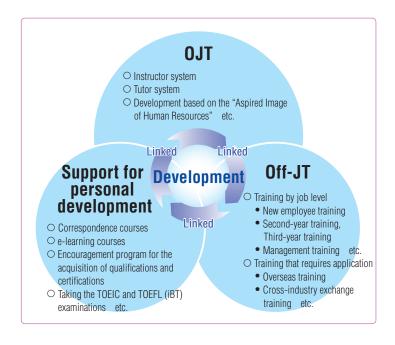
### **Human Resources Development Basic Policies**

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



## **Human Resources Development System**

In order for each and every employee to hold the desire for development, and be cultivated as human resources who are able to act on their own according to the "four orientations" based on the "customer first" concept while revolving around PDCA on a daily basis, the Company is building a system that links OJT, Support for personal development and Off-JT, all under the "Human Resources Development Basic Policies."





# **Education for Sales Personnel and Insurance Solicitation Agents**

We state in our Solicitation Policy that we will make efforts to raise product knowledge and the consulting capabilities of all executives and employees. Accordingly, we are making efforts to raise consulting-based sales capabilities in accordance with the life plan of each and every individual customer by providing training and education for sales personnel and agents.

#### <Sales Personnel>

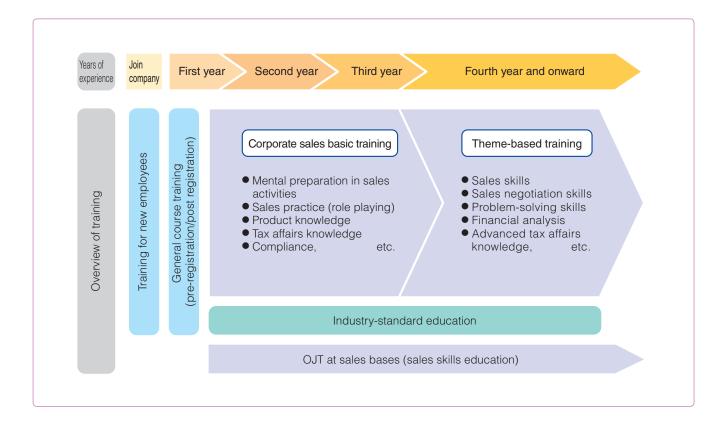
#### **Overview of Sales Personnel**

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

### **Overview of Training**

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

We have positioned the three years after new employees join the Company as the period for basic training. During this time, through mass training and industry-standardized education held at the Head Office, sales personnel acquire the knowledge and skills needed to undertake insurance solicitations in the corporate markets. From the fourth year onward, we implement various types of training based on specific themes with the aim of developing human resources who can demonstrate high-quality consulting-sales abilities.



## <Insurance Solicitation Agents>

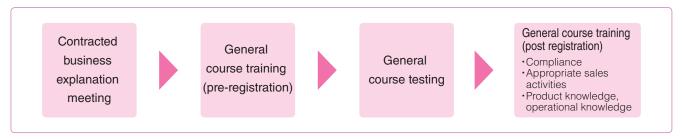
### **Overview of Insurance Solicitation Agents**

We conclude life insurance sales and maintenance agreements with Japan Post and the operators of contracted post offices and carry out insurance soliciting via the nationwide network of post offices, primarily targeting the individual market for households and small- and mid-sized companies.

### **Overview of Training**

Persons involved in insurance solicitation are provided with training from employees of Japan Post Insurance aimed at ensuring thoroughgoing compliance, appropriate sales activities and enhanced operational knowledge.

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



Note: For the training and education on payment operations, please refer to "Payment of Insurance Benefits" (page 50).

# **Corporate Governance**

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# **Corporate Governance Systems**



### **Basic Concept of Corporate Governance**

Japan Post Insurance, with a view to ensuring sustainable growth of the Group (Japan Post Insurance and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.; the same shall apply hereinafter) and creating its corporate value over the medium to long term, has set out the "Basic Policy Regarding Corporate Governance" as follows (please refer to pages 72-76) and has developed the corporate governance structure of the Group accordingly.



### **Organizational Design**

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

- The Nomination Committee determines proposals for general meetings of shareholders concerning the election and dismissal of Directors.
- The Compensation Committee formulates compensation policies for Directors and Executive Officers and determines detailed compensation for each individual.
- The Audit Committee audits the execution of duties by Directors and Executive Officers, prepares audit reports, determines the contents of proposals for general meetings of shareholders regarding the election and dismissal of the accounting auditor to be submitted to general meetings of shareholders and approves the compensation for the accounting auditor as determined by Directors.

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

### **CHAPTER I. GENERAL PROVISIONS**

(Purpose)

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

#### (Basic Views on Corporate Governance)

- Article 2. The Company shall develop the corporate governance structure of the Group based on the following concept, with a view to ensuring sustainable growth of the Group and creating corporate value over the medium to long term.
- (1) The Company shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing life insurance services through the post office network.
- (2) Fully recognizing its fiduciary responsibility to its shareholders, the Company shall give consideration to effectively secure rights and equal treatment of shareholders.

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

#### (Corporate Governance Structure of the Company)

- Article 3. The Company has adopted a "company with three committees structure" from the following points
- (1) To separate the especially vital decision-making and supervision of business execution, such as the formulation of basic management policy, from the business execution based on such decisions, thereby increasing the flexibility in management and establishing the management supervision structure of the Group governed by the Board of Directors.
- (2) To fully utilize external views on the management of the Company and ensure the transparency and

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

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

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

(Composition of the Board of Directors and its Role) Article 4.

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

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

# (Operation of the Board of Directors) Article 5.

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

#### (Evaluation of the Board of Directors)

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

# CHAPTER III. STRUCTURE AND ROLE OF COMMITTEES

(Nomination Committee)

Article 7.

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

- Criteria for Candidates for Directors," which stipulates the concepts regarding the appropriate balance between knowledge, experience and skills of the Board of Directors as a whole, diversity and the appropriate board size, as well as the qualification for Directors required by the Company.
- 3. The Nomination Committee shall formulate the "Designation Criteria for Independent Officers," which stipulates the requirements for Outside Directors that do not have the potential to cause conflicts of interest with shareholders, and designate Independent Officers from among Outside Directors.
- 4. The Nomination Committee shall appropriately supervise the succession planning for the management including the President and CEO.

#### (Compensation Committee)

Article 8.

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

#### (Audit Committee)

Article 9.

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

- 6. The Audit Committee shall conduct investigation on the status of business and assets of the Company and verification of the content of interviews with Executive Officers and reports made by them, through effective cooperation with the internal audit department, etc., on the premise of the development and operation of the internal control systems within the Group.
- 7. An Office of Audit Committee shall be established as a secretariat which provides assistance to the Audit Committee.

# CHAPTER IV. ROLE, ETC. OF INDEPENDENT OFFICERS

(Role of Independent Officers)

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

# (Acquisition and Sharing of Information by Outside Directors)

Article 11.

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

# CHAPTER V. BUSINESS EXECUTION STRUCTURE, ETC.

(Business Execution Structure)

Article 12.

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

#### (Training for Inside Officers)

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

#### **CHAPTER VI. ACCOUNTING AUDITOR**

(Accounting Auditor)

Article 14.

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

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

# CHAPTER VII. GENERAL MEETING OF SHAREHOLDERS, ETC.

(General Meeting of Shareholders)

- Article 15. Based on the fact that the general meeting of shareholders is a forum for constructive dialogue with our shareholders, the Company shall, from the shareholders' viewpoint, develop an appropriate environment for shareholders to exercise their rights at the general meeting of shareholders through the following measures.
- (1) Provide appropriate information that would help shareholders make appropriate decisions at the general meeting of shareholders
- (2) Prompt electronic announcement and an early dispatch of the notice of the general meeting of shareholders, to secure sufficient time for shareholders to review the proposals for the general meeting of shareholders
- (3) Schedule the general meeting of shareholders and related events in full consideration of the requirements such as enhancement of constructive dialogue with shareholders and provision of accurate information for such purpose
- (4) Adopt electromagnetic means to enable the exercise of voting rights by the shareholders who cannot attend the general meeting of shareholders in person, use an electronic voting platform for enhanced convenience, and provide English translated version of the general meeting of shareholders
- (5) Enhance convenience for the exercise of voting rights by the institutional investors holding shares under the name of trust banks, etc.

#### (Capital Policy)

Article 16.

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

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

#### (Cross-Shareholdings)

Article 17.

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

#### (Anti-Takeover Defense Measures)

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

# CHAPTER VIII. COLLABORATION AND COEXISTENCE WITH STAKEHOLDERS

(Dialogue with Shareholders)

Article 19.

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

- (4) The Company shall strive to develop means for dialogue such as holding investor meetings.
- (5) Opinions of shareholders received in the dialogue shall be reported periodically to the Board of Directors.
- (6) In the course of the dialogue, any insider information shall be appropriately managed in accordance with internal regulations.

#### (CSR)

Article 20.

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

#### (Promotion of Diversity Management)

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

#### (Whistleblowing System)

Article 22.

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

#### **CHAPTER IX. OTHERS**

(Revision and Abolition)

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

# **Internal Control Systems**

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

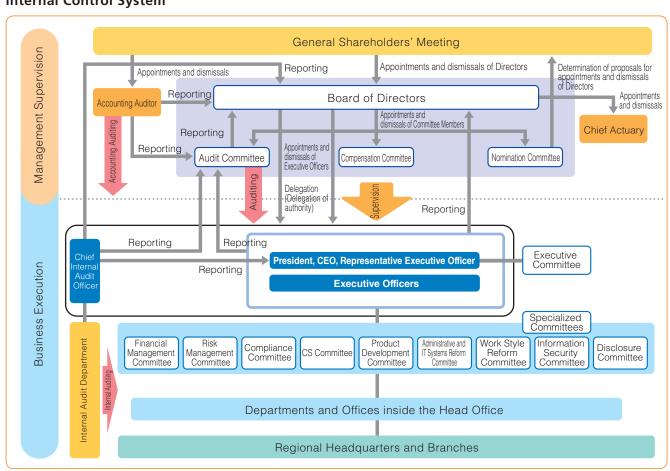


### **Outline of Organization and Systems**

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

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

#### **Internal Control System**





### Initiatives for Internal Control

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

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

- System for ensuring the execution of duties by the Executive Officers and employees of Japan Post Insurance is in compliance with laws and regulations and the Articles of Incorporation
- System for retaining and managing information concerning the execution of duties by the **Executive Officers**
- System and rules for managing the risk of loss to Japan Post Insurance

- System for ensuring the efficient execution of duties by the Executive Officers
- System for ensuring proper operations within the corporate group comprised of Japan Post Insurance, Japan Post Holdings, and subsidiaries of Japan Post Insurance
- System for ensuring effective audits by the Audit Committee



### **Internal Audit Framework**

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

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

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

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

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

# Compliance

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

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



### **Compliance Policies**

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

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

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



### **Compliance Promotion System**

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

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

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

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

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



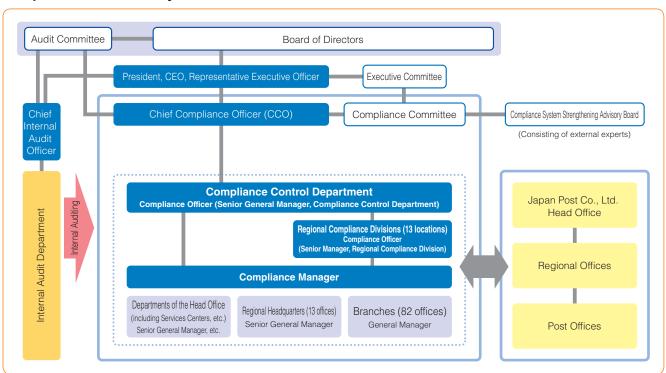
### Implementing Compliance Education

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

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

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

#### **Compliance Promotion System**



#### Solicitation Policy of Japan Post Insurance

#### I. Basic Policy

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

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

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

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

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

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

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

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

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

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

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

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

5. We will appropriately handle information on our customers.

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

# Management of Conflicts of Interest

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

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

#### **Japan Post Group Conflicts of Interest Management Policy**

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

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

# Initiatives for Protecting Personal Information

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

Moreover, in conjunction with the Amended Act on the Protection of Personal Information, which came into full effect on May 30, 2017, we take necessary measures to meet the requirements of the amended act.

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

#### **Japan Post Insurance Privacy Policy**

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

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

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

#### Succession of Personal Information Associated with the Postal Life Insurance Policies

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

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

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

#### Purposes of using personal information succeeded from Japan Post

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

### Elimination of Antisocial Forces

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

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



### **Rules for Elimination of Antisocial Forces**

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

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



### **System for Elimination of Antisocial Forces**

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

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

#### Japan Post Insurance Basic Policy on Elimination of Antisocial Forces

#### 1. Organizational response

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

#### 2. Complete elimination of relationships, including transactions

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

#### 3. Legal measures and prohibition of secret negotiations

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

#### 4. Cooperation with outside experts

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

#### 5. Prohibiting financing for antisocial forces

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

# Risk Management Systems

Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. As a life insurance company, Japan Post Insurance needs to ensure the financial stability and soundness of business operations now and into the future in order to manage precious funds entrusted to us by customers and ensure payment of the sum insured to secure their living in times of need. In particular, as we have a social mission to take part in constantly providing the universal service products of endowment and whole life insurance through the post office network, appropriate risk management is extremely important.

We have formulated the "Risk Appetite Statement" as part of our risk-taking strategies. In addition, we recognize effective risk management according to the various risk profiles of the life insurance business as one of management's highest priorities. Our Basic Risk Management Policy stipulates fundamental matters that include our basic principle for risk management and risk management systems and techniques, and we implement risk management in accordance with this policy. As our basic principle, we undertake risk management with an aim to achieve a higher capital efficiency and risk-return ratio, while maintaining financial soundness based on management strategies, in addition to avoiding unforeseen losses. Our risk management systems perform comprehensive risk management and risk management by risk category.



### **Outline of Risk Management Systems**

In accordance with the "Basic Risk Management Policy," we have set up and regularly convene the Risk Management Committee headed by the Chief Risk Officer (CRO), while formulating rules of risk management.

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

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

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

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

In enforcing risk management, we collaborate with the risk management sections of Japan Post Holdings and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. the Company's subsidiary.



### Comprehensive Risk Management (Enterprise Risk Management (ERM))

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

As our basic principle, based on the characteristics of the life insurance business, we manage company-wide risks by comparing the risk amount with the capital amount on an economic-value basis, in compliance with

current solvency margin regulations applicable to insurance companies, with a view to improving capital efficiency while maintaining financial soundness.

In addition, we promote the sophistication of our ERM system through the application of ERM to the management plans and others, in an effort to attain stable profit and sustainable increases in our corporate value.



### Implementation of Stress Tests

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

In establishing stress scenarios we undertake the following:

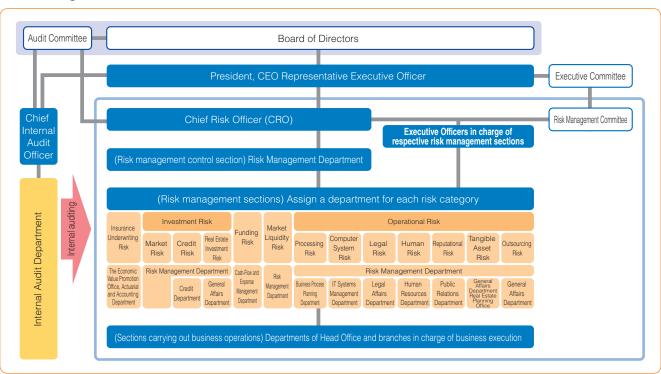
- We cover all risk categories that could have a significant impact on the Company taking into consideration the Company's risk profile status.
- Besides historical scenarios that have occurred in the past, we simulate forwardlooking hypothetical scenarios that could occur in the future.

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

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

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

#### **Risk Management Structure**





### Principal Risk Categories and Definitions

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

|                     | Risk Category                  | Definition  |
|---------------------|--------------------------------|---|
|                     | surance<br>nderwriting Risk    | The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors contrary to the projections made at the time when premiums were set.   |
| ln۱                 | estment Risk                   | The risk of losses arising from fluctuation in the value of assets and liabilities (including off-balance-sheet assets or liabilities).   |
|                     | Market Risk                    | The risk of losses arising from fluctuations in the value of assets and liabilities (including off-balance-sheet assets or liabilities) as well as the risk of losses arising from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange and stock.   |
|                     | Credit Risk                    | The risk of losses arising when the value of assets (including off-balance-sheet assets) decreases or becomes worthless due to a deterioration in the financial condition of a borrower or counterparty.  |
|                     | Real Estate<br>Investment Risk | The risk of losses due to a decline in profitability of real estate caused by factors such as the change of rents, or due to a decrease in the value of real estate itself caused by factors such as changes in market conditions.  |
| Funding Risk        |                                | The risk of losses due to being forced to carry out transactions at an extremely lower price than normal as a result of a deterioration in cash management caused by factors such as a decrease of premium income following the decline of new policies caused by factors such as worsening financial conditions, an increase in payments of termination refunds following a large amount of policy surrenders and lapses and cash outflows following a significant natural disaster. |
| Ma                  | arket Liquidity Risk           | The risk of losses due to being forced to conduct transactions at extremely unfavorable prices compared to normal or being unable to conduct market transactions due to factors including market turmoil.   |
| Op                  | perational Risk                | The risk of losses due to improper business processing, inappropriate behavior by executives and employees improper computer system operations or external events.  |
| Processing Risk     |                                | The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engaging in unlawful activities.  |
|                     | Computer System<br>Risk        | The following types of risk are included: a) the risk of losses due to system failures or malfunctions, system defects or any other causes. b) the risk of losses due to unauthorized use of computers. c) the risk of losses due to delayed computer system development.   |
|                     | Legal Risk                     | The risk of losses arising from any legal conflicts associated with our business activities or due to our improper response to the establishment of or revisions to any relevant laws and regulations.  |
| Human Risk          |                                | The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.  |
|                     | Reputational Risk              | The risk of losses due to the spread of vague information such as rumors, speculations, reputation, with regard to the Company, and the spread of misunderstandings, misperceptions, exaggerated interpretations, associated with an accident or unlawful acts among policyholders or the mass media.   |
| Tangible Asset Risk |                                | The risk of losses due to damage to tangible assets caused by disasters or other events.  |
|                     | Outsourcing Risk               | The risk of losses due to default of an outsourcing agreement and/or unlawful acts, etc., committed or conducted by an outsourcee (including any re-outsourced party) with regard to an operation outsourced externally.  |

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

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

#### **Insurance Underwriting Risk**

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

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

The Economic Value Promotion Office, Actuarial and Accounting Department responsible for managing insurance underwriting risk conducts

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

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

#### **Investment Risk**

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

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

#### The Risk Management Department, which is the risk management section for investment risk, the Credit Department and the General Affairs Department are assigned the task of managing investment risk. These sections monitor investment risk and enforce appropriate management under a checks and balances system with departments of the Head Office in charge of business execution. The Risk Management Department provides comprehensive management of investment risk, working in collaboration with the Credit Department and General Affairs Department. Meanwhile, we strive to develop adequate risk management systems according to the risk profiles of our diversifying asset portfolio.

#### **Funding Risk**

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

To avoid such situations and ensure smooth cash flows, we enforce rigid fund management by monitoring incoming and outgoing cash flows, including the receipt of premiums and payment of insurance claims, on a daily basis.

The Cash-Flow and Expense Management Department, which is the risk management section for funding risk, has defined categories corresponding to cash flow tightness and established risk management standards in each category. The section implements appropriate management of funding risk by performing management and verification in accordance with these standards. Moreover, we carry out stress tests related to funding risks, assuming a large amount of policy surrenders and lapses, in an effort to improve cash flow management.

#### **Market Liquidity Risk**

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

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

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

#### **Operational Risk**

Our executives and employees strive to prevent operational risks that may cause inconvenience to our customers or corporate losses, and to appropriately respond when such risks occur. We have designated risk management sections to engage in risk management in each detailed subcategory of operational risk, thereby identifying and assessing the location, scale and nature of

company-wide operational risk and managing the risk according to severity. In this way, we prevent operational risk from materializing and minimize losses in the event of materialization. The Risk Management Department works in collaboration with these risk management sections and provides comprehensive management of operational risk.

### 1) Processing Risk

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

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

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

#### 2) Computer System Risk

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

implement adequate countermeasures for the prevention of a recurrence.

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

#### 3) Other Operational Risk Sub-Categories

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

management section, undertake relevant activities and implement initiatives to enhance our risk management systems.

# Life Insurance Policyholders Protection Corporation of Japan

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



### Life Insurance Policyholders Protection Corporation of Japan

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

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

The portfolio subject to transfer covered under the policyholder protection scheme must, according to the provisions of the Insurance Business Act, etc., comprise life insurance policies originally written in Japan (excluding those associated with the specified special account (\*1) for performance-linked insurance contracts), in which the limits of indemnity are set to be equivalent to 90% of the relevant policy reserve, etc. (\*2), except for the high assumed interest rate policies (\*3) (which does not mean that the policyholder protection scheme provides 90% of the level of protection provided by the original insurance claims or annuities (\*4)).

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

- \*1 This refers to a special account for the insurance policies that do not involve minimum guarantees (such as guaranteed minimum death benefit and guaranteed minimum maturity benefit) of the insurance policies involving the establishment of a special account. Corporate reorganization procedures for the insurer in default might be based on the preparation of a reorganization plan without involving a reduction in the policy reserve, etc., for the insurance policies concerned (whether implementing such reduction or not shall be determined in the course of an individual reorganization procedure).
- \*2 Policy reserve, etc. refers to the reserve funded based on insurance premiums and investment proceeds for the future payment of insurance claims, annuities and benefits.
- \*3 This refers to the policies with an assumed interest rate constantly beyond a basic interest rate (Note 1) in the five years prior to the default (Note 2). For such policies, the limit of indemnity for the policy reserve, etc. shall be as follows, provided, however, that such limit shall not go below the limit of reimbursement in the case where no financial support is provided to the insurer in default.
- \*4 Likewise, it does not mean that the Protection Corporation provides 90% of the level of the guaranteed minimum maturity benefit originally provided under the individual variable annuity.

Indemnity ratio in the high assumed interest rate policies

90%

[aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)

2]

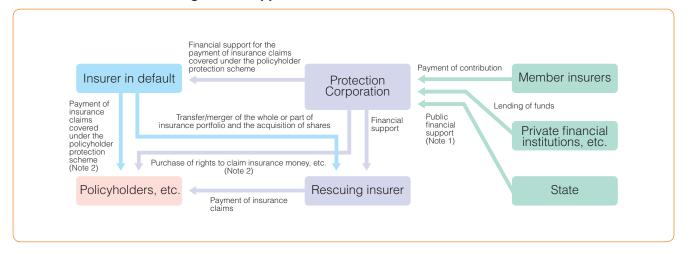
Notes: 1. The basic interest rate shall be determined by the Commissioner of the Financial Services Agency and the Minister of Finance, based on the average rate of investment returns in the past five years at life insurance companies. Information about the current basic interest rate is provided on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

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

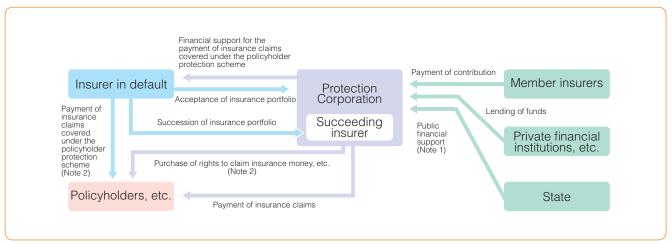


### **Illustrated Outline of the Scheme**

#### In the case where a rescuing insurer appears



#### In the case where no rescuing insurer appears



- Notes:1. The aforementioned "public financial support" is provided in the form of a government measure against the default of a life insurance company in the period up to the end of March 2022, approved through deliberation in the Diet, in the case where contributions by the member insurers fail to cover the cost for the financial support.
  - 2. This refers to the payment of insurance claims, covered under the policyholder protection scheme based on insurable events during the default proceedings, as well as the Protection Corporation's purchase of rights to claim insurance money, etc. associated with the insurance policies covered under the policyholder protection scheme. In such instances, the payment ratio and purchase ratio are the same as the ratio of the limit of indemnity for policy reserve, etc. (The ratios in the case of high assumed interest rate policies are as described in (1).)
- \* All descriptions of the scheme, including the scope and the limit of indemnity of the policies covered under the policyholder protection scheme, are based on current laws and regulations, and could be subject to change in the future in accordance with revisions of relevant laws and regulations.

#### [Reference] Government guarantee for the Postal Life Insurance Policies

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

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

# **Full Disclosure**

Japan Post Insurance believes that it is extremely important to provide full disclosure in order to help our stakeholders including our customers to have a better understanding of the Company's management, and thus strives to promote active disclosure through its website, including this publication of "JAPAN POST INSURANCE Annual Report 2017."

### **Release of Annual Report**



In order to promote a better understanding of our company by stakeholders worldwide, we post our annual reports on our website (http://www.jp-life. japanpost.jp/en/aboutus/financial/en abt fnc ar.html).

◀Annual Report "JAPAN POST INSURANCE Annual Report 2017"

### **Disclosure of Various Information on the Japan Post Insurance Website**



▲Japan Post Insurance website http://www.jp-life.japanpost.jp/en/index.html A wide range of corporate information is presented, including our management philosophy, business activities and CSR activities.

# **Corporate Information**

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|   | 9  | Accounting Advisor                                     | 100 |
|   | 10 | Independent Auditor                                    | 100 |
|   | 11 | Total Number of Employees and Conditions of Employment | 100 |
|   | 12 | Average Monthly Salary (In-house employees)            | 100 |
|   | 13 | Average Monthly Salary<br>(Sales employees)            | 100 |
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# Corporate Information

# 1 History

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

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

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

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

Note: Due to an internal transfer of management within the group of our business partner, our business alliance is with Dai-ichi Life Holdings, Inc. at the date of publication of this report.

(Reference)

#### **♦** History of Postal Life Insurance

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

#### **New Operations after Privatization**

(As of July 1, 2017)

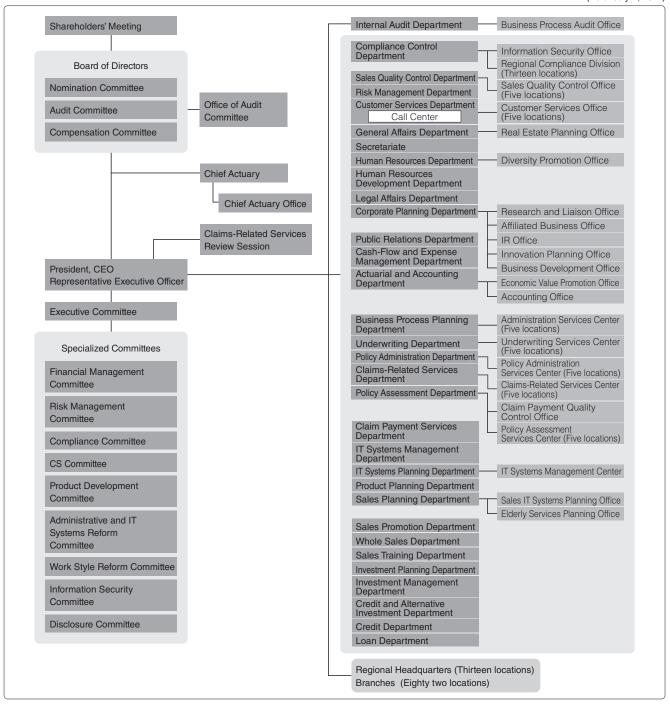
- 1) Approval for the liberalization of investment products (including derivative transactions)
  - Pursuant to Article 138, Paragraph 2 of the Postal Service Privatization Act, application for approval was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs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

### 2 Major Businesses

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

### Organization Chart

(As of July 1, 2017)



# 4 Paid-in Capital

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

### Total Number of Stocks

| Total number of issuable stocks | 2,400,000,000 |
|---------------------------------|---------------|
| Total number of issued stocks   | 600,000,000   |
| Current period shareholders     | 200,563       |

## 6 Condition of Stocks

### (1) Class of stocks issued

|               | Class        | Number of issued stocks | Contents  |
|---------------|--------------|-------------------------|---|
| Issued stocks | Common stock | 600,000,000             | The number of shares composing one share unit is 100. |

### (2) Major shareholders

| Name   | Investments in Japan Post Insurance Co., Ltd. |                                |  |
|--|---|--------------------------------|--|
| ivanie   | Number of stocks held (thousands of shares)   | Ratio of number of stocks held |  |
| Japan Post Holdings Co., Ltd.                          | 534,000                                       | 89.00%                         |  |
| Japan Trustee Services Bank, Ltd. (Trust Account)      | 2,194   | 0.37%                          |  |
| The Master Trust Bank of Japan, Ltd. (Trust Account)   | 1,744   | 0.29%                          |  |
| JAPAN POST INSURANCE EMPLOYEE SHAREHOLDING ASSOCIATION | 1,736   | 0.29%                          |  |
| Japan Trustee Services Bank, Ltd. (Trust Account 5)    | 1,370   | 0.23%                          |  |
| Japan Trustee Services Bank, Ltd. (Trust Account 1)    | 1,075   | 0.18%                          |  |
| Japan Trustee Services Bank, Ltd. (Trust Account 2)    | 1,038   | 0.17%                          |  |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)             | 970   | 0.16%                          |  |
| JP MORGAN CHASE BANK 385151                            | 853   | 0.14%                          |  |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)    | 822   | 0.14%                          |  |

## 7 Principal Shareholder

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

### **Directors and Executive Officers**

Male: 29 Female: 6 (Percentage of female directors/executive officers: 17.1%)

Managing Executive Officer and Senior General Manager of Sales Planning Department of the Company

(As of July 1, 2017)

#### (1) Directors

Jul. 2013

| Mitsul | niko | Ue | hira |
|--------|------|----|------|
|        |      |    |      |

(Born 1956)

Director and President, CEO, Representative Executive Officer

| Apr. 1979 | Joined The Tokio Marine & Fire Insurance Co., Ltd.   |
|-----------|--|
| Jun. 2012 | Executive Officer and General Manager of Domestic<br>Business Development Department of Tokio Marine<br>Holdings, Inc. |
| Jun 2013  | Managing Executive Officer of the Company  |

Apr. 2014 Jun. 2015 Jun. 2017

Jun. 2017

Jul. 2014

Jun. 2017

Managing Executive Officer of the Company Senior Managing Executive Officer of the Company Director and President, CEO, Representative Executive Officer of the Company (current position)



Masaaki Horigane

(Born 1956)

Director and Deputy President, Representative Executive Officer

| Apr. 1979 | Joined the Ministry of Posts and Telecommunications   |
|-----------|---|
| Oct. 2007 | Executive Officer and Senior General Manager of Finance Department of the Company                           |
| Oct. 2008 | Executive Officer and Senior General Manager of<br>Actuarial and Accounting Department of the Company       |
| Oct. 2010 | Managing Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company |

Managing Executive Officer of the Company Senior Managing Executive Officer of the Company Director and Deputy President, Representative Executive Officer of the Company (current position)



Yasuhiro Sadayuki

Holdings, Inc.

Systems, Inc.

(Born 1955)

Apr. 1978 Joined Yasuda Fire & Marine Insurance Co., Ltd. Associate Director, General Manager, Risk Management Apr. 2009 Department of Sompo Japan Insurance Inc. Apr. 2010 General Manager, Risk Management Department of NKSJ

Audit & Supervisory Board Member (Full-Time) of NKSJ

Jul. 2013 Jul. 2014 Jun. 2017 General Officer of Office of Audit Committee of the Managing Executive Officer of the Company

Director of the Company (current position)



Masatsugu Nagato

Apr. 2012

(Born 1948)

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

Apr. 2010

Oct. 2012

Jun. 2014

Jun. 2015 Apr. 2017



Shinji Hattori

(Born 1953) **Outside Director** 

| Apr. 1975 | Joined Mitsubishi Corporation                          |
|-----------|--|
| Jul. 1984 | Joined Seikosha, Inc.                                  |
| Jun. 2001 | President of SEIKO Precision Inc.                      |
| Jun. 2003 | President of Seiko Watch Corporation                   |
| Jun. 2007 | Director of Seiko Corporation                          |
| Jul. 2007 | Director of Seiko Holdings Corporation                 |
| Jun. 2009 | Executive Vice President of Seiko Holdings Corporation |

Heavy Industries, Ltd.

President of Seiko Holdings Corporation Chairman & Group CEO of Seiko Holdings Corporation (current position) Director of the Company (current position) President & CEO of Seiko Watch Corporation Chairman & CEO of Seiko Watch Corporation (current



| Michiko  | Matsuda   | (Born 1955)<br>Outside Director                                 |           |   |       |
|--|---|---|-----------|---|-------|
| Apr. 1979<br>Jun. 2003   | Joined Ministry of Constr<br>Attached to Minister's Sec<br>Infrastructure, Transport            | cretariat of Ministry of Land,                                  | Jul. 2008 | Assistant Vice-Minister of Ministry of Land, Infrastructure,<br>Transport and Tourism (in charge of Urban Residence<br>Environment)                       | 6     |
| Jul. 2003  | Attached to Minister's Sec  | cretariat and Counsellor of<br>Promotion Office, Cabinet Office | Aug. 2010 | Research Councillor, Council's Secretariat, Agriculture,<br>Forestry and Fisheries Research Council of Ministry of<br>Agriculture, Forestry and Fisheries | 9     |
| Aug. 2005 Manager, National Land Environment at Division of Ministry of Land, Infrastructu |   |   | Aug. 2012 | Auditor, Japan Expressway Holding and Debt Repayment<br>Agency  |       |
|  | Tourism   |   | Aug. 2014 | President of College of Land, Infrastructure, Transport and   | 7 (6) |
| Jul. 2007  |   | Policy Division of Ministry of                                  |           | Tourism   |       |
|  | Land, Infrastructure, Tran  | •   | Apr. 2015 | Visiting Professor of Faculty of Applied Sociology, Kindai<br>University (current position)   | 1     |
| Jul. 2007  | Manager, General Affairs Division of Ministry of Land,<br>Infrastructure, Transport and Tourism |   | A 004E    | , ,   |       |
|  |   |   | Apr. 2015 | Advisor, IHI Enviro Corporation (current position)  |       |
|  |   |   | Jun. 2015 | Director of the Company (current position)  |       |

#### **Nobuhiro Endo** (Born 1953) **Outside Director** Apr. 1981 Joined NEC Corporation Apr. 2010 President (Representative Director) of NEC Corporation Senior Vice President, Executive General Manager of Chairman of the Board (Representative Director) of NEC Apr. 2006 Apr. 2016 Mobile Network Operations Unit of NEC Corporation Corporation (current position) Jun. 2016 Apr. 2009 Executive Vice President of NEC Corporation Director of the Company (current position) Jun. 2009 Executive Vice President and Member of the Board of Outside Director of Seiko Holdings Corporation (current Jun. 2017 **NEC** Corporation (Born 1954)

| Masako     | SIIZIIKI                                       | (Born 1954)<br>Outside Director |           |   |
|------------|--|---------------------------------|-----------|---|
| Apr. 1972  | Joined Nippon Yusen Kabushiki Ka               | isha                            | Jun. 2010 | Director of Pasona Group Inc.                             |
| Jul. 1983  | Joined Pasona Inc.                             |                                 | Mar. 2012 | Director of Benefit one Solutions Inc. (current position) |
| Apr. 1999  | Executive Officer of Pasona Inc.               |                                 | Jul. 2012 | Auditor of Benefit one Health care Inc.                   |
| Jun. 2000  | Managing Executive Officer of Paso             | ona Inc.                        | Aug. 2015 | Director of Benefit One Payroll Inc. (current position)   |
| Aug. 2004  | Managing Director of Pasona Inc.               |                                 | Jan. 2016 | President and Representative Director of Benefit one      |
| Sept. 2004 | Senior Managing Director of Pason              | a Inc.                          |           | Health care Inc. (current position)                       |
| Sept. 2007 | Senior Managing Director of Pason              | a Group Inc.                    | Jun. 2016 | Director of the Company (current position)                |
| Jun. 2010  | Director, Vice President of Benefit (position) | One Inc. (current               |           |   |



| Tamotsu                | Saito   | (Born 1952)<br>Outside Director |                                     |   | 00    |
|------------------------|---|---------------------------------|-------------------------------------|---|-------|
| Apr. 1975<br>Jun. 2006 | Joined Ishikawajima-Harima Hea<br>Executive Officer, Vice President<br>Operations of Ishikawajima-Harin<br>Ltd. | of Aero-Engine & Space          | Apr. 2009<br>Apr. 2010<br>Apr. 2011 | Director, Managing Executive Officer, President of<br>Aero-Engine & Space Operations of IHI Corporation<br>Director of IHI Corporation<br>Executive Vice President of IHI Corporation | (50)  |
| Jul. 2007              | Executive Officer, Vice President<br>Operations of IHI Corporation  | of Aero-Engine & Space          | Apr. 2012                           | President, Chief Executive Officer of IHI Corporation   | 3     |
| Jan. 2008              | Executive Officer, President of Ae<br>Operations of IHI Corporation   | ro-Engine & Space               | Apr. 2016                           | Chairman of the Board, Chief Executive Officer, General<br>Manager of <i>Monozukuri</i> System Strategy Planning<br>Headquarters of IHI Corporation                                   | 4     |
| Apr. 2008              | Director, Executive Officer, Presid<br>Space Operations of IHI Corpora  |                                 | Apr. 2017                           | Chairman of the Board of IHI Corporation (current position)   | // _  |
|                        |   |                                 | Jun. 2017                           | Director of the Company (current position)  | 200.0 |





#### (Born 1975) **Yoshie Komuro** Outside Director Joined Shiseido Company, Limited Apr. 2013 Member of Children and Childcare Support Council, Cabinet Office, Government of Japan (current position) Jul. 2006 President of Work-Life Balance Co., Ltd. (current position) Civil Member of Industrial Competitiveness Council, Prime Minister Abe's Cabinet Member of Evaluation Working Group, Work-Life Balance Sept. 2014 Apr. 2008 Promotion and Evaluation Council, Cabinet Office, Government of Japan Member of Central Council for Education, Ministry of Feb. 2015 Member of Working Group on Pension, Social Security Council, Ministry of Health, Labour and Welfare (current Education, Culture, Sports, Science and Technology Aug. 2011 Mar. 2016 Chairperson of the Panel for Promoting Workstyle Reforms of Kasumigaseki position) Aug. 2012 Member of Industrial Structure Council, Ministry of Economy, Trade and Industry Jun. 2017 Director of the Company (current position)

Note: Eight Directors, namely Mr. Shinji Hattori, Ms. Michiko Matsuda, Mr. Nobuhiro Endo, Mr. Masako Suzuki, Mr. Tamotsu Saito, Mr. Michiaki Ozaki, Ms. Meyumi Yamada and Ms. Yoshie Komuro, are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

### (2) Committees

| Nomination Committee |                  | Audit Committe | ee                | Compensation | Committee        |
|----------------------|------------------|----------------|-------------------|--------------|------------------|
| Chairman             | Masatsugu Nagato | Chairman       | Michiaki Ozaki    | Chairman     | Tamotsu Saito    |
| Member               | Shinji Hattori   | Member         | Yasuhiro Sadayuki | Member       | Masatsugu Nagato |
| Member               | Nobuhiro Endo    | Member         | Michiko Matsuda   | Member       | Shinji Hattori   |
|                      |                  | Member         | Masako Suzuki     |              |                  |
|                      |                  | Member         | Meyumi Yamada     |              |                  |

#### (3) Executive Officers

|  |                    | In charge of respective departments   |
|--|--------------------|---|
| President, CEO<br>Representative Executive Officer   | Mitsuhiko Uehira   |   |
| Deputy President<br>Representative Executive Officer | Masaaki Horigane   | Secretariate and Actuarial and Accounting Department  |
| Senior Managing Executive Officer                    | Yoshito Horiie     | Compliance Control Department, Sales Quality Control Department and Customer Services Department  |
| Senior Managing Executive Officer                    | Tetsuya Senda      | General Affairs Department, Business Process Planning Department and Whole Sales Department   |
| Senior Managing Executive Officer                    | Yoshihiko Ido      | Sales Promotion Department, Sales Training Department and Regional Headquarters   |
| Managing Executive Officer                           | Yoshio Inoue       | Internal Audit Department   |
| Managing Executive Officer                           | Hiromichi Udagawa  | Senior General Manager, Tokyo Regional Headquarters   |
| Managing Executive Officer                           | Hiroshi Nagaso     | Senior General Manager, Kanto Regional Headquarters   |
| Managing Executive Officer                           | Hisao Nishikawa    | Senior General Manager, Kinki Regional Headquarters   |
| Managing Executive Officer                           | Atsushi Tachibana  | Investment Planning Department, Investment Management Department and Credit and Alternative Investment Department   |
| Managing Executive Officer                           | Shinji Ando        | Legal Affairs Department and Loan Department  |
| Managing Executive Officer                           | Nobuyasu Kato      | Human Resources Department, Human Resources Development Department, Corporate Planning Department and Public Relations Department                                 |
| Managing Executive Officer                           | Yasuaki Hironaka   | Corporate Planning Department, IT Systems Management Department and IT Systems Planning Department  |
| Managing Executive Officer                           | Tomoaki Nara       | Risk Management Department, Cash-Flow and Expense Management Department and Credit Department   |
| Managing Executive Officer                           | Nobuatsu Uchikoba  | Product Planning Department and Sales Planning Department   |
| Managing Executive Officer                           | Yasumi Suzukawa    | Underwriting Department, Policy Administration Department, Claims-Related Services Department, Policy Assessment Department and Claim Payment Services Department |
| Executive Officer                                    | Kieko Onoki        | General Manager, Sendai Administration Services Center  |
| Executive Officer                                    | Toru Onishi        | Senior General Manager, Corporate Planning Department and Affiliated Business Office  |
| Executive Officer                                    | Keiki Ikejiri      | Senior General Manager, Chugoku Regional Headquarters   |
| Executive Officer                                    | Hidekazu Sakamoto  | Senior General Manager, Sales Promotion Department  |
| Executive Officer                                    | Junko Koie         | Chief Actuary   |
| Executive Officer                                    | Masamichi Yokoyama | Senior General Manager, IT Systems Planning Department  |
| Executive Officer                                    | Motonori Tanaka    | Senior General Manager, Tokai Regional Headquarters   |
| Executive Officer                                    | Masato Hashiba     | Senior General Manager, Sales Planning Department   |
| Executive Officer                                    | Takashi lida       | Senior General Manager, Kyushu Regional Headquarters  |

# 9 Accounting Advisor

Not applicable.

# 10 Independent Auditor

KPMG AZSA LLC

(Designated Limited Liability Partners, Engagement Partners)

Certified Public Accountant Yukihisa Tatsumi
Certified Public Accountant Noriyuki Akiyama
Certified Public Accountant Takahiro Toyama

### Total Number of Employees and Conditions of Employment

(Unit: persons, years)

|                 |       |                                 |                                 |                                 |                   |                   |                   |             |                          |             |                          | , ,            | , <b>,</b> ,             |
|-----------------|-------|---------------------------------|---------------------------------|---------------------------------|-------------------|-------------------|-------------------|-------------|--------------------------|-------------|--------------------------|----------------|--------------------------|
| Cotoo           |       | As of the<br>end of<br>FY2015/3 | As of the<br>end of<br>FY2016/3 | As of the<br>end of<br>FY2017/3 | FY2015/3          | FY2016/3          | FY2017/3          |             | e end of<br>015/3        |             | e end of<br>016/3        |                | e end of<br>017/3        |
| Categ           | gory  | Total                           | Total                           | Total                           | Staff<br>employed | Staff<br>employed | Staff<br>employed | Average age | Average years of service | Average age | Average years of service | Average<br>age | Average years of service |
| In-hou<br>emplo |       | 6,078                           | 6,279                           | 6,320                           | 375               | 350               | 255               | 37.8        | 14.1                     | 38.0        | 14.2                     | 38.5           | 14.4                     |
| (M              | ale)  | 3,425                           | 3,432                           | 3,372                           | 142               | 97                | 89                | 40.7        | 17.1                     | 41.1        | 17.4                     | 41.7           | 17.8                     |
| (Fer            | nale) | 2,653                           | 2,847                           | 2,948                           | 233               | 253               | 166               | 34.2        | 10.3                     | 34.3        | 10.3                     | 34.9           | 10.7                     |
| Sales<br>emplo  | yees  | 1,075                           | 1,099                           | 1,104                           | 53                | 71                | 48                | 39.4        | 15.1                     | 39.2        | 14.9                     | 39.2           | 14.8                     |
| (M              | ale)  | 920                             | 940                             | 950                             | 29                | 50                | 42                | 41.3        | 16.9                     | 41.0        | 16.6                     | 40.8           | 16.4                     |
| (Fer            | nale) | 155                             | 159                             | 154                             | 24                | 21                | 6                 | 27.9        | 4.3                      | 28.3        | 4.6                      | 29.0           | 5.2                      |

Notes: 1. The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures do not include part-time employees.

# 12 Average Monthly Salary (In-house employees)

(Thousands of yen)

|                    |            |            | ( )- )- )  |
|--------------------|------------|------------|------------|
| As of March 31     | March 2015 | March 2016 | March 2017 |
| In-house employees | 334        | 339        | 345        |

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

# 13 Average Monthly Salary (Sales employees)

(Thousands of yen)

| As of March 31  | March 2015 | March 2016 | March 2017 |
|-----------------|------------|------------|------------|
| Sales employees | 309        | 301        | 292        |

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

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

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

### 14 Summary of the Subsidiaries

### (1) Major Businesses and the Organizational Structure

Number of consolidated subsidiaries: One

#### (2) Subsidiaries

| Name  | Location                | Amount of capital stock | Description of business  | Date of establishment   | Ratio of the voting rights in the subsidiary held by the Company against the voting rights held by all shareholders or equity holders | Ratio of the voting rights in the subsidiary held by the Subsidiaries of the Company against the voting rights held by all shareholders or equity holders |
|---|-------------------------|-------------------------|--|---|---|---|
| JAPAN POST<br>INSURANCE<br>SYSTEM<br>SOLUTIONS<br>Co., Ltd. | Shinagawa-<br>ku, Tokyo | ¥500 million            | Commissioning of<br>design, development,<br>maintenance and<br>operation of information<br>systems | March 8, 1985<br>(Date of share<br>acquisition:<br>October 3, 2011) | 100 %   | -   |

Note: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. carried out a capital increase of ¥440 million on April 1, 2016, bringing its capital to ¥500 million

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

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

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

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

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|-----|--|-----|
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# 1. Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

The Japanese economy in the fiscal year ended March 31, 2017 continued gradual recovery as exports and production picked up, despite stagnant personal consumption. The U.S. and European economies continued solid recovery, while the slowdown in the growth rate in China came to a halt.

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

Under this environment, the Company set forth its management philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being" and strove to provide simple and easy-to-understand products with smaller coverage amounts focused on endowment insurance and whole life insurance, along with heartfelt customer services, through the nationwide network of post offices.

Ordinary income amounted to ¥8,659.4 billion (a 9.9% decrease year on year), comprising the sum of insurance premiums and others of ¥5,041.8 billion (a 6.9% decrease year on year), investment income of ¥1,367.9 billion (a 1.0% increase year on year), and other ordinary income of ¥2,249.6 billion (a 20.7% decrease year on year).

Ordinary expenses amounted to ¥8,379.6 billion (an 8.9% decrease year on year), comprising the sum of insurance claims and others of ¥7,550.3 billion (an 11.7% decrease year on year), investment expenses of ¥160.4 billion (a 1,545.3% increase year on year), operating expenses of ¥560.4 billion (a 4.1% increase year on year), other ordinary expenses of ¥108.5 billion (a 13.8% increase year on year) and others.

As a result, ordinary profit amounted to ¥279.7 billion (a 32.0% decrease year on year), and net income attributable to Japan Post Insurance amounted to ¥88.5 billion (a 4.4% increase year on year), which is calculated by subtracting extraordinary losses, provision for reserve for policyholder dividends and total income taxes from ordinary profit.

# 2. Consolidated Financial Statements

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

MARCH 31, 2017, 2016 AND 2015

See accompanying notes to consolidated financial statements.

|  |                    | Millions of Yen |               |      | ons of U.S.<br>ars (Note 1) |
|--|--------------------|-----------------|---------------|------|-----------------------------|
|  | 2017               | 2016            | 2015          | Done | 2017                        |
| ASSETS:  | 2017               | 2010            |               |      | 2017                        |
| 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):  | 0,000,002          | 0,070,107       | 0,077,010     |      | . 1,000                     |
| 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:   | ,                  |                 |               |      | 1,220                       |
| 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 ACCETO (Note 40)   |                    |                 |               |      |                             |
| NET ASSETS (Note 16):  | V 500.000          | V 500 000       |               |      | 4.457                       |
| 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 Total shareholders' equity  | (521)<br>1,526,882 | 1 472 406       | 1 /12 036     |      | (5)                         |
|  | , ,                | 1,472,406       | 1,412,036     |      | 13,610                      |
| Net unrealized gains (losses) on available-for-sale securities Net deferred gains (losses) on hedges | 321,904<br>50      | 405,412<br>140  | 558,033<br>22 |      | 2,869                       |
| Accumulated adjustments for retirement benefits  | 4,366              | 5,022           | 5,635         |      | 0<br>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                     |
| ו טומו וומטווונופט מווע ווכו מסטכנס  | . 00,000,700       | + 01,040,102    | + 0+,010,012  | Ψ    | 7 10,070                    |

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### JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES **CONSOLIDATED STATEMENTS OF INCOME**

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

|   | 2017              | Millions of Yen   | 2015             | Millions of U.S.<br>Dollars (Note 1) |
|---|-------------------|-------------------|------------------|--------------------------------------|
| ORDINARY INCOME:                                      | 2017              | 2010              |                  | 2017                                 |
| Insurance premiums and others (Note 19)               | ¥ 5,041,868       | ¥ 5,413,862       | ¥ 5,956,716      | \$ 44,940                            |
| Investment income:                                    | 1 0,041,000       | 7 0,410,002       | + 0,000,710      | Ψ 44,040                             |
| 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:       | 0.407007          | 7577454           | 0.050.070        | F7004                                |
| 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<br>509                         |
| Benefits  | 57,111            | 49,192            | 41,538           |                                      |
| Surrender benefits Other refunds                      | 433,053           | 378,862           | 291,290          | 3,860                                |
|   | 185,982<br>15,692 | 193,610<br>10,754 | 162,462<br>6,188 | 1,658<br>140                         |
| Reinsurance premiums Total insurance claims and other | 7,550,323         | 8,550,474         | 9,059,549        | 67,299                               |
| Provision for interest on policyholder dividends      | 7,550,525         | 132               | 1,497            | 07,299                               |
| Investment expenses:                                  | 23                | 102               | 1,437            | U                                    |
| 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                                |

| EXTRAORDINARY GAINS (Note 21) EXTRAORDINARY LOSSES (Note 22)  |
|---|
| Provision for reserve for policyholder dividends (Note 23)  |
| Income before income taxes  |
| Income taxes (Note 15): Current Deferred Total income taxes   |
| Net income<br>Net income attributable to non-controlling interests<br>Net income attributable to Japan Post Insurance |

|           | Millions of Yen |          | Millions of U.S.<br>Dollars (Note 1) |
|-----------|-----------------|----------|--------------------------------------|
| 2017      | 2016            | 2015     | 2017                                 |
| _         | 341             | _        | -                                    |
| 6,892     | 71,847          | 99,366   | 61                                   |
|           |                 |          |                                      |
| 152,679   | 178,004         | 200,722  | 1,361                                |
|           |                 |          |                                      |
| 120,182   | 161,994         | 192,536  | 1,071                                |
|           |                 |          |                                      |
| 136,749   | 174 216         | 200 265  | 1,219                                |
| *         | 174,316         | 208,365  |                                      |
| (105,163) | (97,219)        | (97,152) | (937)                                |
| 31,586    | 77,096          | 111,213  | 282                                  |
|           |                 |          |                                      |
| ¥ 88,596  | ¥ 84,897        | ¥ 81,323 | \$ 790                               |
| -         | _               | _        | -                                    |
| 88,596    | 84,897          | 81,323   | 790                                  |

| Per share of common stock (Note 30):                       |
|--|
| Basic net income   |
| Diluted net income   |
| Con accompanying notes to consolidated financial statement |

|   |        |   | Yen         |   |        | U.S. | . Dollars |
|---|--------|---|-------------|---|--------|------|-----------|
| ¥ | 147.71 | ¥ | 141.50<br>— | ¥ | 135.54 | \$   | 1.32      |

### JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

| Net income   |
|--|
| Other comprehensive income (Note 24):                          |
| Net unrealized gains (losses) on available-for-sale securities |
| Net deferred gains (losses) on hedges                          |
| Adjustments for retirement benefits                            |
| Total other comprehensive income (loss)                        |
| Comprehensive income (loss)                                    |
|  |
| Total comprehensive income (loss) attributable to:             |
| Japan Post Insurance   |
| Non-controlling interests                                      |

See accompanying notes to consolidated financial statements.

|   |          | Mill | ions of Yen |   |         |      | s (Note 1) |  |
|---|----------|------|-------------|---|---------|------|------------|--|
|   | 2017     |      | 2016        |   | 2015    | 2017 |            |  |
| ¥ | 88,596   | ¥    | 84,897      | ¥ | 81,323  | \$   | 790        |  |
|   |          |      |             |   |         |      |            |  |
|   | (83,507) |      | (152,621)   |   | 373,258 |      | (744)      |  |
|   | (90)     |      | 118         |   | 11      |      | (1)        |  |
|   | (655)    |      | (613)       |   | 3,339   |      | (6)        |  |
|   | (84,254) |      | (153,116)   |   | 376,609 |      | (751)      |  |
| ¥ | 4,342    | ¥    | (68,218)    | ¥ | 457,932 | \$   | 39         |  |
|   |          |      |             |   |         |      |            |  |
|   |          |      |             |   |         |      |            |  |
|   | 4,342    |      | (68,218)    |   | 457,932 |      | 39         |  |
|   | -        |      | _           |   | _       |      | -          |  |

# 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<br>stock |           |                      | Treasury<br>stock | Total<br>shareholders'<br>equity |  |  |  |  |
| BALANCE, APRIL 1, 2014   | ¥ 500,000        | ¥ 500,044 | ¥ 351,010            | ¥ –               | ¥ 1,351,054                      |  |  |  |  |
| Cumulative effects of changes in   |                  |           | (0.500)              |                   | (0.500)                          |  |  |  |  |
| accounting policies RESTATED BALANCE, APRIL 1, 2014                              | 500,000          | 500,044   | (3,533)<br>347,477   | _                 | (3,533)<br>1,347,521             |  |  |  |  |
| Changes in the fiscal year: Cash dividends                                       |                  |           | (16,808)             |                   | (16,808)                         |  |  |  |  |
| Net income attributable to Japan Post  |                  |           | (10,000)             |                   | (10,000)                         |  |  |  |  |
| 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  |                  |           | C4 E14               |                   | C4 E14                           |  |  |  |  |
| Net changes in the fiscal year BALANCE, MARCH 31, 2015                           | 500.000          | 500.044   | 64,514<br>411,992    |                   | 64,514                           |  |  |  |  |
| Cumulative effects of changes in accounting policies                             | 500,000          | 500,044   | 411,992              | _                 | 1,412,036                        |  |  |  |  |
| RESTATED BALANCE, APRIL 1, 2015  | 500,000          | 500,044   | 411,992              | _                 | 1,412,036                        |  |  |  |  |
| Changes in the fiscal year: Cash dividends Net income attributable to Japan Post |                  |           | (24,527)             |                   | (24,527)                         |  |  |  |  |
| 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<br>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                             | 300,000          | 300,044   | 472,502              |                   | 1,472,400                        |  |  |  |  |
| RESTATED BALANCE, APRIL 1, 2016  | 500,000          | 500,044   | 472,362              | _                 | 1,472,406                        |  |  |  |  |
| Changes in the fiscal year:  | 000,000          | 000,044   | 472,002              |                   | 1,472,400                        |  |  |  |  |
| Cash dividends   |                  |           | (33,600)             |                   | (33,600)                         |  |  |  |  |
| Net income attributable to Japan Post  |                  |           | 00 500               |                   | 00.500                           |  |  |  |  |
| Insurance Purchases of treasury stock  |                  |           | 88,596               | (538)             | 88,596<br>(538)                  |  |  |  |  |
| Disposals of treasury stock  |                  |           |                      | (536)             | (538)<br>17                      |  |  |  |  |
| Net changes in items other than shareholders' equity in the fiscal year          |                  |           |                      | 17                | 17                               |  |  |  |  |
| 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                      |  |  |  |  |

|  |   |   | Willions of Ten                                 |  |                      |
|--|---|---|---|--|----------------------|
|  | A   |   |   |  |                      |
|  | Net unrealized<br>gains (losses) on<br>available-for-sale<br>securities | Net deferred<br>gains (losses)<br>on hedges | Accumulated adjustments for retirement benefits | Total accumulated other comprehensive income | Total net assets     |
| BALANCE, APRIL 1, 2014   | ¥ 184,774   | ¥ 11  | ¥ 2,296   | ¥ 187,082                                    | ¥ 1,538,136          |
| Cumulative effects of changes in accounting policies RESTATED BALANCE, APRIL 1, 2014 Changes in the fiscal year: | 184,774   | 11  | 2,296   | 187,082                                      | (3,533)<br>1,534,603 |
| 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  | (450,004)   | 440   | (010)   | (450 440)                                    | (450 440)            |
| shareholders' equity in the fiscal year  |   | 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:  |   |   |   |  | (00.000)             |
| Cash dividends Net income attributable to Japan Post   |   |   |   |  | (33,600)             |
| Insurance  |   |   |   |  | 88,596               |
| Purchases of treasury stock  |   |   |   |  | (538)                |
| Disposals of treasury stock  |   |   |   |  | 17                   |
| Net changes in items other than  | (00 505)  | (00)  | (0==)   | (04.054)                                     | (04.054)             |
| 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)

|   | Thin the street Delicate (Freeze ) |       |                      |       |                   |       |                                  |     |    |        |
|---|------------------------------------|-------|----------------------|-------|-------------------|-------|----------------------------------|-----|----|--------|
| -   | Shareholders' equity               |       |                      |       |                   |       |                                  |     |    |        |
|   | Capital Capital stock surplus      |       | Retained<br>earnings |       | Treasury<br>stock |       | Total<br>shareholders'<br>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<br>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)                |                                |           |   |                |       |                                       |    |                  |
|---|---------------------|--|--------------------------------|-----------|---|----------------|-------|---------------------------------------|----|------------------|
|   |                     | A  | Accumulate                     | d other c | comprehensiv                            | e incom        | ne    |                                       |    |                  |
|   | gains (l<br>availab | nrealized<br>osses) on<br>le-for-sale<br>urities | Net def<br>gains (lo<br>on hed | sses)     | Accumu<br>adjustm<br>for retire<br>bene | nents<br>ement | compr | cumulated<br>ther<br>ehensive<br>come |    | tal net<br>ssets |
| 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 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            | _,            | (0,0.0)       | 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   | ζ- /          | ( /           | ()            | (-)         |
| 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) |
| cac acca in operating delivines  | . (=,000,000) | . (2,022,070) |               | (10,001)    |

Millions of U.S.

|   | Millions of Yen |                       |                |      | Dollars (Note 1) |  |
|---|-----------------|-----------------------|----------------|------|------------------|--|
|   | 2017            | <b>2017</b> 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)             | <br>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 beginning of the year  Cash and cash equivalents at the end of the year (Note 3) | ¥ 1,366,086     | ¥ 1,862,636           | ¥ 2,213,786    | \$   | 12,177           |  |
| Casil and Casil equivalents at the end of the year (NOTE 3)   | + 1,500,000     | + 1,002,030           | + 2,210,700    | Ψ    | 12,111           |  |

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 JA-PAN 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 ven 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 INSUR-ANCE 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-forsale securities, net of income taxes, are included in net assets.

### (3) Derivative Transactions

All derivative transactions are valued at fair value.

### (4) Hedge Accounting

### 1) Methods for hedge accounting

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

- 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.

Millione of

Millione of

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:

|  |   |           | Mi | llions of Yen |   |           | llions of<br>3. Dollars |
|--|---|-----------|----|---------------|---|-----------|-------------------------|
| March 31   |   | 2017      |    | 2016          |   | 2015      | 2017                    |
| Cash and deposits                                | ¥ | 1,366,086 | ¥  | 1,862,636     | ¥ | 2,213,786 | \$<br>12,177            |
| Cash and cash equivalents at the end of the year | ¥ | 1,366,086 | ¥  | 1,862,636     | ¥ | 2,213,786 | \$<br>12,177            |

### 4. SECURITIES

### (1) Securities

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

|                                 |              | Millions of Yen |              |    |         |  |
|---------------------------------|--------------|-----------------|--------------|----|---------|--|
| March 31                        | 2017         | 2016            | 2015         |    | 2017    |  |
| 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:

|                                   |              | U.S. Dollars |              |            |
|-----------------------------------|--------------|--------------|--------------|------------|
| March 31                          | 2017         | 2016         | 2015         | 2017       |
| 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)

### March 31

Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Foreign securities Foreign bonds

Total

|                                   |              | 2017   |             |                   |
|-----------------------------------|--------------|--|-------------|-------------------|
| Consolidated balance sheet amount | Fair value   | Net unrealized Unrealized<br>ir value gains (losses) gains |             | Unrealized losses |
| ¥ 40,343,881                      | ¥ 46,417,557 | ¥ 6,073,676  | ¥ 6,146,805 | ¥ (73,129)        |
| 30,440,345                        | 35,952,917   | 5,512,572  | 5,575,863   | (63,290)          |
| 7,464,729                         | 7,879,829    | 415,100  | 420,514     | (5,414)           |
| 2,438,806                         | 2,584,809    | 146,003  | 150,427     | (4,424)           |
| 98,000                            | 101,136      | 3,136  | 3,136       | -                 |
| 98,000                            | 101,136      | 3,136  | 3,136       | -                 |
| ¥ 40.441.881                      | ¥ 46.518.693 | ¥ 6.076.812  | ¥ 6.149.942 | ¥ (73.129)        |

2016

Net unrealized

gains (losses)

7,508,705

6,783,484

529,971

195,250

4,387

4,387

7,513,092

Unrealized

gains

7,508,706

6,783,484

529,971

195,250

4,387

4,387

7,513,093

(Millions of Yen)

(0)

(0)

(0)

Unrealized

losses

Bonds

| W  | u  | Ç, |    | v |   |
|----|----|----|----|---|---|
| Q. | Λn | de | Ξ. |   | Τ |

| _ |  |  |  |
|---|--|--|--|
| S |  |  |  |
|   |  |  |  |
|   |  |  |  |
|   |  |  |  |

Consolidated

balance sheet amount

42,141,821

31,240,749

8,043,748

2,857,322

¥ 42,239,821

98,000

98,000

### March 31

| 6 |
|---|
|   |
|   |
|   |
|   |
|   |

¥ 49,752,914

Fair value

49,650,527

38,024,234

8,573,719

3,052,573

102,387

102,387

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

(Millions of Yen)

(Millions of U.S. Dollars)

### March 31

**Bonds** 

Japanese government bonds Japanese local government bonds Japanese corporate bonds Foreign securities Foreign bonds Total

### March 31

Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Foreign securities Foreign bonds

Total

| _ |                                   |         |            |         |                               |        |    |                   |                      |       |
|---|-----------------------------------|---------|------------|---------|-------------------------------|--------|----|-------------------|----------------------|-------|
|   |                                   |         |            |         |                               | 2017   |    |                   |                      |       |
|   | Consolidated balance sheet amount |         | Fair value |         | Net unrealized gains (losses) |        | Ur | realized<br>gains | Unrealized<br>losses |       |
|   | \$                                | 359,603 | \$         | 413,741 | \$                            | 54,137 | \$ | 54,789            | \$                   | (652) |
|   |                                   | 271,329 |            | 320,465 |                               | 49,136 |    | 49,700            |                      | (564) |
|   |                                   | 66,536  |            | 70,236  |                               | 3,700  |    | 3,748             |                      | (48)  |
|   |                                   | 21,738  |            | 23,040  |                               | 1,301  |    | 1,341             |                      | (39)  |
|   |                                   | 874     |            | 901     |                               | 28     |    | 28                |                      | -     |
|   |                                   | 874     |            | 901     |                               | 28     |    | 28                |                      | _     |
|   | \$                                | 360,477 | \$         | 414,642 | \$                            | 54,165 | \$ | 54,817            | \$                   | (652) |

### 2) Policy-reserve-matching bonds

(Millions of Yen)

### March 31

Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Total

|                                   |            |   |            |   |                              |   |                    | (10                  | illions of Terry |  |  |  |
|-----------------------------------|------------|---|------------|---|------------------------------|---|--------------------|----------------------|------------------|--|--|--|
|                                   | 2017       |   |            |   |                              |   |                    |                      |                  |  |  |  |
| Consolidated balance sheet amount |            |   | Fair value |   | t unrealized<br>ins (losses) | U | nrealized<br>gains | Unrealized<br>losses |                  |  |  |  |
| ¥                                 | 12,517,334 | ¥ | 13,697,410 | ¥ | 1,180,075                    | ¥ | 1,204,445          | ¥                    | (24,370)         |  |  |  |
|                                   | 11,869,126 |   | 13,012,106 |   | 1,142,980                    |   | 1,166,866          |                      | (23,886)         |  |  |  |
|                                   | 515,707    |   | 543,841    |   | 28,134                       |   | 28,619             |                      | (484)            |  |  |  |
|                                   | 132,501    |   | 141,461    |   | 8,960                        |   | 8,960              |                      | _                |  |  |  |
| ¥                                 | 12,517,334 | ¥ | 13,697,410 | ¥ | 1,180,075                    | ¥ | 1,204,445          | ¥                    | (24,370)         |  |  |  |
|                                   |            |   |            |   |                              |   |                    |                      |                  |  |  |  |

(Millions of Yen)

### March 31

Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Total

|                                   |            |   |            |   | 2016                          |   |                     |                      |   |  |
|-----------------------------------|------------|---|------------|---|-------------------------------|---|---------------------|----------------------|---|--|
| Consolidated balance sheet amount |            |   | Fair value |   | et unrealized<br>ins (losses) | ι | Jnrealized<br>gains | Unrealized<br>losses |   |  |
| ¥                                 | 13,563,423 | ¥ | 15,062,160 | ¥ | 1,498,737                     | ¥ | 1,498,737           | ¥                    | _ |  |
|                                   | 12,913,582 |   | 14,367,701 |   | 1,454,119                     |   | 1,454,119           |                      | - |  |
|                                   | 517,065    |   | 551,080    |   | 34,015                        |   | 34,015              |                      | - |  |
|                                   | 132,776    |   | 143,378    |   | 10,602                        |   | 10,602              |                      | _ |  |
| ¥                                 | 13,563,423 | ¥ | 15,062,160 | ¥ | 1,498,737                     | ¥ | 1,498,737           | ¥                    | _ |  |

(Millions of Yen)

### March 31

Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Total

|                                   |              | 2015                          |                     |                      |  |  |
|-----------------------------------|--------------|-------------------------------|---------------------|----------------------|--|--|
| Consolidated balance sheet amount | Fair value   | Net unrealized gains (losses) | Unrealized<br>gains | Unrealized<br>losses |  |  |
| ¥ 15,493,208                      | ¥ 16,668,447 | ¥ 1,175,238                   | ¥ 1,175,453         | ¥ (214)              |  |  |
| 14,660,267                        | 15,804,449   | 1,144,181                     | 1,144,212           | (31)                 |  |  |
| 699,889                           | 724,154      | 24,264                        | 24,444              | (179)                |  |  |
| 133,050                           | 139,843      | 6,792                         | 6,797               | (4)                  |  |  |
| ¥ 15,493,208                      | ¥ 16,668,447 | ¥ 1,175,238                   | ¥ 1,175,453         | ¥ (214)              |  |  |

(Millions of U.S. Dollars)

# March 31 Bonds

Japanese government bonds Japanese local government bonds Japanese corporate bonds Total

|                                   | 2017    |    |           |    |                           |    |                   |                      |       |  |  |  |
|-----------------------------------|---------|----|-----------|----|---------------------------|----|-------------------|----------------------|-------|--|--|--|
| Consolidated balance sheet amount |         | Fa | air value |    | unrealized<br>is (losses) |    | realized<br>gains | Unrealized<br>losses |       |  |  |  |
| \$                                | 111,573 | \$ | 122,091   | \$ | 10,519                    | \$ | 10,736            | \$                   | (217) |  |  |  |
|                                   | 105,795 |    | 115,983   |    | 10,188                    |    | 10,401            |                      | (213) |  |  |  |
|                                   | 4,597   |    | 4,847     |    | 251                       |    | 255               |                      | (4)   |  |  |  |
|                                   | 1,181   |    | 1,261     |    | 80                        |    | 80                |                      | _     |  |  |  |
| \$                                | 111,573 | \$ | 122,091   | \$ | 10,519                    | \$ | 10,736            | \$                   | (217) |  |  |  |

### 3) Available-for-sale securities

(Millions of Yen)

| March 31                        |
|---------------------------------|
| Bonds                           |
| Japanese government bonds       |
| Japanese local government bonds |
| Japanese corporate bonds        |
| Stocks                          |
| Foreign securities              |
| Foreign bonds                   |
| Foreign other securities        |
| Other <sup>1</sup>              |
| Total                           |

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

(Millions of Yen)

| March 31<br>Bonds               |
|---------------------------------|
| Japanese government bonds       |
| Japanese local government bonds |
| Japanese corporate bonds        |
| Stocks                          |
| Foreign securities              |
| Foreign bonds                   |
| Foreign other securities        |
| Other <sup>2</sup>              |
| Total                           |

| Consolidated balance sheet amount |           |   | Cost      |           | unrealized<br>ns (losses) | U | nrealized<br>gains | Unrealized<br>losses |          |  |
|-----------------------------------|-----------|---|-----------|-----------|---------------------------|---|--------------------|----------------------|----------|--|
| ¥                                 | 4,115,794 | ¥ | 4,012,950 | ¥ 102,844 |                           | ¥ | 103,597            | ¥                    | (752)    |  |
|                                   | 24,299    |   | 23,713    |           | 585                       |   | 585                |                      | _        |  |
|                                   | 844,680   |   | 842,724   |           | 1,956                     |   | 2,251              |                      | (295)    |  |
|                                   | 3,246,814 |   | 3,146,512 |           | 100,302                   |   | 100,759            |                      | (457)    |  |
|                                   | _         |   | _         |           | _                         |   | _                  |                      | _        |  |
|                                   | 3,590,822 |   | 3,299,371 |           | 291,450                   |   | 319,363            |                      | (27,912) |  |
|                                   | 3,590,822 |   | 3,299,371 |           | 291,450                   |   | 319,363            |                      | (27,912) |  |
|                                   | _         |   | _         |           | _                         |   | _                  |                      | _        |  |
|                                   | 1,160,194 |   | 1,156,954 |           | 3,239                     |   | 3,345              |                      | (105)    |  |
| ¥                                 | 8,866,811 | ¥ | 8,469,276 | ¥         | 397,535                   | ¥ | 426,306            | ¥                    | (28,770) |  |

| March 31                        |
|---------------------------------|
| Bonds                           |
| Japanese government bonds       |
| Japanese local government bonds |
| Japanese corporate bonds        |
| Stocks                          |
| Foreign securities              |
| Foreign bonds                   |
| Foreign other securities        |
| Other <sup>3</sup>              |
| Total                           |

|                                   |           |   |           |   | 2015                      |   |                    |                   |       |  |
|-----------------------------------|-----------|---|-----------|---|---------------------------|---|--------------------|-------------------|-------|--|
| Consolidated balance sheet amount |           |   | Cost      |   | unrealized<br>ns (losses) | U | nrealized<br>gains | Unrealized losses |       |  |
| ¥                                 | 5,203,999 | ¥ | 5,105,394 | ¥ | 98,605                    | ¥ | 99,163             | ¥                 | (558) |  |
|                                   | 928,655   |   | 927,484   |   | 1,170                     |   | 1,171              |                   | (0)   |  |
|                                   | 780,564   |   | 778,754   |   | 1,809                     |   | 1,998              |                   | (189) |  |
|                                   | 3,494,780 |   | 3,399,155 |   | 95,624                    |   | 95,992             |                   | (367) |  |
|                                   | _         |   | _         |   | _                         |   | _                  |                   | _     |  |
|                                   | 1,863,492 |   | 1,537,712 |   | 325,779                   |   | 326,126            |                   | (346) |  |
|                                   | 1,863,492 |   | 1,537,712 |   | 325,779                   |   | 326,126            |                   | (346) |  |
|                                   | _         |   | _         |   | _                         |   | _                  |                   | _     |  |
|                                   | 1,744,068 |   | 1,741,973 |   | 2,095                     |   | 2,095              |                   | _     |  |
| ¥                                 | 8,811,560 | ¥ | 8,385,080 | ¥ | 426,480                   | ¥ | 427,384            | ¥                 | (904) |  |

(Millions of U.S. Dollars)

|                                 |    |   |    |        | - 2 | 2017                  |                     |       |                      |         |
|---------------------------------|----|---|----|--------|-----|-----------------------|---------------------|-------|----------------------|---------|
| March 31                        |    | Consolidated<br>balance sheet<br>amount |    | Cost   |     | nrealized<br>(losses) | Unrealized<br>gains |       | Unrealized<br>losses |         |
| 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 <sup>1</sup>              |    | 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: ¥77,561 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: ¥430,150 million) as of March 31, 2016.

  3. "Other" includes negotiable certificates of deposit (cost: ¥1,295,000 million, consolidated balance sheet amount: ¥449,068 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 yea

There was nó recognition of lossés 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)

### March 31

**Bonds** 

Japanese government bonds

Total

|   | 2017  |   |       |        |   |  |  |  |  |
|---|-------|---|-------|--------|---|--|--|--|--|
|   | Sales |   | Gains | Losses |   |  |  |  |  |
| ¥ |       | ¥ | _     | ¥      | - |  |  |  |  |
|   | -     |   | _     |        | _ |  |  |  |  |
| ¥ | _     | ¥ |       | ¥      | - |  |  |  |  |

(Millions of Yen)

|   | 2016  |   |   |       |   |   |        |   |  |
|---|-------|---|---|-------|---|---|--------|---|--|
|   | Sales |   |   | Gains |   |   | Losses |   |  |
| ¥ |       | _ | ¥ |       | _ | ¥ |        | _ |  |
|   |       | _ |   |       | _ |   |        | _ |  |
| ¥ |       | _ | ¥ |       | _ | ¥ |        | _ |  |

(Millions of Yen)

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

|             | (Mil          | ions o        | f U.S. Dollars)      |
|-------------|---------------|---------------|----------------------|
| 2017        |               |               |                      |
| Gains       |               |               | Losses               |
| \$          | -             | \$            | -                    |
|             |               |               |                      |
| - <b>\$</b> | Gains<br>- \$ | 2017<br>Gains | 2017 Gains - \$ - \$ |

### March 31

Bonds

Japanese government bonds

Total

### March 31

Bonds

Japanese government bonds

Total

### 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)

(147)

(138)

(8)

(53)

(124,533)

(Millions of Yen)

Losses

### March 31

Bonds

Japanese local government bonds Japanese corporate bonds

Stocks

Foreign securities

Foreign bonds

Total

| 2,488,583 |   | 83,406 |   | (124,533) |
|-----------|---|--------|---|-----------|
| 2,695,395 | ¥ | 85,142 | ¥ | (124,734) |
|           |   |        |   |           |

83,406

1,384

1,258

126

352

2017

Gains

Sales

202,108

55,716

146,392

2,488,583

4,703

March 31

Bonds

Japanese local government bonds Japanese corporate bonds

Stocks

Foreign securities

Foreign bonds

Total

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

### March 31

Bonds

Japanese local government bonds Japanese corporate bonds

Stocks

Foreign securities

Foreign bonds

Total

|       |         |   |       | (M | lillions of Yen) |
|-------|---------|---|-------|----|------------------|
|       |         |   | 2015  |    |                  |
| Sales |         |   | Gains |    | Losses           |
| ¥     | _       | ¥ | _     | ¥  | _                |
|       | _       |   | _     |    | _                |
|       | _       |   | _     |    | -                |
|       | _       |   | _     |    | _                |
|       | 158,468 |   | 5,038 |    | (4,963)          |
|       | 158,468 |   | 5,038 |    | (4,963)          |
| ¥     | 158,468 | ¥ | 5,038 | ¥  | (4,963)          |

(Millions of U.S. Dollars)

|        | 2017   |    |       |        |         |  |  |  |  |
|--------|--------|----|-------|--------|---------|--|--|--|--|
|        | Sales  |    | Gains | Losses |         |  |  |  |  |
| \$     | 1,801  | \$ | 12    | \$     | (1)     |  |  |  |  |
|        | 497    |    | 1     |        | (1)     |  |  |  |  |
|        | 1,305  |    | 11    |        | (0)     |  |  |  |  |
|        | 42     |    | 3     |        | (0)     |  |  |  |  |
|        | 22,182 |    | 743   |        | (1,110) |  |  |  |  |
| 22,182 |        |    | 743   |        | (1,110) |  |  |  |  |
| \$     | 24,025 | \$ | 759   | \$     | (1,112) |  |  |  |  |

### March 31

Bonds

Japanese local government bonds

Japanese corporate bonds

Stocks

Foreign securities

Foreign bonds

Total

### (4) Money Held in Trust

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

(Millions of Yen)

| March 31  |                     |
|-----------|---------------------|
| Specified | money held in trust |

|   | 2017                                |   |           |   |                           |   |                    |   |                     |
|---|-------------------------------------|---|-----------|---|---------------------------|---|--------------------|---|---------------------|
|   | nsolidated<br>lance sheet<br>amount |   | Cost      |   | unrealized<br>ns (losses) | U | nrealized<br>gains |   | nrealized<br>losses |
| ¥ | 2,127,042                           | ¥ | 1,746,326 | ¥ | 380,716                   | ¥ | 400,483            | ¥ | (19,767)            |

(Millions of Yen)

| March 31  |      |        |    |       |
|-----------|------|--------|----|-------|
| Specified | mone | / held | in | trust |

|   |                                      |   |           |   | 2016                      |   |                    |   |                     |
|---|--------------------------------------|---|-----------|---|---------------------------|---|--------------------|---|---------------------|
| _ | onsolidated<br>lance sheet<br>amount |   | Cost      |   | unrealized<br>ns (losses) | U | nrealized<br>gains |   | nrealized<br>losses |
| ¥ | 1,644,547                            | ¥ | 1,480,555 | ¥ | 163,992                   | ¥ | 231,857            | ¥ | (67,865)            |

(Millions of Yen)

| March 31  |       |      |    |       |
|-----------|-------|------|----|-------|
| Specified | monev | held | in | trust |

|                                       |           |   |           |   | 2015                      |    |                    |   |                   |
|---------------------------------------|-----------|---|-----------|---|---------------------------|----|--------------------|---|-------------------|
| Consolidated balance sheet amount Cos |           |   | Cost      |   | unrealized<br>ns (losses) | Uı | nrealized<br>gains |   | realized<br>osses |
| ¥                                     | 1,434,943 | ¥ | 1,079,701 | ¥ | 355,241                   | ¥  | 357,085            | ¥ | (1,844)           |

2017

Net unrealized

gains (losses)

3.393

(Millions of U.S. Dollars)

\$

Unrealized

losses

Millions of U.S. Dollars

2017

37,296

43,578

\$

(176)

Unrealized

gains

3.570

| March 31  |       |
|-----------|-------|
| Specified | monov |

Specified money held in trust

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.

Cost

15.566

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

Consolidated balance sheet

amount

18.959

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 for 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:

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.

|            |   |        | Millio | ons of Yen |   |      |    | lions of<br>Dollars |
|------------|---|--------|--------|------------|---|------|----|---------------------|
| March 31   |   | 2017   |        | 2016       |   | 2015 | 2  | 2017                |
| 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:

 March 31
 2017
 2016
 2015
 2017

 Amount of unused commitments
 \$\frac{1}{2} \tau - \frac{1}{2} \tau -

### 7. TANGIBLE FIXED ASSETS

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

|                          |   |        | Milli | ons of Yen |   |        | lillions of<br>S. Dollars |
|--------------------------|---|--------|-------|------------|---|--------|---------------------------|
| March 31                 |   | 2017   |       | 2016       |   | 2015   | 2017                      |
| Accumulated depreciation | ¥ | 75,722 | ¥     | 63,882     | ¥ | 63,635 | \$<br>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:

|                                      |   |      | Millio | ns of Yen |   |      |      | ons of<br>Dollars |
|--------------------------------------|---|------|--------|-----------|---|------|------|-------------------|
| March 31                             |   | 2017 | 2      | 2016      | 2 | 2015 | 2017 |                   |
| 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:

|                       |   |      | Millio | ns of Yen |   |      |    | ons of<br>Dollars |
|-----------------------|---|------|--------|-----------|---|------|----|-------------------|
| March 31              |   | 2017 | 2      | 2016      |   | 2015 | 20 | 017               |
| 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:

|  |   | Millions of Yen |   |           |   |           |    | lillions of<br>S. Dollars |
|--|---|-----------------|---|-----------|---|-----------|----|---------------------------|
| Years ended March 31                                   |   | 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:

|  |   |           | Mi | llions of Yen |   |           | lillions of<br>S. Dollars | Average<br>interest rate |               |
|--|---|-----------|----|---------------|---|-----------|---------------------------|--------------------------|---------------|
| March 31   |   | 2017      |    | 2016          |   | 2015      | 2017                      | 2017                     | Due           |
| Lease obligations Other interest-bearing debt: Payables under securities | ¥ | 2,202     | ¥  | 1,909         | ¥ | 2,154     | \$<br>20                  | -                        | December 2023 |
| 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 | \$<br>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                          | Millic | ons of Yen | ons of<br>Dollars |
|-----------------------------------|--------|------------|-------------------|
| Within 1 year                     | ¥      | 585        | \$<br>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      | \$<br>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

U.S. Dollars Millions of Yen Years ended March 31 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 0 27 103 (26)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 |
|-------|----|

Unfunded retirement benefit obligations Liability for retirement benefits recorded on the consolidated balance sheets

|   |        | U.S. Dollars |        |   |        |    |      |
|---|--------|--------------|--------|---|--------|----|------|
|   | 2017   |              | 2016   |   | 2015   | 2  | 2017 |
| ¥ | 62,184 | ¥            | 60,803 | ¥ | 58,356 | \$ | 554  |
| ¥ | 62,184 | ¥            | 60,803 | ¥ | 58,356 | \$ | 554  |

Millions of

Millions of

Millions of

Millions of

### 3) Retirement benefit costs

| Years | ended | March | 31 |
|-------|-------|-------|----|

Service cost Interest cost Amortization of actuarial differences Amortization of prior service cost Effect of the change from the simplified method to the principle method Other

Retirement benefit expenses of defined benefit plans

|   | Millions of Yen |      |       |   |       | U.S. | Dollars |
|---|-----------------|------|-------|---|-------|------|---------|
|   | 2017            | 2016 |       |   | 2015  | 2    | 2017    |
| ¥ | 3,993           | ¥    | 3,901 | ¥ | 3,639 | \$   | 36      |
|   | 421             |      | 404   |   | 428   |      | 4       |
|   | (259)           |      | (280) |   | (297) |      | (2)     |
|   | (369)           |      | (369) |   | (30)  |      | (3)     |
|   |                 |      |       |   |       |      |         |
|   | _               |      | 384   |   | _     |      | _       |
|   | 166             |      | 68    |   | 69    |      | 1       |
| ¥ | 3,952           | ¥    | 4,108 | ¥ | 3,808 | \$   | 35      |

### 4) Adjustments for retirement benefits (before tax effect)

### Years ended March 31

Prior service cost Actuarial differences Total

|   |       | Mill | ions of Yen |      |       | U.S  | S. Dollars |      |  |
|---|-------|------|-------------|------|-------|------|------------|------|--|
|   | 2017  | 2016 |             | 2015 |       | 2015 |            | 2017 |  |
| ¥ | (369) | ¥    | (369)       | ¥    | 5,143 | \$   | (3)        |      |  |
|   | (541) |      | (575)       |      | (540) |      | (5)        |      |  |
| ¥ | (911) | ¥    | (944)       | ¥    | 4,603 | \$   | (8)        |      |  |

Millions of

U.S. Dollars

2017

39

15

54

\$

\$

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

Millions of Yen 2017 2016 2015 March 31 Unrecognized prior service cost 4,404 4,774 5,143 Unrecognized actuarial differences 1,660 2,201 2,777 Total 6,064 ¥ 6,975 7,920

### 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:

|   |              | Millions of Yen |              | illions of<br>S. Dollars |
|---|--------------|-----------------|--------------|--------------------------|
| March 31  | 2017         | 2016            | 2015         | 2017                     |
| Policy reserves (excluding contingency reserve) | ¥ 42,010,637 | ¥ 46,712,164    | ¥ 52,156,724 | \$<br>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:

|   |   |        | Milli | ons of Yen |   |        |    | lions of<br>. Dollars |
|---|---|--------|-------|------------|---|--------|----|-----------------------|
| March 31                                  |   | 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:

|  |   | Millions of Yen |   |            |      |           |    | lions of<br>. Dollars |
|--|---|-----------------|---|------------|------|-----------|----|-----------------------|
| March 31   |   | 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

| inousands of snares |          |   |                |  |  |
|---------------------|----------|---|----------------|--|--|
| April 1, 2016       | Increase | Decrease  | March 31, 2017 |  |  |
|                     |          |   |                |  |  |
| 600,000             | _        | _   | 600,000        |  |  |
| 600,000             | -        | _   | 600,000        |  |  |
|                     |          |   |                |  |  |
|                     |          |   |                |  |  |
| _                   | 228      | 7   | 221            |  |  |
| _                   | 228      | 7   | 221            |  |  |
|                     | 600,000  | April 1, 2016 Increase  600,000 - 600,000 - 228 | April 1, 2016  |  |  |

Notes

- 1. 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.
- 2. The increase of 228 thousand shares of treasury stock of common stock was attributable to purchases by the BBT.
- 3. 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 |          |          |                |  |  |  |  |
|--|---------------------|----------|----------|----------------|--|--|--|--|
| Year ended March 31, 2016 Shares issued: | April 1, 2015       | Increase | Decrease | March 31, 2016 |  |  |  |  |
| Common stock                             | 20.000              | 580,000  |          | 600,000        |  |  |  |  |
|  |                     |          |          |                |  |  |  |  |
| Total                                    | 20,000              | 580,000  |          | 600,000        |  |  |  |  |
| Treasury stock                           |                     |          |          |                |  |  |  |  |
| Common stock                             |                     |          |          |                |  |  |  |  |
| Total                                    |                     |          |          |                |  |  |  |  |

Notes:

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

|                           | Thousands of shares |          |          |                |  |  |
|---------------------------|---------------------|----------|----------|----------------|--|--|
| Year ended March 31, 2015 | April 1, 2014       | Increase | Decrease | 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<br>(Millions of<br>Yen) | Total amount<br>(Millions of<br>U.S. Dollars) | Per share amount (Yen) | Per share<br>amount<br>(U.S. Dollars) | Record date       | Effective date   |
|--|----------------|--------------------------------------|---|------------------------|---------------------------------------|-------------------|------------------|
| Board of Directors'<br>meeting held on<br>May 13, 2016 | Common         | ¥ 33.600                             | \$ 299  | ¥ 56.00                | \$ 0.50                               | March 31,<br>2016 | June 23,<br>2016 |

### Dividend paid for the year ended March 31, 2016

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

### Dividend paid for the year ended March 31, 2015

|                     |         | Tota | al amount   |    |            |           |           |
|---------------------|---------|------|-------------|----|------------|-----------|-----------|
|                     | Type of | (M   | lillions of | Р  | er share   | Record    | Effective |
| Resolution          | shares  |      | Yen)        | am | ount (Yen) | date      | date      |
| Board of Directors' |         |      |             |    |            |           |           |
| meeting held on     | Common  |      |             |    |            | March 31, | May 15,   |
| May 14, 2014        | stock   | ¥    | 16,808      | ¥  | 840.43     | 2014      | 2014      |

### 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<br>(Millions of<br>Yen) | Total amount (Millions of U.S. Dollars) | Source of dividends | Per share<br>amount<br>(Yen) | Per share<br>amount<br>(U.S. Dollars) | Record date       | Effective date   |
|--|----------------|--------------------------------------|---|---------------------|------------------------------|---------------------------------------|-------------------|------------------|
| Board of Directors'<br>meeting held on<br>May 15, 2017 | Common stock   | ¥ 36,000                             | \$ 321                                  | Retained earnings   | ¥ 60.00                      | \$ 0.53                               | March 31,<br>2017 | June 22,<br>2017 |

Notes:

### 17. OPERATING EXPENSES

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

Years ended March 31
Sales activity expenses
Sales administration expenses
General administration expenses
Total

|   |         | Mill | ions of Yen |   |         | U.S | 6. Dollars |
|---|---------|------|-------------|---|---------|-----|------------|
|   | 2017    |      | 2016        |   | 2015    |     | 2017       |
| ¥ | 201,199 | ¥    | 191,078     | ¥ | 182,243 | \$  | 1,793      |
|   | 20,618  |      | 18,041      |   | 17,147  |     | 184        |
|   | 338,605 |      | 329,391     |   | 313,767 |     | 3,018      |
| ¥ | 560,423 | ¥    | 538,510     | ¥ | 513,159 | \$  | 4,995      |

Millions of

Millions of

## 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
 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
 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           |
|--------------------------------|
| Gains on sales of fixed assets |
| Total                          |

|   |      | Mi | llions of Yen |   |      |   | U.S | S. Dollars |
|---|------|----|---------------|---|------|---|-----|------------|
|   | 2017 |    | 2016          |   | 2015 |   |     | 2017       |
| ¥ | _    | ¥  | 341           | ¥ |      | _ | \$  | -          |
| ¥ | -    | ¥  | 341           | ¥ |      | _ | \$  | -          |

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

<sup>2.</sup> 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.

Millions of

Millions of U.S. Dollars

2017

1.222

### 22. EXTRAORDINARY LOSSES

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

| Years ended March 31                         |
|--|
| Losses on sales and disposal of fixed assets |
| Provision for reserve for price fluctuations |
| Total  |

|   |       | Milli | ons of Yen |   |        | U.S | S. Dollars |
|---|-------|-------|------------|---|--------|-----|------------|
|   | 2017  |       | 2016       |   | 2015   |     | 2017       |
| ¥ | 448   | ¥     | 1,747      | ¥ | 1,432  | \$  | 4          |
|   | 6,444 |       | 70,100     |   | 97,934 |     | 57         |
| ¥ | 6,892 | ¥     | 71,847     | ¥ | 99,366 | \$  | 61         |

2015

190.363

### 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:

|  |   |         | Mill | ions of Yen |
|--|---|---------|------|-------------|
| Years ended March 31                             |   | 2017    |      | 2016        |
| Provision for reserve for policyholder dividends | ¥ | 137,061 | ¥    | 170,458     |
|  |   |         |      |             |

### 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:

|   |   |           | Mill | lions of Yen |   |           | lillions of<br>S. Dollars |
|---|---|-----------|------|--------------|---|-----------|---------------------------|
| Years ended March 31  |   | 2017      |      | 2016         |   | 2015      | 2017                      |
| Net unrealized gains (losses) on available-for-sale securities: |   |           |      |              |   |           |                           |
| Amount arising during the fiscal year                           | ¥ | (147,188) | ¥    | (214,061)    | ¥ | 524,140   | \$<br>(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   | \$<br>(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.

### 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 trust1
- 6) Securities

Held-to-maturity bonds Policy-reserve-matching bonds

Available-for-sale securities

7) Loans

Policy loans

Industrial and commercial loans<sup>2</sup>

Loans to the Management Organization<sup>2</sup>

Reserve for possible loan losses3

Total assets

Payables under securities lending transactions Total liabilities

Derivative transactions<sup>4</sup>
Hedge accounting not applied
Hedge accounting applied
Total derivative transactions

### 2) Management of credit risk

Credit risk is the risk of losses resulting from a decline or elimination in the value of assets including offbalance-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) |
|---------------|--------------|-------------------|
|               | 2017         |                   |
| Consolidated  |              |                   |
| balance sheet |              | Net unrealized    |
| amount        | Fair value   | 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)    | ¥ -               |
|               |              |                   |

|  | ·   | 2016   | <u> </u>  |
|--|---|--|---|
|  | Consolidated  |  |   |
|  | balance sheet   |  | Net unrealized  |
| <u>March 31</u>  | amount  | Fair value   | gains (losses)  |
| 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 <sup>1</sup>  | 1,644,547   | 1,644,547  |   |
| , ,  |   | , ,  | 0.011.000   |
| 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 <sup>2</sup>   | 829,027   | 909,184  | 80,228  |
| Loans to the Management Organization <sup>2</sup>  | 8,053,780   | 8,840,145  | 786,365   |
| Reserve for possible loan losses <sup>3</sup>  |   | 0,040,143  | 700,000   |
| •  | (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 <sup>4</sup>   |   |  |   |
| Hedge accounting not applied   | ¥ –   | ¥ –  | ¥ –   |
| Hedge accounting applied   | 4,841   | 4,841  | _   |
|  | .,  |  | ·   |
| 9  | ¥ 4.841   | ¥ 4.841  |   |
| Total derivative transactions  | ¥ 4,841   | ¥ 4,841  |   |
| •  | ¥ 4,841   | ¥ 4,841  |   |
| 9  | ¥ 4,841   | - ¥ 4,841  | (Millions of Yen)                                     |
| 9  | ¥ 4,841   | ¥ 4,841<br>2015  |   |
| 9  | ¥ 4,841  Consolidated   |  |   |
| 9  | Consolidated balance sheet  | 2015   | (Millions of Yen)  Net unrealized                     |
| Total derivative transactions  March 31  | Consolidated balance sheet amount   | 2015<br>Fair value   | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  March 31  1) Cash and deposits  | Consolidated balance sheet  | 2015   | (Millions of Yen)  Net unrealized                     |
| Total derivative transactions  March 31  | Consolidated balance sheet amount   | 2015<br>Fair value   | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  March 31  1) Cash and deposits  | Consolidated balance sheet amount ¥ 2,213,786   | 2015  Fair value ¥ 2,213,786   | (Millions of Yen)  Net unrealized gains (losses)      |
| March 31  1) Cash and deposits Available-for-sale securities (negotiable certificates of deposit) 2) Call loans  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428  | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  March 31  1) Cash and deposits    Available-for-sale securities (negotiable certificates of deposit) 2) Call loans 3) Receivables under securities borrowing transactions   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856  | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  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   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068  | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  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   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068  | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  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 <sup>1</sup>  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943  | Net unrealized gains (losses)                         |
| Total derivative transactions  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 <sup>1</sup> 6) Securities  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260   | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615   | Net unrealized gains (losses)   Y  -  -  -  5,712,355 |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675  | (Millions of Yen)  Net unrealized gains (losses)      |
| Total derivative transactions  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 <sup>1</sup> 6) Securities  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208   | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447   | Net unrealized gains (losses)   Y  -  -  -  5,712,355 |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559  | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675  | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208   | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492   | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities 7) Loans    Policy loans   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097  | Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup>   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259  | Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup>   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988  | Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup>   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)   | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057   | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup>   | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988  | Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611                           | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  ¥ 90,137,732                                   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492              | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492                   | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611                           | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  ¥ 90,137,732                                   | (Millions of Yen)  Net unrealized gains (losses)      |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions Total liabilities  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492              | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492                   | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492              | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492                   | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions Total liabilities  | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492              | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492                   | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions Total liabilities  Derivative transactions <sup>4</sup> Hedge accounting not applied | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492  ¥ 3,658,492 | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492  ¥ 3,658,492      | (Millions of Yen)  Net unrealized gains (losses)  Y   |
| 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 <sup>1</sup> 6) Securities    Held-to-maturity bonds    Policy-reserve-matching bonds    Available-for-sale securities  7) Loans    Policy loans    Industrial and commercial loans <sup>2</sup> Loans to the Management Organization <sup>2</sup> Reserve for possible loan losses <sup>3</sup> Total assets  Payables under securities lending transactions Total liabilities  Derivative transactions <sup>4</sup>                              | Consolidated balance sheet amount  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 66,256,260 43,695,559 15,493,208 7,067,492 9,977,267 74,097 806,259 9,096,988 (77)  ¥ 83,497,611  ¥ 3,658,492  ¥ —         | 2015  Fair value  ¥ 2,213,786 1,295,000 445,428 2,720,856 449,068 449,068 1,434,943 71,968,615 48,232,675 16,668,447 7,067,492 10,905,033 74,097 862,878 9,968,057  —  ¥ 90,137,732  ¥ 3,658,492  ¥ 3,658,492  ¥ — | (Millions of Yen)  Net unrealized gains (losses)  Y   |

Net unrealized

gains (losses)

\_

\_

64,684 54,165

10,519

6.302

602

5,700

70,986

2017

Fair value

12,177

3,120

1,337

246

246

31.382

18.959

630,519

414,642

122,091

93,786 78,152

1,053

8,390

68,709

772,771

43,578

43,578

(41)

(41)

\$

\$

\$

\$

Consolidated

balance sheet amount

12,177

3,120

1,337

246

246

31.382

18.959

565,835

360,477

111,573

93,786

71.850

1,053

7,788

63,010

701,785

43,578

43,578

(41)

(41)

\$

\$

\$

\$

(1)

\$

\$

\$

\$

### 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 trust1
- 6) Securities

Held-to-maturity bonds

Policy-reserve-matching bonds

Available-for-sale securities

7) Loans

Policy loans

Industrial and commercial loans<sup>2</sup>

Loans to the Management Organization<sup>2</sup>

Reserve for possible loan losses3

Total assets

Payables under securities lending transactions Total liabilities

Derivative transactions4

Hedge accounting not applied Hedge accounting applied

Total derivative transactions

#### 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

Cash and deposits

Deposits (including negotiable certificates of deposit) mature within the short term (one year), and their fair value approximates book value.

 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.

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:

|                 |   |       | Milli | ons of Ye | n |   |        | lions of<br>. Dollars |
|-----------------|---|-------|-------|-----------|---|---|--------|-----------------------|
| March 31        |   | 2017  |       | 2016      |   |   | 2015   | 2017                  |
| Unlisted stocks | ¥ | 4,239 | ¥     |           |   | ¥ | 20,000 | \$<br>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)

|   |    |             |   | 20                           | )17 |                                |   |                       |
|---|----|-------------|---|------------------------------|-----|--------------------------------|---|-----------------------|
| March 31  | Wi | thin 1 year |   | after 1 year<br>ough 5 years |     | after 5 years<br>ough 10 years |   | Due after<br>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            |

|   |    |  |   | 20             | 16  |               |   |            |
|---|----|--|---|----------------|-----|---------------|---|------------|
|   | 14 | Policia de la compansión de la compansió |   | e after 1 year | Due | after 5 years |   | Due after  |
| March 31  |    | /ithin 1 year  |   | ough 5 years   |     | ough 10 years |   | 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)

|   |   |               |   | 20                             | )15 |                                  |   |                       |
|---|---|---------------|---|--------------------------------|-----|----------------------------------|---|-----------------------|
| March 31  | V | /ithin 1 year |   | e after 1 year<br>ough 5 years |     | e after 5 years<br>ough 10 years |   | Due after<br>10 years |
| 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 |           |              |  |   |   |   |   |
|------|-----------|--------------|--|---|---|---|---|
| With | in 1 year |              |  | Due at  | fter 5 years<br>gh 10 years   |   | Due after<br>10 years   |
| \$   | 12,163    | \$           | _  | \$  | _   | \$  | _   |
|      | 1,337     |              | _  |   | _   |   | _   |
|      | 31,382    |              | _  |   | _   |   | _   |
|      | _         |              | -  |   | -   |   | 224   |
|      | 59,267    |              | 111,564  |   | 96,545  |   | 276,574   |
|      | 27,486    |              | 61,907   |   | 49,248  |   | 216,880   |
|      | 27,486    |              | 61,034   |   | 49,248  |   | 216,880   |
|      | 16,362    |              | 19,230   |   | 27,824  |   | 203,015   |
|      | 7,031     |              | 34,077   |   | 16,120  |   | 9,249   |
|      | 4,092     |              | 7,727  |   | 5,304   |   | 4,616   |
|      | _         |              | 874  |   | _   |   | _   |
|      | 25,520    |              | 28,585   |   | 23,889  |   | 32,428  |
|      | 25,520    |              | 28,585   |   | 23,889  |   | 32,428  |
|      | 25,353    |              | 26,822   |   | 21,000  |   | 31,492  |
|      | 166       |              | 1,341  |   | 2,384   |   | 688   |
|      | _         |              | 421  |   | 506   |   | 248   |
|      | 6,262     |              | 21,072   |   | 23,407  |   | 27,266  |
|      | 6,173     |              | 15,567   |   | 10,858  |   | 9,641   |
|      | 178       |              | _  |   | _   |   | 3,790   |
|      | 1,252     |              | 4,128  |   | 5,686   |   | _   |
|      | 4,742     |              | 11,439   |   | 5,172   |   | 5,851   |
|      | 89        |              | 5,505  |   | 12,549  |   | 17,598  |
|      | _         |              | _  |   | -   |   | 27  |
|      | 8,855     |              | 30,794   |   | 21,249  |   | 10,955  |
| \$   | 113,004   | \$           | 142,358  | \$  | 117,794   | \$  | 287,753   |
|      | \$        | 1,337 31,382 | Within 1 year \$ 12,163 \$ 1,337 \$ 31,382 \$ - 59,267 \$ 27,486 \$ 27,486 \$ 16,362 \$ 7,031 \$ 4,092 \$ - 25,520 \$ 25,520 \$ 25,520 \$ 25,353 \$ 166 \$ - 6,262 \$ 6,173 \$ 178 \$ 1,252 \$ 4,742 \$ 89 \$ - 8,855 \$ | Within 1 year         Due after 1 year through 5 years           \$ 12,163         \$ -           1,337         -           31,382         -           -         -           59,267         111,564           27,486         61,907           27,486         61,034           16,362         19,230           7,031         34,077           4,092         7,727           -         874           25,520         28,585           25,520         28,585           25,353         26,822           166         1,341           -         421           6,262         21,072           6,173         15,567           178         -           1,252         4,128           4,742         11,439           89         5,505           -         -           8,855         30,794 | Within 1 year         through 5 years         through           \$ 12,163         \$ -         \$           1,337         -         -           31,382         -         -           59,267         111,564         -           27,486         61,907         -           27,486         61,034         -           16,362         19,230         -           7,031         34,077         -           4,092         7,727         -           874         -         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,520         28,585         -           25,521         26,822           166         1,341         -           421         -         -           4,128         -         -           4,128         -         -           4, | Within 1 year         Due after 1 year through 5 years         Due after 5 years           \$ 12,163         \$ —         \$ —           \$ 1,337         —         —           31,382         —         —           —         —         —           59,267         111,564         96,545           27,486         61,907         49,248           27,486         61,034         49,248           16,362         19,230         27,824           7,031         34,077         16,120           4,092         7,727         5,304           —         874         —           —         874         —           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,889           25,520         28,585         23,407           6,173         15,567         < | Within 1 year         Due after 1 year through 5 years         Due after 5 years through 10 years           \$ 12,163         \$ -         \$ -         \$           1,337         -         -         -         \$           31,382         -         -         -         -         -         -         \$         \$         -         \$ |

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

|                           |               | 2017             |                   |                   |                   |           |  |  |  |  |  |
|---------------------------|---------------|------------------|-------------------|-------------------|-------------------|-----------|--|--|--|--|--|
|                           |               | Due after 1 year | Due after 2 years | Due after 3 years | Due after 4 years | Due after |  |  |  |  |  |
| March 31                  | Within 1 year | through 2 years  | through 3 years   | through 4 years   | through 5 years   | 5 years   |  |  |  |  |  |
| Payables under securities | ·             |                  |                   |                   |                   |           |  |  |  |  |  |
| lending transactions      | ¥ 4,889,066   | ¥ –              | ¥ –               | ¥ –               |                   | ¥ –       |  |  |  |  |  |

|   |                    |                                  |                                   |                                   |                                   | (Millions of Yen)         |
|---|--------------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|---------------------------|
|   |                    |                                  | 20                                | 016                               |                                   |                           |
| March 31  | 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<br>5 years      |
|   | - vvitiliii i yeai | tillough 2 years                 |                                   | Tillough + years                  | unough 5 years                    | J years                   |
| Payables under securities<br>lending transactions | ¥ 3,648,478        | ¥ -                              | ¥ –                               | ¥ –                               |                                   | ¥ –                       |
|   |                    |                                  |                                   |                                   |                                   | (Millions of Yen)         |
|   |                    |                                  | 20                                | )15                               |                                   |                           |
|   |                    | Due after 1 year                 | Due after 2 years                 | Due after 3 years                 | Due after 4 years                 | Due after                 |
| March 31  | Within 1 year      | through 2 years                  | through 3 years                   | through 4 years                   | through 5 years                   | 5 years                   |
| Payables under securities lending transactions    | ¥ 3,658,492        | ¥ –                              | ¥ –                               | ¥ –                               | ¥ –                               | ¥ –                       |
|   |                    |                                  |                                   |                                   | (N                                | Millions of U.S. Dollars) |
|   |                    |                                  | 20                                | 17                                |                                   |                           |
|   |                    | Due after 1 year                 | Due after 2 years                 | Due after 3 years                 | Due after 4 years                 | Due after                 |
| March 31  | Within 1 year      | through 2 years                  | through 3 years                   | through 4 years                   | through 5 years                   | 5 years                   |
| 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

| March 31                    |  |   |     |                      | 20       | 017                   |   |                    |
|-----------------------------|--|---|-----|----------------------|----------|-----------------------|---|--------------------|
| Hedge accounting            |  |   |     |                      | Contrac  | t amount              |   |                    |
| method                      | Type of derivative   | Major hedged item                         | Con | tract amount         | due aft  | er 1 year             |   | Fair value         |
| Fair value hedge accounting | Forward foreign<br>exchange<br>Sold<br>U.S. dollars          | Foreign currency-<br>denominated<br>bonds | ¥   | 1,603,918            | ¥        | _                     | ¥ | (5,630)            |
|                             | Euros  |   |     | 834,472              |          | _                     |   | 973                |
|                             |  | Total                                     | ¥   | 2,438,390            | ¥        | -                     | ¥ | (4,657)            |
|                             |  |   |     |                      |          |                       |   | (Millions of Yen)  |
| March 31                    |  |   |     |                      | 20       | 016                   |   |                    |
| Hedge accounting            |  |   |     |                      | Contrac  | t amount              |   |                    |
| method                      | Type of derivative   | Major hedged item                         | Con | tract amount         | due afte | er 1 year             |   | Fair value         |
| Fair value hedge accounting | Forward foreign<br>exchange<br>Sold<br>U.S. dollars<br>Euros | Foreign currency-<br>denominated<br>bonds | ¥   | 392,081<br>1,301,602 | ¥        | <b>-</b>              | ¥ | 5,408<br>(764)     |
|                             | -  | Total                                     | ¥   | 1,693,683            | ¥        | _                     | ¥ | 4,644              |
|                             |  |   |     |                      |          |                       |   | (Millions of Yen)  |
| March 31                    |  |   |     |                      | 20       | 015                   |   |                    |
| Hedge accounting method     | Type of derivative   | Major hedged item                         | Con | tract amount         |          | t amount<br>er 1 year |   | Fair value         |
| Fair value hedge accounting | Forward foreign<br>exchange<br>Sold<br>U.S. dollars<br>Euros | Foreign currency-<br>denominated<br>bonds | ¥   | 172,008<br>191,112   | ¥        | _<br>_                | ¥ | (12,843)<br>13,337 |
|                             | -  | Total                                     | ¥   | 363,120              | ¥        | _                     | ¥ | 493                |

(Millions of U.S. Dollars)

| March 31                    |  |   |        |                 | 2      | 017        |                 |
|-----------------------------|--|---|--------|-----------------|--------|------------|-----------------|
| Hedge accounting            |  |   |        |                 | Contra | ct amount  |                 |
| method                      | Type of derivative                               | Major hedged item                         | Contra | act amount      | due af | ter 1 year | Fair value      |
| Fair value hedge accounting | Forward foreign exchange Sold U.S. dollars Euros | Foreign currency-<br>denominated<br>bonds | \$     | 14,296<br>7,438 | \$     |            | \$<br>(50)<br>9 |
|                             |  | Total                                     | \$     | 21,734          | \$     | _          | \$<br>(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          |   |                   |         |           | Conti | act amount   |   |           |
| method                    | Type of derivative                                  | Major hedged item | Contrac | ct amount | due   | after 1 year | F | air value |
| Deferred hodge            | Interest rate swaps:                                |                   |         |           |       |              |   |           |
| Deferred hedge<br>method  | Receivable fixed<br>rate / Payable<br>floating rate | Loans             | ¥       | 11,750    | ¥     | 11,750       | ¥ | 71        |
| Exceptional treatment for | Interest rate swaps:                                |                   |         |           |       |              |   |           |
| interest rate<br>swaps    | Receivable fixed<br>rate / Payable<br>floating rate | Loans             |         | 46,050    |       | 39,750       |   | _2        |
|                           |   | Total             |         |           |       |              | ¥ | 71        |

(Millions of Yen)

| March 31                          |   |                   |       |            |   | 2016                        |     |         |
|-----------------------------------|---|-------------------|-------|------------|---|-----------------------------|-----|---------|
| Hedge accounting method           | Type of derivative                            | Major hedged item | Contr | act amount |   | ract amount<br>after 1 year | Fai | r value |
|                                   | Interest rate swaps:                          |                   |       |            |   |                             |     |         |
| Deferred hedge method             | Receivable fixed rate / Payable floating rate | Loans             | ¥     | 13,750     | ¥ | 13,750                      | ¥   | 197     |
| Exceptional                       | Interest rate swaps:                          |                   |       |            |   |                             |     |         |
| treatment for interest rate swaps | Receivable fixed rate / Payable floating rate | Loans             |       | 65,500     |   | 46,050                      |     | _2      |
|                                   | -   | Total             |       |            |   |                             | ¥   | 197     |

| March 31                          |   |                   |       |            |       | 2015         |      |       |
|-----------------------------------|---|-------------------|-------|------------|-------|--------------|------|-------|
| Hedge accounting                  |   |                   |       |            | Conti | ract amount  |      |       |
| method                            | Type of derivative                            | Major hedged item | Contr | act amount | due   | after 1 year | Fair | value |
|                                   | Interest rate swaps:                          |                   |       |            |       |              |      |       |
| Deferred hedge<br>method          | Receivable fixed rate / Payable floating rate | Loans             | ¥     | 13,750     | ¥     | 13,750       | ¥    | 32    |
| Exceptional                       | Interest rate swaps:                          |                   |       |            |       |              |      |       |
| treatment for interest rate swaps | Receivable fixed rate / Payable floating rate | Loans             |       | 88,200     |       | 65,500       |      | _2    |
|                                   | -   | Total             |       |            | -     |              | ¥    | 32    |

(Millions of U.S. Dollars)

| March 31                                      |   |                   |                 |     |                  | 2017 |            |    |
|---|---|-------------------|-----------------|-----|------------------|------|------------|----|
| Hedge accounting                              |   |                   | Contract amount |     |                  |      |            |    |
| method  | Type of derivative                                  | Major hedged item | Contract amount |     | due after 1 year |      | Fair value |    |
| Deferred hedge<br>method                      | Interest rate swaps:                                |                   |                 |     |                  |      |            |    |
|   | Receivable fixed<br>rate / Payable<br>floating rate | Loans             | \$              | 105 | \$               | 105  | \$         | 1  |
| Exceptional treatment for interest rate swaps | Interest rate swaps:                                |                   |                 |     |                  |      |            |    |
|   | Receivable fixed<br>rate / Payable<br>floating rate | Loans             |                 | 410 |                  | 354  |            | _2 |
|   |   | Total             |                 |     |                  |      | \$         | 1  |

### 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          |
|-------------------|
| Due within 1 year |
| Due after 1 year  |
| Total             |

|   |       | WIIIIO O |              |   |       |    |      |
|---|-------|----------|--------------|---|-------|----|------|
|   |       |          | U.S. Dollars |   |       |    |      |
|   | 2017  |          | 2016         |   | 2015  | :  | 2017 |
| ¥ | 5,044 | ¥        | 4,636        | ¥ | 687   | \$ | 45   |
|   | 211   |          | 299          |   | 424   |    | 2    |
| ¥ | 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.

<sup>1.</sup> Fair value is calculated using discounted present value.

<sup>2.</sup> 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.

### 29. RELATED PARTY TRANSACTIONS

### **Related Party Transactions**

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

|                                    |  |                      |   |  | 2017                      |  |  |   |                               |  |
|------------------------------------|--|----------------------|---|--|---------------------------|--|--|---|-------------------------------|--|
|                                    |  |                      |   |  | Percentage                |  |  |   |                               |  |
|                                    | Company                                |                      |   |  | of voting                 |  |  | Transaction                                 |                               | Year-end                                 |
| Туре                               | name                                   | Location             | Capital                                     | Business   | rights                    | Relationship                                       | Transaction  | amount                                      | Account                       | balance                                  |
| Parent                             | JAPAN                                  | Chiyoda-ku,<br>Tokyo | ¥3,500,000                                  | Holding company  | Directly<br>owned<br>89%  | Group<br>management<br>Interlocking                | Payments   | ¥3,259<br>million                           | Accounts payable—other        | ¥293<br>million<br>(\$3<br>million)      |
| Subsidiary<br>of parent<br>company | JAPAN<br>POST Co.,<br>Ltd.             | Chiyoda-ku,<br>Tokyo | ¥400,000<br>million<br>(\$3,565<br>million) | Postal and<br>logistics<br>business<br>Post office<br>business | -                         | officers Insurance agency Interlocking officers    | Payments for<br>commission<br>of agency<br>services <sup>2</sup> | ¥392,768<br>million<br>(\$3,501<br>million) | Agency<br>accounts<br>payable | ¥43,812<br>million<br>(\$391<br>million) |
|                                    |  |                      |   |  |                           |  |  |   |                               |  |
|                                    |  |                      |   |  | 2016                      |  |  |   |                               |  |
|                                    | Company                                |                      |   |  | Percentage of voting      |  |  | Transaction                                 |                               | Year-end                                 |
| Type                               | name                                   | Location             | Capital                                     | Business   | rights                    | Relationship                                       | Transaction  | amount                                      | Account                       | balance                                  |
| Parent                             | JAPAN<br>POST<br>HOLDINGS<br>Co., Ltd. | Chiyoda-ku,<br>Tokyo | ·   | Holding company  | Directly<br>owned<br>89%  | Group<br>management<br>Interlocking<br>officers    | Payments<br>of<br>brand royalty<br>fees <sup>1</sup>             | ¥3,366<br>million                           | Accounts payable—other        | ¥302<br>million                          |
| Subsidiary<br>of parent<br>company | JAPAN<br>POST Co.,<br>Ltd.             | Chiyoda-ku,<br>Tokyo | ¥400,000<br>million                         | Postal and logistics business  Post office business            | -                         | Insurance<br>agency<br>Interlocking<br>officers    | Payments for<br>commission<br>of agency<br>services <sup>2</sup> | ¥377,955<br>million                         | Agency<br>accounts<br>payable | ¥44,593<br>million                       |
|                                    |  |                      |   |  |                           |  |  |   |                               |  |
|                                    |  |                      |   |  | 2015                      | -  | -  |   |                               |  |
|                                    |  |                      |   |  | Percentage                |  |  |   |                               |  |
| _                                  | Company                                |                      |   |  | of voting                 |  |  | Transaction                                 |                               | Year-end                                 |
| Туре                               | name                                   | Location             | Capital                                     | Business   | rights                    | Relationship                                       | Transaction  | amount                                      | Account                       | balance                                  |
| Parent<br>company                  | JAPAN<br>POST<br>HOLDINGS<br>Co., Ltd. | Chiyoda-ku,<br>Tokyo | ¥3,500,000<br>million                       | Holding<br>company   | Directly<br>owned<br>100% | Business<br>management<br>Interlocking<br>officers | Payments for<br>business<br>management<br>fees <sup>3</sup>      | ¥3,030<br>million                           | Accounts<br>payable–<br>other | ¥272<br>million                          |
| Subsidiary<br>of parent<br>company | JAPAN<br>POST Co.,<br>Ltd.             | Chiyoda-ku,<br>Tokyo | ¥400,000<br>million                         | Postal and logistics business  Post office business            | -                         | Insurance<br>agency<br>Interlocking<br>officers    | Payments for<br>commission<br>of agency<br>services <sup>2</sup> | ¥359,536<br>million                         | Agency<br>accounts<br>payable | ¥37,087<br>million                       |

### (2) Parent Company

JAPAN POST HOLDINGS Co., Ltd. (Listed on the Tokyo Stock Exchange)

Notes:

1. 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.

2. 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.

3. 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.

4. Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

### **30. PER SHARE DATA**

|                      | Yen |          |   |          |   |          | U.S | S. Dollars |
|----------------------|-----|----------|---|----------|---|----------|-----|------------|
| March 31             |     | 2017     |   | 2016     |   | 2015     |     | 2017       |
| Net assets per share | ¥   | 3,089.81 | ¥ | 3,138.30 | ¥ | 3,292.88 | \$  | 27.54      |
|                      |     |          |   |          |   |          |     |            |

Yen U.S. Dollars

| Years ended March 31   |                               | 2017            |         | 2016           |          | 2015      |    | 2017                      |
|--|-------------------------------|-----------------|---------|----------------|----------|-----------|----|---------------------------|
| Net income per share   | ¥ 147.71 ¥ 141.50 ¥ 135.54 \$ |                 |         |                |          |           |    | 1.32                      |
| Notes: 1. Diluted net income per share is not presented for the years ended March 31, 20 2. Net income per share is calculated based on the following: | 017, 20 <sup>-</sup>          | 16 and 2015, as | potenti | al common sto  | ck did r | ot exist. |    |                           |
|  |                               |                 | Mill    | ions of Yen    |          |           |    | lillions of<br>S. Dollars |
| Years ended March 31   |                               | 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   |                               | 2017            | Thousa  | ands of shares |          | 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:   |                               |                 |         | <u> </u>       |          | -         |    |                           |
|  |                               |                 | Mill    | ions of Yen    |          |           |    | lillions of<br>S. Dollars |
| March 31   |                               | 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                    |
|  |                               |                 | Thous   | ands of shares |          |           |    |                           |
| March 31   |                               | 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   |    |                           |

- 4. Changes in Accounting Policies

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

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

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

  5. The Company implemented a 30:1 stock split effective August 1, 2015, and net assets per share and net income per share as of and for the years ended March 31, 2017, 2016 and 2015, have been calculated assuming the stock split was implemented on April 1, 2014.

  6. 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 is sally stock that the category of shares defined equity, well 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

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# 3. Non-Consolidated Financial Statements

# JAPAN POST INSURANCE CO., LTD. NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2017, 2016 AND 2015

|   |              |                 |              | Milli | ons of U.S.  |
|---|--------------|-----------------|--------------|-------|--------------|
|   |              | Millions of Yen |              |       | ars (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      |

|   |              | Millions of Yen |              | Millions of U.S.<br>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.<br>Dollars (Note 1) |
|---|----------------------|---------------------|----------------------|--------------------------------------|
|   | 0017                 |                     | 0015                 |                                      |
| ORDINARY INCOME:  | 2017                 | 2016                | 2015                 | 2017                                 |
| 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<br>759                           |
| Gains on sales of securities (Note 16) Gains on redemption of securities              | 85,142<br>33         | 1,241<br>36         | 61,908<br>36         | 759<br>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:  |                      | 22.222              | 440 =04              |                                      |
| Reversal of reserve for outstanding claims (Note 12)                                  | 57,790<br>2,187,268  | 82,988<br>2,750,098 | 113,534<br>2,632,889 | 515<br>19,496                        |
| Reversal of policy reserves (Note 12) Reversal of reserve for possible claim payments | 2,107,200            | 2,750,096           | 2,032,009            | 19,490                               |
| 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                               |
| OPPINARY EVENUES.   |                      |                     |                      |                                      |
| 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<br>Investment expenses:              | 25                   | 132                 | 1,497                | 0                                    |
| 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                 | - 015                | 30                                   |
| Other investment expenses Total investment expenses                                   | 2,018<br>160,414     | 1,209<br>9,749      | 915                  | 18<br>1,430                          |
| Operating expenses  | 560,206              | 537,087             | 512,417              | 4,993                                |
| Other ordinary expenses:  | 000,200              | 007,007             | 012,417              | 4,000                                |
| 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 Total ordinary expenses                                 | 109,124<br>8,380,094 | 95,349<br>9,192,794 | 91,608 9,676,067     | 973<br>74,696                        |
| Total ordinary expenses   | 0,300,094            | 9,192,794           | 9,070,007            | 74,090                               |
| 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                               |
| THE HISTORY   | . 00,520             | - 00,000            | . 01,700             | 703                                  |

### JAPAN POST INSURANCE CO., LTD. NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2017, 2016 AND 2015

| YEARS ENDED MARCH 31, 2017, 2016 AND 2  | 015              |                              |                             | N                           | ∕lillions of Y                | 'en                            |                               |             |                                   |
|---|------------------|------------------------------|-----------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------|-------------|-----------------------------------|
|   |                  | <u> </u>                     | anital auralu               | Sha                         | reholders'                    |                                | 90                            |             |                                   |
|   |                  |                              | apital surplus              |                             |                               | Retained                       | <b>9</b> -                    |             | <b>-</b>                          |
|   | Capital<br>stock | Legal<br>capital<br>surplus  | Other<br>capital<br>surplus | Total<br>capital<br>surplus | Legal<br>retained<br>earnings | earnings<br>brought<br>forward | Total<br>retained<br>earnings | stock       | Total<br>shareholders'<br>equity  |
| BALANCE, APRIL 1, 2014<br>Cumulative effects of changes in  | ¥500,000         | ¥ 405,044                    | ¥ 95,000                    | ¥500,044                    | ¥ 17,222                      | ¥ 332,404<br>(3,533)           |                               | ¥ –         | ¥1,349,671                        |
| accounting policies RESTATED BALANCE, APRIL 1, 2014   | 500,000          | 405,044                      | 95.000                      | 500,044                     | 17,222                        | 328,871                        | (3,533)<br>346,094            | _           | (3,533)<br>1,346,138              |
| Changes in the fiscal year:<br>Cash dividends<br>Net income   | ,                | ,.                           | ,                           |                             | 3,361                         | (20,170)<br>81,758             | (16,808)<br>81,758            |             | (16,808)<br>81,758                |
| Purchases of treasury stock Disposals of treasury stock Net changes in items other than shareholders' equity in the fiscal year |                  |                              |                             |                             |                               | - ,                            | ,                             | _           | -<br>-                            |
| Net changes in the fiscal year<br>BALANCE, MARCH 31, 2015   | 500,000          | 405,044                      | 95.000                      | 500,044                     | 3,361<br>20,584               | 61,588<br>390,459              | 64,949<br>411,043             |             | 64,949<br>1,411,088               |
| Cumulative effects of changes in accounting policies  | 300,000          | 400,044                      | 33,000                      | 300,044                     | 20,304                        | 000,400                        | 411,040                       |             | -                                 |
| RESTATED BĂLANCE, APRIL 1, 2015<br>Changes in the fiscal year:  | 500,000          | 405,044                      | 95,000                      | 500,044                     | 20,584                        | 390,459                        | 411,043                       | -           | 1,411,088                         |
| Cash dividends<br>Net income<br>Purchases of treasury stock   |                  |                              |                             |                             | 4,905                         | (29,433)<br>86,338             | (24,527)<br>86,338            | _           | (24,527)<br>86,338<br>–           |
| Disposals of treasury stock<br>Net changes in items other than<br>shareholders' equity in the fiscal year                       |                  |                              |                             |                             |                               |                                |                               | _           | _                                 |
| Net changes in the fiscal year  BALANCE, MARCH 31, 2016   | 500,000          | 405,044                      | 95,000                      | 500,044                     | 4,905<br><b>25,489</b>        | 56,905<br><b>447,365</b>       | 61,811<br><b>472,855</b>      |             | 61,811<br><b>1,472,899</b>        |
| Cumulative effects of changes in accounting policies  | 300,000          | 403,044                      | 95,000                      | 300,044                     | 25,409                        | 447,303                        | 472,000                       |             | -                                 |
| RESTATED BALANCE, APRIL 1, 2016<br>Changes in the fiscal year:  | 500,000          | 405,044                      | 95,000                      | 500,044                     | 25,489                        | 447,365                        | 472,855                       | _           | 1,472,899                         |
| Cash dividends Net income   |                  |                              |                             |                             | 6,720                         | (40,320)<br>88,520             | (33,600)<br>88,520            | (500)       | (33,600)<br>88,520                |
| Purchases of treasury stock Disposals of treasury stock Net changes in items other than   |                  |                              |                             |                             |                               |                                |                               | (538)<br>17 | (538)<br>17                       |
| shareholders' equity in the fiscal year<br>Net changes in the fiscal year   |                  |                              |                             |                             | -,                            | 48,200                         | 54,920                        | (521)       | 54,399                            |
| BALANCE, MARCH 31, 2017   | ¥ 500,000        | ¥405,044                     | ¥ 95,000                    |                             | ,                             | ,                              | ¥ 527,775                     | ¥ (521)     | ¥1,527,298                        |
|   |                  | Va                           | luation and                 | translation                 | /lillions of Y<br>adjustment  |                                |                               |             |                                   |
|   |                  | alized gains<br>available-fo |                             | deferred gai                | ins T                         | otal valuatio                  | n and                         |             |                                   |
| BALANCE, APRIL 1, 2014  |                  | securities<br>184,774        |                             | es) on hedg                 | jes trai                      | nslation adju<br>¥ 18          | stments<br>4,785              |             | t assets<br>1,534,457             |
| Cumulative effects of changes in accounting policies  | T                | •                            | ·                           |                             |                               |                                | •                             |             | (3,533)                           |
| RESTATED BĂLANCE, APRIL 1, 2014<br>Changes in the fiscal year:<br>Cash dividends  |                  | 184,774                      |                             |                             | 11                            | 18                             | 4,785                         |             | (16,808)                          |
| Net income Purchases of treasury stock Disposals of treasury stock  |                  |                              |                             |                             |                               |                                |                               |             | 81,758<br>–<br>–                  |
| Net changes in items other than shareholders' equity in the fiscal year   |                  | 373,258                      |                             |                             | 11                            | 37                             | 3,269                         |             | 373,269                           |
| Net changes in the fiscal year BALANCE, MARCH 31, 2015  |                  | 373,258                      |                             |                             | 11 22                         | 37                             | 3,269<br>8,055                |             | 438,219                           |
| Cumulative effects of changes in accounting policies  |                  | 558,033                      |                             |                             | 22                            | 55                             | 6,055                         |             | 1,969,143<br>_                    |
| RESTATED BALANCE, APRIL 1, 2015<br>Changes in the fiscal year:  |                  | 558,033                      |                             |                             | 22                            | 55                             | 8,055                         | 1           | (94,597)                          |
| Cash dividends<br>Net income<br>Purchases of treasury stock<br>Disposals of treasury stock                                      |                  |                              |                             |                             |                               |                                |                               |             | (24,527)<br>86,338<br>–           |
| Net changes in items other than   |                  | (4.50.004)                   |                             |                             | 40                            | /4.5                           | 0.500)                        |             | (450 500)                         |
| shareholders' equity in the fiscal year<br>Net changes in the fiscal year   |                  | (152,621)<br>(152,621)       |                             | 1                           | 18<br>18                      |                                | 2,502)<br>2,502)              |             | (152,502)<br>(90,691)             |
| BALANCE, MARCH 31, 2016 Cumulative effects of changes in accounting policies  |                  | 405,412                      |                             | 1                           | 40                            | 40                             | 5,553                         | 1           | ,878,452                          |
| RESTATED BALANCE, APRIL 1, 2016<br>Changes in the fiscal year:  |                  | 405,412                      |                             | 1                           | 40                            | 40                             | 5,553                         | 1           | ,878,452                          |
| Cash dividends Net income Purchases of treasury stock Disposals of treasury stock   |                  |                              |                             |                             |                               |                                |                               |             | (33,600)<br>88,520<br>(538)<br>17 |
| Net changes in items other than<br>shareholders' equity in the fiscal year  |                  | (83,507)                     |                             |                             | 90)                           |                                | 3,598)                        |             | (83,598)                          |
| Net changes in the fiscal year BALANCE, MARCH 31, 2017  | ¥                | (83,507)<br>321,904          | ¥                           |                             | 90)<br>50                     | ¥ 32                           | 3,598)<br>1,954               | ¥           | (29,199)<br>1,849,253             |

| Millions   | of I | 1 9   | Dollars | (Nota  | 1) |
|------------|------|-------|---------|--------|----|
| IVIIIIIUII | OI U | J. G. | Dullais | HINDLE |    |

|  |                  |                             |       |                           | -  |                             | -    |                             | ,       | ( )                                    |    |                             |                   |     |     |                                |
|--|------------------|-----------------------------|-------|---------------------------|----|-----------------------------|------|-----------------------------|---------|--|----|-----------------------------|-------------------|-----|-----|--------------------------------|
|  |                  |                             |       |                           |    | Sha                         | areh | olders' e                   | equ     | ity                                    |    |                             |                   |     |     |                                |
|  |                  | (                           | Capit | al surplu                 | S  |                             |      | Re                          | tain    | ined earnings                          |    |                             |                   |     |     |                                |
|  | Capital<br>stock | Legal<br>capital<br>surplus | C     | Other<br>apital<br>urplus |    | Total<br>capital<br>surplus |      | Legal<br>etained<br>arnings | e:<br>b | etained<br>arnings<br>rought<br>orward |    | Total<br>etained<br>arnings | Treasury<br>stock |     | sha | Total<br>areholders'<br>equity |
| BALANCE, MARCH 31, 2016 Cumulative effects of changes in accounting policies | \$<br>4,457      | \$<br>3,610                 | \$    | 847                       | \$ | 4,457                       | \$   | 227                         | \$      | 3,988                                  | \$ | 4,215                       | \$                | -   | \$  | 13,129<br>–                    |
| 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  | \$<br>4,457      | \$<br>3,610                 | \$    | 847                       | \$ | 4,457                       | \$   | 287                         | \$      | 4,417                                  | \$ | 4,704                       | \$                | (5) | \$  | 13,613                         |

|  |                    |  | Mi             | llions of U.S. I | Dollars (No | te 1)                               |    |                    |
|--|--------------------|--|----------------|------------------|-------------|-------------------------------------|----|--------------------|
| _  |                    | Valua  | tion and trans | slation adjustn  | nents       |                                     |    |                    |
| -  | gains (<br>availat | nrealized<br>(losses) on<br>ble-for-sale<br>curities |                |                  |             | valuation<br>ranslation<br>istments | -  | otal net<br>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<br>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             |

# 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 IN-SURANCE 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-forsale securities, net of income taxes, are included in net assets.

#### (2) Derivative Transactions

All derivative transactions are valued at fair value.

### (3) Hedge Accounting

### 1) Methods for hedge accounting

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

 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). 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 HOLD-INGS 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.

Millions of

Millions of

Millione of

### (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 |              | S. Dollars    |
|----------------------|--------------|-----------------|--------------|---------------|
| March 31             | 2017         | 2016            | 2015         | 2017          |
| Balance sheet amount | ¥ 12,517,334 | ¥ 13,563,423    | ¥ 15,493,208 | \$<br>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 |             | U.S. Dollars |
|--|-------------|-----------------|-------------|--------------|
| March 31   | 2017        | 2016            | 2015        | 2017         |
| 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.

|            |   |        | Milli | ons of Yen |   |      |   |      | Dollars |  |
|------------|---|--------|-------|------------|---|------|---|------|---------|--|
| March 31   |   | 2017   |       | 2016       |   | 2015 |   | 2017 |         |  |
| 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 |      |         |      |  |
|------------------------------|-----------------|------|---------|------|--|
| March 31                     | 2017            | 2016 | 2015    | 2017 |  |
| 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 |    |      |
|--------------------------------------|-----------------|-----|---|------|---|--------------------------|----|------|
| March 31                             | 2017            |     |   | 2016 |   | 2015                     | 2  | .017 |
| 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:

Millione of

Millions of

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

|  |             | U.S. Dollars |             |           |
|--|-------------|--------------|-------------|-----------|
| Years ended March 31                                   | 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 |

### 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 U.S. Dollars |              |            |
|---|--------------|--------------------------|--------------|------------|
| March 31  | 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      |

### 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:

| March 31   |
|--|
| Deferred tax assets:                               |
| Policy reserves                                    |
| Reserve for price fluctuations                     |
| Reserve for outstanding claims                     |
| Reserve for employees' retirement benefits         |
| Unrealized losses on available-for-sale securities |
| Other  |
| Subtotal   |
| Valuation allowance                                |
| Total deferred tax assets                          |
| Deferred tax liabilities:                          |
| Unrealized gains on available-for-sale securities  |
| Other  |
| Total deferred tax liabilities                     |
| Net deferred tax assets (liabilities)              |

|   | Millions of Yen |   |            |   |           |    | llions of<br>S. Dollars |
|---|-----------------|---|------------|---|-----------|----|-------------------------|
|   | 2017            |   | 2016       |   | 2015      |    | 2017                    |
|   |                 |   |            |   |           |    |                         |
| ¥ | 736,401         | ¥ | 640,360    | ¥ | 559,683   | \$ | 6,564                   |
|   | 165,422         |   | 157,340    |   | 134,860   |    | 1,474                   |
|   | 42,646          |   | 45,603     |   | 49,850    |    | 380                     |
|   | 18,784          |   | 18,693     |   | 18,936    |    | 167                     |
|   | 59,950          |   | 27,048     |   | 769       |    | 534                     |
|   | 19,706          |   | 17,872     |   | 14,114    |    | 176                     |
|   | 1,042,912       |   | 906,920    |   | 778,215   |    | 9,296                   |
|   | (4,468)         |   | (7,580)    |   | (2,947)   |    | (40)                    |
|   | 1,038,444       |   | 899,340    |   | 775,267   |    | 9,256                   |
|   |                 |   |            |   |           |    |                         |
|   | (181,710)       |   | (183, 164) |   | (224,458) |    | (1,620)                 |
|   | (4,470)         |   | (3,560)    |   | (2,599)   |    | (40)                    |
|   | (186,180)       |   | (186,724)  |   | (227,057) |    | (1,660)                 |
| ¥ | 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:

| rears ended warch 31  |    |
|---|----|
| Statutory tax rate  |    |
| Reduction in net deferred tax assets resulting from tax rate change | es |
| Change in valuation allowance                                       |    |
| Other   |    |
| Effective income tax rate   |    |

| 2017   | 2016   | 2015   |
|--------|--------|--------|
| 28.24% | 28.85% | 30.78% |
| -      | 15.74  | 26.76  |
| (2.62) | 2.97   | 0.08   |
| 0.47   | (0.32) | 0.03   |
| 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:

|                      |             | Millions of U.S. Dollars |             |          |
|----------------------|-------------|--------------------------|-------------|----------|
| Years ended March 31 | 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:

|                      |             | Millions of U.S. Dollars |             |           |
|----------------------|-------------|--------------------------|-------------|-----------|
| Years ended March 31 | 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:

|                                 | Millions of Yen |        |      |       |      |        |      | Millions of U.S. Dollars |  |
|---------------------------------|-----------------|--------|------|-------|------|--------|------|--------------------------|--|
| Years ended March 31            |                 | 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:

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

Millions of

Millions of

### 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:

|                                | Millions of Yen |      |   |      |   |      |    |      |  |
|--------------------------------|-----------------|------|---|------|---|------|----|------|--|
| Years ended March 31           |                 | 2017 |   | 2016 |   | 2015 |    | 2017 |  |
| Gains on sales of fixed assets | ¥               | -    | ¥ | 341  | ¥ | _    | \$ | -    |  |
| Total                          | ¥               | _    | ¥ | 341  | ¥ | _    | \$ | -    |  |
|                                |                 |      |   |      |   |      |    |      |  |

Millions of

Millions of U.S. Dollars

2017

Millions of

Millions of

1,222

### **20. EXTRAORDINARY LOSSES**

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

| Years ended March 31                         |
|--|
| Losses on sales and disposal of fixed assets |
| Provision for reserve for price fluctuations |
| Total  |

|   |       | U.S | 6. Dollars |   |        |      |    |  |  |
|---|-------|-----|------------|---|--------|------|----|--|--|
|   | 2017  |     | 2016       |   | 2015   | 2017 |    |  |  |
| ¥ | 453   | ¥   | 1,647      | ¥ | 1,432  | \$   | 4  |  |  |
|   | 6,444 |     | 70,100     |   | 97,934 |      | 57 |  |  |
| ¥ | 6,897 | ¥   | 71,748     | ¥ | 99,366 | \$   | 61 |  |  |

Millions of Yen

2016

170,458

### 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:

| Years ended March 31                             |   | 2017    |
|--|---|---------|
| Provision for reserve for policyholder dividends | ¥ | 137,061 |

### 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:

| Years ended March 31 |
|----------------------|
| Income               |
| Expenses             |

|   |        | 0.8. | Dollars |   |        |      |     |  |  |
|---|--------|------|---------|---|--------|------|-----|--|--|
|   | 2017   |      | 2016    |   | 2015   | 2017 |     |  |  |
| ¥ | 0      | ¥    | 197     | ¥ | 0      | \$   | 0   |  |  |
|   | 15,634 |      | 12,657  |   | 12,535 |      | 139 |  |  |

2015

190,363

| March 31             |
|----------------------|
| Monetary claims      |
| Monetary obligations |

|    | Millions of Yen |      |        |      |         |    |     |  |  |
|----|-----------------|------|--------|------|---------|----|-----|--|--|
| 20 | 17              | 2016 |        | 2015 | 2017    |    |     |  |  |
| ¥  | 378             | ¥    | 601    | ¥    | 314     | \$ | 3   |  |  |
|    | 13,862          |      | 20,501 |      | 107,445 |    | 124 |  |  |

### 23. SUBSEQUENT EVENTS

None.

### 24. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

|   |   |         |     |              |   |         | M  | illions of |
|---|---|---------|-----|--------------|---|---------|----|------------|
|   |   |         | U.S | U.S. Dollars |   |         |    |            |
| Years ended March 31                          |   | 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      |

Schedule of Tangible and Intangible Fixed Assets

|                               | Millions of Yen                           |     |          |          |                   |              |                           |                       |  |  |
|-------------------------------|---|-----|----------|----------|-------------------|--------------|---------------------------|-----------------------|--|--|
|                               |   |     |          | Year ei  | nded March 3      | 31, 2017     |                           |                       |  |  |
|                               | Accumulated depreciation and Depreciation |     |          |          |                   |              |                           |                       |  |  |
|                               | Dogin                                     |     |          |          | Ending            | amortization | and                       | Not anding            |  |  |
| Type of assets                | Begir<br>bala                             |     | Increase | Decrease | Ending<br>balance | the year     | amortization for the year | Net ending<br>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               |   | _   | _        | _        | _                 | _            | _                         | _                     |  |  |

|                               | Millions of Yen           |      |          |          |                   |  |                  |                    |  |  |  |  |  |  |
|-------------------------------|---------------------------|------|----------|----------|-------------------|--|------------------|--------------------|--|--|--|--|--|--|
|                               | Year ended March 31, 2016 |      |          |          |                   |  |                  |                    |  |  |  |  |  |  |
| Type of assets                | Begir<br>bala             |      | Increase | Decrease | Ending<br>balance | Accumulated depreciation and amortization at the end of the year | Depreciation and | Net ending balance |  |  |  |  |  |  |
| Tangible fixed assets:        | Daia                      | 1100 | ПСТСАЗС  | Decrease | Dalarice          | the year   | ioi trie year    | Dalarice           |  |  |  |  |  |  |
| 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               |                           | _    | _        | _        | _                 | _  |                  |                    |  |  |  |  |  |  |

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.

| Millions of Yen |  |
|-----------------|--|
|-----------------|--|

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

|                               | Millions of U.S. Dollars |        |          |          |              |   |                  |            |  |  |  |  |  |
|-------------------------------|--------------------------|--------|----------|----------|--------------|---|------------------|------------|--|--|--|--|--|
|                               |                          |        |          | Year e   | nded March 3 | 31, 2017  |                  |            |  |  |  |  |  |
|                               | Beginning                |        |          |          | Ending       | Accumulated depreciation and amortization at the end of | Depreciation and | Net ending |  |  |  |  |  |
| Type of assets                |                          | alance | Increase | Decrease | balance      | the year  | for the year     | balance    |  |  |  |  |  |
| Tangible fixed assets:        |                          |        |          |          |              |   |                  |            |  |  |  |  |  |
| Land                          | \$                       | -      | \$ -     | \$ -     | \$ 609       | \$ -  | \$ -             | \$ 609     |  |  |  |  |  |
| 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  Decrease Decrease Beginning (used for (for other balance Increase original purposes) reasons) Endir |   |          |         |           |      |            |   |                |  |  |  |  |
|--|---|---|---|----------|---------|-----------|------|------------|---|----------------|--|--|--|--|
|  |   |   |   | Yea      | r ended | March 31, | 2017 |            |   |                |  |  |  |  |
|  |   |   |   | Increase |         |           |      | (for other |   | 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        |  |  |  |  |

|                                  |   |                           |   |          | Millio                                      | ns of Yen |                                    |     |                |         |  |  |
|----------------------------------|---|---------------------------|---|----------|---|-----------|------------------------------------|-----|----------------|---------|--|--|
|                                  |   | Year ended March 31, 2016 |   |          |   |           |                                    |     |                |         |  |  |
|                                  |   | ginning<br>llance         |   | Increase | Decrease<br>(used for<br>original purposes) |           | Decrease<br>(for other<br>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 |  |  |

|                                     |   |                    |   |          | Millio   | ns of Yen                          |      |                                    |                |         |
|-------------------------------------|---|--------------------|---|----------|----------|------------------------------------|------|------------------------------------|----------------|---------|
|                                     |   |                    |   | Yea      | ar ended | March 31, 2                        | 2015 |                                    |                |         |
|                                     |   | eginning<br>alance |   | Increase | (u       | ecrease<br>sed for<br>Il purposes) | (    | Decrease<br>(for other<br>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 |

|  |                   | N        | Aillions of | U.S. Dollars                  | S   |                                    |        |           |
|--|-------------------|----------|-------------|-------------------------------|-----|------------------------------------|--------|-----------|
|  |                   | Yea      | r ended     | March 31, 2                   | 017 |                                    |        |           |
|  | ginning<br>alance | Increase | (us         | crease<br>ed for<br>purposes) | (   | Decrease<br>(for other<br>reasons) | Ending | g balance |
| Reserve for possible loan losses           | \$<br>7           | \$<br>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

6PMG-A2SA (LC, a limited liability well) corporation incorporated under the Japanese Centried Public Accountant Late and a marker form of the SPMG notwork of independent member form affiliated with 6PMG international Composition (SPMG) international Association (SPMG).

# 4. Status of Financial Assets (Consolidated)

### 4-1 Status of Risk-Monitored Loans (Consolidated)

Not applicable.

### 4-2 Status of Insurance Claims Paying Ability of the Company and Its **Subsidiaries (Consolidated Solvency Margin Ratio)**

(Millions of yen)

| As of March 31   | 2015        | 2016        | 2017        |
|--|-------------|-------------|-------------|
| Total amount of solvency margin (A)  | ¥ 5,706,126 | ¥ 5,547,846 | ¥ 5,425,821 |
| Capital stock, etc.  | 1,387,508   | 1,438,806   | 1,490,882   |
| Reserve for price fluctuations   | 712,167     | 782,268     | 788,712     |
| Contingency reserve  | 2,498,711   | 2,374,846   | 2,254,027   |
| Catastrophe loss reserve   | _           | _           | -           |
| General reserve for possible loan losses   | 77          | 71          | 59          |
| (Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) $\times$ 90% (if negative, $\times$ 100%) | 703,549     | 505,374     | 399,297     |
| Net unrealized gains (losses) on real estate $\times$ 85% (if negative, $\times$ 100%)   | (10,077)    | (3,474)     | 103         |
| Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)   | 7,920       | 6,975       | 6,064       |
| Excess of continued Zillmerized reserve  | 406,267     | 442,977     | 486,674     |
| Capital raised through debt financing  | _           | _           | -           |
| Amounts within "excess of continued Zillmerized reserve" and<br>"capital raised through debt financing" not calculated into the<br>margin                                      | -           | _           | -           |
| Deductions   | _           | _           | -           |
| Other  | _           | _           | -           |
| otal amount of risk  |             |             |             |
| $\sqrt{\left(\sqrt{R_1^2 + R_5^2} + R_8 + R_9\right)^2 + \left(R_2 + R_3 + R_7\right)^2} + R_4 + R_6 $ (B)   | 694,064     | 706,591     | 840,767     |
| Insurance risk R <sub>1</sub>  | 163,796     | 159,046     | 153,070     |
| General insurance risk R5  | _           | _           | -           |
| Catastrophe risk R6  | _           | _           | -           |
| Underwriting risk of third-sector insurance Re   | 88,568      | 78,262      | 69,104      |
| Small amount and short-term insurance risk R9  | _           | _           | -           |
| Anticipated yield risk R2  | 184,450     | 170,717     | 158,838     |
| Minimum guarantee risk R7  | _           | _           | -           |
| Investment risk R <sub>3</sub>   | 443,176     | 476,029     | 631,036     |
| Business management risk R4  | 17,599      | 17,681      | 20,240      |
| Solvency margin ratio $ \frac{(A)}{(1/2) \times (B)} \times 100 $  | 1,644.2%    | 1,570.3%    | 1,290.6%    |

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

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

## 4-3 Status of Insurance Claims Paying Ability of the Company's **Subsidiaries (Solvency Margin Ratio)**

There are no subsidiaries classified as an insurance company.

# 5. Status of Financial Assets (Non-Consolidated)

### 5-1 Loans by Borrower Category

(Millions of yen, %)

|    | As of March 31                   |   | 2015       |   | 2016      | 2017      |
|----|----------------------------------|---|------------|---|-----------|-----------|
|    | Bankrupt or quasi-bankrupt loans | ¥ | _          | ¥ | _         | ¥ –       |
|    | Doubtful loans                   |   | _          |   | _         | -         |
|    | Substandard loans                |   | _          |   | _         | -         |
| S  | ubtotal                          |   | _          |   | _         | -         |
| (F | Percentage in total)             |   | ( -)       |   | ( -)      | ( -)      |
| N  | ormal loans                      |   | 10,291,347 |   | 9,197,548 | 9,070,318 |
|    | Total                            |   | 10,291,347 |   | 9,197,548 | 9,070,318 |

#### Notes

- 1. Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
- 2. Doubtful loans are loans for which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower has not fallen into bankruptcy.
- 3. Substandard loans are past due loans for three months or more and restructured loans.
- "Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
- 4. Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

### 5-2 Status of Risk-Monitored Loans

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

## 5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

## 5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

|  |       |   |           |   |           |   | (Millions of |
|--|-------|---|-----------|---|-----------|---|--------------|
| As of March 31   |       |   | 2015      |   | 2016      |   | 2017         |
| otal amount of solvency margin   | (A)   | ¥ | 5,697,257 | ¥ | 5,541,363 | ¥ | 5,420,17     |
| Capital stock, etc.  |       |   | 1,386,560 |   | 1,439,299 |   | 1,491,2      |
| Reserve for price fluctuations   |       |   | 712,167   |   | 782,268   |   | 788,7        |
| Contingency reserve  |       |   | 2,498,711 |   | 2,374,846 |   | 2,254,0      |
| General reserve for possible loan losses   |       |   | 77        |   | 71        |   |              |
| (Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) $\times$ 90% (if negative, $\times$ 100%) |       |   | 703,549   |   | 505,374   |   | 399,2        |
| Net unrealized gains (losses) on real estate $\times$ 85% (if negative, $\times$ 100%)   |       |   | (10,077)  |   | (3,474)   |   | 1            |
| Excess of continued Zillmerized reserve  |       |   | 406,267   |   | 442,977   |   | 486,6        |
| Capital raised through debt financing  |       |   | _         |   | _         |   |              |
| Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the ma  | argin |   | _         |   | _         |   |              |
| Deductions   |       |   | _         |   | _         |   |              |
| Other  |       |   | _         |   | _         |   |              |
| tal amount of risk $\sqrt{\left(R_{1}+R_{8}\right)^{2}+\left(R_{2}+R_{3}+R_{7}\right)^{2}}+R_{4}$  | (B)   |   | 694,176   |   | 706,716   |   | 840,9        |
| Insurance risk R <sub>1</sub>  |       |   | 163,796   |   | 159,046   |   | 153,0        |
| Underwriting risk of third-sector insurance R <sub>8</sub>   |       |   | 88,568    |   | 78,262    |   | 69,1         |
| Anticipated yield risk R <sub>2</sub>  |       |   | 184,450   |   | 170,717   |   | 158,8        |
| Minimum guarantee risk R7  |       |   |           |   | _         |   |              |
| Investment risk R <sub>3</sub>   |       |   | 443,294   |   | 476,159   |   | 631,1        |
| Business management risk R4  |       |   | 17,602    |   | 17,683    |   | 20,2         |
| olvency margin ratio (A) × 100   |       |   | 1,641.4%  |   | 1,568.1%  |   | 1,289.1      |
| $\frac{(A)}{(1/2) \times (B)} \times 100$  |       |   | 1,641.4%  |   | 1,568.1%  |   | 1,28         |

Note: These figures are calculated based on the provisions set forth in the public notification No. 50 issued by the Ministry of Finance in 1996 and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act.

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

### 5-5 Fair Value Information of Securities (Company Total)

### (1) Fair Value Information of Securities

### 1) Net Valuation Gain/Loss of Trading Securities

The Company did not hold securities for trading as of March 31, 2015, 2016 and 2017.

### 2) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

|   |              |              | 2015        |            |          |              |              | 2016        |            |          |              |              | 2017        |            |         |
|---|--------------|--------------|-------------|------------|----------|--------------|--------------|-------------|------------|----------|--------------|--------------|-------------|------------|---------|
| As of March 31                          | Book         | Fair         | Net unreal  | ized gains | (losses) | Book         | Fair         | Net unreal  | ized gains | (losses) | Book         | Fair         | Net unreal  | ized gains | (losses |
|   | value        | value        |             | Gains      | Losses   | value        | value        |             | Gains      | Losses   | value        | value        |             | Gains      | Losse   |
| Held-to-maturity bonds                  | ¥ 43,695,559 | ¥ 48,232,675 | ¥ 4,537,116 | ¥4,537,655 | ¥ 539    | ¥ 42,239,821 | ¥ 49,752,914 | ¥ 7,513,092 | ¥7,513,093 | ¥ 0      | ¥ 40,441,881 | ¥ 46,518,693 | ¥ 6,076,812 | ¥6,149,942 | ¥ 73,1  |
| Policy-reserve-<br>matching bonds       | 15,493,208   | 16,668,447   | 1,175,238   | 1,175,453  | 214      | 13,563,423   | 15,062,160   | 1,498,737   | 1,498,737  | -        | 12,517,334   | 13,697,410   | 1,180,075   | 1,204,445  | 24,3    |
| Equities of subsidiaries and affiliates | -            | -            | -           | -          | -        | -            | -            | -           | -          | -        | -            | -            | -           | -          |         |
| Available-for-sale securities           | 9,411,484    | 10,193,205   | 781,721     | 784,470    | 2,748    | 9,918,112    | 10,479,639   | 561,527     | 658,164    | 96,636   | 12,522,618   | 12,966,282   | 443,664     | 657,830    | 214,1   |
| Corporate and government bonds          | 5,105,394    | 5,203,999    | 98,605      | 99,163     | 558      | 4,012,950    | 4,115,794    | 102,844     | 103,597    | 752      | 4,758,489    | 4,796,899    | 38,409      | 71,613     | 33,2    |
| Domestic stocks                         | 713,204      | 996,906      | 283,701     | 285,545    | 1,844    | 1,065,422    | 1,202,513    | 137,091     | 195,326    | 58,235   | 1,302,336    | 1,626,015    | 323,679     | 342,436    | 18,7    |
| Foreign securities                      | 1,850,911    | 2,248,231    | 397,319     | 397,666    | 346      | 3,682,785    | 4,001,136    | 318,351     | 355,894    | 37,542   | 4,658,641    | 4,748,683    | 90,041      | 237,280    | 147,2   |
| Foreign corporate and government bonds  | 1,537,712    | 1,863,492    | 325,779     | 326,126    | 346      | 3,299,371    | 3,590,822    | 291,450     | 319,363    | 27,912   | 4,219,602    | 4,248,732    | 29,130      | 175,028    | 145,8   |
| Foreign stocks and other securities     | 313,198      | 384,738      | 71,539      | 71,539     | -        | 383,413      | 410,314      | 26,901      | 36,531     | 9,630    | 439,038      | 499,950      | 60,911      | 62,252     | 1,3     |
| Other securities                        | -            | -            | -           | -          | -        | 100,000      | 100,044      | 44          | 150        | 105      | 1,428,000    | 1,417,122    | (10,877)    | 4,086      | 14,9    |
| Monetary claims bought                  | 446,973      | 449,068      | 2,095       | 2,095      | -        | 426,954      | 430,150      | 3,195       | 3,195      | -        | 25,149       | 27,561       | 2,411       | 2,411      |         |
| Negotiable certificates of deposit      | 1,295,000    | 1,295,000    | -           | -          | -        | 630,000      | 630,000      | -           | -          | -        | 350,000      | 350,000      | -           | -          |         |
| Other                                   | -            | -            | -           | -          | -        | -            | -            | -           | -          | -        | -            | -            | -           | -          |         |
| Total                                   | 68,600,251   | 75,094,328   | 6,494,077   | 6,497,580  | 3,502    | 65,721,357   | 75,294,714   | 9,573,357   | 9,669,994  | 96,637   | 65,481,834   | 73,182,386   | 7,700,552   | 8,012,218  | 311,6   |
| Corporate and government bonds          | 64,196,162   | 70,003,228   | 5,807,066   | 5,808,378  | 1,312    | 59,718,195   | 68,828,482   | 9,110,287   | 9,111,040  | 753      | 57,619,705   | 64,911,866   | 7,292,160   | 7,422,865  | 130,7   |
| Domestic stocks                         | 713,204      | 996,906      | 283,701     | 285,545    | 1,844    | 1,065,422    | 1,202,513    | 137,091     | 195,326    | 58,235   | 1,302,336    | 1,626,015    | 323,679     | 342,436    | 18,7    |
| Foreign securities                      | 1,948,911    | 2,350,125    | 401,213     | 401,560    | 346      | 3,780,785    | 4,103,523    | 322,738     | 360,281    | 37,542   | 4,756,641    | 4,849,819    | 93,178      | 240,417    | 147,2   |
| Foreign corporate and government bonds  | 1,635,712    | 1,965,386    | 329,673     | 330,020    | 346      | 3,397,371    | 3,693,209    | 295,837     | 323,750    | 27,912   | 4,317,602    | 4,349,869    | 32,266      | 178,164    | 145,8   |
| Foreign stocks and other securities     | 313,198      | 384,738      | 71,539      | 71,539     | -        | 383,413      | 410,314      | 26,901      | 36,531     | 9,630    | 439,038      | 499,950      | 60,911      | 62,252     | 1,3     |
| Other securities                        | -            | -            | -           | -          | -        | 100,000      | 100,044      | 44          | 150        | 105      | 1,428,000    | 1,417,122    | (10,877)    | 4,086      | 14,9    |
| Monetary claims bought                  | 446,973      | 449,068      | 2,095       | 2,095      | -        | 426,954      | 430,150      | 3,195       | 3,195      | -        | 25,149       | 27,561       | 2,411       | 2,411      |         |
| Negotiable certificates of deposit      | 1,295,000    | 1,295,000    | -           | -          | -        | 630,000      | 630,000      | -           | -          | -        | 350,000      | 350,000      | -           | -          |         |
| Other                                   | _            | _            | _           | _          | _        | _            | _            | _           | _          | _        | _            | _            | _           | _          |         |

<sup>1.</sup> This table includes the handling of securities under the Financial Instruments and Exchange Act.

<sup>2.</sup> This table includes money held in trust other than trading securities and its book value was ¥1,686,170 million with net unrealized gains of ¥380,716 million as of March 31, 2017, ¥1,448,835 million with net unrealized gains of ¥163,992 million as of March 31, 2016 and ¥1,026,403 million with net unrealized gains of ¥355,241 million as of March 31, 2015.

## ○ Held-to-maturity bonds

(Millions of yen)

|   |                      | 2015          |             |                      | 2016          |             | 2017                 |               |             |  |
|---|----------------------|---------------|-------------|----------------------|---------------|-------------|----------------------|---------------|-------------|--|
| As of March 31  | Balance sheet amount | Fair<br>value | Difference  | Balance sheet amount | Fair<br>value | Difference  | Balance sheet amount | Fair<br>value | Difference  |  |
| ose for which fair value exceeds e balance sheet amount         | ¥43,624,994          | ¥48,162,650   | ¥ 4,537,655 | ¥42,239,421          | ¥49,752,514   | ¥ 7,513,093 | ¥39,154,981          | ¥45,304,923   | ¥ 6,149,942 |  |
| Corporate and government bonds                                  | 43,526,994           | 48,060,756    | 4,533,761   | 42,141,421           | 49,650,127    | 7,508,706   | 39,056,981           | 45,203,787    | 6,146,805   |  |
| Foreign securities  | 98,000               | 101,894       | 3,894       | 98,000               | 102,387       | 4,387       | 98,000               | 101,136       | 3,136       |  |
| Other   | -                    | -             | -           | -                    | -             | _           | -                    | -             | -           |  |
| ose for which fair value does not ceed the balance sheet amount | 70,564               | 70,025        | (539)       | 400                  | 399           | (0)         | 1,286,899            | 1,213,770     | (73,129)    |  |
| Corporate and government bonds                                  | 70,564               | 70,025        | (539)       | 400                  | 399           | (0)         | 1,286,899            | 1,213,770     | (73,129)    |  |
| Foreign securities  | -                    | -             | -           | -                    | -             | -           | -                    | -             | -           |  |
| Other   | -                    | -             | -           | -                    | -             | -           | -                    | -             | -           |  |

## O Policy-reserve-matching bonds

(Millions of yen)

|   |                      | 2015          |             |                      | 2016          |             |                      | 2017          |             |
|---|----------------------|---------------|-------------|----------------------|---------------|-------------|----------------------|---------------|-------------|
| As of March 31  | Balance sheet amount | Fair<br>value | Difference  | Balance sheet amount | Fair<br>value | Difference  | Balance sheet amount | Fair<br>value | Difference  |
| Those for which fair value exce the balance sheet amount      | eds ¥15,462,719      | ¥16,638,173   | ¥ 1,175,453 | ¥13,563,423          | ¥15,062,160   | ¥ 1,498,737 | ¥12,120,004          | ¥13,324,449   | ¥ 1,204,445 |
| Corporate and government bo                                   | nds 15,462,719       | 16,638,173    | 1,175,453   | 13,563,423           | 15,062,160    | 1,498,737   | 12,120,004           | 13,324,449    | 1,204,445   |
| Foreign securities  | -                    | -             | _           | -                    | -             | _           | -                    | -             | -           |
| Other   | -                    | -             | -           | -                    | -             | -           | -                    | -             | -           |
| Those for which fair value does exceed the balance sheet amou | 30 488               | 30,273        | (214)       | -                    | -             | -           | 397,330              | 372,960       | (24,370)    |
| Corporate and government bo                                   | nds 30,488           | 30,273        | (214)       | -                    | _             | _           | 397,330              | 372,960       | (24,370)    |
| Foreign securities  | -                    | -             | -           | -                    | -             | _           | -                    | -             | -           |
| Other   | -                    | _             | _           | -                    | -             | _           | -                    | -             | -           |

### ○ Available-for-sale securities

|   |               | 2015                 |            |               | 2016                 |            |               | 2017                 |            |
|---|---------------|----------------------|------------|---------------|----------------------|------------|---------------|----------------------|------------|
| As of March 31  | Book<br>value | Balance sheet amount | Difference | Book<br>value | Balance sheet amount | Difference | Book<br>value | Balance sheet amount | Difference |
| Those for which the balance sheet amount exceeds book value         | ¥ 6,252,670   | ¥ 6,680,055          | ¥ 427,384  | ¥ 6,365,429   | ¥ 6,791,735          | ¥ 426,306  | ¥ 5,448,692   | ¥ 5,706,039          | ¥ 257,346  |
| Corporate and government bonds                                      | 4,768,988     | 4,868,151            | 99,163     | 3,660,820     | 3,764,417            | 103,597    | 3,086,086     | 3,157,699            | 71,613     |
| Domestic stocks   | -             | -                    | -          | -             | -                    | -          | 39,912        | 44,117               | 4,205      |
| Foreign securities  | 1,455,693     | 1,781,819            | 326,126    | 2,602,654     | 2,922,017            | 319,363    | 1,697,544     | 1,872,573            | 175,028    |
| Other securities  | -             | -                    | -          | 75,000        | 75,150               | 150        | 600,000       | 604,086              | 4,086      |
| Monetary claims bought  | 27,989        | 30,084               | 2,095      | 26,954        | 30,150               | 3,195      | 25,149        | 27,561               | 2,411      |
| Negotiable certificates of deposit                                  | -             | -                    | -          | -             | -                    | -          | -             | -                    | -          |
| Other   | -             | -                    | -          | -             | -                    | -          | -             | -                    | -          |
| Those for which the balance sheet amount does not exceed book value | 2,132,410     | 2,131,505            | (904)      | 2,103,847     | 2,075,076            | (28,770)   | 5,387,754     | 5,193,356            | (194,398)  |
| Corporate and government bonds                                      | 336,406       | 335,848              | (558)      | 352,130       | 351,377              | (752)      | 1,672,403     | 1,639,199            | (33,204)   |
| Domestic stocks   | -             | -                    | -          | _             | -                    | -          | 10,294        | 9,963                | (331)      |
| Foreign securities  | 82,019        | 81,673               | (346)      | 696,717       | 668,804              | (27,912)   | 2,527,056     | 2,381,158            | (145,898)  |
| Other securities  | -             | -                    | -          | 25,000        | 24,894               | (105)      | 828,000       | 813,035              | (14,964)   |
| Monetary claims bought  | 418,983       | 418,983              | -          | 399,999       | 399,999              | -          | -             | -                    | -          |
| Negotiable certificates of deposit                                  | 1,295,000     | 1,295,000            | -          | 630,000       | 630,000              | -          | 350,000       | 350,000              | -          |
| Other   | -             | -                    | -          | -             | -                    | _          | -             | -                    | -          |

### • The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Millions of yen)

| As of March 31   | 2015   | 2016 | 2017  |
|--|--------|------|-------|
| Held-to-maturity bonds                                   | ¥ –    | ¥ –  | ¥ –   |
| Unlisted foreign bonds                                   | _      | _    | -     |
| Other  | _      | _    | -     |
| Policy-reserve-matching bonds                            | _      | _    | -     |
| Equities of subsidiaries and affiliates                  | 984    | 984  | 984   |
| Available-for-sale securities                            | 20,000 | _    | 4,239 |
| Unlisted domestic stocks (excluding OTC traded equities) | _      | _    | 4,239 |
| Unlisted foreign stocks (excluding OTC traded equities)  | 20,000 | _    | -     |
| Unlisted foreign bonds                                   | _      | _    | -     |
| Other  | _      | _    | -     |
| Total  | 20,984 | 984  | 5,223 |

### (2) Data on Fair Value of Money Held in Trust

(Millions of yen)

|                     |               | 2          | 015       |             |          |               | 2          | 2016      |             |          |               | 2          | 017       |             |            |
|---------------------|---------------|------------|-----------|-------------|----------|---------------|------------|-----------|-------------|----------|---------------|------------|-----------|-------------|------------|
| As of March 31      | Balance sheet | Fair       | Net unrea | lized gains | (losses) | Balance sheet | Fair       | Net unrea | lized gains | (losses) | Balance sheet | Fair       | Net unrea | lized gains | s (losses) |
|                     | amount        | value      |           | Gains       | Losses   | amount        | value      |           | Gains       | Losses   | amount        | value      |           | Gains       | Losses     |
| Money held in trust | ¥1,434,943    | ¥1,434,943 | ¥ –       | ¥ –         | ¥ –      | ¥1,644,547    | ¥1,644,547 | ¥ –       | ¥ –         | ¥ –      | ¥2,127,042    | ¥2,127,042 | ¥ -       | ¥ -         | ¥ -        |

### 1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2015, 2016 and 2017.

### 2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

|   |           | 2         | 2015      |             |          |           | 2         | 2016      |             |          |           | 2         | 2017      |             |          |
|---|-----------|-----------|-----------|-------------|----------|-----------|-----------|-----------|-------------|----------|-----------|-----------|-----------|-------------|----------|
| As of March 31                          | Book      | Fair      | Net unrea | lized gains | (losses) | Book      | Fair      | Net unrea | lized gains | (losses) | Book      | Fair      | Net unrea | lized gains | (losses) |
|   | value     | value     |           | Gains       | Losses   | value     | value     |           | Gains       | Losses   | value     | value     |           | Gains       | Losses   |
| Assets held-<br>to-maturity<br>in trust | ¥ –       | ¥ –       | ¥ –       | ¥ -         | ¥ -      | ¥ –       | ¥ –       | ¥ –       | ¥ –         | ¥ -      | ¥ –       | ¥ -       | ¥ –       | ¥ –         | ¥ -      |
| Assets held for reserves in trust       | -         | -         | -         | -           | -        | -         | -         | -         | _           | _        | -         | -         | -         | -           | -        |
| Other<br>money held<br>in trust         | 1,079,701 | 1,434,943 | 355,241   | 357,085     | 1,844    | 1,480,555 | 1,644,547 | 163,992   | 231,857     | 67,865   | 1,746,326 | 2,127,042 | 380,716   | 400,483     | 19,767   |
| Domestic stock fund                     | 765,237   | 1,048,938 | 283,701   | 285,545     | 1,844    | 1,090,727 | 1,227,819 | 137,091   | 195,326     | 58,235   | 1,306,142 | 1,625,946 | 319,804   | 338,231     | 18,426   |
| Foreign stock fund                      | 158,944   | 195,510   | 36,565    | 36,565      | -        | 228,532   | 235,713   | 7,180     | 16,811      | 9,630    | 273,163   | 315,104   | 41,941    | 43,282      | 1,340    |
| Foreign bond fund                       | 155,519   | 190,493   | 34,974    | 34,974      | -        | 161,295   | 181,015   | 19,720    | 19,720      | -        | 167,020   | 185,990   | 18,970    | 18,970      | -        |

### (3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

### 1) Qualitative Information

### (i) Detail of the transactions

The main derivative transactions used by the Company are as follows:

- Interest rate-related: Interest rate swaps
- Currency-related: Foreign exchange contracts

### (ii) Policy for using derivative transactions

The Company uses derivative transactions for the purpose of hedging interest rate risk and foreign exchange fluctuation risk of our investment assets. The Company limits the use of derivative transactions to the purpose of hedging in principle and their use is not meant for speculative purposes.

### (iii) Purposes of the use of derivative transactions

The main purposes of the use of derivative transactions for the Company are as follows:

- Interest rate swaps are used for converting floating interest rate loans of the Company into fixed interest rate loans.
- Foreign exchange contracts are used to determine the yen value of the foreign currency cash flows associated with the purchase, sale and redemption of foreigncurrency-denominated assets, as well as for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

Of the above transactions, for the interest rate swaps used for converting floating interest rate loans into fixed interest rate loans, the Company applies the exceptional treatment and deferred hedge accounting for interest rate swaps, and applies fair value hedge accounting for the foreign exchange contracts used for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

### (iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in interest rates and foreign exchange rates) and credit risk (risks of transaction partners' default, including bankruptcy).

The Company uses derivative transactions for the purpose, in principle, of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their

ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

### (v) Risk management framework

The Company has formulated the Basic Risk Management Policy, whereby the investment policies of derivative transactions are provided, limiting the use of derivative transactions to the purpose of hedging and prohibiting their use for speculative purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

### (vi) Additional notes about quantitative information

- Additional notes about credit risk

We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

Additional notes about the calculation of fair value

We calculate fair value on the following basis: [Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Foreign exchange contracts]

Fair value is calculated using the forward foreign exchange rate as of the fiscal year-end date.

 Additional notes about net unrealized gains (losses)

We use derivative transactions as a means to hedge the market risk of our investment assets in principle, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

### 2) Quantitative information

## (i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied) (Millions of yen)

|    |   |                       |                  |                  | ı               | ı      |         |
|----|---|-----------------------|------------------|------------------|-----------------|--------|---------|
|    |   | Interest rate related | Currency related | Stock<br>related | Bond<br>related | Others | Total   |
| As | of March 31, 2015                         | ¥ 971                 | ¥ 493            | ¥ –              | ¥ –             | ¥ –    | ¥ 1,465 |
|    | Portion with hedge accounting applied     | 971                   | 493              | _                | _               | _      | 1,465   |
|    | Portion with hedge accounting not applied | _                     | _                | _                | _               | _      | _       |
| As | of March 31, 2016                         | 2,060                 | 4,644            | _                | _               | _      | 6,704   |
|    | Portion with hedge accounting applied     | 2,060                 | 4,644            | _                | _               | _      | 6,704   |
|    | Portion with hedge accounting not applied | _                     | _                | _                | _               | _      | _       |
| As | of March 31, 2017                         | 1,364                 | (4,657)          | -                | -               | -      | (3,292) |
|    | Portion with hedge accounting applied     | 1,364                 | (4,657)          | -                | -               | _      | (3,292) |
|    | Portion with hedge accounting not applied | _                     | _                | _                | _               | _      | _       |

#### Notes:

- 1. Of the hedge accounting applied as of March 31, 2015, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥493 million) is accrued in the statement of income.
- 2. Of the hedge accounting applied as of March 31, 2016, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥4,644 million) is accrued in the statement of income.
- 3. Of the hedge accounting applied as of March 31, 2017, the portion with hedge accounting (the fair value hedge method) applied to the net loss (currency related ¥4,657 million) is accrued in the statement of income.

### Derivative transactions to which hedge accounting is not applied

### (ii) Interest rate-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (iii) Currency-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (vi) Others

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### Derivative transactions to which hedge accounting is applied

### (ii) Interest rate-related derivatives

(Millions of yen)

|   |  |                | As of M  | larch 31,                              | 2015          | As of M  | larch 31,                              | 2016          | As of N  | larch 31,                        | 2017          |
|---|--|----------------|----------|--|---------------|----------|--|---------------|----------|----------------------------------|---------------|
| Hedge   | _  | Major          | Contract | amount                                 |               | Contract | amount                                 |               | Contract | amount                           |               |
| accounting<br>method                          | Туре   | hedged<br>item |          | Contract<br>amount due<br>after 1 year | Fair<br>value |          | Contract<br>amount due<br>after 1 year | Fair<br>value |          | Contract amount due after 1 year | Fair<br>value |
| Deferred<br>hedge method                      | Interest rate swaps<br>Receivable fixed<br>rate / Payable<br>floating rate | Loans          | ¥ 13,750 | ¥13,750                                | ¥ 32          | ¥ 13,750 | ¥13,750                                | ¥ 197         | ¥ 11,750 | ¥11,750                          | ¥ 71          |
| Exceptional treatment for interest rate swaps | Interest rate swaps<br>Receivable fixed<br>rate / Payable<br>floating rate | Loans          | 88,200   | 65,500                                 | 938           | 65,500   | 46,050                                 | 1,862         | 46,050   | 39,750                           | 1,293         |
|   | Total  |                |          |  | 971           |          |  | 2,060         |          |                                  | 1,364         |

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

### Reference: Outstanding balances of interest rate swaps by contractual maturity date

|                                       |                          |                                     |                                      |                                      |                                    | (1  | Millions of yen, % |
|---------------------------------------|--------------------------|-------------------------------------|--------------------------------------|--------------------------------------|------------------------------------|---|--------------------|
| Category                              | Due in 1<br>year or less | Due after 1 year<br>through 3 years | Due after 3 years<br>through 5 years | Due after 5 years<br>through 7 years | Due after 7 years through 10 years | Due after 10<br>years or having<br>no maturity date | Total              |
| As of March 31, 2015                  | ¥ 22,700                 | ¥ 25,750                            | ¥ 22,300                             | ¥ 10,050                             | ¥ 16,150                           | ¥ 5,000   | ¥ 101,950          |
| Fixed receipt swap notional principal | 22,700                   | 25,750                              | 22,300                               | 10,050                               | 16,150                             | 5,000   | 101,950            |
| Average fixed interest receipt        | 0.55                     | 0.44                                | 0.45                                 | 0.48                                 | 0.94                               | 1.12  | 0.58               |
| Average floating interest payment     | 0.17                     | 0.16                                | 0.18                                 | 0.20                                 | 0.24                               | 0.24  | 0.19               |
| Fixed payment swap notional principal | _                        | _                                   | _                                    | _                                    | _                                  | _   | _                  |
| Average fixed interest payment        | _                        | -                                   | _                                    | _                                    | _                                  | _   | _                  |
| Average floating interest receipt     | _                        | _                                   | _                                    | _                                    | _                                  | _   | _                  |
| As of March 31, 2016                  | 19,450                   | 24,550                              | 8,400                                | 8,600                                | 13,250                             | 5,000   | 79,250             |
| Fixed receipt swap notional principal | 19,450                   | 24,550                              | 8,400                                | 8,600                                | 13,250                             | 5,000   | 79,250             |
| Average fixed interest receipt        | 0.50                     | 0.39                                | 0.52                                 | 0.61                                 | 0.94                               | 1.12  | 0.59               |
| Average floating interest payment     | 0.09                     | 0.05                                | 0.11                                 | 0.15                                 | 0.10                               | 0.13  | 0.09               |
| Fixed payment swap notional principal | _                        | _                                   | _                                    | _                                    | _                                  | _   | _                  |
| Average fixed interest payment        | _                        | _                                   | _                                    | _                                    | _                                  | _   | _                  |
| Average floating interest receipt     | _                        | _                                   | _                                    | _                                    | _                                  | _   | _                  |
| As of March 31, 2017                  | 6,300                    | 19,300                              | 10,050                               | 12,150                               | 10,000                             | -   | 57,800             |
| Fixed receipt swap notional principal | 6,300                    | 19,300                              | 10,050                               | 12,150                               | 10,000                             | -   | 57,800             |
| Average fixed interest receipt        | 0.24                     | 0.47                                | 0.48                                 | 0.90                                 | 1.05                               | -   | 0.64               |
| Average floating interest payment     | 0.02                     | 0.08                                | 0.09                                 | 0.16                                 | 0.14                               | -   | 0.10               |
| Fixed payment swap notional principal | -                        | -                                   | -                                    | -                                    | -                                  | -   | _                  |
| Average fixed interest payment        | _                        | -                                   | _                                    | -                                    | _                                  | -   | _                  |
| Average floating interest receipt     | _                        | _                                   | _                                    | -                                    | _                                  | -   | -                  |

### (iii) Currency-related derivatives

(Millions of yen)

|                      |                            |                        | As of     | March 31                                  | , 2015 As of March 3 |            |   | , 2016        | As of March 31, 2017 |   |               |
|----------------------|----------------------------|------------------------|-----------|---|----------------------|------------|---|---------------|----------------------|---|---------------|
| Hedge                |                            | Major                  | Contract  | amount                                    |                      | Contrac    | t amount                                  |               | Contrac              | t amount                                  |               |
| accounting<br>method | Туре                       | hedged<br>item         |           | Contract<br>amount<br>due after<br>1 year | Fair<br>value        |            | Contract<br>amount<br>due after<br>1 year | Fair<br>value |                      | Contract<br>amount<br>due after<br>1 year | Fair<br>value |
|                      | Foreign exchange contracts |                        |           |   |                      |            |   |               |                      |   |               |
| Fair value           | Sold                       | Available-             | ¥ 363,120 | ¥ –                                       | ¥ 493                | ¥1,693,683 | ¥ –                                       | ¥ 4,644       | ¥2,438,390           | ¥ -                                       | ¥ (4,657)     |
| hedge<br>accounting  | U.S. dollars               | for-sale<br>securities | 172,008   | _   | (12,843)             | 392,081    | _   | 5,408         | 1,603,918            | -   | (5,630)       |
| 3                    | Euros                      |                        | 191,112   | _   | 13,337               | 1,301,602  | _   | (764)         | 834,472              | -   | 973           |
|                      | Purchased                  |                        | _         | _   | -                    | _          | -   | _             | -                    | -   | -             |
|                      | Total                      |                        |           |   | 493                  |            |   | 4,644         |                      |   | (4,657)       |

### Notes:

### (iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

### (vi) Others

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

<sup>1.</sup> Fair value is calculated using forward foreign exchange rates at the fiscal year-end.

<sup>2.</sup> Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

## 5-6 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

| For the years ended March 31                     |           | 2015     | 2016        | 2017      |
|--|-----------|----------|-------------|-----------|
| Core profit                                      | А         | ¥ 515,41 | 7 ¥ 464,285 | ¥ 390,070 |
| Capital gains                                    |           | 94,68    | 3 46,180    | 141,677   |
| Gains on money held in trust                     |           | 32,76    | 2 44,939    | 56,535    |
| Gains on trading securities                      |           |          |             | -         |
| Gains on sales of securities                     |           | 61,90    | 8 1,241     | 85,142    |
| Gains on derivative financial instruments        |           |          |             | -         |
| Gains on foreign exchanges                       |           | 1:       | 2 –         | -         |
| Other capital gains                              |           |          |             | -         |
| Capital losses                                   |           | 30,52    | 7 41,748    | 192,860   |
| Losses on money held in trust                    |           |          |             | -         |
| Losses on trading securities                     |           |          |             | _         |
| Losses on sales of securities                    |           | 4,96     | 3 1,592     | 124,734   |
| Losses on valuation of securities                |           |          |             | _         |
| Losses on derivative financial instruments       |           | 77:      | 3 1,511     | 20,599    |
| Losses on foreign exchanges                      |           |          | - 402       | 3,362     |
| Other capital losses                             |           | 24,79    | 0 38,242    | 44,163    |
| Net capital gains (losses)                       | В         | 64,15    | 6 4,432     | (51,182)  |
| Core profit including net capital gains (losses) | A+B       | 579,57   | 3 468,717   | 338,887   |
| Other one-time gains                             |           | 90,08    | 7 123,864   | 120,819   |
| Reinsurance income                               |           |          |             | _         |
| Reversal of contingency reserve                  |           | 90,08    | 7 123,864   | 120,819   |
| Reversal of specific reserve for possible loa    | an losses |          |             | _         |
| Other  |           |          |             | _         |
| Other one-time losses                            |           | 176,49   | 1 179,558   | 180,359   |
| Reinsurance premiums                             |           |          |             | _         |
| Provision for contingency reserve                |           |          |             | _         |
| Provision for specific reserve for possible lo   | an losses |          |             | _         |
| Provision for reserve for specific foreign loa   | ans       |          | _   _       | _         |
| Write-off of loans                               |           |          |             | _         |
| Other  |           | 176,49   | 1 179,558   | 180,359   |
| Other one-time profits (losses)                  | С         | (86,40   | 3) (55,694) | (59,539)  |
| Ordinary profit                                  | A+B+C     | 493,16   | 9 413,023   | 279,347   |

### Notes

- 1. Amount equivalent to income gains associated with money held in trust (¥24,790 million for 2015, ¥38,242 million for 2016 and ¥44,130 million for 2017) is recognized as "other capital losses" and included in core profit.
- 2. Amount equivalent to income gains associated with derivative financial instruments (¥33 million for 2017) is recognized as "other capital losses" and included in core profit.
- 3. "Other" in "other one-time losses" includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥176,491 million for 2015, ¥179,558 million for 2016 and ¥180,359 million for 2017).

# 6. Main Business Indicators

## 6-1 Key Business Indicators (Non-Consolidated)

(Billions of yen unless specifically indicated)

|  |               |              |            | T .                | , , ,              |
|--|---------------|--------------|------------|--------------------|--------------------|
| As of/For the years ended March 31                           | 2013          | 2014         | 2015       | 2016               | 2017               |
| Ordinary income  | ¥ 11,834      | 9 ¥ 11,233.9 | ¥ 10,169.2 | ¥ 9,605.8          | ¥ 8,659.4          |
| Ordinary profit  | 529           | 3 463.5      | 493.1      | 413.0              | 279.3              |
| Core profit  | 570           | 0 482.0      | 515.4      | 464.2              | 390.0              |
| Net income   | 91            | 0 63.4       | 81.7       | 86.3               | 88.5               |
| Capital stock (Number of shares issued: thousands of shares) | 500<br>(20,00 |              |            | 500.0<br>(600,000) | 500.0<br>(600,000) |
| Total assets   | 90,462        | 3 87,088.6   | 84,911.9   | 81,543.6           | 80,336.4           |
| Separate account   |               |              | _          | _                  | _                  |
| Policy reserves  | 81,401        | 9 77,745.4   | 75,112.6   | 72,362.5           | 70,175.2           |
| Loans  | 12,691        | 5 11,020.5   | 9,977.3    | 8,978.4            | 8,060.9            |
| Securities   | 72,558        | 1 69,378.9   | 66,277.2   | 63,610.8           | 63,486.2           |
| Solvency margin ratio (%)                                    | 1,467.9       | 6 1,623.4%   | 1,641.4%   | 1,568.1%           | 1,289.1%           |
| Number of employees (persons)                                | 6,78          | 9 6,948      | 7,153      | 7,378              | 7,424              |
| Policy amount in force                                       | 31,675        | 37,179.5     | 42,774.9   | 47,882.7           | 53,229.1           |
| Individual insurance   | 28,480        | 7 33,735.6   | 39,159.0   | 44,406.2           | 50,097.9           |
| Individual annuities   | 3,194         | 6 3,443.8    | 3,615.9    | 3,476.4            | 3,131.1            |
| Group insurance  |               |              | _          | _                  | _                  |
| Policy amount in force for group annuities                   |               |              | _          | _                  | _                  |

### Notes:

the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

<sup>1.</sup> The number of shares issued reflects the 30:1 stock split effective August 1, 2015.

<sup>2. &</sup>quot;Policy amount in force" is the total of individual insurance, individual annuities and group insurance.

Figures for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for

### 6-2 Selected Financial Data and Other Information

### (1) Policies in Force and New Policies

### 1) Policies in Force

(Number of policies, millions of yen, %)

|                      |            | 20                 | 15           |                    |            | 20              | 16           |                    | 2017       |                    |              |                    |  |
|----------------------|------------|--------------------|--------------|--------------------|------------|-----------------|--------------|--------------------|------------|--------------------|--------------|--------------------|--|
|                      | Number     | of policies        | Policy a     | amount             | Number     | of policies     | Policy a     | amount             | Number o   | of policies        | Policy a     | amount             |  |
| As of March 31       |            | Year-on-           |              | Year-on-           |            | Year-on-        |              | Year-on-           |            | Year-on-           |              | Year-on-           |  |
|                      |            | year<br>comparison |              | year<br>comparison |            | year comparison |              | year<br>comparison |            | year<br>comparison |              | year<br>comparison |  |
| Individual insurance | 13,539,479 | 116.0%             | ¥ 39,159,046 | 116.1%             | 15,350,407 | 113.4%          | ¥ 44,406,257 | 113.4%             | 17,150,748 | 111.7%             | ¥ 50,097,987 | 112.8%             |  |
| Individual annuities | 1,318,287  | 110.4              | 3,615,908    | 105.0              | 1,367,445  | 103.7           | 3,476,492    | 96.1               | 1,363,121  | 99.7               | 3,131,186    | 90.1               |  |
| Group insurance      | _          | _                  | _            | _                  | _          | _               | _            | _                  | _          | _                  | _            | _                  |  |
| Group annuities      | _          | _                  | _            | _                  | _          | _               | _            | _                  | _          | _                  | _            | _                  |  |

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

### 2) New Policies

(Number of policies, millions of yen, %)

|                                 | 2015               |                                |               |                                | 2016  |           |                                |             |                                | 2017  |               |                                |             |                                |   |
|---------------------------------|--------------------|--------------------------------|---------------|--------------------------------|---|-----------|--------------------------------|-------------|--------------------------------|---|---------------|--------------------------------|-------------|--------------------------------|---|
|                                 | Number of policies |                                | Policy amount |                                | Number of policies                                |           | Policy amount                  |             | Number of policies             |   | Policy amount |                                | ount        |                                |   |
| For the years<br>ended March 31 |                    | Year-on-<br>year<br>comparison |               | Year-on-<br>year<br>comparison | Net increase<br>arising from<br>the<br>conversion |           | Year-on-<br>year<br>comparison |             | Year-on-<br>year<br>comparison | Net increase<br>arising from<br>the<br>conversion |               | Year-on-<br>year<br>comparison |             | Year-on-<br>year<br>comparison | Net increase<br>arising from<br>the<br>conversion |
| Individual insurance            | 2,381,977          | 106.6%                         | ¥ 7,002,593   | 106.8%                         | _   | 2,397,286 | 100.6%                         | ¥ 7,168,485 | 102.4%                         | _   | 2,441,232     | 101.8%                         | ¥ 7,847,481 | 109.5%                         | _   |
| Individual annuities            | 137,965            | 92.7                           | 493,582       | 94.2                           | _   | 63,542    | 46.1                           | 219,721     | 44.5                           | _   | 10,624        | 16.7                           | 39,797      | 18.1                           | _   |
| Group insurance                 | _                  | _                              | _             | _                              | _   | _         | _                              | _           | _                              | _   | -             | _                              | _           | _                              | _   |
| Group annuities                 | _                  | _                              | _             | _                              | _   | _         | _                              | _           | _                              | _   | _             | _                              | _           | _                              | _   |

Note: Policy amounts for "individual annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.

### (2) Annualized Premiums

### 1) Policies in Force

(Millions of yen, %)

|   | 20          | 15           | 20          | 16           | 2017        |              |  |
|---|-------------|--------------|-------------|--------------|-------------|--------------|--|
| As of March 31                              |             | Year-on-year |             | Year-on-year |             | Year-on-year |  |
|   |             | comparison   |             | comparison   |             | comparison   |  |
| Individual insurance                        | ¥ 2,526,861 | 115.3%       | ¥ 2,863,561 | 113.3%       | ¥ 3,207,988 | 112.0%       |  |
| Individual annuities                        | 673,838     | 101.9        | 656,079     | 97.4         | 569,359     | 86.8         |  |
| Total                                       | ¥ 3,200,699 | 112.2        | ¥ 3,519,640 | 110.0        | ¥ 3,777,348 | 107.3        |  |
| Medical coverage, living benefits and other | 257,460     | 113.2        | 293,413     | 114.0        | 333,857     | 113.8        |  |

### Notes:

- 1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
- 2. "Medical coverage, living benefits and other" includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

### 2) New Policies

(Millions of yen, %)

| For the years ended March 31                |  | 2015    |                         |   | 2016    |                         |   | 2017    |                         |  |  |
|---|--|---------|-------------------------|---|---------|-------------------------|---|---------|-------------------------|--|--|
|   |  |         | Year-on-year comparison |   |         | Year-on-year comparison |   |         | Year-on-year comparison |  |  |
| Individual insurance                        |  | 457,852 | 104.3%                  | ¥ | 485,374 | 106.0%                  | ¥ | 507,988 | 104.7%                  |  |  |
| Individual annuities                        |  | 162,575 | 90.4                    |   | 105,100 | 64.6                    |   | 19,429  | 18.5                    |  |  |
| Total                                       |  | 620,427 | 100.2                   | ¥ | 590,474 | 95.2                    | ¥ | 527,417 | 89.3                    |  |  |
| Medical coverage, living benefits and other |  | 41,120  | 83.6                    |   | 49,588  | 120.6                   |   | 55,739  | 112.4                   |  |  |

#### Notes:

- 1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
- 2. "Medical coverage, living benefits and other" includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits) and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

### (3) New Policies by Product

(Number of policies, millions of yen)

| For the years ended March 31 |  | 20                 | 15            | 20                 | 16            | 2017               |               |  |
|------------------------------|--|--------------------|---------------|--------------------|---------------|--------------------|---------------|--|
|                              | Tof the years ended March 31                             | Number of policies | Policy amount | Number of policies | Policy amount | Number of policies | Policy amount |  |
| Inc                          | dividual insurance                                       | 2,381,977          | ¥ 7,002,593   | 2,397,286          | ¥ 7,168,485   | 2,441,232          | ¥ 7,847,481   |  |
|                              | Ordinary whole life insurance                            | 292,827            | 1,002,218     | 385,036            | 1,198,852     | 607,993            | 1,788,082     |  |
|                              | Fixed amount type  | 84,197             | 226,816       | 187,082            | 456,306       | 332,216            | 759,054       |  |
|                              | Increased amount type                                    | 208,630            | 775,402       | 197,954            | 742,546       | 275,777            | 1,029,027     |  |
|                              | Special whole life insurance                             | 297,911            | 1,052,297     | 277,490            | 1,027,512     | 314,673            | 1,250,539     |  |
|                              | Ordinary term insurance                                  | 539                | 1,209         | 409                | 914           | 455                | 1,058         |  |
|                              | Ordinary endowment insurance                             | 777,359            | 2,163,389     | 941,743            | 2,668,545     | 881,969            | 2,898,010     |  |
|                              | Special endowment insurance                              | 344,033            | 1,380,944     | 310,548            | 1,214,803     | 288,389            | 1,164,671     |  |
|                              | Designated endowment insurance                           | 1,400              | 1,738         | 1,033              | 1,299         | 802                | 1,020         |  |
|                              | Educational endowment insurance                          | 930                | 992           | _                  | _             | -                  | -             |  |
|                              | Educational endowment insurance with scholarship annuity | 112                | 125           | _                  | _             | -                  | -             |  |
|                              | Educational endowment insurance (H24)                    | 666,866            | 1,399,677     | 481,027            | 1,056,557     | 346,951            | 744,099       |  |
| Inc                          | dividual annuities                                       | 137,965            | ¥ 493,582     | 63,542             | ¥ 219,721     | 10,624             | ¥ 39,797      |  |
|                              | Immediate term annuity                                   | 29,758             | 101,282       | 15,172             | 51,411        | 2,251              | 7,933         |  |
|                              | Deferred term annuity                                    | 108,207            | 392,300       | 48,370             | 168,310       | 8,373              | 31,864        |  |
| As                           | set-formation insurance                                  | 26                 | ¥ 0           | 20                 | ¥ 0           | 18                 | ¥ 0           |  |
|                              | Asset-formation savings insurance                        | 25                 | 0             | 20                 | 0             | 18                 | 0             |  |
|                              | Asset-formation housing funding insurance                | 1                  | 0             | _                  | _             | _                  | _             |  |
| As                           | set-formation annuities                                  | 3                  | ¥ 13          | _                  | ¥ –           | 1                  | ¥ 4           |  |
|                              | Asset-formation whole life annuity                       | 3                  | 13            | _                  | _             | 1                  | 4             |  |

- 1. Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- 2. Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- 3. Policy amount for "asset-formation insurance" is the amount of the first premium payment.
- 4. "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

### (4) Policies in Force by Product

(Number of policies, millions of yen)

| (Number of pol |  |                    |               |                    |             |                    |                     |
|----------------|--|--------------------|---------------|--------------------|-------------|--------------------|---------------------|
|                | As of March 31   | Number of policies | Policy amount | Number of policies |             | Number of policies | 17<br>Policy amount |
| Inc            | lividual insurance                                       | 13,539,479         | ¥39,159,046   | 15,350,407         | ¥44,406,257 | 17,150,748         | ¥50,097,987         |
|                | Ordinary whole life insurance                            | 1,899,469          | 6,383,252     | 2,194,077          | 7,241,490   | 2,692,370          | 8,636,024           |
|                | Fixed amount type  | 440,434            | 1,120,353     | 612,244            | 1,534,396   | 912,498            | 2,209,735           |
|                | Increased amount type                                    | 1,459,035          | 5,262,898     | 1,581,833          | 5,707,093   | 1,779,872          | 6,426,288           |
|                | Special whole life insurance                             | 1,357,312          | 4,376,825     | 1,590,936          | 5,237,290   | 1,855,456          | 6,286,734           |
|                | Whole life insurance with nursing care benefit           | 129                | 379           | 125                | 364         | 123                | 354                 |
|                | Ordinary term insurance                                  | 3,662              | 15,662        | 3,661              | 16,037      | 3,738              | 16,422              |
|                | Ordinary endowment insurance                             | 5,544,136          | 13,917,569    | 6,218,219          | 15,677,004  | 6,809,519          | 17,590,358          |
|                | Special endowment insurance                              | 2,723,853          | 11,003,909    | 2,909,065          | 11,676,158  | 3,069,931          | 12,288,755          |
|                | Designated endowment insurance                           | 71,809             | 128,600       | 67,638             | 124,761     | 64,307             | 119,025             |
|                | Educational endowment insurance                          | 1,183,928          | 1,784,974     | 1,150,421          | 1,857,689   | 1,120,418          | 1,897,421           |
|                | Educational endowment insurance with scholarship annuity | 93,014             | 155,717       | 90,494             | 161,289     | 88,373             | 164,273             |
|                | Educational endowment insurance (H24)                    | 661,691            | 1,390,168     | 1,125,323          | 2,412,328   | 1,446,081          | 3,096,843           |
|                | Husband-and-wife insurance                               | 75                 | 183           | 73                 | 175         | 70                 | 169                 |
|                | Whole life insurance with whole life annuity             | 400                | 1,799         | 374                | 1,665       | 361                | 1,600               |
|                | Husband-and-wife insurance with husband-and-wife annuity | 1                  | 3             | 1                  | 3           | 1                  | 3                   |
| Inc            | lividual annuities                                       | 1,318,287          | ¥ 3,615,908   | 1,367,445          | ¥ 3,476,492 | 1,363,121          | ¥ 3,131,186         |
|                | Immediate whole life annuity                             | 1,034              | 4,528         | 1,030              | 4,294       | 1,020              | 4,048               |
|                | Deferred whole life annuity                              | 10,827             | 86,320        | 10,494             | 83,196      | 10,216             | 80,400              |
|                | Whole life annuity with additional nursing annuity       | 5                  | 51            | 5                  | 51          | 5                  | 51                  |
|                | Immediate term annuity                                   | 383,967            | 765,755       | 394,959            | 684,684     | 392,394            | 556,451             |
|                | Deferred term annuity                                    | 922,442            | 2,759,172     | 960,945            | 2,704,185   | 959,474            | 2,490,157           |
|                | Immediate husband-and-wife annuity                       | 2                  | 6             | 2                  | 6           | 2                  | 6                   |
|                | Deferred husband-and-wife annuity                        | 10                 | 72            | 10                 | 72          | 10                 | 71                  |
| As             | set-formation insurance                                  | 216                | ¥ 175         | 168                | ¥ 136       | 132                | ¥ 114               |
|                | Asset-formation savings insurance                        | 208                | 165           | 161                | 126         | 125                | 102                 |
|                | Asset-formation housing funding insurance                | 8                  | 10            | 7                  | 9           | 7                  | 12                  |
| As             | set-formation annuities                                  | 12                 | ¥ 51          | 12                 | ¥ 51        | 13                 | ¥ 56                |
|                | Asset-formation whole life annuity                       | 12                 | 51            | 12                 | 51          | 13                 | 56                  |
|                |  |                    | -             |                    |             |                    |                     |

### Notes:

- 1. Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- 2. Policy amounts for "individual annuities" and "asset-formation annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- 3. Policy amount for "asset-formation insurance" is the amount of policy reserves.
- 4. "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

### (5) Policies in Force by Benefit Type

|                         |                                 |                       | Policy amount in force |              |   |              |      |              |  |  |  |
|-------------------------|---------------------------------|-----------------------|------------------------|--------------|---|--------------|------|--------------|--|--|--|
|                         | As of Marc                      | h 31                  |                        | 2015         |   | 2016         | 2017 |              |  |  |  |
|                         |                                 | Individual insurance  | ¥                      | 37,768,877   | ¥ | 41,993,929   | ¥    | 47,001,143   |  |  |  |
|                         |                                 | Individual annuities  |                        | _            |   | _            |      | _            |  |  |  |
| Death                   | General                         | Group insurance       |                        | _            |   | _            |      | _            |  |  |  |
|                         | death                           | Group annuities       |                        | _            |   | _            |      | _            |  |  |  |
|                         |                                 | Net, including others |                        | 88,291,510   |   | 84,007,365   |      | 81,178,001   |  |  |  |
|                         |                                 | Individual insurance  | ſ                      | 46,526,034]  | Г | 51,394,045]  | Г    | 55,809,032]  |  |  |  |
|                         |                                 | Individual annuities  | Ī                      | 15,447]      | Ī | 15,113]      | [    | 14,781]      |  |  |  |
|                         | Accidental death                | Group insurance       | ſ                      | -1           | Ī |              | [    | -1           |  |  |  |
| benefit                 | deam                            | Group annuities       | Ī                      |              | Ī |              | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | 132,584,532] | [ | 124,324,080] | [    | 117,065,108] |  |  |  |
|                         |                                 | Individual insurance  | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         | Other                           | Individual annuities  | Ī                      |              | Ī |              | [    | -]           |  |  |  |
|                         | conditional                     | Group insurance       | [                      |              | [ |              | [    | -]           |  |  |  |
|                         | death                           | Group annuities       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Individual insurance  | _                      | 1,390,168    | _ | 2,412,328    |      | 3,096,843    |  |  |  |
|                         | Maturity/<br>living<br>benefits | Individual annuities  |                        | 1,433,551    |   | 1,286,840    |      | 1,018,299    |  |  |  |
|                         |                                 | Group insurance       |                        | _            |   | _            |      | _            |  |  |  |
|                         |                                 | Group annuities       |                        | _            |   | _            |      | _            |  |  |  |
|                         |                                 | Net, including others |                        | 5,717,790    |   | 6,229,815    |      | 6,352,313    |  |  |  |
|                         | Annuities                       | Individual insurance  | [                      | 22,062]      | [ | 21,450]      | [    | 20,956]      |  |  |  |
|                         |                                 | Individual annuities  | [                      | 470,687]     | [ | 488,335]     | [    | 487,045]     |  |  |  |
| Survival<br>benefit     |                                 | Group insurance       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
| beneni                  |                                 | Group annuities       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | 1,725,640]   | [ | 1,564,838]   | [    | 1,402,586]   |  |  |  |
|                         | Others                          | Individual insurance  |                        | _            |   | _            |      | -            |  |  |  |
|                         |                                 | Individual annuities  |                        | 2,182,357    |   | 2,189,651    |      | 2,112,887    |  |  |  |
|                         |                                 | Group insurance       |                        | _            |   | _            |      | -            |  |  |  |
|                         |                                 | Group annuities       |                        | _            |   | _            |      | -            |  |  |  |
|                         |                                 | Net, including others |                        | 11,927,372   |   | 11,692,836   |      | 11,402,938   |  |  |  |
|                         |                                 | Individual insurance  | [                      | 42,604]      | [ | 46,427]      | [    | 50,097]      |  |  |  |
|                         | Hospitalization                 | Individual annuities  | [                      | 37]          | [ | 36]          | [    | 35]          |  |  |  |
|                         | due to                          | Group insurance       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         | accident                        | Group annuities       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | 114,039]     | [ | 107,383]     | [    | 101,209]     |  |  |  |
|                         |                                 | Individual insurance  | [                      | 41,924]      | [ | 45,750]      | [    | 49,423]      |  |  |  |
| Lloonitali-atio-        | Lloopitali-atio-                | Individual annuities  | [                      | 9]           | [ | 8]           | [    | 8]           |  |  |  |
| Hospitalization benefit | Hospitalization due to illness  | Group insurance       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
| John                    | due to lliness                  | Group annuities       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | 112,858]     | [ | 106,359]     | [    | 100,315]     |  |  |  |
|                         |                                 | Individual insurance  | [                      | 7,003]       | [ | 7,644]       | [    | 8,259]       |  |  |  |
|                         | Other                           | Individual annuities  | [                      | 6]           | [ | 5]           | [    | 5]           |  |  |  |
|                         | conditional                     | Group insurance       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         | hospitalization                 | Group annuities       | [                      | -]           | [ | -]           | [    | -]           |  |  |  |
|                         |                                 | Net, including others | [                      | 13,543]      | [ | 13,129]      | [    | 13,016]      |  |  |  |

- 1. Figures within brackets "[]" are supplementary benefits of the basic policy and rider benefits.
- 2. Policy amounts for "individual annuities" in the "maturity/living benefits" column in "survival benefit" are the accumulated contribution payments as of the date of annuity payment commencement for the annuity before payments commence.
- 3. Policy amounts of "annuities" in survival benefit are the amounts of annuities to be paid annually.
- 4. Policy amounts of "others" in survival benefit are the amounts of policy reserves for individual annuities (the annuity after payments have commenced).
- 5. Policy amounts for "hospitalization benefits" are the amounts of daily hospitalization benefits.

(Number of policies)

| ^ ^                | of March 31           |   |             | Numbe | er of policies in force |      |             |  |
|--------------------|-----------------------|---|-------------|-------|-------------------------|------|-------------|--|
| AS                 | of March 31           |   | 2015        |       | 2016                    | 2017 |             |  |
|                    | Individual insurance  | [ | 9,451,508]  | [     | 10,199,136]             | [    | 10,758,476] |  |
|                    | Individual annuities  | [ | 4,181]      | [     | 4,091]                  | [    | 4,008]      |  |
| Disability benefit | Group insurance       | [ | -]          | [     | -]                      | [    | -]          |  |
|                    | Group annuities       | [ | -]          | [     | -]                      | [    | -]          |  |
|                    | Net, including others | [ | 27,208,821] | [     | 25,383,257]             | [    | 23,659,852] |  |
|                    | Individual insurance  | [ | 10,343,759] | [     | 11,485,819]             | [    | 12,577,107] |  |
|                    | Individual annuities  | [ | 6,755]      | [     | 6,606]                  | [    | 6,462]      |  |
| Surgery<br>benefit | Group insurance       | [ | -]          | [     | -]                      | [    | -]          |  |
|                    | Group annuities       | [ | -]          | [     | -]                      | [    | -]          |  |
|                    | Net, including others | [ | 27,826,182] | [     | 26,468,796]             | [    | 25,584,202] |  |

Note: Figures within brackets "[]" are supplementary benefits of the basic policy and rider benefits.

## (6) Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

|                          |  |   |            |           |                |   | (IVIIIIIOTIS OI YEIT) |
|--------------------------|--|---|------------|-----------|----------------|---|-----------------------|
| A o of                   | March 01   |   |            | Policy ar | nount in force |   |                       |
| AS Of                    | March 31   |   | 2015       | 2016      |                |   | 2017                  |
|                          | Whole life insurance   | ¥ | 10,760,457 | ¥         | 12,479,144     | ¥ | 14,923,113            |
| Death protection         | Whole life insurance with term rider                         |   | _          |           | _              |   | -                     |
| insurance                | Term insurance   |   | 15,662     |           | 16,037         |   | 16,422                |
|                          | Net, including others  |   | 10,777,922 |           | 12,496,850     |   | 14,941,139            |
|                          | Endowment insurance  |   | 25,050,079 |           | 27,477,924     |   | 29,998,139            |
| Mixed insurance          | Endowment insurance with term rider                          |   | _          |           | _              |   | -                     |
|                          | Net, including others  |   | 26,990,955 |           | 29,497,078     |   | 32,060,004            |
| Pure endowment insurance | e  |   | 1,390,168  |           | 2,412,328      |   | 3,096,843             |
| Annuities                | Individual annuities   |   | 3,615,908  |           | 3,476,492      |   | 3,131,186             |
|                          | Accident rider   |   | 26,207,252 |           | 28,171,519     |   | 29,739,659            |
|                          | Nursing care rider   |   | 243        |           | 232            |   | 225                   |
|                          | Accident hospitalization rider                               |   | 42         |           | 38             |   | 36                    |
|                          | Illness hospitalization rider                                |   | 1          |           | 1              |   | 1                     |
| Accident/illness riders  | Illness and accident hospitalization rider                   |   | 1,711      |           | 1,645          |   | 1,579                 |
|                          | Non-participating accident hospitalization rider             |   | 666        |           | 666            |   | 665                   |
|                          | Non-participating illness and accident hospitalization rider |   | 40,221     |           | 44,112         |   | 47,852                |

#### Notes:

<sup>1.</sup> Policy amounts for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

<sup>2.</sup> Policy amounts for "hospitalization riders" are the amounts of daily hospitalization benefits.

#### (7) Trend of Changes in Policies

#### 1) Individual Insurance

(Number of policies, millions of yen, %)

| For the years anded March 21        | 20                 | 15            | 20                 | 16            | 20                 | 17            |
|-------------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| For the years ended March 31        | Number of policies | Policy amount | Number of policies | Policy amount | Number of policies | Policy amount |
| At the beginning of the fiscal year | 11,668,254         | ¥ 33,735,661  | 13,539,479         | ¥ 39,159,046  | 15,350,407         | ¥ 44,406,257  |
| New policies                        | 2,381,977          | 7,002,593     | 2,397,286          | 7,168,485     | 2,441,232          | 7,847,481     |
| Renewals                            | _                  | _             | _                  | _             | _                  | _             |
| Reinstatements                      | 10,739             | 29,138        | 11,025             | 30,100        | 12,132             | 33,118        |
| Increase in coverage amount         | [ -]               | _             | [ 2]               | 0             | [ 1]               | 0             |
| Increase by conversion              | _                  | _             | _                  | _             | _                  | -             |
| Death                               | 15,839             | 39,277        | 19,350             | 47,668        | 24,419             | 59,052        |
| Maturity                            | 4,733              | 5,913         | 6,907              | 8,794         | 9,763              | 12,160        |
| Decrease in coverage amount         | [ 58,691]          | 182,528       | [ 74,484]          | 227,725       | [ 88,130]          | 265,514       |
| Decrease by conversion              | _                  | _             | _                  | _             | _                  | -             |
| Surrender                           | 424,434            | 1,353,923     | 490,707            | 1,592,068     | 523,686            | 1,675,088     |
| Lapse                               | 74,557             | 220,088       | 75,747             | 223,992       | 76,953             | 226,414       |
| Decrease by other changes           | 1,928              | (193,385)     | 4,672              | (148,873)     | 18,202             | (49,361)      |
| At the end of the fiscal year       | 13,539,479         | 39,159,046    | 15,350,407         | 44,406,257    | 17,150,748         | 50,097,987    |
| [Increase ratio]                    | [ 16.0 %]          | [ 16.1 %]     | [ 13.4 %]          | [ 13.4 %]     | [ 11.7 %]          | [ 12.8 %]     |
| Net increase                        | 1,871,225          | 5,423,385     | 1,810,928          | 5,247,211     | 1,800,341          | 5,691,729     |
| [Increase ratio]                    | [ 4.2 %]           | [ 3.2 %]      | [ (3.2)%]          | [ (3.2)%]     | [ (0.6)%]          | [ 8.5 %]      |

- 1. The policy amounts are the total of policy amounts for the main part of death protection insurance, mixed insurance and pure endowment insurance.
- 2. Numbers of policies for "increase in coverage amount" and "decrease in coverage amount" are not included in "at the end of the fiscal year" or in
- 3. Policy amount for "increase in coverage amount" includes the amount of policy amount increase agreements, similar type policy amount increase agreements, policy term extension agreements and payment period extension agreements.

#### 2) Individual Annuities

(Number of policies, millions of yen, %)

| For the years anded March 21        | 20                 | 15            | 20                 | 16            | 20                 | 17            |
|-------------------------------------|--------------------|---------------|--------------------|---------------|--------------------|---------------|
| For the years ended March 31        | Number of policies | Policy amount | Number of policies | Policy amount | Number of policies | Policy amount |
| At the beginning of the fiscal year | 1,194,072          | ¥ 3,443,863   | 1,318,287          | ¥ 3,615,908   | 1,367,445          | ¥ 3,476,492   |
| New policies                        | 137,965            | 493,582       | 63,542             | 219,721       | 10,624             | 39,797        |
| Reinstatements                      | 87                 | 370           | 93                 | 383           | 92                 | 418           |
| Increase by conversion              | _                  | _             | _                  | _             | _                  | _             |
| Death                               | 5,183              | 13,072        | 5,987              | 13,968        | 7,373              | 14,745        |
| Full payment                        | _                  | _             | _                  | _             | _                  | _             |
| Decrease in coverage amount         | [ 251]             | 802           | [ 254]             | 807           | [ 244]             | 679           |
| Decrease by conversion              | _                  | _             | _                  | _             | -                  | _             |
| Surrender                           | 8,145              | 27,139        | 8,009              | 25,903        | 7,256              | 23,094        |
| Lapse                               | 414                | 1,509         | 411                | 1,575         | 337                | 1,342         |
| Decrease by other changes           | 95                 | 279,384       | 70                 | 317,267       | 74                 | 345,659       |
| At the end of the fiscal year       | 1,318,287          | 3,615,908     | 1,367,445          | 3,476,492     | 1,363,121          | 3,131,186     |
| [Increase ratio]                    | [ 10.4 %]          | [ 5.0 %]      | [ 3.7 %]           | [ (3.9)%]     | [ (0.3)%]          | [ (9.9)%]     |
| Net increase                        | 124,215            | 172,045       | 49,158             | (139,416)     | (4,324)            | (345,305)     |
| [Increase ratio]                    | [ (8.7)%]          | [ (31.0)%]    | [ (60.4)%]         | [ -]          | [ -]               | [ -]          |

<sup>1.</sup> Policy amounts for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

<sup>2.</sup> Number of policies for "decrease in coverage amount" is not included in "at the end of the fiscal year" or in "net increase."

#### 3) Group Insurance

Not applicable.

#### 4) Group Annuities

Not applicable.

#### (8) Embedded Value ("EV")

Since the end of the year ended March 31, 2013, we have been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles").

#### Notes:

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurance companies, in order to improve consistency and transparency in EV calculation and reporting.

#### 1) EV Results

(Billions of yen)

| As of March 31                                       | 2015<br>(Restated | 2016<br>(Restated | 20        |                        |  |  |
|--|-------------------|-------------------|-----------|------------------------|--|--|
|  | (Note 1))         | (Note 1))         |           | Increase<br>(Decrease) |  |  |
| V  | ¥ 3,613.7         | ¥ 3,151.0         | ¥ 3,355.6 | ¥ 204.6                |  |  |
| Adjusted net worth                                   | 1,739.6           | 1,894.3           | 1,965.2   | 70.9                   |  |  |
| Total net assets on the balance sheet (Note 2)       | 1,412.0           | 1,472.4           | 1,527.4   | 54.9                   |  |  |
| Reserve for price fluctuations (Note 3)              | 85.3              | 146.4             | 140.2     | (6.1)                  |  |  |
| Contingency reserve (Note 3)                         | 315.8             | 363.1             | 415.2     | 52.0                   |  |  |
| Others (Note 4)                                      | 59.3              | 76.4              | 52.6      | (23.7)                 |  |  |
| Tax effect on the above                              | (132.8)           | (164.1)           | (170.3)   | (6.1)                  |  |  |
| Value of in-force covered business                   | 1,874.0           | 1,256.7           | 1,390.4   | 133.6                  |  |  |
| Certainty equivalent present value of future profits | 2,219.2           | 1,875.1           | 1,960.1   | 85.0                   |  |  |
| Time value of financial options and guarantees       | (223.4)           | (417.2)           | (408.2)   | 8.9                    |  |  |
| Cost of holding required capital                     | (0.1)             | (0.0)             | (0.0)     | (0.0)                  |  |  |
| Allowance for non-hedgeable risk                     | (121.5)           | (201.1)           | (161.4)   | 39.6                   |  |  |

|   |  |   | 2015                 | _ | 2016                   |   | 2017 (1 | Note 5 | 5)                  |
|---|--|---|----------------------|---|------------------------|---|---------|--------|---------------------|
|   | For the years ended March 31                         | , | Restated<br>Note 1)) | ` | estated<br>s 1 and 5)) |   |         |        | ncrease<br>ecrease) |
| \ | alue of new business                                 | ¥ | 154.9                | ¥ | 192.7                  | ¥ | 36.8    | ¥      | (155.8)             |
|   | Certainty equivalent present value of future profits |   | 182.5                |   | 201.2                  |   | 97.0    |        | (104.2)             |
|   | Time value of financial options and guarantees       |   | (17.2)               |   | (8.5)                  |   | (41.7)  |        | (33.2)              |
|   | Cost of holding required capital                     |   | (3.2)                |   | (0.0)                  |   | (0.0)   |        | (0.0)               |
|   | Allowance for non-hedgeable risk                     |   | (7.1)                |   | (0.0)                  |   | (18.3)  |        | (18.3)              |

#### Notes

- 1. The EV as of March 31, 2016 and the value of new business for the year ended March 31, 2016 have been restated by using an extrapolation approach for risk-free rates at longer durations, which uses an ultimate forward rate instead of the previous method of setting the assumed forward rate to be constant at and beyond the last duration for which market data are available. For consistency, the EV as of March 31, 2015 and the value of new business for the year ended March 31, 2015 have been restated by using a method after making the same changes. For details, please refer to "4) Main EV Assumptions (i)."
- 2. The total net assets are the total net assets as on the consolidated balance sheet, excluding the total amount of accumulated other comprehensive income.
  - In addition, the board benefit trust reported as treasury stock has been added at book value.
- 3. Excluding amounts in respect of the Postal Life Insurance policies that are included in the VIF.
- 4. Unrealized gains/losses on securities, loans, and general reserve for possible loan losses (excluding those related to insurance policies) and unfunded retirement benefit obligations (unrecognized prior service cost and unrecognized actuarial differences).
- 5. We have changed the method of calculating the value of new business for the year ended March 31, 2017 from a stand-alone approach to a marginal approach. For a stand-alone approach, the value of new business is calculated based on the profit and loss of new business alone, independently from the in-force covered business. For a marginal approach, the value of new business is based on the difference between the EV calculated on the basis of the profit and loss of all in-force covered business if new business had been obtained and that if new business had not been obtained.

For consistency, the value of new business for the year ended March 31, 2016 has been restated by using a method after making the same changes. For details, please refer to "5) Notes on the Use of Results (ii)."

## 2) Movement Analysis

(Billions of yen)

|   |   | Adjusted net worth | Va | alue of in-force covered business | EV        |
|---|---|--------------------|----|-----------------------------------|-----------|
| Values as of March 31, 2016   | ¥ | 1,894.3            | ¥  | 1,256.7                           | ¥ 3,151.0 |
| (1) Opening adjustments   |   | (33.6)             |    | -                                 | (33.6)    |
| Values as of March 31, 2016 after adjustment  | ¥ | 1,860.7            | ¥  | 1,256.7                           | ¥ 3,117.4 |
| (2) Value of new business   |   | _                  |    | 36.8                              | 36.8      |
| (3) Expected existing business contribution (risk-free rate)                        |   | (2.2)              |    | 90.0                              | 87.7      |
| (4) Expected existing business contribution (in excess of risk-free rate)           |   | 0.8                |    | 20.9                              | 21.8      |
| (5) Expected transfer from value of in-force covered business to adjusted net worth |   | 137.9              |    | (137.9)                           | -         |
| On in-force at the beginning of the fiscal year                                     |   | 165.0              |    | (165.0)                           | _         |
| On new business   |   | (27.1)             |    | 27.1                              | _         |
| (6) Non-economic experience variances   |   | (3.6)              |    | (13.3)                            | (17.0)    |
| (7) Non-economic assumption changes   |   | _                  |    | 22.7                              | 22.7      |
| (8) Economic variances  |   | (28.3)             |    | 114.3                             | 85.9      |
| Values as of March 31, 2017   | ¥ | 1,965.2            | ¥  | 1,390.4                           | ¥ 3,355.6 |

## 3) Sensitivities

|                |   |   | E       | V    |           | V | alue of ne | w busine                  | ss    |
|----------------|---|---|---------|------|-----------|---|------------|---------------------------|-------|
|                | Assumptions   |   |         | Chai | nge in EV |   |            | Chang<br>value o<br>busin | fnew  |
| Base Scenario  | March 31, 2017  | ¥ | 3,355.6 | ¥    | _         | ¥ | 36.8       | ¥                         | _     |
| Sensitivity 1  | 50bp increase in risk-free rate (Note 1)                              |   | 3,560.7 |      | 205.0     |   | 165.0      | 1                         | 28.1  |
| Sensitivity 2  | 50bp decrease in risk-free rate (Notes 1 and 2)                       |   | 2,942.7 |      | (412.9)   |   | (156.8)    | (1                        | 93.7) |
| Sensitivity 3  | 10% decrease in equity and real estate value                          |   | 3,269.6 |      | (86.0)    |   | 36.8       |                           | _     |
| Sensitivity 4  | 10% decrease in maintenance expenses                                  |   | 3,513.3 |      | 157.6     |   | 65.8       |                           | 29.0  |
| Sensitivity 5  | 10% decrease in surrender and lapse rates                             |   | 3,382.2 |      | 26.5      |   | 43.5       |                           | 6.6   |
| Sensitivity 6  | 5% decrease in claim incidence rates for life business                |   | 3,465.9 |      | 110.3     |   | 45.8       |                           | 9.0   |
| Sensitivity 7  | 5% decrease in claim incidence rates for annuity business             |   | 3,233.0 |      | (122.6)   |   | 36.8       |                           | (0.0) |
| Sensitivity 8  | Change the required capital to statutory minimum                      |   | 3,355.6 |      | 0.0       |   | 36.8       |                           | _     |
| Sensitivity 9  | 25% increase in implied volatilities of equity and real estate values |   | 3,299.0 |      | (56.6)    |   | 30.0       |                           | (6.7) |
| Sensitivity 10 | 25% increase in implied volatilities of swaptions                     |   | 3,216.4 |      | (139.2)   |   | 36.5       |                           | (0.2) |

<sup>1.</sup> For the long-duration risk-free rates at terms longer than the extrapolation entry term, extrapolation to the ultimate forward rate is applied without changing the ultimate forward rate itself.

<sup>2.</sup> The 50bp decrease is applied to both positive and negative risk-free rates, without a floor.

#### 4) Main EV Assumptions

#### (i) Economic Assumptions

Based on the assets held by Japan Post Insurance, the risk-free rates for use in the certainty equivalent calculation have been determined based on Japanese government bonds as of the valuation date.

The table on the right shows, for selected terms, the risk-free rates (converted to spot rates) used for the calculation. For interest rates at longer durations, for which reference rates are not available, we take an extrapolation approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods.

We have assumed an ultimate forward rate of 3.5%, and as the market of Japanese government bonds beyond 30 years is not considered deep and liquid, we have determined the extrapolation entry term as 30 years. For the forward rate for year 31 and later years, we have applied the Smith-Wilson approach with convergence to the ultimate forward rate over 30 years.

| Term    | For calcula<br>value of in-fo<br>busi | orce covered | For calculation of the value of new business |                    |  |  |  |
|---------|---------------------------------------|--------------|--|--------------------|--|--|--|
| (Years) | March 31, March 31, 2016 2017         |              | September 30, 2015                           | September 30, 2016 |  |  |  |
| 1       | (0.154)%                              | (0.254)%     | 0.010%                                       | (0.318)%           |  |  |  |
| 2       | (0.206)%                              | (0.204)%     | 0.015%                                       | (0.289)%           |  |  |  |
| 3       | (0.229)%                              | (0.179)%     | 0.018%                                       | (0.286)%           |  |  |  |
| 4       | (0.205)%                              | (0.148)%     | 0.037%                                       | (0.265)%           |  |  |  |
| 5       | (0.190)%                              | (0.124)%     | 0.062%                                       | (0.249)%           |  |  |  |
| 10      | (0.048)%                              | 0.068%       | 0.352%                                       | (0.083)%           |  |  |  |
| 15      | 0.209%                                | 0.375%       | 0.785%                                       | 0.144%             |  |  |  |
| 20      | 0.454%                                | 0.663%       | 1.203%                                       | 0.376%             |  |  |  |
| 25      | 0.601%                                | 0.828%       | 1.431%                                       | 0.465%             |  |  |  |
| 30      | 0.571%                                | 0.881%       | 1.497%                                       | 0.472%             |  |  |  |
| 40      | 0.965%                                | 1.271%       | 1.795%                                       | 0.909%             |  |  |  |
| 50      | 1.431%                                | 1.682%       | 2.107%                                       | 1.387%             |  |  |  |
| 60      | 1.768%                                | 1.978%       | 2.334%                                       | 1.732%             |  |  |  |

Source: Analysis of Ministry of Finance data

#### (ii) Non-Economic Assumptions

All cash flows (premiums, expenses, claims and benefits, cash surrender values, taxes, etc.) are projected applying the best estimate assumptions up to the termination of the policies. Best estimate assumptions are specified by product group, considering recent experience and expected future prospects.

#### 5) Notes on the Use of Results

- (i) As the profits arising from the release of the contingency reserve and reserve for price fluctuations related to the Postal Life Insurance policies form a part of the reinsurance dividend paid to the Management Organization, the EV calculations take into consideration the profits net of this reinsurance dividend. Therefore, the contingency reserve and reserve for price fluctuations related to these policies are included in the VIF, rather than the ANW, as it is assumed that these reserves will be released in the future.
- (ii) For Japan Post Insurance, the actual level of policyholder dividends is determined based on the profit and loss of all in-force business, not on profit and loss for new business alone. Therefore, we have changed the method of calculating the value of new business for the year ended March 31, 2017 from a stand-alone approach to a marginal approach. For a stand-alone approach, the value of new business is calculated based on the profit and loss of new business alone, independently from the in-force covered business. For a marginal approach, the value of new business is based on the difference between the EV calculated on the basis of the profit and loss of all in-force covered business if new business had been obtained and that if new business had not been obtained. As a result of applying the marginal approach, effects such as a reduction of risk due to diversification associated with the sale of new business are also included in the value of new business.

The change of the calculation method of the value of new business does not have any effect on the EV at the end of the fiscal year.

For consistency, the value of new business for the year ended March 31, 2016 has been restated by using the same method.

- (iii) The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from these assumptions, we strongly recommend that users exercise caution.
- (iv) We requested an independent actuarial firm to review the assumptions and the calculation of the Company's EV results and obtained a written opinion verifying the validity. For further details of this written opinion and the Company's EV, please refer to the Company's website (http://www.jp-life.japanpost.jp/en/news/2017/en\_news\_id000060.html).

# 6-3 Insurance Policy Indicators

#### (1) Policies in Force and New Policies

#### 1) Policies in Force

(Number of policies, millions of yen, %)

|                      |            |             |              |                           |            |             |               |           |                    |           | 7100, 1111111011 | , . , . , |
|----------------------|------------|-------------|--------------|---------------------------|------------|-------------|---------------|-----------|--------------------|-----------|------------------|-----------|
|                      |            | 20          | 15           |                           |            | 20          | 16            |           |                    | 20        | 17               |           |
|                      | Number of  | of policies | Policy a     | amount Number of policies |            | of policies | Policy amount |           | Number of policies |           | Policy amount    |           |
| As of March 31       |            | Rate of     |              | Rate of                   |            | Rate of     |               | Rate of   |                    | Rate of   |                  | Rate of   |
|                      |            | increase/   |              | increase/                 |            | increase/   |               | increase/ |                    | increase/ |                  | increase/ |
|                      |            | decrease    |              | decrease                  |            | decrease    |               | decrease  |                    | decrease  |                  | decrease  |
| Individual insurance | 13,539,479 | 16.0%       | ¥ 39,159,046 | 16.1%                     | 15,350,407 | 13.4%       | ¥ 44,406,257  | 13.4%     | 17,150,748         | 11.7%     | ¥ 50,097,987     | 12.8%     |
| Death protection     |            |             |              |                           |            |             |               |           |                    |           |                  |           |
| insurance            | 3,260,973  | 17.0        | 10,777,922   | 17.8                      | 3,789,174  | 16.2        | 12,496,850    | 15.9      | 4,552,049          | 20.1      | 14,941,139       | 19.6      |
| Mixed insurance      | 9,616,815  | 8.3         | 26,990,955   | 9.8                       | 10,435,910 | 8.5         | 29,497,078    | 9.3       | 11,152,618         | 6.9       | 32,060,004       | 8.7       |
| Pure endowment       |            |             |              |                           |            |             |               |           |                    |           |                  |           |
| insurance            | 661,691    | _           | 1,390,168    | _                         | 1,125,323  | 70.1        | 2,412,328     | 73.5      | 1,446,081          | 28.5      | 3,096,843        | 28.4      |
| Individual annuities | 1,318,287  | 10.4        | 3,615,908    | 5.0                       | 1,367,445  | 3.7         | 3,476,492     | (3.9)     | 1,363,121          | (0.3)     | 3,131,186        | (9.9)     |
| Group insurance      | _          | _           | _            | _                         | _          | _           | _             | _         | _                  | -         | _                | -         |
| Group annuities      | _          | _           | _            | _                         | _          | _           | _             | _         | _                  | _         | _                | -         |
| Asset-formation      |            |             |              |                           |            |             |               |           |                    |           |                  |           |
| insurance            | 216        | (16.3)      | 175          | (19.4)                    | 168        | (22.2)      | 136           | (22.3)    | 132                | (21.4)    | 114              | (15.6)    |
| Asset-formation      |            |             |              |                           |            |             |               |           |                    |           |                  |           |
| annuities            | 12         | 20.0        | 51           | 20.9                      | 12         | 0.0         | 51            | 0.0       | 13                 | 8.3       | 56               | 8.5       |

#### Notes:

- 1. Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- 2. Policy amounts for "individual annuities" and "asset-formation annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- 3. Policy amount for "asset-formation insurance" is the amount of policy reserves.

#### 2) New Policies

(Number of policies, millions of yen, %)

|                            |           |             | 4.5         |           |           |             | 10          |           | `                  |           | 47            |           |  |
|----------------------------|-----------|-------------|-------------|-----------|-----------|-------------|-------------|-----------|--------------------|-----------|---------------|-----------|--|
|                            |           | 20          | 15          |           |           | 20          | 16          |           |                    | 2017      |               |           |  |
| For the years              | Number    | of policies | Policy a    | amount    | Number of | of policies | Policy      | amount    | Number of policies |           | Policy amount |           |  |
| ended March 31             |           | Rate of     |             | Rate of   |           | Rate of     |             | Rate of   |                    | Rate of   |               | Rate of   |  |
|                            |           | increase/   |             | increase/ |           | increase/   |             | increase/ |                    | increase/ |               | increase/ |  |
|                            |           | decrease    |             | decrease  |           | decrease    |             | decrease  |                    | decrease  |               | decrease  |  |
| Individual insurance       | 2,381,977 | 6.6%        | ¥ 7,002,593 | 6.8%      | 2,397,286 | 0.6%        | ¥ 7,168,485 | 2.4%      | 2,441,232          | 1.8%      | ¥ 7,847,481   | 9.5%      |  |
| Death protection insurance | 591,277   | (10.0)      | 2,055,726   | (5.7)     | 662,935   | 12.1        | 2,227,279   | 8.3       | 923,121            | 39.2      | 3,039,679     | 36.5      |  |
| Mixed insurance            | 1,123,834 | (28.7)      | 3,547,189   | (19.0)    | 1,253,324 | 11.5        | 3,884,648   | 9.5       | 1,171,160          | (6.6)     | 4,063,701     | 4.6       |  |
| Pure endowment insurance   | 666,866   | _           | 1,399,677   | _         | 481,027   | (27.9)      | 1,056,557   | (24.5)    | 346,951            | (27.9)    | 744,099       | (29.6)    |  |
| Individual annuities       | 137,965   | (7.3)       | 493,582     | (5.8)     | 63,542    | (53.9)      | 219,721     | (55.5)    | 10,624             | (83.3)    | 39,797        | (81.9)    |  |
| Group insurance            | _         | _           | _           | _         | _         | _           | _           | _         | _                  | -         | _             | _         |  |
| Group annuities            | _         | _           | _           | _         | _         | _           | _           | _         | -                  | -         | _             | _         |  |
| Asset-formation insurance  | 26        | (23.5)      | 0           | (24.8)    | 20        | (23.1)      | 0           | (18.8)    | 18                 | (10.0)    | 0             | (41.5)    |  |
| Asset-formation annuities  | 3         | 0.0         | 13          | 5.3       | _         | (100.0)     | _           | (100.0)   | 1                  | _         | 4             | _         |  |

#### Notes:

- 1. Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- 2. Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- 3. Policy amount for "asset-formation insurance" is the amount of the first premium payment.

#### (2) Average Policy Amount of New Policies and Policies in Force (individual insurance)

(Thousands of yen)

|                            |                                      | New Policies                         |                                      | Policies in Force       |                         |                         |  |  |  |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------|-------------------------|-------------------------|--|--|--|
| Items                      | For the year ended<br>March 31, 2015 | For the year ended<br>March 31, 2016 | For the year ended<br>March 31, 2017 | As of March 31,<br>2015 | As of March 31,<br>2016 | As of March 31,<br>2017 |  |  |  |
| Individual insurance       | ¥ 2,939                              | ¥ 2,990                              | ¥ 3,214                              | ¥ 2,892                 | ¥ 2,892                 | ¥ 2,921                 |  |  |  |
| Death protection insurance | 3,476                                | 3,359                                | 3,292                                | 3,305                   | 3,298                   | 3,282                   |  |  |  |
| Mixed insurance            | 3,156                                | 3,099                                | 3,469                                | 2,806                   | 2,826                   | 2,874                   |  |  |  |
| Pure endowment insurance   | 2,098                                | 2,196                                | 2,144                                | 2,100                   | 2,143                   | 2,141                   |  |  |  |

#### (3) Ratio of New Policies (against the policy in force at the beginning of fiscal year)

(%)

| For the years ended March 31 | 2015  | 2016  | 2017  |
|------------------------------|-------|-------|-------|
| Individual insurance         | 20.8% | 18.3% | 17.7% |
| Individual annuities         | 14.3  | 6.1   | 1.1   |
| Group insurance              | _     | -     | -     |

Note: This refers to the ratio of the policy amount of new policies against the policy amount in force at the beginning of fiscal year.

#### (4) Ratio of Surrender and Lapse (against the policy in force at the beginning of fiscal year)

(%)

| For the years ended March 31 | 2015 | 2016 | 2017 |
|------------------------------|------|------|------|
| Individual insurance         | 5.1% | 5.1% | 4.8% |
| Individual annuities         | 1.5  | 1.4  | 1.3  |
| Group insurance              | _    | _    | -    |

#### Notes:

- 1. Ratio of surrender and lapse is calculated based on the policy amount associated with surrenders and lapses as modified by decrease or increase in policy amount, as well as the amount of the policy reinstatement.
- 2. Ratio of surrender and lapse for "individual annuities" is based on the annuity before payments commence.

#### (5) Average Premium for New Policies of Individual Insurance (monthly payment agreement)

(Yen)

|                              |      |         |      |         |      | ( - /   |
|------------------------------|------|---------|------|---------|------|---------|
| For the years ended March 31 | 2015 |         | 2016 |         | 2017 |         |
| Individual insurance         | ¥    | 242,088 | ¥    | 259,071 | ¥    | 272,661 |

Note: These are annual premiums for the policies involving monthly payment agreement.

#### (6) Mortality Rates (basic policies in individual insurance)

(‰)

| For the years ended March 31   | 2015  | 2016  | 2017  |
|--------------------------------|-------|-------|-------|
| In terms of number of policies | 1.26‰ | 1.34‰ | 1.50‰ |
| In terms of policy amount      | 1.08  | 1.14  | 1.25  |

#### Notes:

- 1. Mortality rates are calculated by dividing the number of/policy amount for policies filing death claim by the number of/policy amount for policies exposed to risk.
- 2. Number of/policy amount for policies exposed to risk is calculated by the formula as follows:

  (Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing death claim) ÷ 2

#### (7) Ratio of Riders Filing Claim (individual insurance)

|                            |                                |       |       | (%)   |
|----------------------------|--------------------------------|-------|-------|-------|
| For the years ended        | d March 31                     | 2015  | 2016  | 2017  |
| Accident death benefit     | In terms of number of policies | 0.09‰ | 0.10‰ | 0.10‰ |
| 7.00.00m dodan bonom       | In terms of policy amount      | 0.07  | 0.08  | 0.09  |
| Disability benefit         | In terms of number of policies | 0.14  | 0.15  | 0.17  |
| Disability beliefit        | In terms of policy amount      | 0.04  | 0.05  | 0.05  |
| Accident hospitalization   | In terms of number of policies | 3.94  | 4.28  | 4.62  |
| benefit                    | In terms of policy amount      | 0.13  | 0.13  | 0.14  |
| Illness hospitalization    | In terms of number of policies | 34.78 | 37.52 | 39.31 |
| benefit                    | In terms of policy amount      | 0.72  | 0.78  | 0.81  |
| Accident surgery benefit   | In terms of number of policies | 2.68  | 2.80  | 3.00  |
| Accident surgery benefit   | In terms of policy amount      | 0.04  | 0.05  | 0.05  |
| Illness surgery benefit    | In terms of number of policies | 21.13 | 22.77 | 24.08 |
| miness surgery benefit     | In terms of policy amount      | 0.54  | 0.57  | 0.61  |
| Accident outpatient        | In terms of number of policies | 0.37  | 0.41  | 0.43  |
| benefit                    | In terms of policy amount      | 0.00  | 0.01  | 0.00  |
| Illness outpatient benefit | In terms of number of policies | 1.28  | 1.42  | 1.65  |
| miness outpatient benefit  | In terms of policy amount      | 0.02  | 0.02  | 0.02  |
| Nursing care benefit       | In terms of number of policies | 0.00  | 0.00  | 0.00  |
| Nursing care benefit       | In terms of policy amount      | 0.00  | 0.00  | 0.00  |
| Accident long-term         | In terms of number of policies | 0.08  | 0.09  | 0.10  |
| hospitalization benefit    | In terms of policy amount      | 0.00  | 0.00  | 0.00  |
| Illness long-term          | In terms of number of policies | 0.70  | 0.75  | 0.87  |
| hospitalization benefit    | In terms of policy amount      | 0.02  | 0.02  | 0.02  |

<sup>1.</sup> Ratio of the number of/policy amount for riders filing claim is calculated by dividing the number of/policy amount for riders filing claim by the number of/policy amount for policies exposed to risk.

<sup>2.</sup> Number of/policy amount for policies exposed to risk is calculated by the formula as follows: (Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing full-paid rider claim)  $\div$  2

#### (8) Ratio of Operating Expenses (against premium revenues)

(%)

| For the year ended March 31, 2015 | For the year ended March 31, 2016 | For the year ended March 31, 2017 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| 8.61%                             | 9.93%                             | 11.13%                            |

#### (9) In the Cases Where Insurance Policies are Reinsured, Number of Principal Insurance Companies Accepting Reinsurance

(Number of companies)

| For the year ended March 31, 2015 | For the year ended March 31, 2016 | For the year ended March 31, 2017 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| 1                                 | 3                                 | 3                                 |

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

# (10) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid to the Top Five Reinsurers in Terms of the Volume of Reinsurance Premiums Paid, Against Reinsurance Premiums Paid to All Reinsurers Accepting Reinsurance

(%)

| For the year ended March 31, 2015 | For the year ended March 31, 2016 | For the year ended March 31, 2017 |
|-----------------------------------|-----------------------------------|-----------------------------------|
| 100.0%                            | 100.0%                            | 100.0%                            |

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

# (11) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid, of Each Group of Principal Reinsurers Accepting Reinsurance, Where the Grouping is Done Based on Ratings by a Rating Agency

(%)

| Category of credit ratings | For the year ended March 31, 2015 | For the year ended March 31, 2016 | For the year ended March 31, 2017 |
|----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| A or superior              | 100.0%                            | 100.0%                            | 100.0%                            |
| BBB or superior            | _                                 | _                                 | -                                 |
| Other                      | _                                 | _                                 | -                                 |

#### Notes

- 1. The above ratings are based on the ratings provided by S&P (Standard & Poor's) at each fiscal year-end, where "A or superior" represents A- or superior, while "BBB or superior" represents the range from BBB- to less than A-.
- 2. This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

#### (12) Amount of Reinsurance Proceeds Yet to be Recovered

(Millions of ven)

| As of March 31, 2015 |   | As of March 31, 2016 |   | As of March 31, 2017 |   |       |
|----------------------|---|----------------------|---|----------------------|---|-------|
|                      | ¥ | 627                  | ¥ | 1,177                | ¥ | 1,866 |

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

#### (13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance

(%)

|  |       |       | (70)  |
|--|-------|-------|-------|
| For the years ended March 31                 | 2015  | 2016  | 2017  |
| Claim-filing ratio in third-sector insurance | 42.6% | 42.5% | 42.5% |
| Medical (Illness)                            | 33.1  | 33.0  | 32.8  |
| Cancer                                       | _     | _     | -     |
| Nursing care                                 | 49.7  | 42.2  | 49.0  |
| Other  | 92.0  | 93.0  | 93.3  |

# 6-4 Accounting Data

### (1) Reserve for Outstanding Claims

(Millions of yen)

|                | As of March 31                         | 2015     | 2016    | 2017     |
|----------------|--|----------|---------|----------|
|                | Death benefits                         | ¥ 14,602 | ¥ 9,975 | ¥ 10,075 |
|                | Accidental benefits                    | 1,786    | 1,602   | 1,925    |
| Insurance      | Serious disability benefits            | 424      | 298     | 1,105    |
| claims         | Maturity benefits                      | 437      | 560     | 655      |
|                | Other                                  | 670,870  | 587,905 | 523,185  |
|                | Subtotal                               | 688,122  | 600,342 | 536,947  |
| Annuity pa     | ayments                                | 4,486    | 4,916   | 5,830    |
| Benefits       |  | 12,483   | 13,886  | 15,934   |
| Surrender      | benefits                               | 10,916   | 13,596  | 16,365   |
| Deferred i     | nsurance benefits payment              | _        | _       | -        |
| Net, including | g other reserve for outstanding claims | 718,156  | 635,167 | 577,376  |

## (2) Policy Reserves

(Millions of yen)

| ٨٥               | of March 31          |     | 2015        |     | 2016        | 2017 |             |  |
|------------------|----------------------|-----|-------------|-----|-------------|------|-------------|--|
| AS               | 1                    |     |             |     |             |      |             |  |
|                  | Individual insurance | ¥   | 17,002,000  | ¥   | 19,917,093  | ¥    | 22,871,669  |  |
|                  | [General account]    | ] [ | 17,002,000] | [   | 19,917,093] | [    | 22,871,669] |  |
|                  | [Separate account]   | [   | -]          | ]   | -]          | [    | -]          |  |
|                  | Individual annuities |     | 3,454,976   |     | 3,358,246   |      | 3,038,767   |  |
|                  | [General account]    | ] [ | 3,454,976]  | ]   | 3,358,246]  | ]    | 3,038,767]  |  |
|                  | [Separate account]   | [   | -]          | ]   | -]          | ]    | -]          |  |
|                  | Group insurance      |     | _           |     | _           |      | -           |  |
| Policy reserves  | [General account]    | [   | -]          | ] [ | -]          | ]    | -]          |  |
| [excluding       | [Separate account]   | [   | -]          | ]   | -]          | [    | -]          |  |
| contingency      | Group annuities      |     | _           |     | _           |      | -           |  |
| reserve]         | [General account]    | [   | -]          | ]   | -]          | ]    | -]          |  |
|                  | [Separate account]   | [   | -]          | ] [ | -]          | ]    | -]          |  |
|                  | Other                |     | 52,156,913  |     | 46,712,315  |      | 42,010,770  |  |
|                  | [General account]    | [   | 52,156,913] | ] [ | 46,712,315] | ]    | 42,010,770] |  |
|                  | [Separate account]   | [   | -]          | ]   | -]          | [    | -]          |  |
|                  | Subtotal             |     | 72,613,890  |     | 69,987,656  |      | 67,921,206  |  |
|                  | [General account]    | [   | 72,613,890] | ]   | 69,987,656] | ]    | 67,921,206] |  |
|                  | [Separate account]   | [   | -]          | ]   | -]          | ]    | -]          |  |
| Contingency rese | Contingency reserve  |     | 2,498,711   |     | 2,374,846   |      | 2,254,027   |  |
|                  | Total                |     | 75,112,601  |     | 72,362,503  |      | 70,175,234  |  |
|                  | [General account]    |     | 75,112,601] | ] [ | 72,362,503] | ]    | 70,175,234] |  |
|                  | [Separate account]   | [   | -]          | ]   | -]          | [    | -]          |  |

Note: "Other" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

### (3) Balance of Policy Reserves

|                      | Insurance premium reserves | Unearned premiums | Reserve for refunds | Contingency reserve | Total        |  |
|----------------------|----------------------------|-------------------|---------------------|---------------------|--------------|--|
| As of March 31, 2015 | ¥ 60,938,274               | ¥ 11,675,615      | ¥ –                 | ¥ 2,498,711         | ¥ 75,112,601 |  |
| As of March 31, 2016 | 58,405,526                 | 11,582,129        | _                   | 2,374,846           | 72,362,503   |  |
| As of March 31, 2017 | 56,550,856                 | 11,370,350        | -                   | 2,254,027           | 70,175,234   |  |

# (4) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves in Individual Insurance and Individual Annuities (by contract year)

#### 1) Reserving Method and Reserve Ratio for Policy Reserves

| As c  | of March 31   | 2015   | 2016   | 2017   |  |
|---|---|--|--|--|--|
| Reserving                                     | Contracts<br>subject to the<br>standard policy<br>reserves              | The method prescribed by<br>Ordinance No. 48 issued by<br>the Ministry of Finance in<br>1996<br>(standard policy reserves) | The method prescribed by<br>Ordinance No. 48 issued by<br>the Ministry of Finance in<br>1996<br>(standard policy reserves) | The method prescribed by<br>Ordinance No. 48 issued<br>by the Ministry of Finance<br>in 1996<br>(standard policy reserves) |  |
| method  | Contracts<br>outside the<br>scope of the<br>standard policy<br>reserves | _  | _  | _  |  |
| Reserve ratio (excluding contingency reserve) |   | 100.0%   | 100.0%   | 100.0%   |  |

#### Notes:

#### 2) Balance of Policy Reserves (by contract year)

(Millions of yen)

| Contract year                              | Balance of policy reserves | Assumed rates of return |  |  |  |
|--|----------------------------|-------------------------|--|--|--|
| For the years ended March 31, 2008 to 2011 | ¥ 9,204,172                | 1.00%-1.50%             |  |  |  |
| For the year ended March 31, 2012          | 3,047,893                  | 0.80%-1.50%             |  |  |  |
| For the year ended March 31, 2013          | 3,058,659                  | 0.70%-1.50%             |  |  |  |
| For the year ended March 31, 2014          | 2,939,966                  | 0.70%-1.00%             |  |  |  |
| For the year ended March 31, 2015          | 3,118,315                  | 0.55%-1.00%             |  |  |  |
| For the year ended March 31, 2016          | 2,506,304                  | 0.50%-1.00%             |  |  |  |
| For the year ended March 31, 2017          | 2,035,125                  | 0.50%-1.00%             |  |  |  |

#### Notes:

# (5) Balance of Policy Reserves in General Account Associated with Insurance Policies Involving a Separate Account with a Guarantee for Minimum Insurance Claims and Others, Their Calculation Methods and the Multiplier Used in Such Calculation

Not applicable as of March 31, 2015, 2016 and 2017.

# (6) Rationality and Adequacy of the Confirmation under Article 121, Paragraph 1, Item 1 of the Insurance Business Act (limited to the confirmation pertaining to third-sector insurance)

# 1) Principles for Ensuring Appropriateness of Reserving Practice for Policy Reserves in Third-sector Insurance

We carry out the liability adequacy test and stress test as required by laws and regulations in order to ensure a sufficient level of policy reserves.

The scope of the stress test includes the applicable products of Postal Life Insurance.

# 2) Rationality and Adequacy of Risk Frequency and Others Assumed for the Purpose of the Liability Adequacy Test and Stress Test

For the purpose of assuming the risk frequency, we calculate the occurrence ratio that covers the fluctuations of payment of hospitalization benefits and others with a certain probability (99% and 97.7%) during the next 10 years, based on the historical actual payment of hospitalization benefits and others.

<sup>1.</sup> Individual insurance and individual annuities are subject to the reserving method and the reserve ratio. Asset-formation insurance, asset-formation annuities and reinsurance contracts from the Management Organization are not included here, while they are computed based on the net level premium method.

<sup>2.</sup> Reserve ratios here are the ratios against insurance premium reserves and unearned premiums as calculated by the method prescribed by the public notification No. 48 issued by the Ministry of Finance in 1996.

<sup>1.</sup> Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).

<sup>2.</sup> Assumed rates of return here refer to the main assumed rates of return applicable to policy reserves by contract year.

#### 3) Results of the Liability Adequacy Test and Stress Test

We have verified as a result of the stress test that there is no need for an additional provision of contingency reserve or policy reserves in third-sector insurance, as the expected occurrence ratio we assumed beforehand adequately covers the risks expected to materialize in the future.

#### (7) Reserve for Policyholder Dividends

(Millions of yen)

|  |                         |                         |                    |                    |   |             | (Millions of yen) |
|--|-------------------------|-------------------------|--------------------|--------------------|---|-------------|-------------------|
|  | Individual<br>insurance | Individual<br>annuities | Group<br>insurance | Group<br>annuities | Asset-formation insurance Asset-formation annuities | Other       | Total             |
| For the year ended March 31, 2015                      |                         |                         |                    |                    |   |             |                   |
| Balance at the beginning of the fiscal year            | ¥ 55,117                | 1                       | ¥ –                | ¥ –                | ¥ –   | ¥ 2,166,325 | ¥ 2,222,759       |
| Interest accrual                                       | 179                     | 4                       | _                  | _                  | _   | 1,313       | 1,497             |
| Reduction due to policyholder dividends paid           | 1,788                   | 17                      | _                  | _                  | _   | 347,881     | 349,687           |
| Reduction due to the acquisition of additional annuity | _                       | 3                       | _                  | _                  | _   | 369         | 372               |
| Provision for reserve for policyholder dividends       | 10,361                  | (3)                     | _                  | _                  | _   | 190,363     | 200,722           |
| Balance at the end of the                              |                         | 4.00=                   |                    |                    |   |             | 0.074.040         |
| fiscal year  | 63,869                  | 1,297                   |                    |                    |   | 2,009,752   | 2,074,919         |
|  | [ 52,991]               | [ 1,295]                | [ –]               | [ -]               | [ -]  | [ –]        | [ 54,287]         |
| For the year ended March 31, 2016                      |                         |                         |                    |                    |   |             |                   |
| Balance at the beginning of the fiscal year            | 63,869                  | 1,297                   | _                  | _                  | _   | 2,009,752   | 2,074,919         |
| Interest accrual                                       | 129                     | 3                       | _                  | _                  | _   | _           | 132               |
| Reduction due to policyholder dividends paid           | 2,395                   | 18                      | _                  | _                  | _   | 313,832     | 316,246           |
| Reduction due to the acquisition of additional annuity | _                       | 2                       | _                  | _                  | _   | 313         | 315               |
| Provision for reserve for policyholder dividends       | 7,544                   | 0                       | _                  | _                  | _   | 170,458     | 178,004           |
| Balance at the end of the fiscal year                  | 69,148                  | 1,280                   | _                  | _                  | _   | 1,866,065   | 1,936,494         |
|  | [ 61,238                | [ 1,279]                | [ –]               | [ -]               | [ -]  | [ –]        | [ 62,518          |
| For the year ended March 31, 2017                      |                         |                         |                    |                    |   |             |                   |
| Balance at the beginning of the fiscal year            | 69,148                  | 1,280                   | _                  | _                  | _   | 1,866,065   | 1,936,494         |
| Interest accrual                                       | 24                      | 0                       | _                  | _                  | _   | _           | 25                |
| Reduction due to policyholder dividends paid           | 2,543                   | 14                      | _                  | _                  | _   | 313,793     | 316,351           |
| Reduction due to the acquisition of additional annuity | _                       | 1                       | _                  | _                  | _   | 281         | 283               |
| Provision for reserve for policyholder dividends       | 15,617                  | 1                       | _                  | _                  | _   | 137,061     | 152,679           |
| Balance at the end of the fiscal year                  | 82,247                  | 1,266                   | _                  | _                  | _   | 1,689,052   | 1,772,565         |
|  | [ 66,346]               | [ 1,264]                | [ -]               | [ -]               | [ -]  | [ -]        | [ 67,610]         |

Note: Figures within brackets "[]" are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Organization (¥2,009,752 million for the year ended March 31, 2015, ¥1,866,065 million for the year ended March 31, 2016 and ¥1,689,052 million for the year ended March 31, 2017) is scheduled to be distributed/paid to the Management Organization, based on the reinsurance contract.

### (8) Reserves

(Millions of yen)

|  |  |   | 2015    |                                  |  | 2016                                   |        |  | 2017    |                            |  |
|--|--|---|---------|----------------------------------|--|--|--------|--|---------|----------------------------|--|
| For the years ended March 31               |  | Balance at the beginning of the fiscal year Balance at the end of the fiscal year |         | Changes<br>in the fiscal<br>year | Balance at<br>the beginning<br>of the fiscal<br>year | the beginning of the fiscal the fiscal |        | Changes in the fiscal year Balance at the beginning of the fiscal year |         | Changes in the fiscal year |  |
|  | General reserve for possible loan losses   | ¥ 91  | ¥ 77    | ¥ (14)                           | ¥ 77   | ¥ 71                                   | ¥ (6)  | ¥ 71   | ¥ 59    | ¥ (11)                     |  |
| Reserve for<br>Possible<br>Loan Losses     | Specific reserve for possible loan losses  | 944   | 865     | (78)                             | 865  | 701                                    | (164)  | 701  | 598     | (102)                      |  |
|  | Reserve for specific foreign loans         | _   | _       | _                                | _  | _                                      | _      | -  | -       | _                          |  |
| Reserve for pos                            | sible claim payments                       | 1,881   | _       | (1,881)                          | _  | _                                      | _      | _  | _       | _                          |  |
|  | Reserve for employees' retirement benefits |   | 65,645  | 1,156                            | 65,645   | 66,675                                 | 1,030  | 66,675   | 67,040  | 365                        |  |
| Reserve for management board benefit trust |  | _   | _       | _                                | _  | _                                      | _      | _  | 76      | 76                         |  |
| Reserve for p                              | rice fluctuations                          | 614,233   | 712,167 | 97,934                           | 712,167  | 782,268                                | 70,100 | 782,268  | 788,712 | 6,444                      |  |

Note: Reason for reserving and its calculation method are omitted here as they are stated in the notes to non-consolidated financial statements.

### (9) Provision for Reserve for Specific Foreign Loans

Not applicable for the years ended March 31, 2015, 2016 and 2017.

### (10) Capital Stock, etc.

|   |                |                         | Balance at the beginning<br>of the year ended<br>March 31, 2017 | Increase in<br>the fiscal year | Decrease in the fiscal year | Balance at the end of<br>the year ended<br>March 31, 2017 | Remarks |
|---|----------------|-------------------------|---|--------------------------------|-----------------------------|---|---------|
| C | apital stock   |                         | ¥ 500,000   | ¥ –                            | ¥ –                         | ¥ 500,000   |         |
|   | Of which       | [Common stock]          | [600,000<br>thousand shares]                                    | _                              | _                           | [600,000<br>thousand shares]                              |         |
|   | shares         |                         | 500,000   | _                              | _                           | 500,000   |         |
|   | 133060         | Total                   | 500,000   | _                              | _                           | 500,000   |         |
|   |                | [Legal capital surplus] | 405,044   | _                              | _                           | 405,044   |         |
| C | apital surplus | [Other capital surplus] | 95,000  | _                              | _                           | 95,000  |         |
|   |                | Total                   | 500,044   | _                              | _                           | 500,044   |         |

## (11) Premiums

(Millions of yen)

| For the years ended March 31  |   | 2015      |   | 2016      | 2017        |
|-------------------------------|---|-----------|---|-----------|-------------|
| Individual insurance          | ¥ | 3,771,275 | ¥ | 3,827,844 | ¥ 3,964,238 |
| (Lump-sum payment)            |   | _         |   | _         | -           |
| (Annual payment)              |   | _         |   | _         | -           |
| (Semi-annual payment)         |   | _         |   | _         | -           |
| (Monthly payment)             |   | 3,771,275 |   | 3,827,844 | 3,964,238   |
| Individual annuities          |   | 486,361   |   | 259,398   | 66,956      |
| (Lump-sum payment)            |   | 321,477   |   | 226,117   | 41,042      |
| (Annual payment)              |   | _         |   | _         | -           |
| (Semi-annual payment)         |   | _         |   | _         | -           |
| (Monthly payment)             |   | 164,883   |   | 33,281    | 25,913      |
| Group insurance               |   | _         |   | _         | -           |
| Group annuities               |   | _         |   | _         | -           |
| Net, including other premiums |   | 5,954,839 |   | 5,409,598 | 5,034,273   |

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and reinsurance.

#### · Premiums by Income Year

(Millions of yen)

| For the year                  | s ended March 31                 | 2015      | 2016      | 2017      |
|-------------------------------|----------------------------------|-----------|-----------|-----------|
| Individual                    | First-year premiums              | ¥ 908,172 | ¥ 793,045 | ¥ 672,791 |
| insurance<br>Individual       | Premiums for the following years | 3,349,464 | 3,294,197 | 3,358,403 |
| annuities                     | Subtotal                         | 4,257,637 | 4,087,242 | 4,031,194 |
| Group                         | First-year premiums              | _         | _         | -         |
| insurance<br>Group annuities  | Premiums for the following years | _         | _         | -         |
| Group annumes                 | Subtotal                         | _         | _         | -         |
|                               | First-year premiums              | 908,178   | 793,050   | 673,021   |
| Net, including other premiums | Premiums for the following years | 5,046,661 | 4,616,548 | 4,361,251 |
|                               | Total                            | 5,954,839 | 5,409,598 | 5,034,273 |

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and reinsurance.

## (12) Insurance Claims

# 1) Insurance Claims (amounts)

(Millions of yen)

|     |  |                   |                     |                             |                   |           | (Millions of yen) |
|-----|--|-------------------|---------------------|-----------------------------|-------------------|-----------|-------------------|
|     |  | Death<br>benefits | Accidental benefits | Serious disability benefits | Maturity benefits | Other     | Total             |
| For | the year ended March 31, 2015                        |                   |                     |                             |                   |           |                   |
|     | Individual insurance                                 | ¥ 36,089          | ¥ 3,125             | ¥ 775                       | ¥ 5,710           | ¥ –       | ¥ 45,701          |
|     | Individual annuities                                 | _                 | _                   | _                           | _                 | _         | _                 |
|     | Group insurance                                      | _                 | _                   | _                           | _                 | _         | _                 |
|     | Group annuities                                      | _                 | _                   | _                           | _                 | _         | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                   | _                           | 73                | _         | 73                |
|     | Other insurance                                      | _                 | _                   | _                           | _                 | 8,208,198 | 8,208,198         |
|     | Total  | 36,089            | 3,125               | 775                         | 5,784             | 8,208,198 | 8,253,973         |
| For | the year ended March 31, 2016                        |                   |                     |                             |                   |           |                   |
|     | Individual insurance                                 | 44,905            | 3,636               | 1,080                       | 8,670             | _         | 58,293            |
|     | Individual annuities                                 | _                 | _                   | _                           | _                 | _         | _                 |
|     | Group insurance                                      | _                 | _                   | _                           | _                 | _         | _                 |
|     | Group annuities                                      | _                 | _                   | _                           | _                 | _         | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                   | _                           | 66                | _         | 66                |
|     | Other insurance                                      | _                 | _                   | _                           | _                 | 7,518,791 | 7,518,791         |
|     | Total  | 44,905            | 3,636               | 1,080                       | 8,736             | 7,518,791 | 7,577,151         |
| For | the year ended March 31, 2017                        |                   |                     |                             |                   |           |                   |
|     | Individual insurance                                 | 55,474            | 4,712               | 1,201                       | 12,061            | _         | 73,449            |
|     | Individual annuities                                 | _                 | -                   | _                           | -                 | _         | -                 |
|     | Group insurance                                      | _                 | -                   | _                           | -                 | _         | -                 |
|     | Group annuities                                      | -                 | _                   | _                           | _                 | _         | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                   | _                           | 48                | _         | 48                |
|     | Other insurance                                      | -                 | -                   | _                           | _                 | 6,413,769 | 6,413,769         |
|     | Total  | 55,474            | 4,712               | 1,201                       | 12,109            | 6,413,769 | 6,487,267         |

Note: "Other insurance" includes reinsurance.

## 2) Insurance Claims (number of benefits)

(Number of benefits)

|  | Death benefits | Accidental benefits | Serious<br>disability<br>benefits | Maturity benefits | Other      | Total      |
|--|----------------|---------------------|-----------------------------------|-------------------|------------|------------|
| For the year ended March 31, 2015                    |                |                     |                                   |                   |            |            |
| Individual insurance                                 | 14,747         | 1,412               | 291                               | 4,603             | _          | 21,053     |
| Individual annuities                                 | _              | _                   | -                                 | _                 | _          | _          |
| Group insurance                                      | _              | _                   | -                                 | _                 | _          | _          |
| Group annuities                                      | _              | _                   | _                                 | _                 | _          | _          |
| Asset-formation insurance, asset-formation annuities | _              | _                   | _                                 | 42                | -          | 42         |
| Other insurance                                      | _              | _                   | _                                 | _                 | 22,599,566 | 22,599,566 |
| Total  | 14,747         | 1,412               | 291                               | 4,645             | 22,599,566 | 22,620,661 |
| For the year ended March 31, 2016                    |                |                     |                                   |                   |            |            |
| Individual insurance                                 | 18,342         | 1,651               | 420                               | 6,813             | _          | 27,226     |
| Individual annuities                                 | _              | _                   | -                                 | _                 | _          | _          |
| Group insurance                                      | _              | _                   | _                                 | _                 | _          | _          |
| Group annuities                                      | _              | _                   | _                                 | _                 | _          | _          |
| Asset-formation insurance, asset-formation annuities | _              | _                   | _                                 | 45                | _          | 45         |
| Other insurance                                      | _              | _                   | _                                 | _                 | 20,119,804 | 20,119,804 |
| Total  | 18,342         | 1,651               | 420                               | 6,858             | 20,119,804 | 20,147,075 |
| For the year ended March 31, 2017                    |                |                     |                                   |                   |            |            |
| Individual insurance                                 | 22,633         | 2,120               | 476                               | 9,411             | _          | 34,640     |
| Individual annuities                                 | _              | _                   | -                                 | -                 | _          | _          |
| Group insurance                                      | _              | _                   | -                                 | -                 | _          | -          |
| Group annuities                                      | _              | -                   | -                                 | -                 | _          | -          |
| Asset-formation insurance, asset-formation annuities | _              | _                   | -                                 | 28                | -          | 28         |
| Other insurance                                      | _              | -                   | -                                 | -                 | 17,229,430 | 17,229,430 |
| Total  | 22,633         | 2,120               | 476                               | 9,439             | 17,229,430 | 17,264,098 |

Note: "Other insurance" includes reinsurance.

# (13) Annuities

|   | For the year ended March 31, 2015 |   |                         |                 |     |              |  |              |      |   |         |  |
|---|-----------------------------------|---|-------------------------|-----------------|-----|--------------|--|--------------|------|---|---------|--|
|   | Individual<br>insurance           |   | Individual<br>annuities | Group insurance | Gro | up annuities | Asset-formation insurance, asset-formation annuities | Other insura | ance |   | Total   |  |
| ¥ | 29                                | ¥ | 304,067                 | ¥ –             | ¥   | _            | ¥ –  | ¥            | _    | ¥ | 304,096 |  |

|   | For the year ended March 31, 2016 |   |                      |                 |   |                 |  |                 |   |         |  |  |  |  |
|---|-----------------------------------|---|----------------------|-----------------|---|-----------------|--|-----------------|---|---------|--|--|--|--|
|   | Individual<br>insurance           |   | Individual annuities | Group insurance | е | Group annuities | Asset-formation insurance, asset-formation annuities | Other insurance |   | Total   |  |  |  |  |
| ¥ | 44                                | ¥ | 340,859              | ¥ -             | - | ¥ –             | ¥ –  | ¥ –             | ¥ | 340,904 |  |  |  |  |

|   | For the year ended March 31, 2017 |   |                         |                 |                 |  |                 |   |         |  |  |  |  |  |
|---|-----------------------------------|---|-------------------------|-----------------|-----------------|--|-----------------|---|---------|--|--|--|--|--|
|   | Individual<br>insurance           |   | Individual<br>annuities | Group insurance | Group annuities | Asset-formation insurance, asset-formation annuities | Other insurance |   | Total   |  |  |  |  |  |
| ¥ | 62                                | ¥ | 371,154                 | ¥ -             | ¥ –             | ¥ -  | ¥ –             | ¥ | 371,216 |  |  |  |  |  |

# (14) Benefits

# 1) Benefits (amounts)

|     |  |                   | 1                        | 1                   | 1                   | i .                | 1     | (Millions of yen) |
|-----|--|-------------------|--------------------------|---------------------|---------------------|--------------------|-------|-------------------|
|     |  | Death<br>benefits | Hospitalization benefits | Surgery<br>benefits | Disability benefits | Living<br>benefits | Other | Total             |
| For | the year ended March 31, 2015                        |                   |                          |                     |                     |                    |       |                   |
|     | Individual insurance                                 | ¥ 1               | ¥ 22,782                 | ¥ 15,545            | ¥ 1,012             | ¥ 1,606            | ¥ 560 | ¥ 41,509          |
|     | Individual annuities                                 | _                 | 20                       | 8                   | _                   | _                  | 0     | 29                |
|     | Group insurance                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Group annuities                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Other insurance                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Total  | 1                 | 22,802                   | 15,553              | 1,012               | 1,606              | 561   | 41,538            |
| For | the year ended March 31, 2016                        |                   |                          |                     |                     |                    |       |                   |
|     | Individual insurance                                 | 13                | 26,621                   | 18,131              | 1,243               | 2,475              | 665   | 49,150            |
|     | Individual annuities                                 | _                 | 27                       | 10                  | 3                   | _                  | 0     | 41                |
|     | Group insurance                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Group annuities                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Other insurance                                      | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Total  | 13                | 26,648                   | 18,142              | 1,246               | 2,475              | 666   | 49,192            |
| For | the year ended March 31, 2017                        |                   |                          |                     |                     |                    |       |                   |
|     | Individual insurance                                 | 22                | 30,405                   | 20,858              | 1,438               | 3,543              | 799   | 57,068            |
|     | Individual annuities                                 | _                 | 22                       | 8                   | 10                  | -                  | 1     | 43                |
|     | Group insurance                                      | -                 | -                        | _                   | -                   | -                  | -     | -                 |
|     | Group annuities                                      | -                 | -                        | _                   | _                   | _                  | _     | _                 |
|     | Asset-formation insurance, asset-formation annuities | _                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Other insurance                                      | -                 | _                        | _                   | _                   | _                  | _     | _                 |
|     | Total  | 22                | 30,428                   | 20,866              | 1,448               | 3,543              | 800   | 57,111            |

## 2) Benefits (number of benefits)

(Number of benefits)

|  | Death<br>benefits | Hospitalization benefits | Surgery<br>benefits | Disability benefits | Living benefits | Other  | Total   |
|--|-------------------|--------------------------|---------------------|---------------------|-----------------|--------|---------|
| For the year ended March 31, 2015                    |                   |                          |                     |                     |                 |        |         |
| Individual insurance                                 | 38                | 372,041                  | 211,756             | 1,239               | 8,722           | 8,004  | 601,800 |
| Individual annuities                                 | _                 | 150                      | 91                  | _                   | _               | 6      | 247     |
| Group insurance                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Group annuities                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Asset-formation insurance, asset-formation annuities | _                 | _                        | -                   | _                   | 1               | _      | _       |
| Other insurance                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Total  | 38                | 372,191                  | 211,847             | 1,239               | 8,722           | 8,010  | 602,047 |
| For the year ended March 31, 2016                    |                   |                          |                     |                     |                 |        |         |
| Individual insurance                                 | 110               | 441,230                  | 251,830             | 1,480               | 12,833          | 9,498  | 716,981 |
| Individual annuities                                 | _                 | 176                      | 112                 | 1                   | _               | 3      | 292     |
| Group insurance                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Group annuities                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Asset-formation insurance, asset-formation annuities | -                 | -                        | _                   | -                   | _               | -      | -       |
| Other insurance                                      | _                 | _                        | _                   | _                   | _               | _      | _       |
| Total  | 110               | 441,406                  | 251,942             | 1,481               | 12,833          | 9,501  | 717,273 |
| For the year ended March 31, 2017                    |                   |                          |                     |                     |                 |        |         |
| Individual insurance                                 | 130               | 497,059                  | 286,092             | 1,716               | 17,909          | 11,715 | 814,621 |
| Individual annuities                                 | _                 | 152                      | 91                  | 2                   | _               | 10     | 255     |
| Group insurance                                      | _                 | _                        | _                   | -                   | _               | _      | _       |
| Group annuities                                      | -                 | _                        | _                   | _                   | -               | _      | -       |
| Asset-formation insurance, asset-formation annuities | -                 | _                        | -                   | -                   | _               | -      | -       |
| Other insurance                                      | -                 | _                        | -                   | -                   | -               | -      | -       |
| Total  | 130               | 497,211                  | 286,183             | 1,718               | 17,909          | 11,725 | 814,876 |

## (15) Surrender Benefits

|   |                         |   |                         |                 |     |                   |  |                 |   |   | (IVIIIIONS OF YEAR) |
|---|-------------------------|---|-------------------------|-----------------|-----|-------------------|--|-----------------|---|---|---------------------|
|   |                         |   |                         | For the         | e y | ear ended March 3 | 1, 2015  |                 |   |   |                     |
|   | Individual<br>insurance |   | Individual<br>annuities | Group insurance |     | Group annuities   | Asset-formation insurance, asset-formation annuities | Other insurance | , |   | Total               |
| ¥ | 274,490                 | ¥ | 16,778                  | ¥ –             |     | ¥ –               | ¥ 20   | ¥ -             | - | ¥ | 291,290             |

|   | For the year ended March 31, 2016 |   |                         |                 |     |               |       |   |       |           |   |         |  |  |
|---|-----------------------------------|---|-------------------------|-----------------|-----|---------------|-------|---|-------|-----------|---|---------|--|--|
|   | Individual<br>insurance           |   | Individual<br>annuities | Group insurance | Gro | oup annuities | insur | et-formation<br>rance, asset-<br>tion annuities | Other | insurance |   | Total   |  |  |
| ¥ | 362,654                           | ¥ | 16,188                  | ¥ –             | ¥   | _             | ¥     | 18  | ¥     | _         | ¥ | 378,862 |  |  |

|   |                         |   |                         |         | For the  | year er | nded March  | 31, 201 | 7  | For the year ended March 31, 2017 |           |   |         |  |  |  |  |  |  |  |  |  |  |
|---|-------------------------|---|-------------------------|---------|----------|---------|-------------|---------|--|-----------------------------------|-----------|---|---------|--|--|--|--|--|--|--|--|--|--|
|   | Individual<br>insurance |   | Individual<br>annuities | Group i | nsurance | Grou    | o annuities | insur   | et-formation<br>ance, asset-<br>tion annuities | Other                             | insurance |   | Total   |  |  |  |  |  |  |  |  |  |  |
| ¥ | 417,380                 | ¥ | 15,660                  | ¥       | _        | ¥       | _           | ¥       | 11   | ¥                                 | -         | ¥ | 433,053 |  |  |  |  |  |  |  |  |  |  |

## (16) Depreciation and Amortization

(Millions of yen, %)

|     |                               | Cost      | Depreciation and amortization in the fiscal year | Accumulated depreciation and amortization | Balance at the end of the fiscal year | Accumulated depreciation percentage |
|-----|-------------------------------|-----------|--|---|---------------------------------------|-------------------------------------|
| For | the year ended March 31, 2015 |           |  |   |                                       |                                     |
|     | Tangible fixed assets         | ¥ 117,097 | ¥ 5,750  | ¥ 63,535                                  | ¥ 53,562                              | 54.3                                |
|     | Buildings                     | 51,541    | 2,070  | 17,365                                    | 34,176                                | 33.7                                |
|     | Leased assets                 | 3,138     | 438  | 1,167                                     | 1,970                                 | 37.2                                |
|     | Other tangible fixed assets   | 62,417    | 3,241  | 45,001                                    | 17,415                                | 72.1                                |
|     | Intangible fixed assets       | 325,147   | 29,770   | 167,566                                   | 157,580                               | 51.5                                |
|     | Others                        | 294       | 31   | 128                                       | 166                                   | 43.7                                |
|     | Total                         | 442,539   | 35,552   | 231,230                                   | 211,308                               | 52.3                                |
| For | the year ended March 31, 2016 |           |  |   |                                       |                                     |
|     | Tangible fixed assets         | 134,865   | 6,672  | 63,808                                    | 71,056                                | 47.3                                |
|     | Buildings                     | 68,688    | 2,946  | 19,379                                    | 49,308                                | 28.2                                |
|     | Leased assets                 | 2,978     | 472  | 1,248                                     | 1,730                                 | 41.9                                |
|     | Other tangible fixed assets   | 63,198    | 3,253  | 43,181                                    | 20,017                                | 68.3                                |
|     | Intangible fixed assets       | 382,704   | 30,465   | 193,835                                   | 188,868                               | 50.6                                |
|     | Others                        | 634       | 61   | 189                                       | 445                                   | 29.9                                |
|     | Total                         | 518,204   | 37,199   | 257,834                                   | 260,370                               | 49.6                                |
| For | the year ended March 31, 2017 |           |  |   |                                       |                                     |
|     | Tangible fixed assets         | 138,024   | 12,347   | 75,624                                    | 62,400                                | 54.8                                |
|     | Buildings                     | 69,820    | 5,903  | 25,337                                    | 44,483                                | 36.3                                |
|     | Leased assets                 | 3,700     | 457  | 1,695                                     | 2,004                                 | 45.8                                |
|     | Other tangible fixed assets   | 64,503    | 5,986  | 48,592                                    | 15,911                                | 75.3                                |
|     | Intangible fixed assets       | 415,947   | 35,200   | 226,137                                   | 189,809                               | 54.4                                |
|     | Others                        | 634       | 60   | 250                                       | 384                                   | 39.4                                |
|     | Total                         | 554,607   | 47,607   | 302,012                                   | 252,594                               | 54.5                                |

#### Notes

- 1. "Buildings" is booked as the sum total of buildings, facilities and structures.
- 2. "Intangible fixed assets" includes software in progress.

#### (17) Operating Expenses

(Millions of yen)

| For the years ended March 31    |   | 2015    |   | 2016    |   | 2017    |
|---------------------------------|---|---------|---|---------|---|---------|
| Sales activity expenses         | ¥ | 182,243 | ¥ | 191,078 | ¥ | 201,199 |
| Sales administration expenses   |   | 17,147  |   | 18,041  |   | 20,618  |
| General administration expenses |   | 313,025 |   | 327,968 |   | 338,388 |
| Total                           |   | 512,417 |   | 537,087 |   | 560,206 |

Note: "General administration expenses" include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥1,636 million for the year ended March 31, 2015, ¥1,923 million for the year ended March 31, 2016 and ¥2,069 million for the year ended March 31, 2017), pursuant to Article 259 of the Insurance Business Act.

#### (18) Taxes

(Millions of yen)

| For the years ended March 31  | 2 | 2015   |   | 2016   | 2 | 2017   |
|-------------------------------|---|--------|---|--------|---|--------|
| National taxes                | ¥ | 37,213 | ¥ | 37,537 | ¥ | 40,699 |
| Consumption tax               |   | 30,479 |   | 32,941 |   | 36,171 |
| Special local corporation tax |   | 5,801  |   | 3,820  |   | 3,773  |
| Stamp duty                    |   | 773    |   | 773    |   | 754    |
| Registration license tax      |   | 156    |   | 1      |   | 0      |
| Other national taxes          |   | 2      |   | 0      |   | 0      |
| Local taxes                   |   | 17,024 |   | 19,359 |   | 20,256 |
| Local consumption tax         |   | 8,224  |   | 8,888  |   | 9,760  |
| Enterprise tax                |   | 7,504  |   | 9,160  |   | 9,055  |
| Fixed property tax            |   | 868    |   | 1,015  |   | 1,201  |
| Real estate acquisition tax   |   | 176    |   | 2      |   | _      |
| Business office tax           |   | 249    |   | 291    |   | 239    |
| Other local taxes             |   | 0      |   | 0      |   |        |
| Total                         |   | 54,238 |   | 56,896 |   | 60,956 |

Note: "Fixed property tax" includes city planning tax.

#### (19) Lease Transactions

Lease transactions (as lessee)

[Finance lease transactions without transfer of ownership that apply accounting treatment equivalent to those for operating lease transactions]

Not applicable for the years ended March 31, 2015, 2016 and 2017.

#### (20) Borrowings by Maturity Date

|    |  |                       |  |   |   |  |   | (Millions of yen) |
|----|--|-----------------------|--|---|---|--|---|-------------------|
|    |  | Due in 1 year or less | Due after 1 year<br>through<br>3 years | Due after 3<br>years through 5<br>years | Due after 5<br>years through 7<br>years | Due after 7<br>years through<br>10 years | Due after 10<br>years or having<br>no maturity date | Total             |
| As | of March 31, 2015                              |                       |  |   |   |  |   |                   |
|    | Payables under securities lending transactions | ¥3,658,492            | ¥ –                                    | ¥ –                                     | ¥ –                                     | ¥ –                                      | ¥ –   | ¥3,658,492        |
|    | Total  | 3,658,492             | _                                      | _                                       | _                                       | _  | _   | 3,658,492         |
| As | of March 31, 2016                              |                       |  |   |   |  |   |                   |
|    | Payables under securities lending transactions | 3,648,478             | _                                      | _                                       | _                                       | _  | _   | 3,648,478         |
|    | Total  | 3,648,478             | _                                      | _                                       | _                                       | _  | _   | 3,648,478         |
| As | of March 31, 2017                              |                       |  |   |   |  |   |                   |
|    | Payables under securities lending transactions | 4,889,066             | _                                      | _                                       | _                                       | _  | _   | 4,889,066         |
|    | Total  | 4,889,066             | _                                      | _                                       | _                                       | _  | _   | 4,889,066         |

# 6-5 Indicators Related to Asset Management (General Account)

### (1) Portfolio Trends

#### Asset Structure, Increase/Decrease in Assets

|   |             | 2015       |                       |             | 2016       |                       |             | 2017       |                       |
|---|-------------|------------|-----------------------|-------------|------------|-----------------------|-------------|------------|-----------------------|
| As of March 31                                      | Amount      | Percentage | Increase/<br>decrease | Amount      | Percentage | Increase/<br>decrease | Amount      | Percentage | Increase/<br>decrease |
| Cash, deposits, call loans                          | ¥ 2,651,397 | 3.1        | ¥ 757,796             | ¥ 2,216,037 | 2.7        | ¥ (435,359)           | ¥ 1,510,137 | 1.9        | ¥ (705,900)           |
| Receivables under resale agreements                 | _           | _          | _                     | _           | -          | _                     | -           | -          | _                     |
| Receivables under securities borrowing transactions | 2,720,856   | 3.2        | (101,332)             | 3,008,591   | 3.7        | 287,734               | 3,520,722   | 4.4        | 512,131               |
| Monetary claims bought                              | 449,068     | 0.5        | 341,619               | 430,150     | 0.5        | (18,918)              | 27,561      | 0.0        | (402,588)             |
| Trading account securities                          | _           | _          | _                     | _           | _          | _                     | -           | -          | _                     |
| Money held in trust                                 | 1,434,943   | 1.7        | 853,315               | 1,644,547   | 2.0        | 209,604               | 2,127,042   | 2.6        | 482,494               |
| Securities  | 66,277,244  | 78.1       | (3,101,731)           | 63,610,890  | 78.0       | (2,666,354)           | 63,486,273  | 79.0       | (124,616)             |
| Corporate and government bonds                      | 64,294,767  | 75.7       | (3,843,759)           | 59,821,039  | 73.4       | (4,473,728)           | 57,658,115  | 71.8       | (2,162,924)           |
| Domestic stocks                                     | 984         | 0.0        | -                     | 984         | 0.0        | -                     | 59,305      | 0.1        | 58,321                |
| Foreign securities                                  | 1,981,492   | 2.3        | 742,028               | 3,688,822   | 4.5        | 1,707,329             | 4,351,731   | 5.4        | 662,908               |
| Foreign corporate and government bonds              | 1,961,492   | 2.3        | 862,028               | 3,688,822   | 4.5        | 1,727,329             | 4,346,732   | 5.4        | 657,910               |
| Foreign stocks and other securities                 | 20,000      | 0.0        | (120,000)             | _           | -          | (20,000)              | 4,998       | 0.0        | 4,998                 |
| Other securities                                    | _           | _          | _                     | 100,044     | 0.1        | 100,044               | 1,417,122   | 1.8        | 1,317,077             |
| Loans   | 9,977,345   | 11.8       | (1,043,239)           | 8,978,437   | 11.0       | (998,907)             | 8,060,902   | 10.0       | (917,534)             |
| Policy loans  | 74,097      | 0.1        | 19,825                | 95,629      | 0.1        | 21,532                | 118,141     | 0.1        | 22,511                |
| Industrial and commercial loans                     | 806,259     | 0.9        | 42,961                | 829,027     | 1.0        | 22,768                | 873,720     | 1.1        | 44,693                |
| Loans to the Management Organization                | 9,096,988   | 10.7       | (1,106,026)           | 8,053,780   | 9.9        | (1,043,208)           | 7,069,040   | 8.8        | (984,739)             |
| Real estate   | 112,286     | 0.1        | 36,624                | 123,747     | 0.2        | 11,460                | 119,011     | 0.1        | (4,735)               |
| Investment property                                 | -           | -          | _                     | _           | -          | _                     | -           | -          | -                     |
| Deferred tax assets                                 | 548,210     | 0.6        | (44,455)              | 712,615     | 0.9        | 164,405               | 852,263     | 1.1        | 139,647               |
| Other   | 741,537     | 0.9        | 124,629               | 819,378     | 1.0        | 77,841                | 633,157     | 0.8        | (186,221)             |
| Reserve for possible loan losses                    | (943)       | (0.0)      | 92                    | (772)       | (0.0)      | 170                   | (658)       | (0.0)      | 114                   |
| General account total                               | 84,911,946  | 100.0      | (2,176,680)           | 81,543,623  | 100.0      | (3,368,322)           | 80,336,414  | 100.0      | (1,207,209)           |
| Foreign currency denominated assets                 | 2,196,349   | 2.6        | 1,067,568             | 3,949,417   | 4.8        | 1,753,068             | 4,753,649   | 5.9        | 804,231               |

<sup>1. &</sup>quot;Loans to the Management Organization" includes lending to the Management Organization (Postal Life Insurance Account).

<sup>2. &</sup>quot;Real estate" is booked as the sum total of land, buildings and construction in progress.

#### (2) Yield

(%)

| For the years ended March 31                        | 2015  | 2016  | 2017  |
|---|-------|-------|-------|
| Cash, deposits and call loans                       | 0.05% | 0.05% | 0.00% |
| Receivables under resale agreements                 | -     | _     | -     |
| Receivables under securities borrowing transactions | _     | _     | -     |
| Monetary claims bought                              | 0.32  | 0.26  | 0.23  |
| Trading account securities                          | -     | _     | -     |
| Money held in trust                                 | 3.54  | 3.37  | 3.49  |
| Securities  | 1.73  | 1.66  | 1.52  |
| Corporate and government bonds                      | 1.70  | 1.63  | 1.59  |
| Domestic stocks                                     | -     | _     | 5.23  |
| Foreign securities                                  | 2.87  | 2.10  | 0.61  |
| Loans   | 2.25  | 2.19  | 2.10  |
| Industrial and commercial loans                     | 1.53  | 1.51  | 1.30  |
| Real estate   | -     | _     | -     |
| General account total                               | 1.70  | 1.62  | 1.50  |
| Overseas loans and investments                      | 2.88  | 2.22  | 0.82  |

#### Notes:

- 1. Yields are calculated by dividing investment income less investment expenses by the daily average balance based on book value.
- 2. "General account total" includes assets related to securities trusts.
- 3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

### (3) Average Balance on Primary Assets

(Millions of yen)

|   |                              |            | , , ,      |
|---|------------------------------|------------|------------|
| For the years ended March 31                        | 2015                         | 2016       | 2017       |
| Cash, deposits and call loans                       | ¥ 697,545                    | ¥ 957,918  | ¥ 908,816  |
| Receivables under resale agreements                 | _                            | _          | _          |
| Receivables under securities borrowing transactions | _                            | _          | _          |
| Monetary claims bought                              | 213,732                      | 265,032    | 219,220    |
| Trading account securities                          | _                            | _          | -          |
| Money held in trust                                 | 932,276                      | 1,336,401  | 1,622,160  |
| Securities  | 68,089,151                   | 65,745,089 | 63,807,097 |
| Corporate and government bonds                      | 66,560,265                   | 62,636,408 | 58,887,577 |
| Domestic stocks                                     | 984                          | 984        | 19,215     |
| Foreign securities                                  | Foreign securities 1,527,902 |            | 4,198,112  |
| Loans   | 10,738,264                   | 9,686,940  | 8,783,153  |
| Industrial and commercial loans                     | 780,733                      | 793,687    | 895,898    |
| Real estate   | 100,636                      | 119,810    | 122,386    |
| General account total                               | 85,268,102                   | 83,153,764 | 80,580,478 |
| Overseas loans and investments                      | 1,820,170                    | 3,412,008  | 4,651,791  |

#### Notes:

- 1. "General account total" includes assets related to securities trusts.
- 2. "Real estate" is booked as the sum total of land, buildings and construction in progress.
- 3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

# (4) Investment Income

(Millions of yen)

| For the years ended March 31                 | 2015        | 2016        | 2017        |
|--|-------------|-------------|-------------|
| Interest and dividend income                 | ¥ 1,365,796 | ¥ 1,308,679 | ¥ 1,226,193 |
| Gains on trading account securities          | _           | _           | -           |
| Gains on money held in trust                 | 32,762      | 44,939      | 56,535      |
| Gains on trading securities                  | _           | -           | -           |
| Gains on sales of securities                 | 61,908      | 1,241       | 85,142      |
| Gains on redemption of securities            | 36          | 36          | 33          |
| Gains on derivative financial instruments    | -           | -           | -           |
| Gains on foreign exchanges                   | 12          | -           | -           |
| Reversal of reserve for possible loan losses | 14          | 6           | 11          |
| Other investment income                      | 215         | 63          | 21          |
| Total  | 1,460,745   | 1,354,966   | 1,367,937   |

## (5) Investment Expenses

| For the years ended March 31                           | 2015    | 2016    | 2017    |
|--|---------|---------|---------|
| Interest expenses                                      | ¥ 4,298 | ¥ 4,370 | ¥ 2,218 |
| Losses on trading account securities                   | _       | _       | -       |
| Losses on money held in trust                          | _       | _       | -       |
| Losses on trading securities                           | _       | _       | -       |
| Losses on sales of securities                          | 4,963   | 1,592   | 124,734 |
| Losses on valuation of securities                      | _       | _       | -       |
| Losses on redemption of securities                     | 44      | 664     | 7,480   |
| Losses on derivative financial instruments             | 773     | 1,511   | 20,599  |
| Losses on foreign exchanges                            | _       | 402     | 3,362   |
| Provision for reserve for possible loan losses         | _       | _       | _       |
| Write-off loans  | _       | _       | -       |
| Depreciation of real estate for lease and other assets | _       | _       | _       |
| Other investment expenses                              | 915     | 1,209   | 2,018   |
| Total  | 10,994  | 9,749   | 160,414 |

### (6) Interest, Dividends and Other Income

(Millions of yen)

| For the years ended March 31                     | 2015      | 2016      | 2017      |
|--|-----------|-----------|-----------|
| Interest on deposits                             | ¥ 694     | ¥ 692     | ¥ 22      |
| Interest and dividends on securities             | 1,119,333 | 1,090,551 | 1,037,359 |
| Interest on corporate and government bonds       | 1,074,732 | 1,023,237 | 934,895   |
| Domestic stock dividends                         | _         | _         | 727       |
| Interest and dividends on foreign securities     | 44,600    | 67,313    | 97,953    |
| Interest on loans                                | 13,489    | 14,017    | 14,037    |
| Interest on loans to the Management Organization | 227,682   | 198,205   | 170,098   |
| Rent revenue from real estate                    | _         | _         | -         |
| Net, including other income                      | 1,365,796 | 1,308,679 | 1,226,193 |

## (7) Gains on Sales of Securities

(Millions of yen)

| For the years ended March 31                      | 2015     | 2016  | 2017    |
|---|----------|-------|---------|
| Japanese government bonds and other bonds         | ¥ 56,869 | ¥ 8   | ¥ 1,384 |
| Domestic stocks and other securities              | _        | _     | 352     |
| Foreign securities                                | 5,038    | 1,233 | 83,406  |
| Net, including other gains on sales of securities | 61,908   | 1,241 | 85,142  |

### (8) Losses on Sales of Securities

(Millions of yen)

| For the years ended March 31                       | 2015  | 2016  | 2017    |
|--|-------|-------|---------|
| Japanese government bonds and other bonds          | ¥ –   | ¥ –   | ¥ 147   |
| Domestic stocks and other securities               | _     | _     | 53      |
| Foreign securities                                 | 4,963 | 1,592 | 124,533 |
| Net, including other losses on sales of securities | 4,963 | 1,592 | 124,734 |

## (9) Losses on Valuation of Securities

Not applicable as of March 31, 2015, 2016 and 2017.

### (10) Proprietary Trading Securities

Not applicable as of March 31, 2015, 2016 and 2017.

### (11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2015, 2016 and 2017.

## (12) Securities Composition

| As of March 31                         |      | 2015     |            | 2016 |            |            | 2017     |            |            |
|--|------|----------|------------|------|------------|------------|----------|------------|------------|
| AS OF MARCH 31                         | Am   | ount     | Percentage |      | Amount     | Percentage |          | Amount     | Percentage |
| Corporate and government bonds         | ¥ 64 | ,294,767 | 97.0       | ¥    | 59,821,039 | 94.0       | ¥        | 57,658,115 | 90.8       |
| Japanese government bonds              | 48   | ,086,445 | 72.6       |      | 44,178,631 | 69.5       |          | 42,732,364 | 67.3       |
| Japanese local government bonds        | g    | ,555,857 | 14.4       |      | 9,405,494  | 14.8       | 9,226,80 |            | 14.5       |
| Japanese corporate bonds               | 6    | ,652,464 | 10.0       |      | 6,236,913  | 9.8        |          | 5,698,945  | 9.0        |
| Public entity bonds                    | 4    | ,240,887 | 6.4        |      | 4,151,928  | 6.5        |          | 3,808,315  | 6.0        |
| Domestic stocks                        |      | 984      | 0.0        |      | 984        | 0.0        |          | 59,305     | 0.1        |
| Foreign securities                     | 1    | ,981,492 | 3.0        |      | 3,688,822  | 5.8        |          | 4,351,731  | 6.9        |
| Foreign corporate and government bonds | 1    | ,961,492 | 3.0        |      | 3,688,822  | 5.8        |          | 4,346,732  | 6.8        |
| Foreign stocks and other securities    |      | 20,000   | 0.0        |      | _          | _          |          | 4,998      | 0.0        |
| Other securities                       |      | _        | _          |      | 100,044    | 0.2        |          | 1,417,122  | 2.2        |
| Total                                  | 66   | ,277,244 | 100.0      |      | 63,610,890 | 100.0      |          | 63,486,273 | 100.0      |

## (13) Securities by Maturity Date

(Millions of yen)

|   |                        |                        |                        |                         |                             |                                  | (Millions of |
|---|------------------------|------------------------|------------------------|-------------------------|-----------------------------|----------------------------------|--------------|
|   | D                      | Due after              | Due after              | Due after               | Due after                   | Due after 10                     |              |
|   | Due in 1 year or less  | 1 year through 3 years | 5 years through        | 5 years through 7 years | 7 years through<br>10 years | years or having no maturity date | Total        |
| s of March 31, 2015   | ¥ 8,033,323            | ¥12,094,811            | ¥ 7,044,877            | ¥ 5,252,746             | ¥ 6,849,337                 | ¥28,746,217                      | ¥68,021,3    |
| Securities  | 6,319,339              | 12,094,811             | 7,044,877              | 5,252,746               | 6,849,337                   | 28,716,133                       | 66,277,2     |
| Japanese government bonds   | 5,239,170              | 8,108,693              | 3,493,485              | 1,753,254               | 2,784,240                   | 26,707,601                       | 48,086,4     |
| Japanese local government bonds   | 435,823                | 1,809,681              | 2,126,745              | 2,127,428               | 2,056,248                   | 999,930                          | 9,555,8      |
| Japanese corporate bonds  | 644,345                | 1,966,464              | 1,273,042              | 899,062                 | 930,926                     | 938,622                          | 6,652,4      |
| Stocks  | _                      | _                      | _                      | _                       | _                           | 984                              | 9            |
| Foreign securities  | _                      | 209,972                | 151,603                | 473,000                 | 1,077,921                   | 68,994                           | 1,981,4      |
| Foreign corporate and government bonds Foreign stocks and                   | _                      | 209,972                | 151,603                | 473,000                 | 1,077,921                   | 48,994                           | 1,961,4      |
| other securities  | _                      | _                      | _                      | _                       | _                           | 20,000                           | 20,0         |
| Other securities  | _                      | _                      | _                      | _                       | _                           | _                                |              |
| Monetary claims bought  | 418,983                | _                      | _                      | _                       | _                           | 30,084                           | 449,0        |
| Negotiable certificates of deposit  | 1,295,000              | _                      | -                      | _                       | _                           | _                                | 1,295,0      |
| Other   | _                      | _                      | _                      | _                       | _                           | _                                |              |
| s of March 31, 2016   | 6,240,545              | 11,176,068             | 5,296,948              | 5,377,509               | 6,684,076                   | 29,895,893                       | 64,671,      |
| Securities  | 5,210,545              | 11,176,068             | 5,296,948              | 5,377,509               | 6,684,076                   | 29,865,742                       | 63,610,      |
| Japanese government bonds   | 3,398,766              | 6,939,719              | 1,723,155              | 2,162,625               | 2,994,719                   | 26,959,644                       | 44,178,      |
| Japanese local government bonds   | 858,586                | 2,189,881              | 2,120,597              | 1,797,979               | 1,397,692                   | 1,040,757                        | 9,405,       |
| Japanese corporate bonds  | 953,191                | 1,798,271              | 984,814                | 1,024,778               | 490,802                     | 985,054                          | 6,236,       |
| Stocks  | _                      | _                      | _                      | _                       | _                           | 984                              | ,            |
| Foreign securities  | _                      | 248,195                | 468,380                | 392,126                 | 1,800,861                   | 779,257                          | 3,688,       |
| Foreign corporate and government bonds  Foreign stocks and other securities | _                      | 248,195                | 468,380                | 392,126                 | 1,800,861                   | 779,257                          | 3,688,8      |
| Other securities  | _                      |                        | _                      | _                       |                             | 100,044                          | 100,0        |
| Monetary claims bought  | 399,999                |                        |                        |                         |                             | 30,150                           | 430,         |
| Negotiable certificates of deposit  | -                      |                        | _                      |                         |                             | 30,130                           | 630,         |
| Other   | 630,000                |                        | _                      | _                       |                             |                                  | 630,         |
|   | 7 005 051              | 7 105 450              | 5,437,276              | 4.819.396               | 6 122 670                   | 22 202 106                       | 62.062.0     |
| s of March 31, 2017 Securities  | 7,005,851              | 7,185,453              | · ' '                  | 4,819,396               | 6,133,670<br>6,133,670      | 33,282,186<br>33,254,624         | 63,863,8     |
|   | 6,655,851<br>4,701,876 | 7,185,453              | 5,437,276<br>1,734,510 | 1,923,244               | 3,589,153                   | 27,299,722                       | 42,732,      |
| Japanese government bonds  Japanese local government bonds                  | 949,161                | 3,483,857<br>2,145,869 | 2,297,098              | 1,627,623               | 1,087,674                   | 1,119,376                        | 9,226,       |
| Japanese corporate bonds  | 994,794                | 1,240,631              | 990,973                | 787,845                 | 455,534                     | 1,229,165                        | 5,698,       |
| Stocks  | _                      | -                      | _                      | -                       | _                           | 59,305                           | 59,          |
| Foreign securities  | 10,018                 | 315,095                | 414,694                | 480,682                 | 1,001,307                   | 2,129,932                        | 4,351,       |
| Foreign corporate and government bonds                                      | 10,018                 | 315,095                | 414,694                | 480,682                 | 1,001,307                   | 2,124,934                        | 4,346,       |
| Foreign stocks and other securities   | _                      | _                      | _                      | _                       | _                           | 4,998                            | 4,           |
| Other securities  | -                      | _                      | _                      | -                       | _                           | 1,417,122                        | 1,417,       |
| Monetary claims bought  | -                      | -                      | -                      | -                       | -                           | 27,561                           | 27,          |
| Negotiable certificates of deposit  | 350,000                | _                      | _                      | _                       | _                           | _                                | 350,0        |
| •   |                        |                        |                        |                         |                             |                                  | ,            |

Note: Includes the handling of securities based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10).

## (14) Bond Term-End Balance Yield

(%)

| As of March 31                         | 2015  | 2016  | 2017  |
|--|-------|-------|-------|
| Corporate and government bonds         | 1.62% | 1.64% | 1.57% |
| Foreign corporate and government bonds | 2.46  | 2.17  | 2.08  |

### (15) Breakdown of Local Government Bonds by Region

(Millions of yen)

| As of March 31 | of March 31 2015 2016 |           | As of March 31 2015 |           | 2016      | 2017 |
|----------------|-----------------------|-----------|---------------------|-----------|-----------|------|
| Hokkaido       | ¥                     | 216,261   | ¥                   | 212,169   | ¥ 219,534 |      |
| Tohoku         |                       | 79,880    |                     | 81,034    | 86,774    |      |
| Kanto          |                       | 2,258,807 |                     | 2,164,978 | 2,070,417 |      |
| Chubu          |                       | 1,016,316 |                     | 1,023,277 | 1,012,153 |      |
| Kinki          |                       | 916,662   |                     | 940,934   | 1,004,950 |      |
| Chugoku        |                       | 281,093   |                     | 292,457   | 316,872   |      |
| Shikoku        |                       | 83,167    |                     | 84,685    | 89,691    |      |
| Kyushu         |                       | 642,712   |                     | 615,464   | 598,001   |      |
| Other          |                       | 4,060,955 |                     | 3,990,494 | 3,828,407 |      |
| Total          |                       | 9,555,857 |                     | 9,405,494 | 9,226,804 |      |

Note: "Other" indicates the balance of joint issuance local government bonds.

## (16) Shareholdings by Industry Sector

(Millions of yen, %)

|  | 20     | 15         | 20     | 16         | (Millions of yen, % |            |
|--|--------|------------|--------|------------|---------------------|------------|
| As of March 31                                 | Amount | Percentage | Amount | Percentage | Amount              | Percentage |
| Fishery, agriculture and forestry              | ¥ –    | _          | ¥ –    | _          | ¥ –                 | _          |
| Mining   | _      | _          | _      | _          | _                   | _          |
| Construction                                   | _      | _          | _      | _          | 2,523               | 4.3        |
| Manufacturing                                  |        |            |        |            | ,                   |            |
| Foods  | _      | _          | _      | _          | 1,465               | 2.5        |
| Textiles and apparel                           | _      | _          | _      | _          | 1,433               | 2.4        |
| Pulp and paper                                 | _      | _          | _      | _          | _                   | _          |
| Chemicals                                      | _      | _          | _      | _          | 7,937               | 13.4       |
| Pharmaceuticals                                | _      | _          | _      | _          | 3,074               | 5.2        |
| Oil and coal products                          | _      | _          | _      | _          | _                   | _          |
| Rubber products                                | _      | _          | _      | _          | 524                 | 0.9        |
| Glass and ceramic products                     | _      | _          | _      | _          | _                   | _          |
| Iron and steel                                 | _      | _          | _      | _          | _                   | _          |
| Nonferrous metals                              | _      | _          | _      | _          | 1,121               | 1.9        |
| Metal products                                 | _      | _          | _      | _          |                     | _          |
| Machinery                                      | _      | _          | _      | _          | 2,374               | 4.0        |
| Electric appliances                            | _      | _          | _      | _          | 2,872               | 4.8        |
| Transportation equipment                       | _      | _          | _      | _          | 2,292               | 3.9        |
| Precision instruments                          | _      | _          | _      | _          | 566                 | 1.0        |
| Other products                                 | _      | _          | _      | _          | 1,007               | 1.7        |
| Electric power and gas                         | _      | _          | _      | _          | _                   | _          |
| Transportation, information and communications |        |            |        |            |                     |            |
| Land transportation                            | _      | _          | _      | _          | 3,172               | 5.3        |
| Marine transportation                          | _      | _          | _      | _          | _                   | _          |
| Air transportation                             | _      | _          | _      | _          | 1,095               | 1.8        |
| Warehousing and port transportation services   | _      | _          | _      | _          | _                   | _          |
| Information and communications                 | 984    | 100.0      | 984    | 100.0      | 13,611              | 23.0       |
| Trade and services                             |        |            |        |            |                     |            |
| Wholesale trade                                | _      | _          | _      | _          | 1,145               | 1.9        |
| Retail trade                                   | _      | _          | _      | _          | 4,582               | 7.7        |
| Finance and insurance                          |        |            |        |            |                     |            |
| Banking  | _      | _          | _      | _          | 5,539               | 9.3        |
| Securities and trading                         | _      | _          | _      | _          | _                   | _          |
| Insurance                                      | _      | _          | _      | _          | 486                 | 0.8        |
| Other financial services                       | _      | _          | _      | _          | _                   | _          |
| Real estate                                    | _      | _          | _      | _          | _                   | _          |
| Services                                       | _      | _          | _      | _          | 2,476               | 4.2        |
| Total  | 984    | 100.0      | 984    | 100.0      | 59,305              | 100.0      |

Note: Industry sector category is based on the sector classification table of the Securities Identification Code Committee.

#### (17) Loans

(Millions of yen)

| As of March 31   | 2015    |            | 2016         | 2017 | ,          |
|--|---------|------------|--------------|------|------------|
| Policy loans   | ¥ 74    | ,097 ¥     | 95,629       | ¥    | 118,141    |
| Policyholder loans   | 74      | ,096       | 95,628       |      | 118,139    |
| Policy premium loans   |         | 0          | 1            |      | 1          |
| Industrial and commercial loans  | 9,903   | ,247       | 8,882,807    |      | 7,942,761  |
| (Loans to non-residents)   | (       | <b>-</b> ) | ( –)         | -) ( |            |
| Loans to companies   | 9,370   | ,103       | 8,293,303    |      | 7,271,272  |
| (Loans to domestic corporations)   | ( 9,370 | ,103)      | ( 8,293,303) | (    | 7,271,272) |
| Loans to state, international organizations and government organizations |         | _          | _            |      | _          |
| Loans to public bodies and public businesses                             | 533     | 3,144      | 589,504      |      | 671,488    |
| Housing loans  |         | -          | _            |      | -          |
| Consumer loans   |         | -          | _            |      | -          |
| Other  |         | -          | _            |      | -          |
| Total  | 9,977   | ,345       | 8,978,437    |      | 8,060,902  |

Note: Loans to the Management Organization (Postal Life Insurance account) are recorded as loans to companies, as they are classified into loans to companies in "finance and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

#### (18) Loans by Contractual Maturity Date

(Millions of yen)

| , · ·  |   |                       |                                  |   |   | (IVIIIIONO OI YON)                       |   |             |
|--|---|-----------------------|----------------------------------|---|---|--|---|-------------|
|  |   | Due in 1 year or less | Due after 1 year through 3 years | Due after 3<br>years through 5<br>years | Due after 5<br>years through 7<br>years | Due after 7<br>years through 10<br>years | Due after 10 years<br>or having no<br>maturity date | Total       |
| Total industrial and commercial loans as of March 31, 2015 |   | ¥ 1,029,154           | ¥ 2,394,514                      | ¥ 1,598,396                             | ¥ 1,389,612                             | ¥ 1,657,335                              | ¥ 1,834,234   | ¥ 9,903,247 |
|  | Variable rate loans                                       | 22,700                | 25,750                           | 22,300                                  | 10,050                                  | 16,150                                   | 5,000   | 101,950     |
|  | Fixed rate loans  | 1,006,454             | 2,368,764                        | 1,576,096                               | 1,379,562                               | 1,641,185                                | 1,829,234   | 9,801,297   |
| com  | al industrial and<br>imercial loans as<br>larch 31, 2016  | 1,004,959             | 2,173,092                        | 1,504,175                               | 1,289,343                               | 1,399,825                                | 1,511,411   | 8,882,807   |
|  | Variable rate loans                                       | 19,450                | 24,550                           | 8,400                                   | 8,600                                   | 13,250                                   | 5,000   | 79,250      |
|  | Fixed rate loans  | 985,509               | 2,148,542                        | 1,495,775                               | 1,280,743                               | 1,386,575                                | 1,506,411   | 8,803,557   |
| con  | al industrial and<br>nmercial loans as<br>flarch 31, 2017 | 499,921               | 2,401,198                        | 1,429,071                               | 1,188,730                               | 1,195,195                                | 1,228,643   | 7,942,761   |
|  | Variable rate loans                                       | 6,300                 | 19,300                           | 10,050                                  | 12,150                                  | 10,000                                   | _   | 57,800      |
|  | Fixed rate loans  | 493,621               | 2,381,898                        | 1,419,021                               | 1,176,580                               | 1,185,195                                | 1,228,643   | 7,884,961   |

#### Notes

- 1. "Fixed rate loans" includes loans to the Management Organization (Postal Life Insurance Account).
- 2. Among the loans to the Management Organization (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

### (19) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

|                    |                     | 2015      |            |   | 2016      |            | 2017      |            |
|--------------------|---------------------|-----------|------------|---|-----------|------------|-----------|------------|
| As of March 3      | 31                  |           | Percentage |   |           | Percentage |           | Percentage |
| Large companies    | Number of borrowers | 45        | 90.0       |   | 41        | 87.2       | 33        | 82.5       |
|                    | Amount of loans     | ¥ 255,110 | 2.7        | ¥ | 220,410   | 2.7        | ¥ 175,820 | 2.4        |
| Medium-sized       | Number of borrowers | _         | _          |   | _         | _          | _         | _          |
| companies          | Amount of loans     | _         | _          |   | _         | _          | _         | -          |
| Small companies    | Number of borrowers | 5         | 10.0       |   | 6         | 12.8       | 7         | 17.5       |
| Small companies    | Amount of loans     | 9,114,993 | 97.3       |   | 8,072,893 | 97.3       | 7,095,452 | 97.6       |
| Total loans to     | Number of borrowers | 50        | 100.0      |   | 47        | 100.0      | 40        | 100.0      |
| domestic companies | Amount of loans     | 9,370,103 | 100.0      |   | 8,293,303 | 100.0      | 7,271,272 | 100.0      |

#### Notes:

- 1. Loans to the Management Organization (Postal Life Insurance Account) are classified as "small and medium-sized companies" in the "Corporate Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.
- 2. Classifications are defined as shown below.
- 3. "Number of borrowers" indicates the number of borrowers identified by name and is not the number of loans.

| Industry type          | 1. All industries<br>(excluding 2–4)                                 |         | 2. Retail and restaurant   |  | 3. Service  |  | 4. Wholesale   |   |
|------------------------|--|---------|--|--|---|--|--|---|
| Large companies        |  | Doid in | Paid-in<br>capital over<br>¥1 billion                                |  |   | Paid-in<br>capital over<br>¥1 billion                            |  | Paid-in<br>capital over<br>¥1 billion                           |
| Medium-sized companies | More than<br>300 employees   |         | More than<br>50 employees  | Paid-in<br>capital<br>between<br>¥0.05 billion<br>and ¥1 billion | More than<br>100 employees  | Paid-in<br>capital<br>between<br>¥0.05 billion<br>and ¥1 billion | More than<br>100 employees                                     | Paid-in<br>capital<br>between<br>¥0.1 billion<br>and ¥1 billion |
| Small companies        | Paid-in capital under ¥0.3<br>billion or fewer than 300<br>employees |         | Paid-in capital under<br>¥0.05 billion or fewer<br>than 50 employees |  | Paid-in capital under<br>¥0.05 billion or fewer<br>than 100 employees |  | Paid-in capital under ¥0.1 billion or fewer than 100 employees |   |

### (20) Breakdown of Loans by Industry

|   | 2015      |            | 2016      | 2016 2017  |           |            |
|---|-----------|------------|-----------|------------|-----------|------------|
| As of March 31  | Amount    | Percentage | Amount    | Percentage | Amount    | Percentage |
| omestic   |           |            |           |            |           |            |
| Manufacturing   | ¥ 74,040  | 0.7        | ¥ 67,040  | 0.8        | ¥ 50,750  | 0.6        |
| Foods   | 8,800     | 0.1        | 8,800     | 0.1        | 4,000     | 0.1        |
| Textiles and apparel                                  | 2,000     | 0.0        | _         | _          | _         | _          |
| Wood, wood products                                   | _         | _          | _         | _          | _         | _          |
| Pulp and paper  | 11,950    | 0.1        | 11,950    | 0.1        | 11,950    | 0.2        |
| Printing  | 5,000     | 0.1        | _         | _          | _         | _          |
| Chemicals   | 10,150    | 0.1        | 10,150    | 0.1        | 10,150    | 0.1        |
| Oil and coal products                                 | 4,650     | 0.0        | 4,650     | 0.1        | 4,650     | 0.1        |
| Ceramics, soil and stone                              | 7,000     | 0.1        | 7,000     | 0.1        | 7,000     | 0.1        |
| Iron and steel  | 8,000     | 0.1        | 8,000     | 0.1        | 8,000     | 0.1        |
| Nonferrous metals                                     | _         | _          | _         | _          | _         | _          |
| Metal products  | _         | _          | _         | _          | _         | _          |
| General purpose, production                           | 4 400     |            | 4 400     |            |           |            |
| and industrial machinery                              | 1,490     | 0.0        | 1,490     | 0.0        | _         | _          |
| Electric appliances                                   | 10,000    | 0.1        | 10,000    | 0.1        | _         | _          |
| Transportation equipment                              | 5,000     | 0.1        | 5,000     | 0.1        | 5,000     | 0.1        |
| Other manufacturing products                          | _         | _          | _         | _          | _         | -          |
| Agriculture and forestry                              | _         | _          | _         | _          | _         | _          |
| Fishery   | _         | _          | _         | _          | _         | _          |
| Mining, quarrying and gravel extraction               | _         | _          | _         | _          | _         | _          |
| Construction  | 900       | 0.0        | 900       | 0.0        | 900       | 0.0        |
| Electric power, gas,                                  |           |            |           |            | 2 962     | 0.0        |
| heat supply and waterworks                            | _         | _          | _         | _          | 2,863     | 0.0        |
| Information and communications                        | 9,350     | 0.1        | 4,350     | 0.0        | 4,350     | 0.1        |
| Transportation and postal                             | 49,824    | 0.5        | 48,245    | 0.5        | 43,006    | 0.5        |
| Wholesale trade                                       | 64,600    | 0.7        | 48,700    | 0.5        | 44,700    | 0.6        |
| Retail trade  | _         | _          | _         | _          | _         | -          |
| Financing and insurance                               | 9,149,788 | 92.4       | 8,101,280 | 91.2       | 7,102,040 | 89.4       |
| Real estate   | 21,600    | 0.2        | 22,787    | 0.3        | 22,662    | 0.3        |
| Rental  | _         | _          | _         | _          | _         | -          |
| Academic research, specialist and technology services | _         | _          | _         | _          | -         | -          |
| Lodging   | _         | _          | _         | _          | _         | -          |
| Restaurant  | _         | _          | _         | _          | _         | -          |
| Lifestyle-related services, amusement                 | _         | _          | _         | _          | _         | -          |
| Education and learning support                        | _         | _          | _         | _          | _         | -          |
| Medical and welfare                                   | _         | _          | _         | _          | _         | -          |
| Other services  | _         | _          | _         | _          | _         | -          |
| Local organizations and public entities               | 533,144   | 5.4        | 589,504   | 6.6        | 671,488   | 8.5        |
| Individuals (residential/                             | _         | _          | _         | _          | _         | _          |
| consumption/local taxes/other)                        |           |            |           |            |           |            |
| Total   | 9,903,247 | 100.0      | 8,882,807 | 100.0      | 7,942,761 | 100.0      |
| rerseas   |           |            |           |            |           |            |
| Governments and public entities                       | _         | _          | _         | _          | _         | -          |
| Financial institutions                                | _         | _          | _         | _          | -         | -          |
| Commerce and industry, etc.                           | _         | _          | _         | _          | -         | _          |
| Total   | _         | _          | _         | _          | -         | _          |
| tal industrial and commercial loans                   | 9,903,247 | 100.0      | 8,882,807 | 100.0      | 7,942,761 | 100.0      |

Notes:

1. Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).

2. Loans to the Management Organization (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type of "the Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

#### (21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

| As of March 31      | 2015 |                  |       |        | 2016      |            |        | 2017      |            |  |
|---------------------|------|------------------|-------|--------|-----------|------------|--------|-----------|------------|--|
| AS OF MARCH 31      |      | Amount Percentag |       | Amount |           | Percentage | Amount |           | Percentage |  |
| Capital investments | ¥    | 453,077          | 4.6   | ¥      | 516,941   | 5.8        | ¥      | 559,435   | 7.0        |  |
| Operations          |      | 9,450,170        | 95.4  |        | 8,365,865 | 94.2       |        | 7,383,325 | 93.0       |  |
| Total               |      | 9,903,247        | 100.0 |        | 8,882,807 | 100.0      |        | 7,942,761 | 100.0      |  |

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "operations."

#### (22) Breakdown of Loans by Region

(Millions of yen, %)

| As of March 31 | 2015      |            | 2016      |            | 2017      |            |  |
|----------------|-----------|------------|-----------|------------|-----------|------------|--|
| AS OF MAICH 31 | Amount    | Percentage | Amount    | Percentage | Amount    | Percentage |  |
| Hokkaido       | ¥ –       | _          | ¥ –       | _          | ¥ –       | _          |  |
| Tohoku         | 31,042    | 0.3        | 35,468    | 0.4        | 37,231    | 0.5        |  |
| Kanto          | 9,443,809 | 95.4       | 8,368,828 | 94.2       | 7,412,963 | 93.3       |  |
| Chubu          | 156,417   | 1.6        | 160,858   | 1.8        | 156,728   | 2.0        |  |
| Kinki          | 177,852   | 1.8        | 209,510   | 2.4        | 194,865   | 2.5        |  |
| Chugoku        | 15,672    | 0.2        | 27,430    | 0.3        | 50,453    | 0.6        |  |
| Shikoku        | 8,218     | 0.1        | 7,624     | 0.1        | 7,030     | 0.1        |  |
| Kyushu         | 70,234    | 0.7        | 73,087    | 0.8        | 83,489    | 1.1        |  |
| Total          | 9,903,247 | 100.0      | 8,882,807 | 100.0      | 7,942,761 | 100.0      |  |

#### Notes:

- 1. Loans to individuals, non-residents and for insurance policies are not included.
- 2. Regional classification depends on the location of the borrower's headquarters.
- 3. Loans to the Management Organization (Postal Life Insurance Account) are classified under "Kanto," as the organization is located in Tokyo.

#### (23) Breakdown of Loans by Collateral

(Millions of yen, %)

| As of March 31   | 2015      |            | 2016      |            | 2017      | 2017       |  |  |
|--|-----------|------------|-----------|------------|-----------|------------|--|--|
| AS OF MAICH ST   | Amount    | Percentage | Amount    | Percentage | Amount    | Percentage |  |  |
| Secured loans  | ¥ 1,844   | 0.0        | ¥ 2,953   | 0.0        | ¥ 5,612   | 0.1        |  |  |
| Loans secured by securities                                  | _         | _          | _         | _          | -         | -          |  |  |
| Loans secured by real estate, movable property or foundation | _         | _          | _         | _          | _         | _          |  |  |
| Loans secured by nominative claims                           | 1,844     | 0.0        | 2,953     | 0.0        | 5,612     | 0.1        |  |  |
| Guaranteed loans   | 25,840    | 0.3        | 29,650    | 0.3        | 27,490    | 0.3        |  |  |
| Credit loans   | 778,574   | 7.9        | 796,424   | 9.0        | 840,618   | 10.6       |  |  |
| Other  | 9,096,988 | 91.9       | 8,053,780 | 90.7       | 7,069,040 | 89.0       |  |  |
| Industrial and commercial loans                              | 9,903,247 | 100.0      | 8,882,807 | 100.0      | 7,942,761 | 100.0      |  |  |
| Subordinated loans   | _         | _          | _         | _          | 1,000     | 0.0        |  |  |

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "other."

### (24) Tangible Fixed Assets

## 1) Tangible Fixed Assets

(Millions of yen, %)

| (William) |  |   |                                   |                                   |                                       |  |                          |                                     |
|-----------|--|---|-----------------------------------|-----------------------------------|---------------------------------------|--|--------------------------|-------------------------------------|
|           |  | Balance at<br>the end of<br>the previous<br>fiscal year | Increase in<br>the fiscal<br>year | Decrease<br>in the<br>fiscal year | Depreciation<br>in the<br>fiscal year | Balance at<br>the end of<br>the fiscal<br>year | Accumulated depreciation | Accumulated depreciation percentage |
| For       | the year ended March 31, 2015            |   |                                   |                                   |                                       |  |                          |                                     |
|           | Land                                     | ¥ 40,726  | ¥ 27,624                          | ¥ –                               | ¥ –                                   | ¥ 68,350                                       | ¥ –                      | _                                   |
|           | Buildings, net                           | 33,287  | 3,911                             | 952                               | 2,070                                 | 34,176   | 17,365                   | 33.7                                |
|           | Leased assets, net                       | 1,456   | 959                               | 6                                 | 438                                   | 1,970  | 1,167                    | 37.2                                |
|           | Construction in progress                 | 1,648   | 12,445                            | 4,334                             | _                                     | 9,759  | _                        | _                                   |
|           | Others, net                              | 12,204  | 8,567                             | 115                               | 3,241                                 | 17,415   | 45,001                   | 72.1                                |
|           | Total                                    | 89,322  | 53,510                            | 5,409                             | 5,750                                 | 131,672  | 63,535                   | _                                   |
|           | (Includes rentals and other real estate) | _   | _                                 | _                                 | _                                     | _  | _                        | _                                   |
| For       | the year ended March 31, 2016            |   |                                   |                                   |                                       |  |                          |                                     |
|           | Land                                     | 68,350  | 54                                | 142                               | _                                     | 68,262   | _                        | _                                   |
|           | Buildings, net                           | 34,176  | 18,755                            | 676                               | 2,946                                 | 49,308   | 19,379                   | 28.2                                |
|           | Leased assets, net                       | 1,970   | 242                               | 10                                | 472                                   | 1,730  | 1,248                    | 41.9                                |
|           | Construction in progress                 | 9,759   | 16,830                            | 20,413                            | _                                     | 6,175  | _                        | _                                   |
|           | Others, net                              | 17,415  | 5,948                             | 92                                | 3,253                                 | 20,017   | 43,181                   | 68.3                                |
|           | Total                                    | 131,672   | 41,831                            | 21,335                            | 6,672                                 | 145,495  | 63,808                   | _                                   |
|           | (Includes rentals and other real estate) | _   | _                                 | _                                 | _                                     | _  | _                        | _                                   |
| For       | the year ended March 31, 2017            |   |                                   |                                   |                                       |  |                          |                                     |
|           | Land                                     | 68,262  | 9                                 | _                                 | _                                     | 68,272   | _                        | _                                   |
|           | Buildings, net                           | 49,308  | 1,161                             | 83                                | 5,903                                 | 44,483   | 25,337                   | 36.3                                |
|           | Leased assets, net                       | 1,730   | 738                               | 5                                 | 457                                   | 2,004  | 1,695                    | 45.8                                |
|           | Construction in progress                 | 6,175   | 1,313                             | 1,233                             | -                                     | 6,255  | -                        | -                                   |
|           | Others, net                              | 20,017  | 1,947                             | 67                                | 5,986                                 | 15,911   | 48,592                   | 75.3                                |
|           | Total                                    | 145,495   | 5,170                             | 1,390                             | 12,347                                | 136,928  | 75,624                   | -                                   |
|           | (Includes rentals and other real estate) | _   | _                                 | _                                 | _                                     | _  | _                        | _                                   |

## 2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

| As of March 31                       | 2015      | 2016      | 2017      |
|--------------------------------------|-----------|-----------|-----------|
| Value of real estate holdings        | ¥ 112,286 | ¥ 123,747 | ¥ 119,011 |
| For business operations              | 112,286   | 123,747   | 119,011   |
| For lease                            | _         | _         | _         |
| Number of buildings held for leasing | _         | _         | _         |

Note: "Value of real estate holdings" is booked as the sum total of land, buildings (including facilities and structures) and construction in progress.

### (25) Gains on Disposal of Fixed Assets

|  |      |       | , , , |
|--|------|-------|-------|
| For the years ended March 31           | 2015 | 2016  | 2017  |
| Tangible fixed assets                  | ¥ –  | ¥ 341 | ¥ –   |
| Land                                   | _    | 341   | _     |
| Buildings                              | _    | _     | -     |
| Leased assets                          | _    | _     | _     |
| Other assets                           | _    | _     | _     |
| Intangible fixed assets                | _    | _     | _     |
| Others                                 | _    | _     | -     |
| Total                                  | _    | 341   | -     |
| Includes rentals and other real estate | _    | _     | -     |

#### (26) Losses on Disposal of Fixed Assets

(Millions of yen)

|    | For the years ended March 31           | 2015    |       | 2016 |       | 2017 |     |
|----|--|---------|-------|------|-------|------|-----|
| Tá | angible fixed assets                   | ¥ 1,358 |       | ¥    | 1,118 | ¥    | 183 |
|    | Land                                   |         | _     |      | _     |      | -   |
|    | Buildings                              |         | 1,273 |      | 1,007 |      | 109 |
|    | Leased assets                          |         | 6     |      | 10    |      | 5   |
|    | Other assets                           |         | 78    |      | 100   |      | 68  |
| In | tangible fixed assets                  |         | 69    |      | 417   |      | 269 |
| 0  | thers                                  |         | 3     |      | 112   |      | -   |
|    | Total                                  |         | 1,432 |      | 1,647 |      | 453 |
|    | Includes rentals and other real estate |         | _     |      | _     |      | -   |

Note: "Buildings" is booked as the sum total of buildings, facilities and structures.

#### (27) Depreciation on Real Estate, Movables and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2015, 2016 and 2017.

#### (28) Overseas Loans and Investments

#### 1) Breakdown by Asset Composition

(Millions of yen, %)

| Δ.                               | As of March 31  |            | 5          | 2016       | 5          | 2017       | •          |
|----------------------------------|---|------------|------------|------------|------------|------------|------------|
| A                                | S OF March 31   | Amount     | Percentage | Amount     | Percentage | Amount     | Percentage |
| Familia                          | Foreign corporate and government bonds                        | ¥2,001,781 | 84.6       | ¥3,719,819 | 90.7       | ¥4,444,312 | 90.3       |
| Foreign-<br>currency-denominated | Foreign stocks  | 194,567    | 8.2        | 229,405    | 5.6        | 309,050    | 6.3        |
| assets                           | Cash and cash equivalents                                     | _          | _          | 192        | 0.0        | 286        | 0.0        |
|                                  | Subtotal  | 2,196,349  | 92.8       | 3,949,417  | 96.3       | 4,753,649  | 96.5       |
| Foreign-<br>currency-denominated | Foreign corporate and government bonds                        | _          | _          | _          | _          | _          | _          |
| assets with fixed yen            | Cash and cash equivalents                                     | _          | _          | _          | _          | _          | _          |
| value                            | Subtotal  | _          | _          | _          | _          | -          | -          |
|                                  | Loans to non-residents  | _          | _          | _          | _          | -          | -          |
| Yen-denominated assets           | Foreign corporate<br>and government bonds<br>and other assets | 169,882    | 7.2        | 149,911    | 3.7        | 170,197    | 3.5        |
|                                  | Subtotal  | 169,882    | 7.2        | 149,911    | 3.7        | 170,197    | 3.5        |
| Net oversea                      | Net overseas loans and investments                            |            |            | 4,099,329  | 100.0      | 4,923,846  | 100.0      |

Note: "Foreign-currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.

## 2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

|      |                              | 1 |             |            |   |                   |              |     |               |              |   | (1411111)     | ons or yen, 70 |
|------|------------------------------|---|-------------|------------|---|-------------------|--------------|-----|---------------|--------------|---|---------------|----------------|
|      |                              |   | Foreign sec | urities    | С | orporate and gove | rnment bonds | Sto | ocks and othe | r securities |   | Loans to non- | residents      |
|      |                              |   | Value       | Percentage |   | Value             | Percentage   |     | Value         | Percentage   |   | Value         | Percentage     |
| As c | of March 31, 2015            | ¥ | 2,366,231   | 100.0      | ¥ | 1,961,492         | 100.0        | ¥   | 404,738       | 100.0        | ¥ | _             | _              |
|      | North<br>America             |   | 1,596,736   | 67.5       |   | 1,418,613         | 72.3         |     | 178,122       | 44.0         |   | _             | _              |
|      | Europe                       |   | 318,609     | 13.5       |   | 302,164           | 15.4         |     | 16,445        | 4.1          |   | _             | _              |
|      | Oceania                      |   | 101,266     | 4.3        |   | 101,266           | 5.2          |     | _             | _            |   | _             | _              |
|      | Asia                         |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | _              |
|      | Central and<br>South America |   | 210,171     | 8.9        |   | _                 | _            |     | 210,171       | 51.9         |   | -             | _              |
|      | Middle East                  |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | _              |
|      | Africa                       |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | -              |
|      | International organization   |   | 139,447     | 5.9        |   | 139,447           | 7.1          |     | _             | _            |   | _             | _              |
| As c | of March 31, 2016            |   | 4,099,136   | 100.0      |   | 3,688,822         | 100.0        |     | 410,314       | 100.0        |   | -             | _              |
|      | North<br>America             |   | 2,152,359   | 52.5       |   | 1,942,082         | 52.6         |     | 210,277       | 51.2         |   | _             | -              |
|      | Europe                       |   | 1,461,585   | 35.7       |   | 1,442,457         | 39.1         |     | 19,128        | 4.7          |   | _             | _              |
|      | Oceania                      |   | 94,783      | 2.3        |   | 94,783            | 2.6          |     | _             | _            |   | _             | _              |
|      | Asia                         |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | _              |
|      | Central and<br>South America |   | 180,908     | 4.4        |   | _                 | _            |     | 180,908       | 44.1         |   | _             | _              |
|      | Middle East                  |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | _              |
|      | Africa                       |   | _           | _          |   | _                 | _            |     | _             | _            |   | _             | _              |
|      | International organization   |   | 209,499     | 5.1        |   | 209,499           | 5.7          |     | _             | _            |   | _             | _              |
| As c | of March 31, 2017            |   | 4,846,683   | 100.0      |   | 4,346,732         | 100.0        |     | 499,950       | 100.0        |   | -             | _              |
|      | North<br>America             |   | 3,211,290   | 66.3       |   | 2,930,281         | 67.4         |     | 281,009       | 56.2         |   | _             | _              |
|      | Europe                       |   | 1,075,222   | 22.2       |   | 1,047,181         | 24.1         |     | 28,041        | 5.6          |   | _             | _              |
|      | Oceania                      |   | 161,611     | 3.3        |   | 161,611           | 3.7          |     | _             | -            |   | _             | _              |
|      | Asia                         |   | _           | -          |   | -                 | -            |     | -             | -            |   | _             | _              |
|      | Central and South America    |   | 210,401     | 4.3        |   | 19,501            | 0.4          |     | 190,900       | 38.2         |   | _             | -              |
|      | Middle East                  |   | _           | _          |   | -                 | _            |     | _             | _            |   | _             | _              |
|      | Africa                       |   | -           | _          |   | -                 | _            |     | -             | _            |   | -             | _              |
|      | International organization   |   | 188,158     | 3.9        |   | 188,158           | 4.3          |     | _             | _            |   | _             | _              |

## 3) Composition of Foreign-Currency-Denominated Assets by Currency

|                   |             |            |   |           |            |   | (141111)  | ons or yen, 70) |  |  |
|-------------------|-------------|------------|---|-----------|------------|---|-----------|-----------------|--|--|
| As of March 31    | 2015        |            |   | 2016      |            |   | 2017      |                 |  |  |
| AS OF IVIATOR ST  | Amount      | Percentage |   | Amount    | Percentage |   | Amount    | Percentage      |  |  |
| U.S. dollar       | ¥ 1,824,884 | 83.1       | ¥ | 2,441,056 | 61.8       | ¥ | 3,559,917 | 74.9            |  |  |
| Euro              | 180,615     | 8.2        |   | 1,329,283 | 33.7       |   | 1,013,531 | 21.3            |  |  |
| Australian dollar | 77,679      | 3.5        |   | 71,141    | 1.8        |   | 142,020   | 3.0             |  |  |
| British pound     | 109,698     | 5.0        |   | 104,034   | 2.6        |   | 33,583    | 0.7             |  |  |
| Canadian dollar   | 3,470       | 0.2        |   | 3,901     | 0.1        |   | 4,596     | 0.1             |  |  |
| Total             | 2,196,349   | 100.0      |   | 3,949,417 | 100.0      |   | 4,753,649 | 100.0           |  |  |

#### (29) Yield on Overseas Loans and Investments

(%)

| For the years ended March 31            | 2015 | 2016 | 2017 |
|---|------|------|------|
| Yield on overseas loans and investments | 2.88 | 2.22 | 0.82 |

### (30) Summary of New Public-Sector Investment Underwriting and Loans

(Millions of yen)

| For the         | years ended March 31            | 2015   | 2016   | 2017    |
|-----------------|---------------------------------|--------|--------|---------|
|                 | Japanese government bonds       | ¥ –    | ¥ –    | ¥ -     |
| Public<br>bonds | Japanese local government bonds | _      | _      | _       |
|                 | Public entity bonds             | 14     | 16     | 4       |
|                 | Subtotal                        | 14     | 16     | 4       |
|                 | Government organizations        | _      | _      | -       |
| Loans           | Public entities                 | 50,456 | 79,812 | 124,696 |
|                 | Subtotal                        | 50,456 | 79,812 | 124,696 |
|                 | Total                           | 50,471 | 79,829 | 124,700 |

#### (31) Loan Interest Rates

Not applicable for the years ended March 31, 2015, 2016 and 2017  $\,$ 

### (32) Other Assets

|     | Asset class                   | Cost    | Increase in the fiscal year | Decrease in the fiscal year | Accumulated depreciation and amortization | Balance at the end of the fiscal year | Remarks |
|-----|-------------------------------|---------|-----------------------------|-----------------------------|---|---------------------------------------|---------|
| For | the year ended March 31, 2015 |         |                             |                             |   |                                       |         |
|     | Other                         | ¥ 3,108 | ¥ 5,221                     | ¥ 6,172                     | ¥ –                                       | ¥ 2,157                               |         |
|     | Total                         | 3,108   | 5,221                       | 6,172                       | _   | 2,157                                 |         |
| For | the year ended March 31, 2016 |         |                             |                             |   |                                       |         |
|     | Other                         | 2,157   | 5,722                       | 5,764                       | _   | 2,115                                 |         |
|     | Total                         | 2,157   | 5,722                       | 5,764                       | _   | 2,115                                 |         |
| For | the year ended March 31, 2017 |         |                             |                             |   |                                       |         |
|     | Other                         | 2,115   | 4,475                       | 4,993                       | _   | 1,597                                 |         |
|     | Total                         | 2,115   | 4,475                       | 4,993                       | _   | 1,597                                 |         |

# 6-6 Fair Value Information of Securities (General Account)

#### (1) Fair Value of Securities

#### 1) Net Valuation Gain/Loss of Trading Securities

Japan Post Insurance did not hold securities for trading as of March 31, 2015, 2016 and 2017.

#### 2) Fair Value Information of Securities (with fair value, other than trading securities)

(Millions of yen)

|   |               |               | 2015        |                      |        | 2016          |               |             |                       |        |               | 2017          |             |                    |         |  |
|---|---------------|---------------|-------------|----------------------|--------|---------------|---------------|-------------|-----------------------|--------|---------------|---------------|-------------|--------------------|---------|--|
| As of March 31                                  | Book<br>value | Fair<br>value |             | unrealiz<br>ns (loss |        | Book<br>value | Fair<br>value |             | unrealiz<br>ns (losse |        | Book<br>value | Fair<br>value |             | unreali<br>s (loss |         |  |
|   | value         | value         |             | Gains                | Losses | value         | value         |             | Gains                 | Losses | value         | value         |             | Gains              | Losses  |  |
| Held-to-maturity bonds                          | ¥ 43,695,559  | ¥ 48,232,675  | ¥ 4,537,116 | ¥4,537,655           | ¥ 539  | ¥ 42,239,821  | ¥ 49,752,914  | ¥ 7,513,092 | ¥7,513,093            | ¥ 0    | ¥ 40,441,881  | ¥ 46,518,693  | ¥ 6,076,812 | ¥6,149,942         | ¥ 73,12 |  |
| Policy-reserve-<br>matching bonds               | 15,493,208    | 16,668,447    | 1,175,238   | 1,175,453            | 214    | 13,563,423    | 15,062,160    | 1,498,737   | 1,498,737             | -      | 12,517,334    | 13,697,410    | 1,180,075   | 1,204,445          | 24,37   |  |
| Equities of subsidiaries and affiliates         | -             | _             | -           | _                    | _      | -             | -             | _           | _                     | -      | -             | -             | -           | _                  |         |  |
| Available-for-sale securities                   | 9,411,484     | 10,193,205    | 781,721     | 784,470              | 2,748  | 9,918,112     | 10,479,639    | 561,527     | 658,164               | 96,636 | 12,522,618    | 12,966,282    | 443,664     | 657,830            | 214,16  |  |
| Corporate and government bonds                  | 5,105,394     | 5,203,999     | 98,605      | 99,163               | 558    | 4,012,950     | 4,115,794     | 102,844     | 103,597               | 752    | 4,758,489     | 4,796,899     | 38,409      | 71,613             | 33,20   |  |
| Domestic stocks                                 | 713,204       | 996,906       | 283,701     | 285,545              | 1,844  | 1,065,422     | 1,202,513     | 137,091     | 195,326               | 58,235 | 1,302,336     | 1,626,015     | 323,679     | 342,436            | 18,75   |  |
| Foreign securities                              | 1,850,911     | 2,248,231     | 397,319     | 397,666              | 346    | 3,682,785     | 4,001,136     | 318,351     | 355,894               | 37,542 | 4,658,641     | 4,748,683     | 90,041      | 237,280            | 147,23  |  |
| Foreign corporate and government bonds          | 1,537,712     | 1,863,492     | 325,779     | 326,126              | 346    | 3,299,371     | 3,590,822     | 291,450     | 319,363               | 27,912 | 4,219,602     | 4,248,732     | 29,130      | 175,028            | 145,89  |  |
| Foreign<br>stocks and<br>other<br>securities    | 313,198       | 384,738       | 71,539      | 71,539               | -      | 383,413       | 410,314       | 26,901      | 36,531                | 9,630  | 439,038       | 499,950       | 60,911      | 62,252             | 1,34    |  |
| Other securities                                | -             | -             | -           | -                    | -      | 100,000       | 100,044       | 44          | 150                   | 105    | 1,428,000     | 1,417,122     | (10,877)    | 4,086              | 14,96   |  |
| Monetary claims bought                          | 446,973       | 449,068       | 2,095       | 2,095                | -      | 426,954       | 430,150       | 3,195       | 3,195                 | -      | 25,149        | 27,561        | 2,411       | 2,411              |         |  |
| Negotiable certificates of deposit              | 1,295,000     | 1,295,000     | -           | -                    | -      | 630,000       | 630,000       | -           | -                     | 1      | 350,000       | 350,000       | -           | -                  |         |  |
| Other   | -             | -             | -           | -                    | -      | -             | -             | -           | -                     | -      | -             | -             | -           | -                  |         |  |
| Total   | 68,600,251    | 75,094,328    | 6,494,077   | 6,497,580            | 3,502  | 65,721,357    | 75,294,714    | 9,573,357   | 9,669,994             | 96,637 | 65,481,834    | 73,182,386    | 7,700,552   | 8,012,218          | 311,66  |  |
| Corporate and government bonds                  | 64,196,162    | 70,003,228    | 5,807,066   | 5,808,378            | 1,312  | 59,718,195    | 68,828,482    | 9,110,287   | 9,111,040             | 753    | 57,619,705    | 64,911,866    | 7,292,160   | 7,422,865          | 130,70  |  |
| Domestic stocks                                 | 713,204       | 996,906       | 283,701     | 285,545              | 1,844  | 1,065,422     | 1,202,513     | 137,091     | 195,326               | 58,235 | 1,302,336     | 1,626,015     | 323,679     | 342,436            | 18,7    |  |
| Foreign securities                              | 1,948,911     | 2,350,125     | 401,213     | 401,560              | 346    | 3,780,785     | 4,103,523     | 322,738     | 360,281               | 37,542 | 4,756,641     | 4,849,819     | 93,178      | 240,417            | 147,2   |  |
| Foreign<br>corporate and<br>government<br>bonds | 1,635,712     | 1,965,386     | 329,673     | 330,020              | 346    | 3,397,371     | 3,693,209     | 295,837     | 323,750               | 27,912 | 4,317,602     | 4,349,869     | 32,266      | 178,164            | 145,89  |  |
| Foreign stocks<br>and other<br>securities       | 313,198       | 384,738       | 71,539      | 71,539               | -      | 383,413       | 410,314       | 26,901      | 36,531                | 9,630  | 439,038       | 499,950       | 60,911      | 62,252             | 1,34    |  |
| Other securities                                | -             | -             | -           | -                    | -      | 100,000       | 100,044       | 44          | 150                   | 105    | 1,428,000     | 1,417,122     | (10,877)    | 4,086              | 14,96   |  |
| Monetary claims bought                          | 446,973       | 449,068       | 2,095       | 2,095                | -      | 426,954       | 430,150       | 3,195       | 3,195                 | -      | 25,149        | 27,561        | 2,411       | 2,411              |         |  |
| Negotiable certificates of deposit              | 1,295,000     | 1,295,000     | -           | -                    | -      | 630,000       | 630,000       | -           | -                     | -      | 350,000       | 350,000       | -           | _                  |         |  |
| Other   | _             | -             | -           | _                    | -      | -             | -             | -           | -                     | -      | -             | _             | -           | _                  |         |  |

#### Notes

<sup>1.</sup> This table includes the handling of securities under the Financial Instruments and Exchange Act.

<sup>2.</sup> This table includes money held in trust other than trading securities for which the book value was ¥1,686,170 million with a gain of ¥380,716 million as of March 31, 2017, ¥1,448,835 million with a gain of ¥163,992 million as of March 31, 2016 and ¥1,026,403 million with a gain of ¥355,241 million as of March 31, 2015.

#### The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Millions of yen)

| As of March 31   | 2015   | 2016 | 2017  |
|--|--------|------|-------|
| Held-to-maturity bonds                                   | ¥ –    | ¥ –  | ¥ –   |
| Unlisted foreign bonds                                   | _      | _    | -     |
| Other  | _      | _    | -     |
| Policy-reserve-matching bonds                            | _      | _    | -     |
| Equities of subsidiaries and affiliates                  | 984    | 984  | 984   |
| Available-for-sale securities                            | 20,000 | _    | 4,239 |
| Unlisted domestic stocks (excluding OTC-traded equities) | _      | _    | 4,239 |
| Unlisted foreign stocks (excluding OTC-traded equities)  | 20,000 | _    | _     |
| Unlisted foreign bonds                                   | _      | _    | _     |
| Other  | _      | _    | -     |
| Total  | 20,984 | 984  | 5,223 |

#### (2) Fair Value of Money Held in Trust

(Millions of yen)

|                     |                            | 2015          |     |                          |      |                            | 20            | 16   |                          |     |                            | 20            | 17   |                            |      |
|---------------------|----------------------------|---------------|-----|--------------------------|------|----------------------------|---------------|------|--------------------------|-----|----------------------------|---------------|------|----------------------------|------|
| As of<br>March 31   | Balance<br>sheet<br>amount | Fair<br>value |     | unrealins (loss<br>Gains | ses) | Balance<br>sheet<br>amount | Fair<br>value | gair | unrealins (loss<br>Gains | es) | Balance<br>sheet<br>amount | Fair<br>value | gair | unreal<br>s (los:<br>Gains | ses) |
| Money held in trust |                            | ¥1,434,943    | ¥ – | ¥ –                      | ¥ –  | ¥1,644,547                 | ¥1,644,547    | ¥ –  | ¥ –                      | ¥ – | ¥2,127,042                 | ¥2,127,042    | ¥ -  | ¥ –                        | ¥ –  |

### 1) Money Held in Trust for Trading Purposes

Japan Post Insurance did not hold money held in trust for trading purposes as of March 31, 2015, 2016 and 2017.

#### 2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

|   |           | 2         | 2015    |                       |        |           | 2         | 2016    |                       |        |           | 2         | 2017    |                       |        |
|---|-----------|-----------|---------|-----------------------|--------|-----------|-----------|---------|-----------------------|--------|-----------|-----------|---------|-----------------------|--------|
| As of<br>March 31                       | Book      | Fair      |         | unrealiz<br>ns (losse |        | Book      | Fair      |         | unrealiz<br>ns (losse |        | Book Fair |           |         | unrealiz<br>is (losse |        |
|   | value     | value     |         | Gains                 | Losses | value     | value     |         | Gains                 | Losses | value     | value     |         | Gains                 | Losses |
| Assets held-<br>to-maturity in<br>trust | ¥ –       | ¥ –       | ¥ –     | ¥ –                   | ¥ -    | ¥ -       | ¥ –       | ¥ –     | ¥ -                   | ¥ -    | ¥ -       | ¥ –       | ¥ -     | ¥ -                   | ¥ -    |
| Assets held for reserves in trust       | _         | _         | _       | _                     | _      | _         | _         | _       | _                     | _      | -         | _         | _       | _                     | _      |
| Other money held in trust               | 1,079,701 | 1,434,943 | 355,241 | 357,085               | 1,844  | 1,480,555 | 1,644,547 | 163,992 | 231,857               | 67,865 | 1,746,326 | 2,127,042 | 380,716 | 400,483               | 19,767 |
| Domestic stock fund                     | 765,237   | 1,048,938 | 283,701 | 285,545               | 1,844  | 1,090,727 | 1,227,819 | 137,091 | 195,326               | 58,235 | 1,306,142 | 1,625,946 | 319,804 | 338,231               | 18,426 |
| Foreign stock fund                      | 158,944   | 195,510   | 36,565  | 36,565                | _      | 228,532   | 235,713   | 7,180   | 16,811                | 9,630  | 273,163   | 315,104   | 41,941  | 43,282                | 1,340  |
| Foreign bond fund                       | 155,519   | 190,493   | 34,974  | 34,974                | _      | 161,295   | 181,015   | 19,720  | 19,720                | _      | 167,020   | 185,990   | 18,970  | 18,970                | _      |

## 3) Balances of Securities in Money Held in Trust

(Millions of yen)

|    |   |                          |  |   |   |  |   | (IVIIIIons of yen) |
|----|---|--------------------------|--|---|---|--|---|--------------------|
|    |   | Due in 1 year<br>or less | Due after<br>1 year through<br>3 years | Due after<br>3 years through<br>5 years | Due after<br>5 years through<br>7 years | Due after<br>7 years through<br>10 years | Due after<br>10 years or having<br>no maturity date | Total              |
| As | of March 31, 2015                               |                          |  |   |   |  |   |                    |
|    | Domestic stock                                  |                          |  |   |   |  | ¥ 996,906   |                    |
|    | Foreign securities                              |                          |  |   |   |  | 384,738   |                    |
|    | Foreign corporate and government bonds          |                          |  |   |   |  | _   |                    |
|    | Foreign stocks and other securities             |                          |  |   |   |  | 384,738   | 1,381,644          |
| As | of March 31, 2016                               |                          |  |   |   |  |   |                    |
|    | Domestic stock                                  |                          |  |   |   |  | 1,202,513   |                    |
|    | Foreign securities                              |                          |  |   |   |  | 410,314   |                    |
|    | Foreign corporate and government bonds          |                          |  |   |   |  | _   |                    |
|    | Foreign<br>stocks and<br>other<br>securities    |                          |  |   |   |  | 410,314   | 1,612,827          |
| As | of March 31, 2017                               |                          |  |   |   |  |   |                    |
|    | Domestic stock                                  |                          |  |   |   |  | 1,571,934   |                    |
|    | Foreign securities                              |                          |  |   |   |  | 494,952   |                    |
|    | Foreign<br>corporate and<br>government<br>bonds |                          |  |   |   |  | _   |                    |
|    | Foreign<br>stocks and<br>other<br>securities    |                          |  |   |   |  | 494,952   | 2,066,886          |

## 4) Currency Composition of Money Held in Trust

(Millions of yen, %)

| As of March 31    | 20        | 15         | 20         | 16         | 2017       |            |  |
|-------------------|-----------|------------|------------|------------|------------|------------|--|
| AS OF IVIDICITIST | Amount    | Percentage | Amount     | Percentage | Amount     | Percentage |  |
| Japanese yen      | ¥ 996,906 | 72.2       | ¥1,202,513 | 74.6       | ¥1,571,934 | 76.1       |  |
| U.S. dollar       | 364,823   | 26.4       | 387,285    | 24.0       | 462,314    | 22.4       |  |
| Euro              | _         | _          | _          | _          | 28,041     | 1.4        |  |
| Others            | 19,915    | 1.4        | 23,029     | 1.4        | 4,596      | 0.2        |  |
| Total             | 1,381,644 | 100.0      | 1,612,827  | 100.0      | 2,066,886  | 100.0      |  |

Note: Excluding cash and deposits

# 5) Industry Composition of Japanese Stocks of Money Held in Trust

|  | 20         | 15         | 20         | 16         | 2017       |            |  |
|--|------------|------------|------------|------------|------------|------------|--|
| As of March 31                                 | Fair value | Percentage | Fair value | Percentage | Fair value | Percentage |  |
| Fishery, agriculture and forestry              | ¥ 559      | 0.1        | ¥ 801      | 0.1        | ¥ 1,318    | 0.1        |  |
| Mining   | 3,022      | 0.3        | 3,003      | 0.2        | 4,328      | 0.3        |  |
| Construction                                   | 29,857     | 3.0        | 41,353     | 3.4        | 55,564     | 3.5        |  |
| Manufacturing                                  |            |            |            |            |            |            |  |
| Foods  | 41,889     | 4.2        | 62,603     | 5.2        | 71,062     | 4.5        |  |
| Textiles and apparel                           | 5,604      | 0.6        | 6,517      | 0.5        | 8,565      | 0.5        |  |
| Pulp and paper                                 | 1,706      | 0.2        | 2,328      | 0.2        | 3,042      | 0.2        |  |
| Chemicals                                      | 50,087     | 5.0        | 67,118     | 5.6        | 95,352     | 6.1        |  |
| Pharmaceuticals                                | 57,218     | 5.7        | 74,337     | 6.2        | 80,019     | 5.1        |  |
| Oil and coal products                          | 9,614      | 1.0        | 4,046      | 0.3        | 5,965      | 0.4        |  |
| Rubber products                                | 10,529     | 1.1        | 25,414     | 2.1        | 32,904     | 2.1        |  |
| Glass and ceramic products                     | 6,766      | 0.7        | 8,050      | 0.7        | 12,751     | 0.8        |  |
| Iron and steel                                 | 12,032     | 1.2        | 12,174     | 1.0        | 16,483     | 1.0        |  |
| Nonferrous metals                              | 12,243     | 1.2        | 13,116     | 1.1        | 12,170     | 0.8        |  |
| Metal products                                 | 4,884      | 0.5        | 5,650      | 0.5        | 8,145      | 0.5        |  |
| Machinery                                      | 47,724     | 4.8        | 57,642     | 4.8        | 90,035     | 5.7        |  |
| Electric appliances                            | 109,326    | 11.0       | 144,451    | 12.0       | 196,919    | 12.5       |  |
| Transportation equipment                       | 125,236    | 12.6       | 136,059    | 11.3       | 197,316    | 12.6       |  |
| Precision instruments                          | 23,188     | 2.3        | 15,440     | 1.3        | 21,402     | 1.4        |  |
| Other products                                 | 10,460     | 1.0        | 13,261     | 1.1        | 20,538     | 1.3        |  |
| Electric power and gas                         | 14,463     | 1.5        | 18,050     | 1.5        | 21,451     | 1.4        |  |
| Transportation, information and communications |            |            |            |            |            |            |  |
| Land transportation                            | 40,836     | 4.1        | 45,044     | 3.7        | 53,224     | 3.4        |  |
| Marine transportation                          | 2,446      | 0.2        | 1,992      | 0.2        | 2,956      | 0.2        |  |
| Air transportation                             | 7,150      | 0.7        | 8,575      | 0.7        | 11,315     | 0.7        |  |
| Warehousing and port transportation services   | 1,670      | 0.2        | 1,704      | 0.1        | 2,095      | 0.1        |  |
| Information and communications                 | 92,457     | 9.3        | 124,335    | 10.3       | 148,094    | 9.4        |  |
| Trade and services                             |            |            |            |            |            |            |  |
| Wholesale trade                                | 69,127     | 6.9        | 70,010     | 5.8        | 73,048     | 4.6        |  |
| Retail trade                                   | 36,775     | 3.7        | 51,225     | 4.3        | 60,623     | 3.9        |  |
| Finance and insurance                          |            |            |            |            |            |            |  |
| Banking  | 81,461     | 8.2        | 75,608     | 6.3        | 108,138    | 6.9        |  |
| Securities and trading                         | 10,079     | 1.0        | 10,842     | 0.9        | 16,443     | 1.0        |  |
| Insurance                                      | 18,380     | 1.8        | 24,695     | 2.1        | 47,667     | 3.0        |  |
| Other financial services                       | 9,349      | 0.9        | 13,446     | 1.1        | 16,061     | 1.0        |  |
| Real estate                                    | 23,379     | 2.3        | 29,266     | 2.4        | 31,904     | 2.0        |  |
| Services                                       | 27,373     | 2.7        | 34,344     | 2.9        | 45,021     | 2.9        |  |
| Total  | 996,906    | 100.0      | 1,202,513  | 100.0      | 1,571,934  | 100.0      |  |

#### (3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

#### (i) Breakdown of gains and losses (breakdown of hedge accounting applied and not applied portions)

(Millions of yen)

|    |   | Interest rate related | Currency related | Stock related | Bond related | Others | Total   |  |
|----|---|-----------------------|------------------|---------------|--------------|--------|---------|--|
| As | of March 31, 2015                         | ¥ 971                 | ¥ 493            | ¥ –           | ¥ –          | ¥ –    | ¥ 1,465 |  |
|    | Portion with hedge accounting applied     | 971                   | 493              | _             | _            | _      | 1,465   |  |
|    | Portion with hedge accounting not applied | _                     | _                | _             | _            | _      | _       |  |
| As | of March 31, 2016                         | 2,060                 | 4,644            | _             | _            | _      | 6,704   |  |
|    | Portion with hedge accounting applied     | 2,060                 | 4,644            | _             | _            | _      | 6,704   |  |
|    | Portion with hedge accounting not applied | _                     | _                | _             | _            | _      | _       |  |
| As | of March 31, 2017                         | 1,364                 | (4,657)          | _             | -            | -      | (3,292) |  |
|    | Portion with hedge accounting applied     | 1,364                 | (4,657)          | _             | _            | _      | (3,292) |  |
|    | Portion with hedge accounting not applied | _                     | _                | _             | _            | _      | _       |  |

#### Notes:

- 1. Of the hedge accounting applied as of March 31, 2015, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥493 million) is accrued in the statement of income.
- 2. Of the hedge accounting applied as of March 31, 2016, the portion with hedge accounting (the fair value hedge method) applied to the net gain (currency related ¥4,644 million) is accrued in the statement of income.
- 3. Of the hedge accounting applied as of March 31, 2017, the portion with hedge accounting (the fair value hedge method) applied to the net loss (currency related ¥4,657 million) is accrued in the statement of income.

#### (ii) Interest rate related

(Millions of yen)

|                          | As of March 31 2015                               |                            |               |              |                       | 2016     |               |              |         | 2017     |               |              |         |
|--------------------------|---|----------------------------|---------------|--------------|-----------------------|----------|---------------|--------------|---------|----------|---------------|--------------|---------|
| Category                 | Type  | Contract amount, etc. Fair |               | Net<br>gain/ | Contract amount, etc. |          | Fair          | Net<br>gain/ |         |          | Fair          | Net<br>gain/ |         |
|                          | туре  |                            | Over one year | value        | loss                  |          | Over one year | value        | loss    |          | Over one year | value        | loss    |
|                          | Interest rate swap                                |                            |               |              |                       |          |               |              |         |          |               |              |         |
| Over-<br>the-<br>counter | Fixed interest receipt/ variable interest payment | ¥101,950                   | ¥ 79,250      | ¥ 971        | ¥ 971                 | ¥ 79,250 | ¥ 59,800      | ¥ 2,060      | ¥ 2,060 | ¥ 57,800 | ¥ 51,500      | ¥ 1,364      | ¥ 1,364 |
| Total                    |   |                            |               |              | 971                   |          |               |              | 2,060   |          |               |              | 1,364   |

Note: The fair value (current price) of swap transactions is indicated in the net gain/loss column.

#### Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

|          |                    |                | Due after      | Due after       | Due after       | Due after       | Due after 10     |           |  |
|----------|--------------------|----------------|----------------|-----------------|-----------------|-----------------|------------------|-----------|--|
|          | Cotogoni           | Due in         |                |                 |                 |                 |                  | Total     |  |
| Category |                    | 1 year or less | 1 year through | 3 years through | 5 years through | 7 years through | years or having  | Total     |  |
|          |                    | ,              | 3 years        | 5 years         | 7 years         | 10 years        | no maturity date |           |  |
| As       | of March 31, 2015  | ¥ 22,700       | ¥ 25,750       | ¥ 22,300        | ¥ 10,050        | ¥ 16,150        | ¥ 5,000          | ¥ 101,950 |  |
|          | Fixed receipt swap |                |                |                 |                 |                 |                  |           |  |
|          | notional principal | 22,700         | 25,750         | 22,300          | 10,050          | 16,150          | 5,000            | 101,950   |  |
|          | Average fixed      |                |                |                 |                 |                 |                  |           |  |
|          | interest receipt   | 0.55           | 0.44           | 0.45            | 0.48            | 0.94            | 1.12             | 0.58      |  |
|          | Average variable   |                |                |                 |                 |                 |                  |           |  |
|          | interest payment   | 0.17           | 0.16           | 0.18            | 0.20            | 0.24            | 0.24             | 0.19      |  |
| As       | of March 31, 2016  | 19,450         | 24,550         | 8,400           | 8,600           | 13,250          | 5,000            | 79,250    |  |
|          | Fixed receipt swap |                |                |                 |                 |                 |                  |           |  |
|          | notional principal | 19,450         | 24,550         | 8,400           | 8,600           | 13,250          | 5,000            | 79,250    |  |
|          | Average fixed      | ,              | ,              | ,               | ,               | ,               | ,                | ,         |  |
|          | interest receipt   | 0.50           | 0.39           | 0.52            | 0.61            | 0.94            | 1.12             | 0.59      |  |
|          | Average variable   |                |                |                 |                 |                 |                  |           |  |
|          | interest payment   | 0.09           | 0.05           | 0.11            | 0.15            | 0.10            | 0.13             | 0.09      |  |
| As       | of March 31, 2017  | 6,300          | 19,300         | 10,050          | 12,150          | 10,000          | _                | 57,800    |  |
|          | Fixed receipt swap |                |                |                 |                 |                 |                  |           |  |
|          | notional principal | 6,300          | 19,300         | 10,050          | 12,150          | 10,000          | _                | 57,800    |  |
|          | Average fixed      |                |                |                 |                 |                 |                  |           |  |
|          | interest receipt   | 0.24           | 0.47           | 0.48            | 0.90            | 1.05            | _                | 0.64      |  |
|          | Average variable   |                |                |                 |                 |                 |                  |           |  |
|          | interest payment   | 0.02           | 0.08           | 0.09            | 0.16            | 0.14            | _                | 0.10      |  |

#### (iii) Currency related

|                 | As | of March 31                    |            | 2015          |               |                      | 2016       |               |               |                      | 2017       |               |               |                      |
|-----------------|----|--------------------------------|------------|---------------|---------------|----------------------|------------|---------------|---------------|----------------------|------------|---------------|---------------|----------------------|
| Category        |    | Туре                           | Contract a | Over one year | Fair<br>value | Net<br>gain/<br>loss | Contract a | Over one year | Fair<br>value | Net<br>gain/<br>loss | Contract a | Over one year | Fair<br>value | Net<br>gain/<br>loss |
|                 |    | eign exchange<br>ard contracts |            |               |               |                      |            |               |               |                      |            |               |               |                      |
| Over-           |    | Sold                           | ¥ 363,120  | ¥ -           | ¥ 493         | ¥ 493                | ¥1,693,683 | ¥ -           | ¥ 4,644       | ¥ 4,644              | ¥2,438,390 | ¥ -           | ¥ (4,657)     | ¥ (4,657)            |
| the-<br>counter |    | U.S.<br>dollar                 | 172,008    | _             | (12,843)      | (12,843)             | 392,081    | _             | 5,408         | 5,408                | 1,603,918  | _             | (5,630)       | (5,630)              |
|                 |    | Euro                           | 191,112    | _             | 13,337        | 13,337               | 1,301,602  | _             | (764)         | (764)                | 834,472    | -             | 973           | 973                  |
|                 |    | Purchased                      | _          | _             | _             | _                    | _          | _             | _             | _                    | -          | -             | -             | -                    |
| Total           |    |                                |            |               | 493           |                      |            |               | 4,644         |                      |            |               | (4,657)       |                      |

<sup>1.</sup> Future quotation for the exchange rate at the end of the fiscal year is used.

<sup>2.</sup> The net gain/loss is described for the exchange contract fair value.

#### (iv) Stock related

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

#### (v) Bond related

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

#### (vi) Others

There were no such outstanding balances as of March 31, 2015, 2016 and 2017.

# 7. Indicators for Separate Accounts

Not applicable.

#### Annual Report 2017

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The information in this Annual Report is as of March 31, 2017 unless expressly stated otherwise.

# JAPAN POST INSURANCE Co., Ltd.

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