

# 3 Non-Consolidated Financial Statements

## JAPAN POST INSURANCE CO., LTD. NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>ASSETS:</b>			
Cash and deposits:			
Cash	¥ 1,118	¥ 1,464	\$ 11
Deposits	893,073	1,358,673	8,406
Total cash and deposits	894,191	1,360,137	8,417
Call loans	265,000	150,000	2,494
Receivables under securities borrowing transactions	3,296,222	3,520,722	31,026
Monetary claims bought	176,069	27,561	1,657
Money held in trust	2,814,873	2,127,042	26,495
Securities (Notes 3 and 4):			
Japanese government bonds	39,589,896	42,732,364	372,646
Japanese local government bonds	8,513,583	9,226,804	80,135
Japanese corporate bonds	5,472,945	5,698,945	51,515
Stocks	196,379	59,305	1,848
Foreign securities	4,347,564	4,351,731	40,922
Other securities	2,011,524	1,417,122	18,934
Total securities	60,131,893	63,486,273	566,000
Loans (Note 5):			
Policy loans	135,314	118,141	1,274
Industrial and commercial loans	919,051	873,720	8,651
Loans to the Management Organization	6,572,781	7,069,040	61,867
Total loans	7,627,147	8,060,902	71,792
Tangible fixed assets (Note 24):			
Land	43,066	68,272	405
Buildings	32,705	44,483	308
Leased assets	2,161	2,004	20
Construction in progress	8,149	6,255	77
Other tangible fixed assets	14,486	15,911	136
Total tangible fixed assets	100,568	136,928	947
Intangible fixed assets (Note 24):			
Software	167,744	189,788	1,579
Other intangible fixed assets	19	21	0
Total intangible fixed assets	167,763	189,809	1,579
Agency accounts receivable	33,715	50,888	317
Reinsurance receivables	3,227	2,293	30
Other assets:			
Accounts receivable	121,686	160,780	1,145
Prepaid expenses (Note 24)	2,223	1,589	21
Accrued income (Note 5)	225,202	176,280	2,120
Money on deposit	7,085	6,941	67
Derivative financial instruments	7,499	22,068	71
Suspense payments	2,206	2,990	21
Other assets	2,489	1,597	23
Total other assets	368,394	372,248	3,468
Deferred tax assets (Note 11)	954,136	852,263	8,981
Reserve for possible loan losses (Note 24)	(695)	(658)	(7)
<b>Total assets</b>	<b>¥ 76,832,508</b>	<b>¥ 80,336,414</b>	<b>\$ 723,198</b>

See accompanying notes to non-consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>LIABILITIES:</b>			
Policy reserves and others:			
Reserve for outstanding claims (Note 6)	¥ 548,196	¥ 577,376	\$ 5,160
Policy reserves (Notes 6 and 9)	67,777,297	70,175,234	637,964
Reserve for policyholder dividends (Note 8)	1,622,889	1,772,565	15,276
Total policy reserves and others	69,948,383	72,525,176	658,400
Reinsurance payables	6,033	4,774	57
Other liabilities:			
Payables under securities lending transactions (Note 4)	3,663,547	4,889,066	34,484
Income taxes payable	99,290	68,075	935
Accounts payable	26,263	25,227	247
Accrued expenses	29,497	30,065	278
Deposits received	2,542	2,660	24
Deposits from the Management Organization (Note 10)	46,329	50,481	436
Derivative financial instruments	6,227	26,653	59
Lease obligations	2,327	2,153	22
Asset retirement obligation	5	15	0
Suspense receipt (Note 5)	17,332	6,411	163
Other liabilities	552	568	5
Total other liabilities	3,893,916	5,101,380	36,652
Reserve for employees' retirement benefits	67,649	67,040	637
Reserve for management board benefit trust (Note 24)	172	76	2
Reserve for price fluctuations (Notes 9 and 24)	916,743	788,712	8,629
<b>Total liabilities</b>	<b>¥ 74,832,900</b>	<b>¥ 78,487,161</b>	<b>\$ 704,376</b>
<b>NET ASSETS:</b>			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,706
Capital surplus:			
Legal capital surplus	405,044	405,044	3,813
Other capital surplus	95,000	95,000	894
Total capital surplus	500,044	500,044	4,707
Retained earnings:			
Legal retained earnings	39,409	32,209	371
Other retained earnings:			
Reserve for reduction entry of real estate	6,163	—	58
Retained earnings brought forward	550,511	495,565	5,182
Total other retained earnings	556,674	495,565	5,240
Total retained earnings	596,084	527,775	5,611
Treasury stock	(466)	(521)	(4)
Total shareholders' equity	1,595,661	1,527,298	15,019
Net unrealized gains (losses) on available-for-sale securities	403,913	321,904	3,802
Net deferred gains (losses) on hedges	32	50	0
Total valuation and translation adjustments	403,946	321,954	3,802
<b>Total net assets</b>	<b>1,999,608</b>	<b>1,849,253</b>	<b>18,822</b>
<b>Total liabilities and net assets</b>	<b>¥ 76,832,508</b>	<b>¥ 80,336,414</b>	<b>\$ 723,198</b>

See accompanying notes to non-consolidated financial statements.

## JAPAN POST INSURANCE CO., LTD.

### NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>ORDINARY INCOME:</b>			
<b>Insurance premiums and others:</b>			
Insurance premiums (Note 13)	¥ 4,225,050	¥ 5,034,273	\$ 39,769
Reinsurance income	11,410	7,594	107
Total insurance premiums and others	4,236,461	5,041,868	39,876
<b>Investment income:</b>			
Interest and dividend income:			
Interest on deposits	15	22	0
Interest and dividends on securities	986,497	1,037,359	9,286
Interest on loans	14,128	14,037	133
Interest on loans to the Management Organization	146,327	170,098	1,377
Other interest and dividend income	5,337	4,676	50
Total interest and dividend income	1,152,306	1,226,193	10,846
Gains on money held in trust (Note 15)	95,189	56,535	896
Gains on sales of securities (Note 16)	36,468	85,142	343
Gains on redemption of securities	53	33	0
Gains on foreign exchanges	284	-	3
Reversal of reserve for possible loan losses	-	11	-
Other investment income	226	21	2
Total investment income	1,284,529	1,367,937	12,091
<b>Other ordinary income:</b>			
Reversal of reserve for outstanding claims (Note 12)	29,180	57,790	275
Reversal of policy reserves (Note 12)	2,397,936	2,187,268	22,571
Other ordinary income	4,841	4,577	46
Total other ordinary income	2,431,958	2,249,636	22,891
Total ordinary income	7,952,949	8,659,442	74,858
<b>ORDINARY EXPENSES:</b>			
<b>Insurance claims and others:</b>			
Insurance claims (Note 14)	5,625,043	6,487,267	52,947
Annuity payments	394,681	371,216	3,715
Benefits	68,686	57,111	647
Surrender benefits	545,281	433,053	5,133
Other refunds	235,529	185,982	2,217
Reinsurance premiums	20,796	15,692	196
Total insurance claims and other	6,890,020	7,550,323	64,853
<b>Provision for interest on policyholder dividends</b>	7	25	0
<b>Investment expenses:</b>			
Interest expenses	1,450	2,218	14
Losses on sales of securities (Note 17)	65,733	124,734	619
Losses on redemption of securities	5,964	7,480	56
Losses on derivative financial instruments (Note 18)	30,301	20,599	285
Losses on foreign exchanges	-	3,362	-
Provision for reserve for possible loan losses	1	-	0
Other investment expenses	2,623	2,018	25
Total investment expenses	106,074	160,414	998
<b>Operating expenses (Note 24)</b>	532,843	560,206	5,015
<b>Other ordinary expenses:</b>			
Taxes	51,895	60,956	488
Depreciation and amortization	62,505	47,607	588
Provision for reserve for employees' retirement benefits	375	221	4
Other ordinary expenses	381	338	4
Total other ordinary expenses	115,158	109,124	1,084
Total ordinary expenses	7,644,103	8,380,094	71,951
<b>Ordinary profit</b>	308,845	279,347	2,907
<b>EXTRAORDINARY GAINS (Note 19)</b>	86,053	-	810
<b>EXTRAORDINARY LOSSES (Note 20)</b>	130,371	6,897	1,227
<b>Provision for reserve for policyholder dividends (Note 21)</b>	117,792	152,679	1,109
<b>Income before income taxes</b>	146,735	119,770	1,381
<b>Income taxes (Note 11):</b>			
Current	176,185	136,507	1,658
Deferred	(133,758)	(105,257)	(1,259)
<b>Total income taxes</b>	42,426	31,250	399
<b>Net income</b>	¥ 104,309	¥ 88,520	\$ 982

See accompanying notes to non-consolidated financial statements.

**JAPAN POST INSURANCE CO., LTD.**

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen									
	Capital surplus				Shareholders' equity					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Retained earnings			Treasury stock	Total shareholders' equity
						Reserve for reduction entry of real estate	Retained earnings brought forward	Total retained earnings		
<b>BALANCE, APRIL 1, 2016</b>	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 25,489	¥ -	¥447,365	¥ 472,855	¥ -	¥1,472,899
Changes in the fiscal year:										
Cash dividends					6,720		(40,320)	(33,600)		(33,600)
Net income							88,520	88,520		88,520
Purchases of treasury stock									(538)	(538)
Disposals of treasury stock									17	17
Provision of reserve for reduction entry of real estate										
Net changes in items other than shareholders' equity in the fiscal year					6,720		48,200	54,920	(521)	54,399
<b>BALANCE, MARCH 31, 2017</b>	<b>500,000</b>	<b>405,044</b>	<b>95,000</b>	<b>500,044</b>	<b>32,209</b>	<b>-</b>	<b>495,565</b>	<b>527,775</b>	<b>(521)</b>	<b>1,527,298</b>
Changes in the fiscal year:										
Cash dividends					7,200		(43,200)	(36,000)		(36,000)
Net income							104,309	104,309		104,309
Purchases of treasury stock										
Disposals of treasury stock									54	54
Provision of reserve for reduction entry of real estate							6,163	(6,163)		
Net changes in items other than shareholders' equity in the fiscal year					7,200	6,163	54,945	68,309	54	68,363
<b>BALANCE, MARCH 31, 2018</b>	<b>¥ 500,000</b>	<b>¥ 405,044</b>	<b>¥ 95,000</b>	<b>¥ 500,044</b>	<b>¥ 39,409</b>	<b>¥ 6,163</b>	<b>¥550,511</b>	<b>¥ 596,084</b>	<b>¥ (466)</b>	<b>¥1,595,661</b>

	Millions of Yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
<b>BALANCE, APRIL 1, 2016</b>	¥ 405,412	¥ 140	¥ 405,553	¥ 1,878,452
Changes in the fiscal year:				
Cash dividends				(33,600)
Net income				88,520
Purchases of treasury stock				(538)
Disposals of treasury stock				17
Provision of reserve for reduction entry of real estate				
Net changes in items other than shareholders' equity in the fiscal year	(83,507)	(90)	(83,598)	(83,598)
<b>BALANCE, MARCH 31, 2017</b>	<b>321,904</b>	<b>50</b>	<b>321,954</b>	<b>1,849,253</b>
Changes in the fiscal year:				
Cash dividends				(36,000)
Net income				104,309
Purchases of treasury stock				
Disposals of treasury stock				54
Provision of reserve for reduction entry of real estate				
Net changes in items other than shareholders' equity in the fiscal year	82,009	(17)	81,991	81,991
<b>BALANCE, MARCH 31, 2018</b>	<b>¥ 403,913</b>	<b>¥ 32</b>	<b>¥ 403,946</b>	<b>¥ 1,999,608</b>

## Millions of U.S. Dollars (Note 1)

	Shareholders' equity									
	Capital surplus				Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
						Reserve for reduction entry of real estate	Retained earnings brought forward			
<b>BALANCE, MARCH 31, 2017</b>	\$ 4,706	\$ 3,813	\$ 894	\$ 4,707	\$ 303	\$ —	\$ 4,665	\$ 4,968	\$ (5)	\$ 14,376
<b>Changes in the fiscal year:</b>										
Cash dividends					68		(407)	(339)		(339)
Net income							982	982		982
Purchases of treasury stock									—	—
Disposals of treasury stock									1	1
Provision of reserve for reduction entry of real estate						58	(58)	—		—
Net changes in items other than shareholders' equity in the fiscal year					68	58	517	643	1	643
<b>BALANCE, MARCH 31, 2018</b>	\$ 4,706	\$ 3,813	\$ 894	\$ 4,707	\$ 371	\$ 58	\$ 5,182	\$ 5,611	\$ (4)	\$ 15,019

## Millions of U.S. Dollars (Note 1)

	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
<b>BALANCE, MARCH 31, 2017</b>	\$ 3,030	\$ 0	\$ 3,030	\$ 17,406
<b>Changes in the fiscal year:</b>				
Cash dividends				(339)
Net income				982
Purchases of treasury stock				—
Disposals of treasury stock				1
Provision of reserve for reduction entry of real estate				—
Net changes in items other than shareholders' equity in the fiscal year	772	(0)	772	772
Net changes in the fiscal year	772	(0)	772	1,415
<b>BALANCE, MARCH 31, 2018</b>	\$ 3,802	\$ 0	\$ 3,802	\$ 18,822

See accompanying notes to non-consolidated financial statements.

# JAPAN POST INSURANCE CO., LTD.

## NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2018 AND 2017

### 1. BASIS OF PRESENTATION

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

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

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

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.24 to US\$1, the approximate rate of exchange as of March 31, 2018. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (1) Securities

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

##### 1) Held-to-maturity bonds

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

##### 2) Policy-reserve-matching bonds

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

#### 3) Equities of subsidiaries and affiliates

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

#### 4) Available-for-sale securities

##### A) Available-for-sale securities at fair value

Available-for-sale securities at fair value are carried at their fiscal year-end market price, of which the average market prices during the final month of the fiscal year are used to value stocks. The cost of securities sold is calculated using the moving-average method.

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

Government and corporate bonds (including foreign bonds) without a market price for which the premium or discount represents the interest adjustments are carried at the amortized cost (the straight-line method) using the moving-average method. Other securities are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in net assets.

#### (2) Derivative Transactions

All derivative transactions are valued at fair value.

#### (3) Hedge Accounting

##### 1) Methods for hedge accounting

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign currency fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). The exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

##### 2) Hedging instruments and hedged items

- (i) Hedging instrument: Foreign currency exchange contracts  
Hedged item: Foreign-currency-denominated bonds
- (ii) Hedging instrument: Interest rate swaps  
Hedged item: Loans

##### 3) Hedging policies

Foreign currency exchange contracts are used to hedge fluctuations in the foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

##### 4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of

hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts that applied the exceptional treatment for interest rate swaps.

#### (4) Depreciation

##### 1) Tangible fixed assets (excluding leased assets)

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

Buildings : 2-60 years

Other tangible fixed assets: 2-20 years

##### 2) Intangible fixed assets (excluding leased assets)

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

##### 3) Leased assets

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

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

#### (5) Reserve for Possible Loan Losses

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

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy, including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2018 and 2017, were ¥65 million (\$1 million) and ¥214 million, respectively.

#### (6) Policy Reserves

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

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

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

Pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the fiscal year ended March 31, 2011, 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 the additional policy reserves for the years ended March 31, 2018 and 2017, were ¥180,903 million (\$1,703 million) and ¥180,359 million, respectively.

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated at the year ended March 31, 2018, in preparation for future performance of obligations for lump-sum payment annuities. As a result, the amount of provision for the additional policy reserves for the year ended March 31, 2018, was ¥17,025 million (\$160 million), and the ordinary profit and income before income taxes decreased by the same amount respectively, compared with the case where the accumulation is not made.

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.

**(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) 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 (14) "Additional Information" of the consolidated financial statements as of and for the year ended March 31, 2018.

**3. SECURITIES**

**(1) Securities**

Equities of subsidiaries and affiliates in the amount of ¥1,479 million (\$14 million) and ¥984 million were included in "Stocks" as of March 31, 2018 and 2017, respectively. Equities of subsidiaries and affiliates are carried at cost because their fair values are deemed extremely difficult to determine. Such securities as of March 31, 2018 and 2017, consisted of the following:

**March 31**

Equities of subsidiaries  
Equities of affiliates

Millions of Yen		Millions of U.S. Dollars
2018	2017	2018
¥ 984	¥ 984	\$ 9
495	—	5

Securities lent under lending agreements in the amount of ¥4,477,886 million (\$42,149 million) and ¥4,341,253 million were included in "Securities" in the balance sheets as of March 31, 2018 and 2017, respectively.

The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and exchange settlements. The fair value of such securities held in hand was ¥3,521,489 million (\$33,147 million) and ¥3,532,340 million as of March 31, 2018 and 2017, respectively.

**(2) Policy-Reserve-Matching Bonds**

The balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2018 and 2017, were as follows:

**March 31**

Balance sheet amount  
Fair value

Millions of Yen		Millions of U.S. Dollars
2018	2017	2018
¥ 10,676,330	¥ 12,517,334	\$ 100,493
11,769,615	13,697,410	110,783

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, the 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, 2018 and 2017, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Assets pledged as collateral:			
Securities	¥ 3,117,013	¥ 4,184,239	\$ 29,339
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	3,663,547	4,889,066	34,484

All of the above securities were pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following was pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Securities	¥ 209,920	¥ 15,489	\$ 1,976

#### 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, 2018 and 2017. 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, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Amount of unused commitments	¥ 3,000	¥ -	\$ 28

With respect to loans (loans to the Management Organization) maturing at the end of the year ended March 31, 2018, the due dates for these loans were set on the next business day following the date of maturity based on internal rules since the end of the year ended March 31, 2018 fell on a bank holiday. Of the loans to the Management Organization, those repaid in advance are recorded in suspense receipt as the due date had not arrived. Loans (loans to the Management Organization) maturing at the fiscal year-end, relevant accrued interests recorded in accrued income, and advances repaid of such loans recorded in suspense receipt as of March 31, 2018 were ¥413,259 million (\$3,890 million), ¥64,718 million (\$609 million), and ¥11,913 million (\$112 million), respectively. There were no such account balances as of March 31, 2017.

## 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, 2018 and 2017, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Reserve for outstanding claims–ceded	¥ 515	¥ 399	\$ 5

The policy reserves for reinsured part defined in Article 71, Paragraph 1, of the said Ordinance (hereinafter “policy reserves–ceded”) as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Policy reserves–ceded	¥ 946	¥ 768	\$ 9

## 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 ¥31,569 million (\$297 million) and ¥28,868 million, as of March 31, 2018 and 2017, 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, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Balance at the beginning of the year	¥ 1,772,565	¥ 1,936,494	\$ 16,685
Policyholder dividends paid	(267,178)	(316,351)	(2,515)
Interest accrual	7	25	0
Reduction due to the acquisition of additional annuity	(297)	(283)	(3)
Provision for reserve for policyholder dividends	117,792	152,679	1,109
Balance at the end of the year	¥ 1,622,889	¥ 1,772,565	\$ 15,276

## 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, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Policy reserves (excluding contingency reserve)	¥ 38,351,137	¥ 42,010,637	\$ 360,986
Contingency reserve	1,665,082	1,838,804	15,673
Reserve for price fluctuations	665,523	648,432	6,264

## 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, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Deferred tax assets:			
Policy reserves	¥ 832,310	¥ 736,401	\$ 7,834
Reserve for price fluctuations	207,552	165,422	1,954
Reserve for outstanding claims	44,659	42,646	420
Reserve for employees' retirement benefits	18,943	18,784	178
Unrealized losses on available-for-sale securities	56,264	59,950	530
Other	16,415	19,706	155
Subtotal	1,176,146	1,042,912	11,071
Valuation allowance	(3,894)	(4,468)	(37)
Total deferred tax assets	1,172,252	1,038,444	11,034
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(209,916)	(181,710)	(1,976)
Other	(8,198)	(4,470)	(77)
Total deferred tax liabilities	(218,115)	(186,180)	(2,053)
Net deferred tax assets (liabilities)	¥ 954,136	¥ 852,263	\$ 8,981

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% for the years ended March 31, 2018 and 2017.

Reconciliation of the statutory tax rate and the effective tax rate for the year ended March 31, 2018 was omitted as the difference was less than 5% of the statutory tax rate.

Reconciliation of the effective income tax rate reflected in the accompanying statements of income to the statutory tax rate for the year ended March 31, 2017, was as follows:

<b>Year ended March 31</b>	2017
Statutory tax rate	28.24%
Change in valuation allowance	(2.62)
Other	0.47
Effective income tax rate	26.09%

## 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, 2018 and 2017 were ¥116 million (\$1 million) and ¥84 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, 2018 and 2017, were ¥177 million (\$2 million) and ¥210 million, respectively.

## 13. INSURANCE PREMIUMS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Insurance premiums	¥ 755,221	¥ 1,002,816	\$ 7,109

## 14. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Insurance claims	¥ 5,124,383	¥ 6,413,751	\$ 48,234

## 15. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included losses on valuation of ¥561 million (\$5 million) and ¥1,066 million for the years ended March 31, 2018 and 2017, 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
	2018	2017	2018
<b>Years ended March 31</b>			
Japanese government bonds, etc.	¥ 1	¥ 1,384	\$ 0
Stocks	4,692	352	44
Foreign securities	31,774	83,406	299

## 17. LOSSES ON SALES OF SECURITIES

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

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Japanese government bonds, etc.	¥ 334	¥ 147	\$ 3
Stocks	1,152	53	11
Foreign securities	64,156	124,533	604
Other securities	90	–	1

## 18. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included gains on valuation of ¥1,223 million (\$12 million) for the year ended March 31, 2018 and losses on valuation of ¥4,657 million for the year ended March 31, 2017.

## 19. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Gains on sales of fixed assets	¥ 86,053	¥ –	\$ 810
Total	¥ 86,053	¥ –	\$ 810

Note: Gains on sales of fixed assets such as land of ¥86,053 million (\$810 million) were recorded for the year ended March 31, 2018, and the amount equivalent thereto was included in provision for reserve for price fluctuations.

## 20. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Losses on sales and disposal of fixed assets	¥ 336	¥ 453	\$ 3
Losses on impairment of fixed assets	2,003	–	19
Provision for reserve for price fluctuations	128,031	6,444	1,205
Total	¥ 130,371	¥ 6,897	\$ 1,227

Note: As mentioned in Note 19 "EXTRAORDINARY GAINS," provision for reserve for price fluctuations included the amount equivalent to gains on sale of fixed assets such as land of ¥86,053 million (\$810 million) for the year ended March 31, 2018.

## 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, 2018 and 2017, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Provision for reserve for policyholder dividends	¥ 96,174	¥ 137,061	\$ 905

## 22. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2018 and 2017, and outstanding balances arising from such transactions as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>Years ended March 31</b>			
Income	¥ 0	¥ 0	\$ 0
Expenses	15,319	15,634	144

	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
<b>March 31</b>			
Monetary claims	¥ 457	¥ 378	\$ 4
Monetary obligations	15,029	13,862	141

## 23. SUBSEQUENT EVENTS

None.

## 24. SUPPLEMENTARY SCHEDULES

### Schedule of Operating Expenses

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Sales activity expenses:	¥ 177,274	¥ 201,199	\$ 1,669
Field sales staff related expenses	11,396	10,780	107
Sales agencies related expenses	165,877	190,418	1,561
Selection expenses of policyholders	0	0	0
Sales administration expenses:	17,692	20,618	167
Management of sales agencies	9,668	9,465	91
Training and education of sales staff	27	72	0
Advertising	7,996	11,079	75
General administration expenses:	337,876	338,388	3,180
Personnel expenses	47,034	46,672	443
Property expenses	288,579	289,646	2,716
Donation, contribution and miscellaneous dues	885	788	8
Burden money	2,262	2,069	21
<b>Total</b>	<b>¥ 532,843</b>	<b>¥ 560,206</b>	<b>\$ 5,015</b>

Notes:

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

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

### Schedule of Tangible and Intangible Fixed Assets

Type of assets	Millions of Yen								
	Year ended March 31, 2018								
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance		
<b>Tangible fixed assets:</b>									
Land	¥	–	¥	–	¥	–	¥	43,066	
Buildings		–		–	49,639	16,933	6,665	32,705	
Leased assets		–		–	3,925	1,763	577	2,161	
Construction in progress		–		–	8,149	–	–	8,149	
Other		–		–	28,373	13,887	4,118	14,486	
<b>Total tangible fixed assets</b>		–		–	133,153	32,584	11,361	100,568	
<b>Intangible fixed assets:</b>									
Software		–		–	418,598	250,854	51,084	167,744	
Other		–		–	28	8	2	19	
<b>Total intangible fixed assets</b>		–		–	418,627	250,863	51,087	167,763	
Long-term prepaid expenses		634		–	9	625	298	56	326
Deferred assets		–		–	–	–	–	–	–

Type of assets	Millions of Yen									
	Year ended March 31, 2017									
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance			
<b>Tangible fixed assets:</b>										
Land	¥	–	¥	–	¥	–	¥	–	¥	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		
<b>Total tangible fixed assets</b>		–		–	212,552	75,624	12,347	136,928		
<b>Intangible fixed assets:</b>										
Software		–		–	415,908	226,120	35,197	189,788		
Other		–		–	39	17	2	21		
<b>Total intangible fixed assets</b>		–		–	415,947	226,137	35,200	189,809		
Long-term prepaid expenses		634		–	634	250	60	384		
Deferred assets		–		–	–	–	–	–		

Millions of U.S. Dollars								
Year ended March 31, 2018								
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance	
<b>Tangible fixed assets:</b>								
Land	\$ —	\$ —	\$ —	\$ 405	\$ —	\$ —	\$ 405	
Buildings	—	—	—	467	159	63	308	
Leased assets	—	—	—	37	17	5	20	
Construction in progress	—	—	—	77	—	—	77	
Other	—	—	—	267	131	39	136	
<b>Total tangible fixed assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,253</b>	<b>307</b>	<b>107</b>	<b>947</b>	
<b>Intangible fixed assets:</b>								
Software	—	—	—	3,940	2,361	481	1,579	
Other	—	—	—	0	0	0	0	
<b>Total intangible fixed assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,940</b>	<b>2,361</b>	<b>481</b>	<b>1,579</b>	
Long-term prepaid expenses	6	—	0	6	3	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, 2018						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 658	¥ 695	¥ 48	¥ 609	¥ 695	
General reserve	59	60	–	59	60	
Specific reserve	598	634	48	549	634	
Reserve for management board benefit trust	76	180	84	–	172	
Reserve for price fluctuations	788,712	128,031	–	–	916,743	

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

Millions of U.S. Dollars						
Year ended March 31, 2018						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	\$ 6	\$ 7	\$ 0	\$ 6	\$ 7	
General reserve	1	1	–	1	1	
Specific reserve	6	6	0	5	6	
Reserve for management board benefit trust	1	2	1	–	2	
Reserve for price fluctuations	7,424	1,205	–	–	8,629	

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, 2018 and 2017, 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 judgment, 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, 2018 and 2017, 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, 2018 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, 2018  
Tokyo, Japan

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