



# Annual Report 2018

Year ended March 31, 2018

人生は、  
夢だらけ。



# CONTENTS

02	<b>History of Japan Post Insurance</b>
04	<b>Message from CEO</b>
12	<b>Business Model of Japan Post Insurance</b>
15	<b>Foundation for Value Creation</b>
16	Position within Japan Post Group
17	Sales Channels
19	Business Development Centering on Post Offices
23	<b>Financial and Non-Financial Highlights</b>
24	Financial Highlights
27	Non-Financial Highlights
29	<b>Management Strategy</b>
30	Japan Post Insurance's Vision and the Current Environment
32	Achievement Status of Medium-term Management Plan (FY2016/3-FY2018/3)
32	Overview of Medium-term Management Plan (FY2019/3-FY2021/3)
34	Key Strategies
40	Strengthening the Management Base
45	<b>Contribution to Local Communities and Society</b>
46	CSR Activities
50	Environmental Conservation Activities
51	<b>Corporate Governance</b>
52	Corporate Governance Systems
62	Compliance
63	Management of Conflicts of Interest
64	Initiatives for Protecting Personal Information
64	Elimination of Antisocial Forces
65	Risk Management Systems
71	Corporate Information
91	Financial Statements

**Company Name**  
JAPAN POST INSURANCE Co., Ltd.

**Starting Date of Business**  
October 1, 2007

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

**OTEMACHI PLACE WEST TOWER**  
3-1, Otemachi 2-chome,  
Chiyoda-ku, Tokyo 100-8794, Japan  
(To relocate on November 12, 2018)

**Director and President, CEO,  
Representative Executive Officer**  
Mitsuhiko Uehira

**Number of Employees**  
7,490 (As of March 31, 2018)

**Main Offices**  
Regional Headquarters: 13  
Branches: 82

**Paid-in Capital**  
¥500,000 million

Notes: 1. Unless otherwise noted, financial figures in this report are reported on a consolidated basis. Unless this context indicates otherwise, references in this report to "we," "us," "our," "the Company" or similar terms are to Japan Post Insurance Co., Ltd. Unless otherwise specified in this report, the information herein is as of March 31, 2018.

2. This report is intended to provide information to the public and is not intended to constitute a solicitation to invest in stock or other marketable securities of Japan Post Insurance Co., Ltd. or its subsidiaries. This report contains forward-looking statements regarding the outlook and targets of the 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 the report's preparation. 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 disasters, fluctuations in the value of assets owned, harmful rumors or false information.

3. Unless otherwise noted, statements in this report are based on information available at the time of preparing the report.

Japan Post Insurance Co., Ltd. is commissioned by the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") to engage in Postal Life Insurance policy operations and provides services concerning benefit payments and receipt of insurance premiums, etc. As of April 1, 2019, the Management Organization will change its name to the Organization for Postal Savings and Postal Life Insurance Management and Post Office Network Support, due to the enactment and enforcement of the "Act to Partially Revise the Act on the Management Organization for Postal Savings and Postal Life Insurance."



# History of Japan Post Insurance

- Commenced the National Health Exercise Program (precursor of the Radio Exercise Program)



People exercising under the National Health Exercise Program (precursor of the Radio Exercise Program)

- 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

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



- Introduced the new postal life insurance system

- Commenced the postal annuity business

- Commenced the new postal annuity business

1916

1926

1928

1951

1981

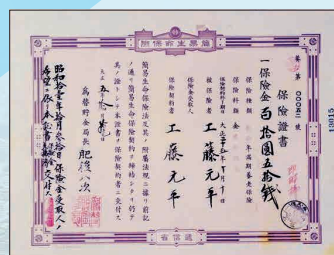
1991

2006

2007

- Commenced Postal Life Insurance business

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



An original certificate for Postal Life Insurance



## ■ Start of Medium-term Management Plan (FY2019/3 – FY2021/3)

2018



Kampo-kun  
(Our Corporate Mascot)

2016

- **100th** anniversary of Postal Life Insurance
- Revised our Management Philosophy

2015

### 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.

#### Management Philosophy

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

#### Management Policy

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

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

#### Code of Conduct

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







“Pursue customer-first business operations”

---

“Achieve sustainable growth”

---

“Maintain sound business operations”

---

We will achieve the enhancement  
of corporate value by setting these goals  
as our fundamental management approach.

---

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

I am Mitsuhiro Uehira and it has been a year since I assumed the position of President of Japan Post Insurance. During this time, we have made concerted daily efforts to achieve our vision of becoming the “No. 1 Japanese insurance company selected by customers.”

We hereby present to you our Annual Report for the fiscal year ended March 31, 2018, which describes our vision for Japan Post Insurance and the management plan for achieving that vision, together with our financial results, business performance and various initiatives.

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

Director and President, CEO,  
Representative Executive Officer



## Social Mission of Japan Post Insurance

---

The Postal Life Insurance Service, the predecessor of Japan Post Insurance, was created in 1916 with the social mission of “protecting the means of fundamental livelihood of the public through simple procedures.”

The society at the time of our founding called for an urgent need to establish a life insurance system with small coverage amounts as a social policy. Against this backdrop, the Postal Life Insurance Service started as a system available at relatively affordable fees with simple enrollment procedures and no medical examination, providing reliable insurance services to the people of Japan to ensure the sound development of society.

Although more than a century has passed since the founding of the Postal Life Insurance Service, in the light of our current conditions in society, I believe that the social mission assumed by Japan Post Insurance has not changed since the era of its founding.

More and more importance is being attached to medical protection and life insurance that protects against longevity risk with the growth in life expectancy and the graying of society in Japan. Delivering insurance services as a means of security to as many customers as possible through the nationwide network of post offices, thereby protecting the well-being of every one of them with the function of insurance – that is our vision at Japan Post Insurance.

Going forward, we will further strengthen the “reliable” and “trustworthy” brand we have built up together with the nationwide post office network by steadily responding to the needs of customers and providing protection that is truly satisfying to them. Thus, we will continue to fulfill our social mission as a stable provider of fundamental protection to our customers.





Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance actively seeks ways to contribute to society (CSR activities). In particular, the Radio Exercise Program, which began with the establishment of the National Health Exercise Program in 1928 by the Postal Life Insurance Bureau of the Ministry of Communications, a predecessor of Japan Post Insurance, will mark its 90th anniversary in November 2018. The popularization and promotion of the Radio Exercise is central to our CSR activities, and we will continue to support health promotion for people in local communities.

## Review of the Previous Medium-term Management Plan (FY2016/3 – FY2018/3)

---

During the Medium-term Management Plan covering the three years from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2018 (the “previous Medium-term Management Plan”), we worked to pave the way for real growth by establishing the management base necessary for the Company’s growth and providing products and services to further enhance our strengths.

Specifically, we steadily promoted initiatives focused on “product development corresponding to customers’ needs,” “enhancing sales force of distribution channel,” “improvement of services for elderly customers,” “deployment of administrative and IT system,” “improving capacity for earnings from investment,” “enhancing internal control system,” and “enhancing human resource development.”

### Achievement of Business Objectives

We set out three business objectives in the previous Medium-term Management Plan, namely “net income of around ¥80.0 billion,” a “dividend payout ratio within the range of roughly 30%-50%,” and “contracted monthly insurance premiums from new policies in the ¥50.0 billion range and further expansion.” Of these, we achieved our net income and dividend payout ratio targets throughout the period of the Plan.

In addition, contracted monthly insurance premiums from new policies increased to ¥51.0 billion in the fiscal year ended March 31, 2016, reaching the ¥50 billion level, and in the fiscal year ended March 31, 2017, we attained the target at ¥55.3 billion. In the fiscal year ended March 31, 2018, although we did not reach the target of the ¥50 billion level due to the impact of the revision of insurance premiums in April, product profitability improved substantially as a result of increasing the sales ratio of protection-focused products, among other measures.

### Product Development

On the product front, in the fiscal year ended March 31, 2016, we expanded the age range for enrollment in endowment insurance and whole life insurance, and established the short-term premium payment endowment insurance. In the fiscal year ended March 31, 2018, in light of changes in the environment such as advances in medical technology, the continuing low interest rate environment, and increasing longevity, we revised medical riders and enhanced our product lineup by launching whole life insurance (low cash value) and longevity support insurance to further meet customer needs.

## Realizing the Medium-term Management Plan (FY2019/3 – FY2021/3)

In May 2018, the Japan Post Group announced the “Japan Post Group Medium-term Management Plan 2020,” a new Medium-term Management Plan for the period from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021, based on a policy that aims for us to be a “Total Lifestyle Support Group” that supports customers to realize safe, secure, comfortable and affluent lifestyles and lives.

The new Medium-term Management Plan for the Company is stipulated in this Group Medium-term Management Plan 2020.

Under the new Plan of the Company, we have set “pursue customer-first business operations,” “achieve sustainable growth,” and “maintain sound business operations” as our fundamental management approach, and aim to “increase profit in both sales and asset management” in an extremely low interest rate environment, and “reverse the decreasing trend and achieve growth in annualized premiums from policies in force.”

With the aim of realizing the Plan, we will set key quantitative targets and key strategies as well as strengthen the management base that supports them.

### Principal numerical target for Medium-term Management Plan

	Principal numerical target for Medium-term Management Plan (2020)	Key points
Top Line	Annualized premiums from policies in force(Individual Insurance): Approximately ¥4.9 trillion	<ul style="list-style-type: none"> <li>■ Aim for growth in new policies while improving quality of sales activities and stronger policy retention.</li> </ul> <p>reversing the declining trend and achieving growth based on policies in force</p>
Bottom Line	Net income per share: ¥155 (Reference) Consolidated net income: ¥93.0 billion	<ul style="list-style-type: none"> <li>■ Change bottom line targets to net income per share to indicate our shareholder-focused approach, and aim to ensure stability of the bottom line through various efforts.</li> </ul>
Shareholder Return	Aim to increase the dividend per share to ¥76 while ensuring the soundness of operations	<ul style="list-style-type: none"> <li>■ Change shareholder return target to dividend per share, and implement a stable shareholder dividend regardless of level of bottom line.</li> </ul>





## Key Strategies

### Sales and Product Strategies

- Aim for growth by achieving a major transformation in sales style at post offices and Japan Post Insurance, including the implementation of comprehensive measures to strengthen sales activities focusing on protection needs and improve solicitation quality.
- Launch health promotion services and the “Family Registration Scheme” as services for customers, and strengthen the cultivation of new customer bases such as the uninsured and young- and middle-aged, while also bolstering efforts for new markets such as worksites.
- Develop and diversify protection-type products including third-sector products, and establish the sales foundation by introducing new mobile devices for sales and increasing offsite sales personnel at post offices.

### Administrative Services Strategy

We will work to improve services through the use of ICT<sup>(Note)</sup>, including claim procedures utilizing digital technologies, in addition to adopting multi-access customer contact points. At the same time, we will enhance efficiency in back-office administration through measures such as the digitalization of paper forms at Service Centers.

Note: ICT (Information and Communication Technology): A general term for technologies related to information and communication.

### Asset Management Strategy

The Company aims to increase profitability by promoting the diversification of asset management, based on ALM<sup>(Note 1)</sup>, as well as working to sophisticate our risk management while ensuring financial soundness under ERM framework<sup>(Note 2)</sup>.

Notes: 1. ALM (Asset Liability Management): Integrated management of assets and liabilities.  
2. ERM (Enterprise Risk Management): An integrated approach to risk management.

## Management Base

We will strengthen the management base as follows.

### Development of IT System Platforms

By utilizing the new core system renewed in 2017 and further promoting and establishing the development framework reforms we have been working on, we will realize improvements in system development productivity and develop a next-generation open system compatible with digitalization.

### Establishment of ERM

- Maintain financial soundness and improve profitability based on the ERM (enterprise risk management) approach, aiming to secure stable profit and sustainably enhance corporate value.
- Implement capital policies paying attention to capital costs.

### Human Resources Development

We will conduct human resources development based on standardized operations and promote workstyle reforms to establish an environment where all employees put the customer first in everything they do and deliver their full potential, which will lead to enhanced corporate value.

## ESG Initiatives<sup>(Note)</sup>

In addition to promoting our Medium-term Management Plan explained above, we will actively take on the challenges of sustainable enhancement of corporate value and social development by promoting ESG initiatives to resolve issues facing society, as a socially responsible entity toward all stakeholders.

Note: ESG: Environment, Social and Governance.



## In Conclusion

---

The environment surrounding the life insurance business is undergoing constant change, including the advance of the aging of society with declining birthrates, the persisting extreme low interest rate environment, and evolving lifestyles. We recognize that it is vital to grasp customer needs precisely according to these changes and to deliver the security of insurance in a way that is easy to understand, taking into consideration the circumstances and intentions of each customer.

We are also addressing preventive healthcare as a promising business area that supports a society where people can lead healthy lives with peace of mind. For example, the field of healthcare including fitness promotion, diet improvement and health consultation is a hot topic. The Company has always worked to promote people's health through activities to popularize and promote radio exercises, and will pursue deeper involvement in healthcare fields through initiatives such as providing tools to support daily health management. We believe that these efforts can help address Japan's social challenges such as improving QOL<sup>(Note)</sup> and extending the healthy life expectancy.

Note: QOL (Quality of Life): Concept for evaluating whether someone lives a humane and satisfying life.

By providing such services in addition to insurance products, we will contribute to local communities together with the nationwide post office network in order to remain a company trusted and loved by our customers, while exerting concerted company-wide efforts to realize our management philosophy, which states "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being."

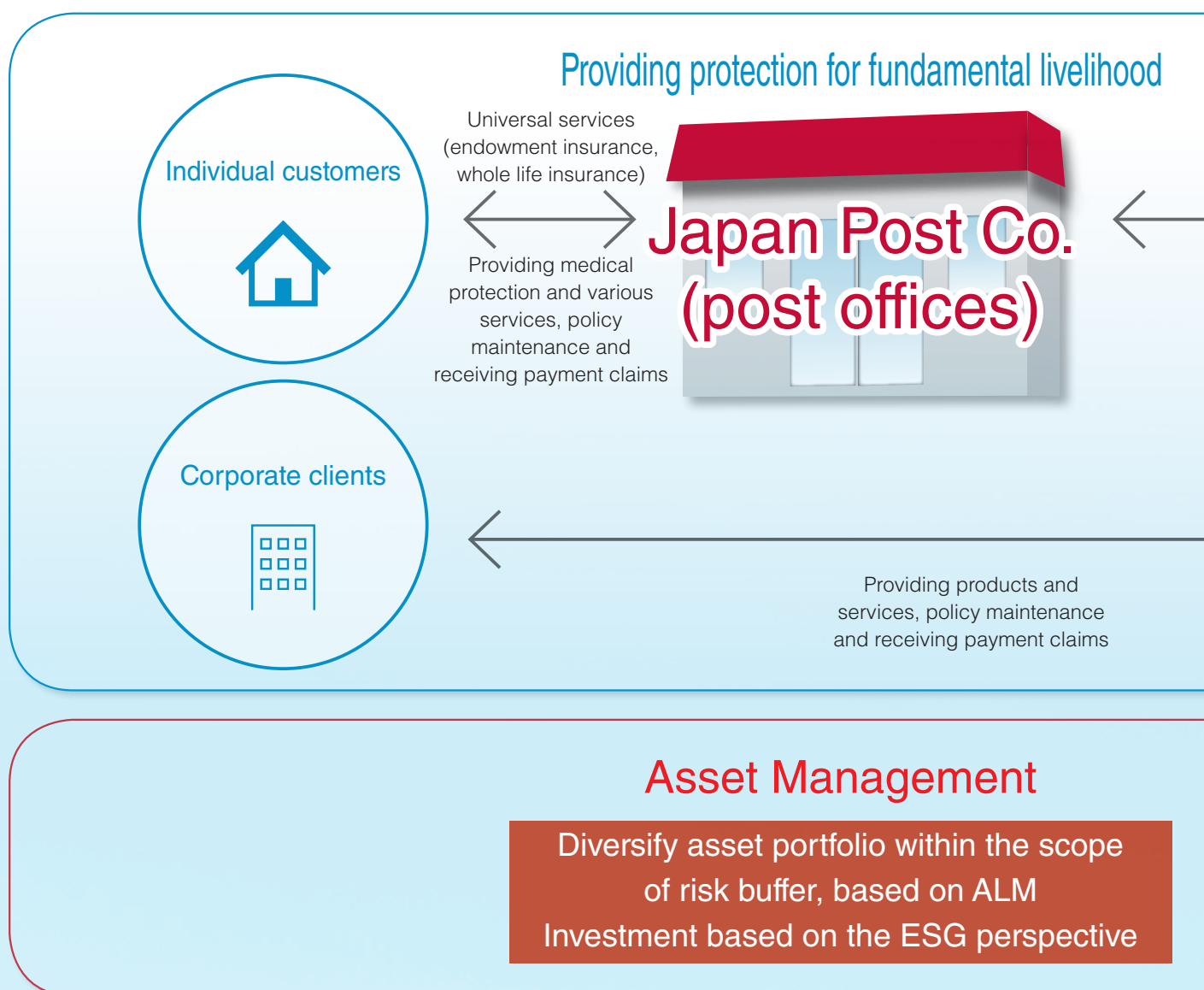
In all our endeavors, we request and appreciate your continued support.

July 2018



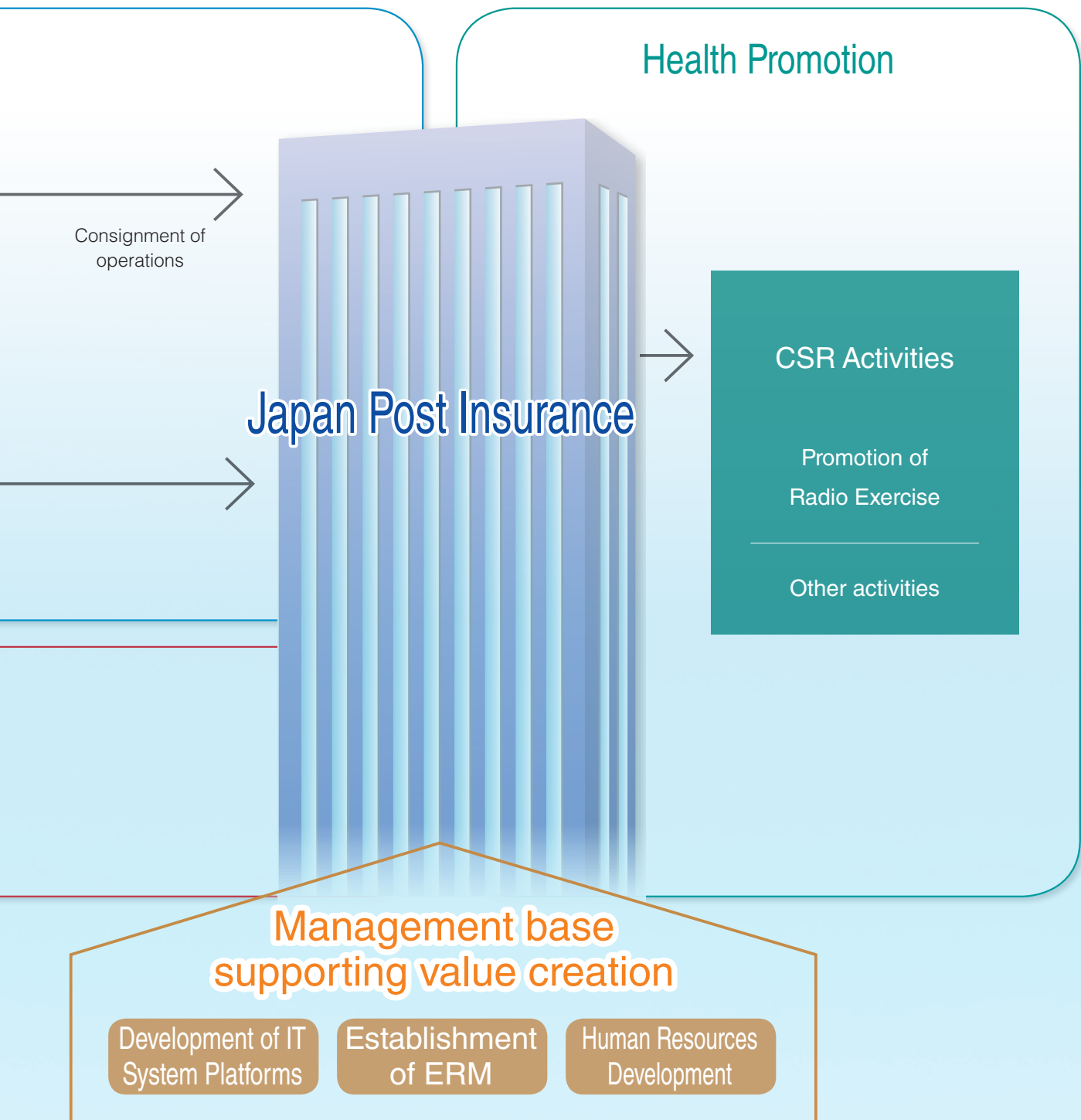
## Business Model of Japan Post Insurance

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.



## Management Philosophy

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









## Foundation for Value Creation

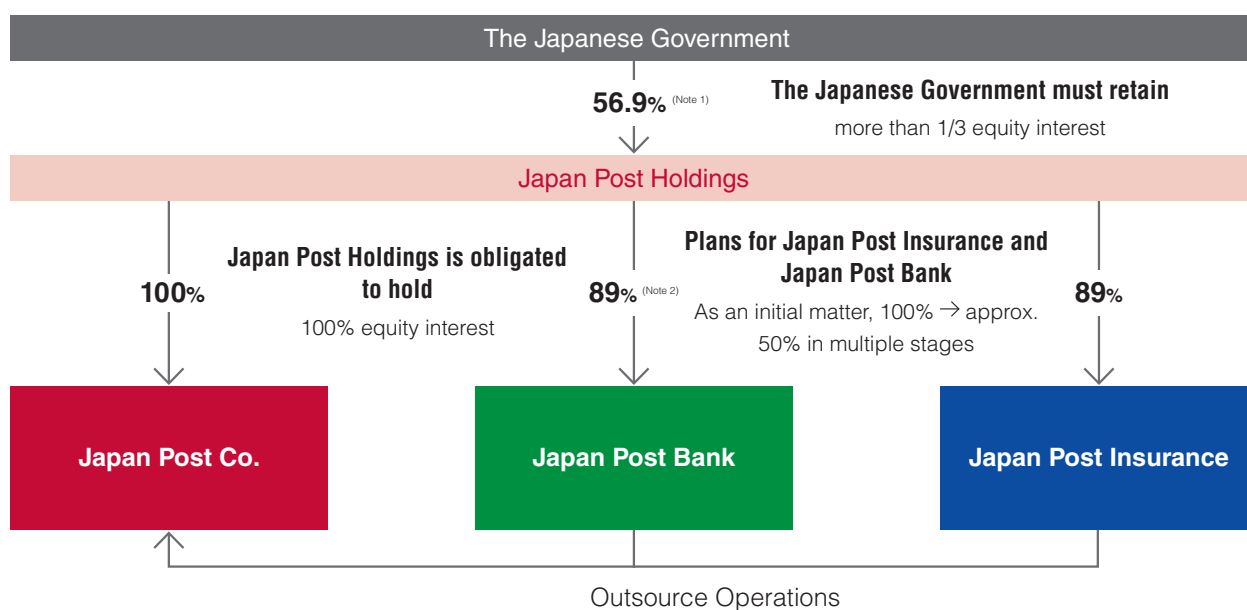
Position within Japan Post Group .....	16
Sales Channels .....	17
Business Development Centering on Post Offices...	19

## Position within Japan Post Group

The life insurance business, which is carried out by Japan Post Insurance, is one of the three main businesses of the Japan Post Group.

In view of its universal service obligation, Japan Post Holdings aims to dispose of its entire equity interest in Japan Post Insurance and Japan Post Bank as soon as possible, in accordance with the Postal Service Privatization Act.

### Capital relationship chart



Notes: 1. Shareholding ratio to the total number of issued shares

2. Shareholding ratio to the total number of issued and outstanding shares excluding treasury shares

## Postal Service Privatization Act

### Universal service obligation

Japan Post Holdings and Japan Post Co. are obligated to provide universal services including mail, banking and life insurance businesses

### Shareholdings

Japan Post Holdings aims to dispose of its entire equity interest in Japan Post Insurance and Japan Post Bank (the “two financial companies”) as soon as possible

### Additional regulatory restrictions applied to the two financial companies

#### Limitation on new business

- Current: regulatory approval required
- After disposal of 50% or more of Japan Post Holdings’ equity interest in the two financial companies: regulatory prior notification required

#### Limitation on coverage amount

- Prescribed in cabinet order

#### Removal of restrictions

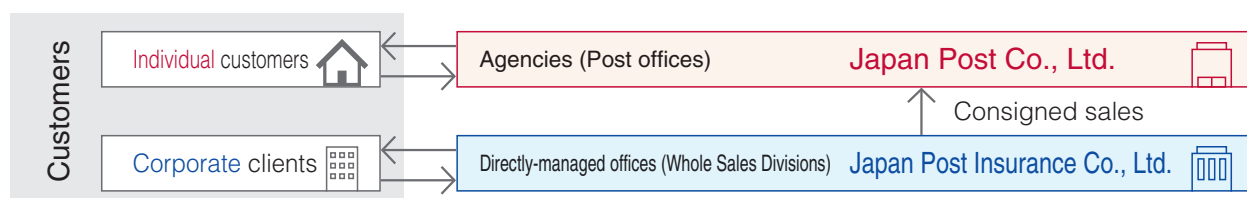
- After 100% disposal of Japan Post Holdings’ equity interest in the two financial companies, the restrictions on their business will be removed, while after 50% or more disposal, the Prime Minister and Minister of Internal Affairs and Communications will consider lifting the said regulations



# Sales Channels

## Framework of Business Operations

Japan Post Insurance aims to provide protection that is truly satisfying to customers through an extensive nationwide network comprising post offices and the Company's branches, which together serve as bases for providing our products, various procedures and services.



## Bases for providing our products and services

We are promoting the life insurance business with agencies (our business partners Japan Post Co., Ltd. (post offices) and contracted post offices) and the directly-managed offices (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 easy procedures and smaller coverage amounts) 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 of the 82 branches (as of March 31, 2018) 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 the development of products that meet customers' needs, the development of new markets and channels, and the sophistication of sales processes. As of March 31, 2018, there were 20,047 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, 2018, there were 580 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 wholesale channel

Whole Sales Divisions are placed at 76 of the 82 branches (as of March 31, 2018) of the Company, and we have also established the Whole Sales Department at the head office to provide our products and services primarily to the corporate and worksite market, as well as to 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 throughout Japan.

In addition, following privatization, we have been commissioned with the management of Postal Life Insurance Policies by the Management Organization, which succeeded 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.



## The Post Office Network and Japan Post Insurance Bases across Japan (As of March 31, 2018)

■ Post offices

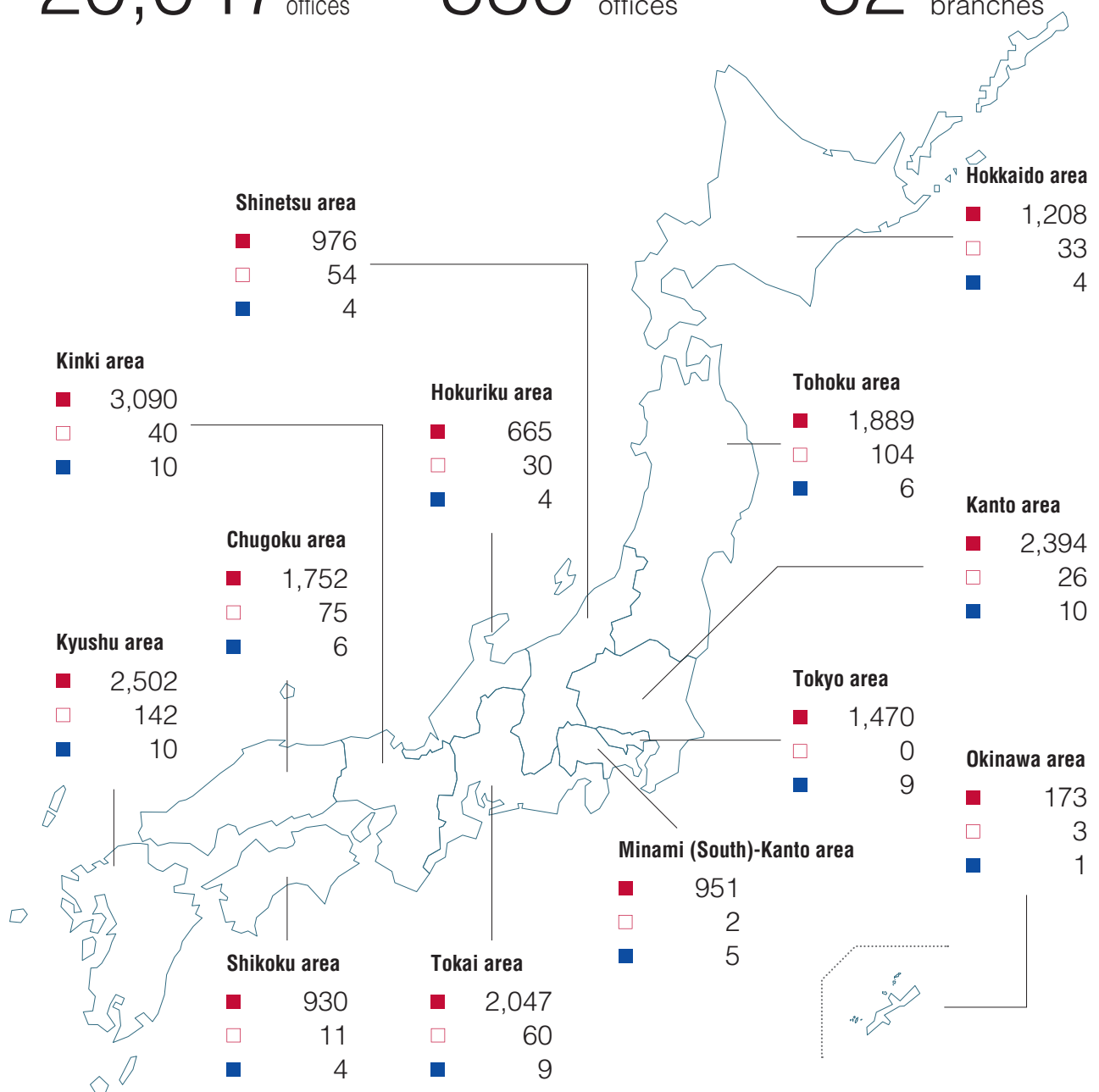
□ Contracted post offices

■ Japan Post Insurance branches

20,047 offices

580 offices

82 branches



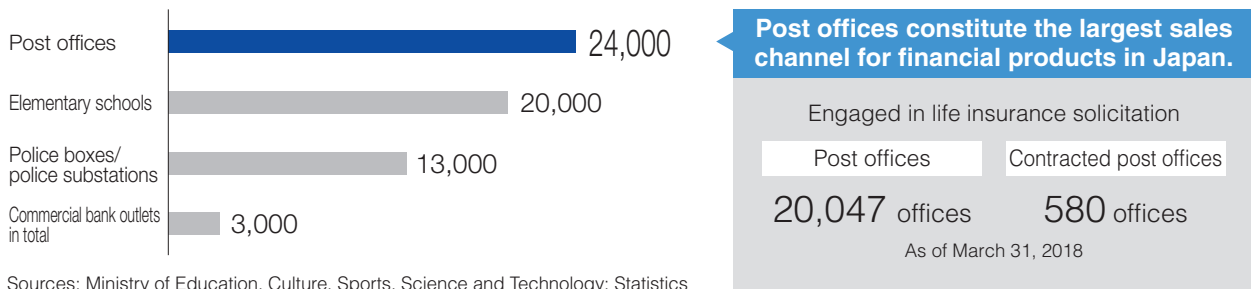
Note: "Post offices" indicates the number of post offices undertaking life insurance solicitation, and "Contracted post offices" indicates the number of contracted post offices that have concluded life insurance solicitation consentment contracts.

## Business Development Centering on Post Offices

### Nationwide Coverage of Overwhelming Sales Channel Network

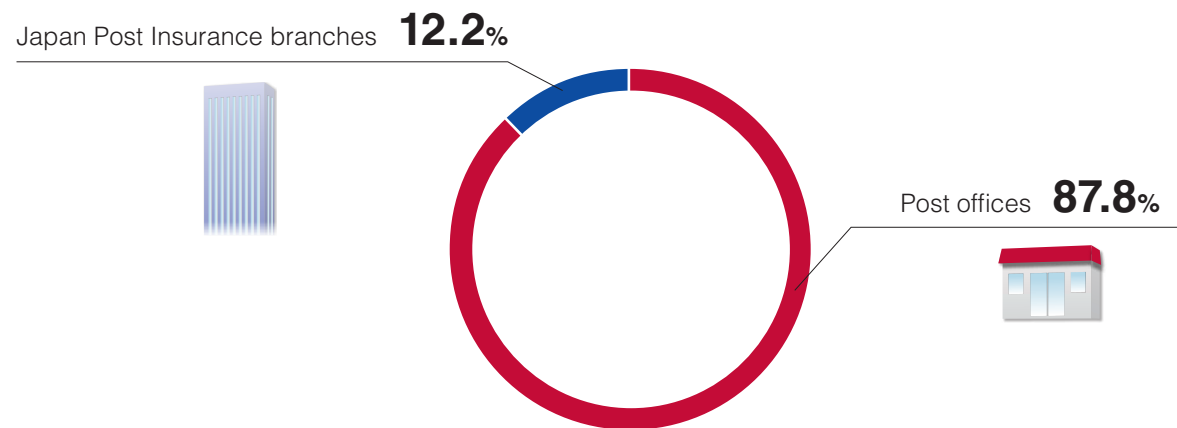
We provide products and services to customers through a nationwide network of more than 20,000 post offices and our branches.

#### Number of Locations



Sources: Ministry of Education, Culture, Sports, Science and Technology; Statistics Bureau of Ministry of Internal Affairs and Communications; Japanese Bankers Association

#### Breakdown of New Policy Sales<sup>(Note)</sup> by Channel

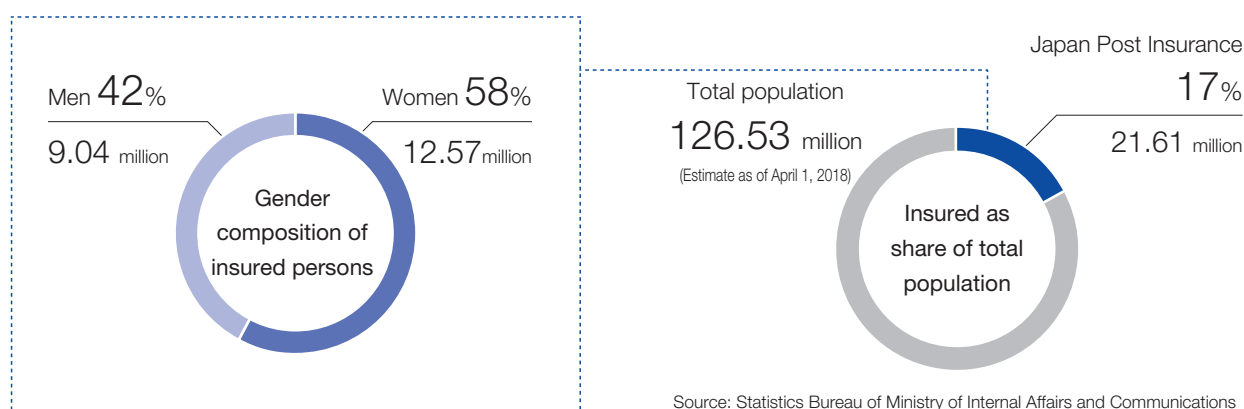


Note: Based on contracted monthly insurance premiums from new policies (estimate)

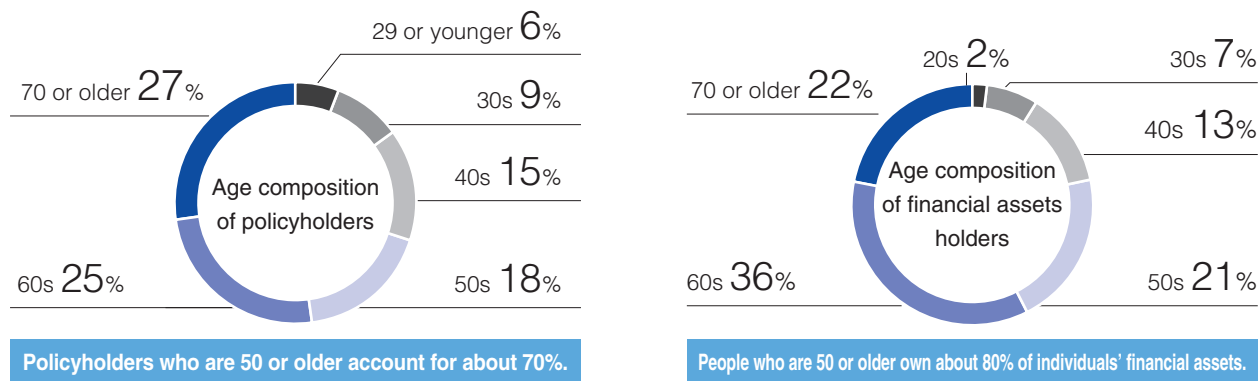
## Customer Base with Strong Following among Female Customers, the Middle Aged and the Elderly

The number of insured persons covered by our policies is equivalent to about 20% of Japan's population, of whom about 60% are female. Regarding the age composition of policyholders, the middle-aged and elderly people who are 50 years or older account for about 70%. Thus, our products have a particularly strong following among females, the middle-aged and the elderly.

Gender composition of insured  
(Number of insured persons (individual insurance) as of April 1, 2018)



Age composition of policyholders  
(Number of new policies (individual insurance) for FY2018/3)



Number of  
customers

27.99 million

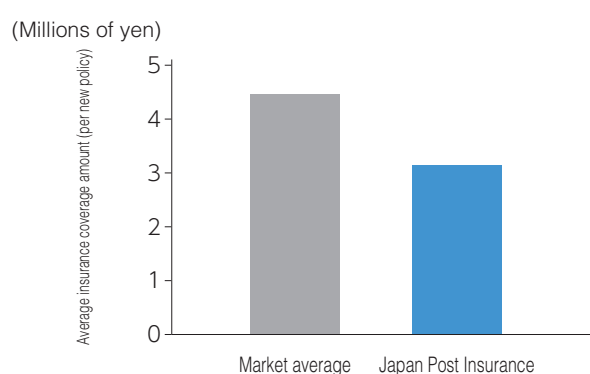
Note: The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by us under commission from the Management Organization).

## Easy-to-understand Products with Smaller Coverage Amounts

Inheriting the Postal Life Insurance Service social mission of “protecting the means of fundamental livelihood of the public through simple procedures,” the Company provides simple and easy-to-understand products (with easy procedures and smaller coverage amounts) and services through the nationwide network of post offices.

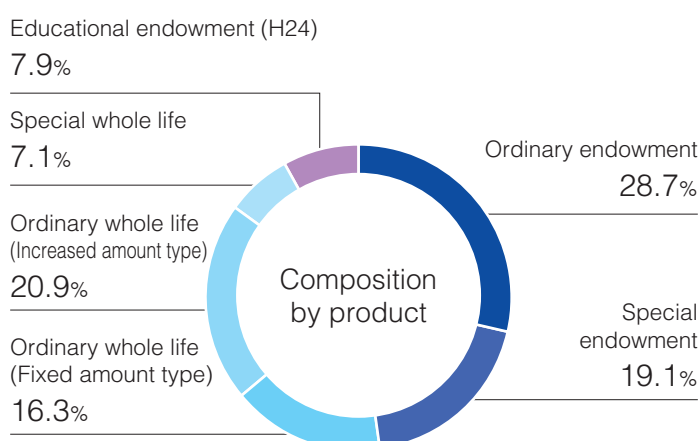
Our insurance products can be purchased without examination. The lineup mainly consists of endowment insurance and whole life insurance with a relatively small death benefit.

### Average insurance coverage amount (Per new policy (individual insurance) for FY2018/3)



Source: Life Insurance Statistics Summary (Contract Performance List 2017)

### Composition by product (Number of new policies (individual insurance) for FY2018/3)



The basic sales approach is to add medical riders to insurance policies.



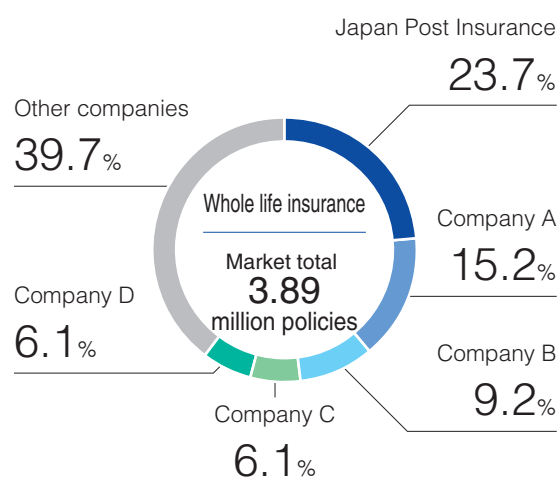
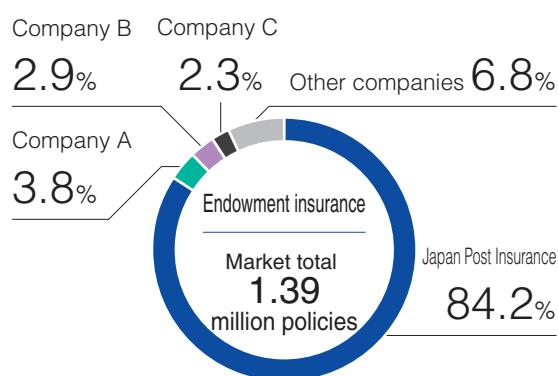
## Endowment Insurance and Whole Life Insurance with Medical Care Riders

We have the top share in the industry for endowment insurance and whole life insurance products, which are our mainstay products, in terms of the number of new policies.

Endowment insurance and whole life insurance products are within the scope of universal financial services offered by our business partner, Japan Post Co., Ltd. Our basic approach is to sell policies with medical riders.

We will strive to enhance the attractiveness of our products and deliver peace of mind to customers through insurance.

### Market Share (Number of new policies, FY2017/3)



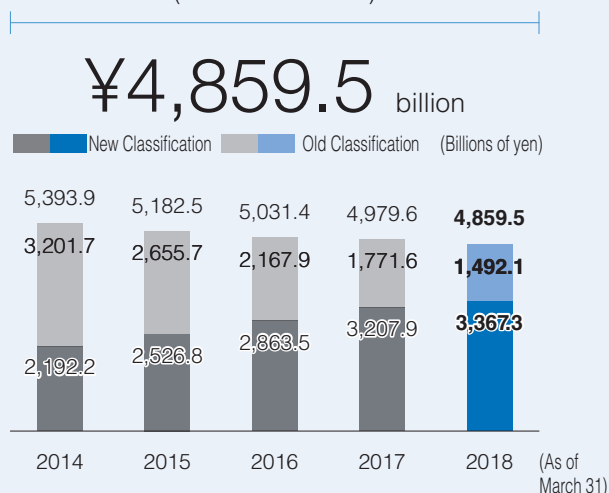
Source: Insurance Life Insurance Statistics Issue (2017 edition)



## Financial and Non-Financial Highlights

Financial Highlights .....	24
Non-Financial Highlights .....	27

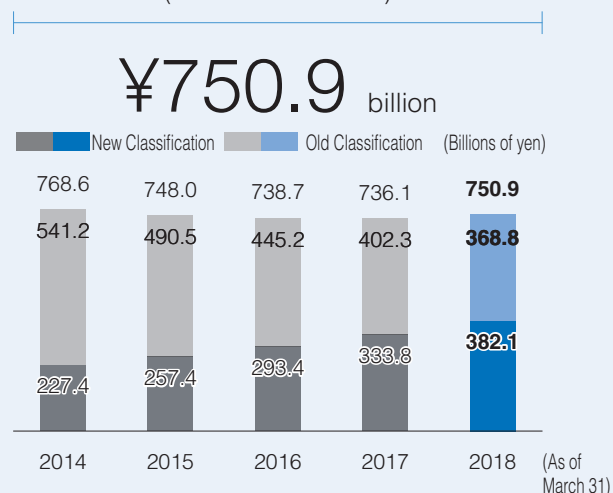
## Annualized Premiums from Policies in Force (Individual Insurance)



As of March 31, 2018, annualized premiums from individual insurance policies in force amounted to ¥4,859.5 billion including reinsured Postal Life Insurance Policies (Insurance), a 2.4% decrease year on year.

Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies that we received from the Management Organization in the form of reinsurance.  
2. The annualized premiums under "Old Classification" are calculated based on the same methods used for "New Classification."

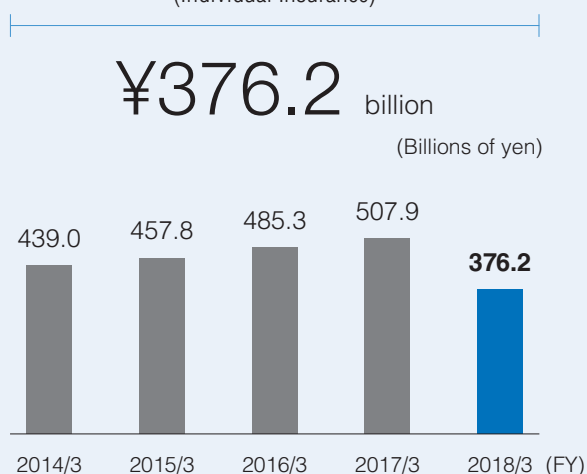
## Annualized Premiums from Policies in Force (Third-Sector Insurance)



As of March 31, 2018, annualized premiums related to third-sector insurance policies in force amounted to ¥750.9 billion including reinsured Postal Life Insurance Policies, a 2.0% increase year on year, due to an increase in new policies with riders through sales activities focusing on protection needs.

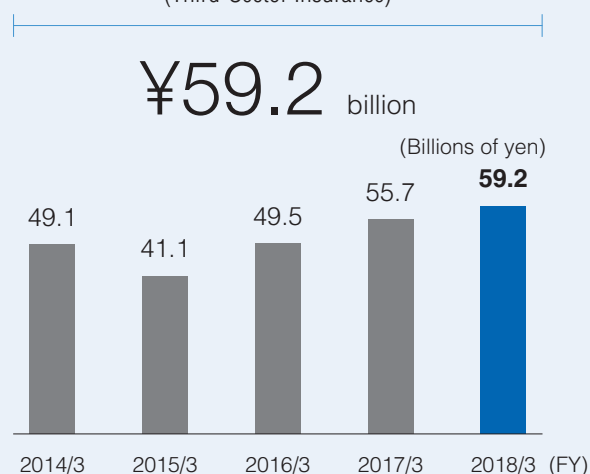
Note: "Third-sector insurance" includes annualized premiums corresponding to medical benefits (including hospitalization and surgery benefits).

## Annualized Premiums from New Policies (Individual Insurance)



During the fiscal year ended March 31, 2018, annualized premiums from new individual insurance policies amounted to ¥376.2 billion, a 25.9% decrease year on year, partly due to the impact of insurance premium revisions in April 2017.

## Annualized Premiums from New Policies (Third-Sector Insurance)

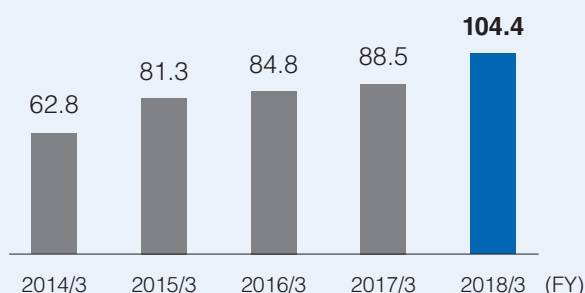


During the fiscal year ended March 31, 2018, annualized premiums from new third-sector insurance policies amounted to ¥59.2 billion, a 6.2% increase year on year, due to the effect of sales activities focusing on protection needs and riders launched in October 2017 being favorably received.



## Net Income

**¥104.4** billion  
(Billions of yen)

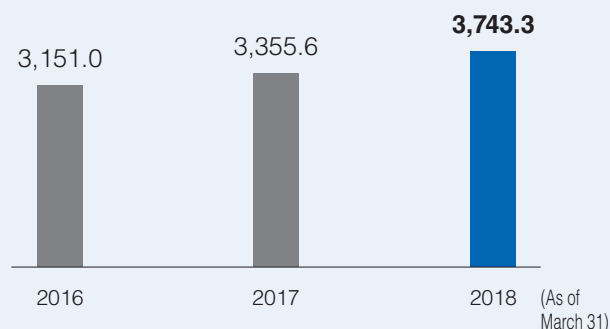


Net income in the fiscal year ended March 31, 2018 amounted to ¥104.4 billion due to greater-than-expected investment income supported by the relatively favorable market environment.

Note: Net income attributable to Japan Post Insurance (consolidated)

## Embedded Value (EV)

**¥3,743.3** billion  
(Billions of yen)

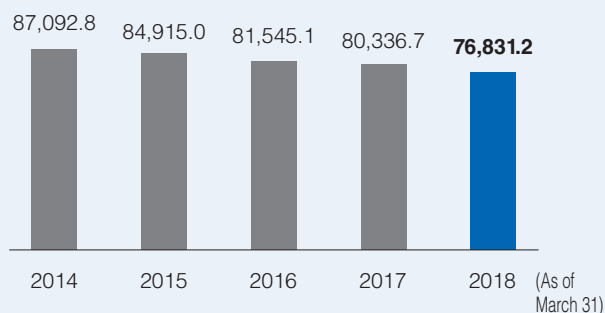


Embedded value (EV) is one of the corporate value indicators for life insurance companies. The Company's EV as of March 31, 2018 was ¥3,743.3 billion, a ¥387.6 billion increase year on year.

Note: Please see pages 168 to 170 for the details of EV.

## Total Assets

**¥76,831.2** billion  
(Billions of yen)

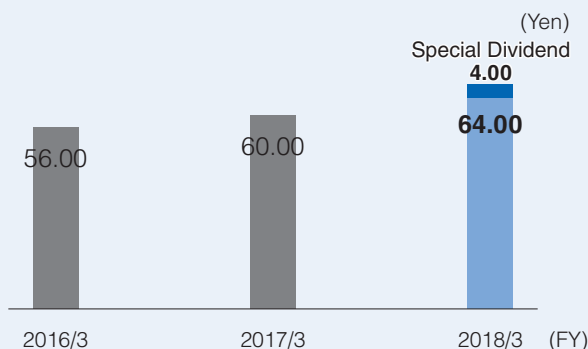


The Company manages insurance premiums entrusted from customers and holds assets such as securities in order to provide for payments of insurance claims and others. Total assets as of March 31, 2018 amounted to ¥76,831.2 billion.

Note: Consolidated

## Dividends per Share

**¥68**  
(Yen)



We have achieved stable distribution of profit to shareholders by increasing ordinary dividend per share by ¥4 every year. Moreover, based on favorable performance for the fiscal year ended March 31, 2018, we increased dividends per share to ¥68 by adding a special dividend of ¥4 per share to ordinary dividend of ¥64 per share.

## Credit Ratings

In order to provide our customers and shareholders with a deeper understanding of the Company, we have acquired credit ratings from rating agencies.

As of June 1, 2018		
Rating and Investment Information, Inc. (R&I)	Japan Credit Rating Agency, Ltd. (JCR)	Standard & Poor's (S&P)
<b>AA-</b>	<b>AA</b>	<b>A+</b>
<b>Insurance Claims Paying Ability</b>	<b>Ability to Pay Insurance Claims Rating</b>	<b>Insurer Financial Strength Ratings</b>
<b>Definition of AA</b>	<b>Definition of AA</b>	<b>Definition of A</b>
Very high claims paying ability supported by some excellent factors.	A very high level of certainty to honor the financial obligations.	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 rating agencies, and do not represent any guarantee by the rating agencies regarding the payment of insurance claims or other matters. Ratings may change in the future based on the judgment of the rating agencies.

### Status of Accumulation of Internal Reserves (Total of contingency reserve and reserve for price fluctuations)

¥3,031.0 billion

As of March 31, 2018, we have ensured a high degree of management soundness through accumulating a contingency reserve of ¥2,114.3 billion and a reserve for price fluctuations of ¥916.7 billion to provide protection against risks such as the occurrence of a major catastrophe and fluctuations in the prices of financial assets.

### Consolidated Solvency Margin Ratio

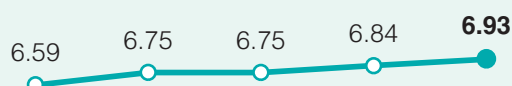
1,131.8%

Our consolidated solvency margin ratio as of March 31, 2018 remained high at 1,131.8%, significantly exceeding 200%, the criterion of prompt corrective action by the regulatory agency.

## Non-Financial Highlights

### Customer Satisfaction

6.93



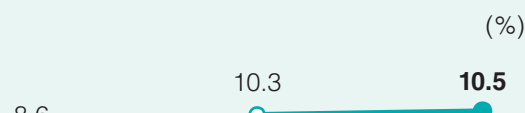
2014/3 2015/3 2016/3 2017/3 2018/3 (FY)

We conduct customer satisfaction surveys every year and undertake efforts to improve our customer service based on ratings by customers on a 10-point scale (10 points: "best," 5 points: "average," 1 point: "worst").

Note: From the fiscal year ending March 31, 2019, we will change the survey method and publish the percentage of "satisfied" and "somewhat satisfied" as the customer satisfaction level.

### Ratio of Female Managers

10.5%



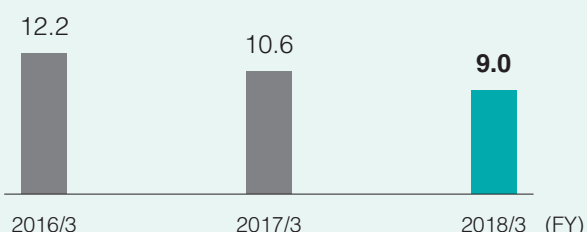
2016 2017 2018 (As of April 1)

We hold seminars and training for prospective female candidates for management positions and others to promote women's career activities as an important diversity promotion measure. We aim to increase the ratio of female managers to 14% or more by April 1, 2021 based on the Act Concerning Promotion of Women's Career Activities.

### Monthly Average Amount of Overtime per Employee

9.0 hours

(Hours)

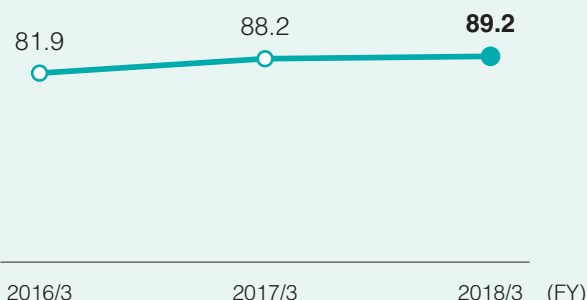


The average amount of overtime per employee has decreased every year through the promotion of productivity enhancement measures, the establishment of no overtime days, and the trial adoption of daily rest periods as work style reforms. We aim to reduce the monthly average amount of overtime per employee to 8 hours or less by March 31, 2021.

### Rate of Taking Paid Leave

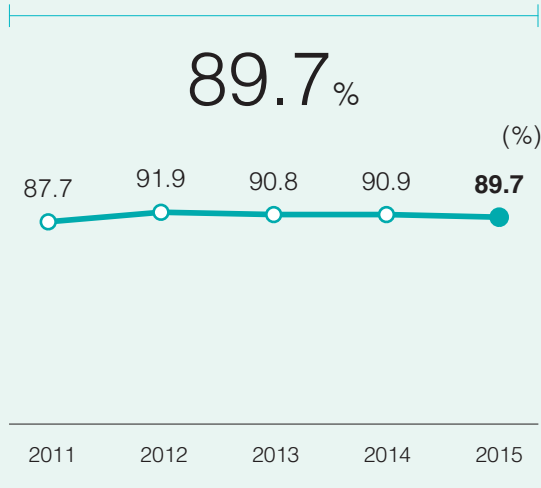
89.2%

(%)



The rate of taking paid leave has increased every year partly through the scheduled granting of paid leave and encouragement to take consecutive leave days using public holidays and other days. We aim to increase the rate to above 90% in and after the fiscal year ending March 31, 2019.

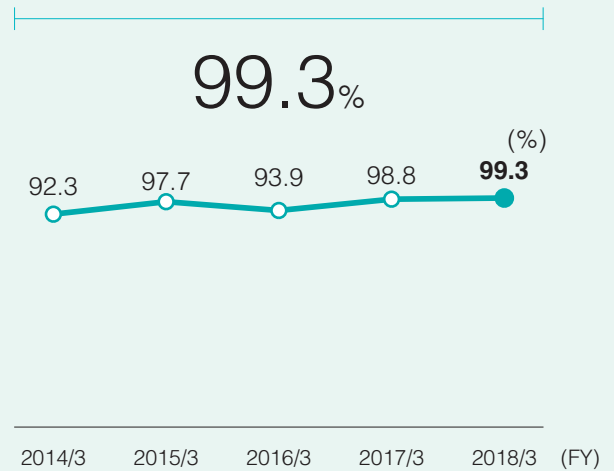
### Status of Retention of New Employees (After 3 Years)



The retention rate of new graduates after three years from their employment was approximately 90%, which was high compared to the status of job separation by industry (college graduates, graduated in March 2014) (finance and insurance industry: 21.8%) as stated in the “Materials for the Status of Job Separation for New Graduates” published by the Ministry of Health, Labour and Welfare.

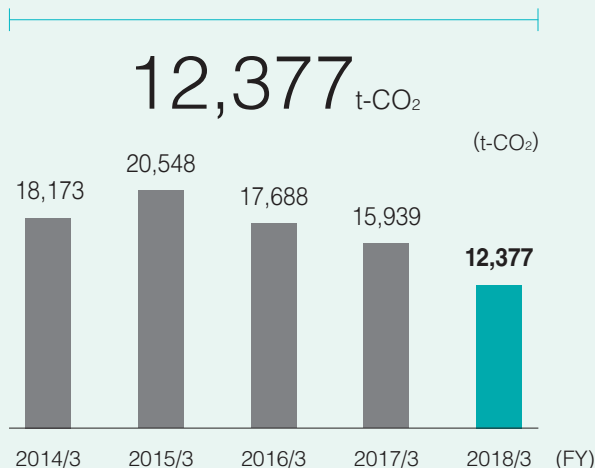
We will continue striving to create a workplace in which employees including new employees can easily fit in.

### Return-to-Work Rate of Employees who Took Childcare Leave



The return-to-work rate of regular employees who had taken childcare leave was higher than 93.2%, the average rate found in a survey by the Ministry of Health, Labour and Welfare (“Basic Survey of Gender Equality in Employment Management” in 2015). We will continue supporting a smooth return to work such as by organizing “return-to-work seminars” for employees who are taking childcare leave.


### Carbon Dioxide (CO<sub>2</sub>) Emissions



As a countermeasure against global warming, we are working to reduce CO<sub>2</sub> emissions through energy-saving efforts at facilities owned by the Company. 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.

Note: Emissions from the Company's facilities





## Management Strategy

Japan Post Insurance's Vision and the Current Environment .....	30
Achievement Status of Medium-term Management Plan (FY2016/3-FY2018/3) .....	32
Overview of Medium-term Management Plan (FY2019/3-FY2021/3) .....	32
Key Strategies .....	34
Strengthening the Management Base .....	40



# Japan Post Insurance's Vision and the Current Environment

VISION

Japan Post Insura

Medium-term  
Management Plan  
FY2019/3-FY2021/3

Medium-term  
Management Plan  
FY2016/3-FY2018/3

Business environment

- Advent of a super-aging society
- Evolution of medical technology and ICT (Information and Communication Technology)
- Continuation of a historically low interest rate environment
- Diversification of lifestyles
- Shrinking domestic market due to a declining population

nce's Vision

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

### Fundamental management approach

- Pursue customer-first business operations
- Achieve sustainable growth
- Maintain sound business operations

### Fundamental management approach

- Establish our financial management base which will be necessary for growth
- Develop products and services to enhance our strengths
- The reversal of the decreasing trend of policies in force after FY2018/3

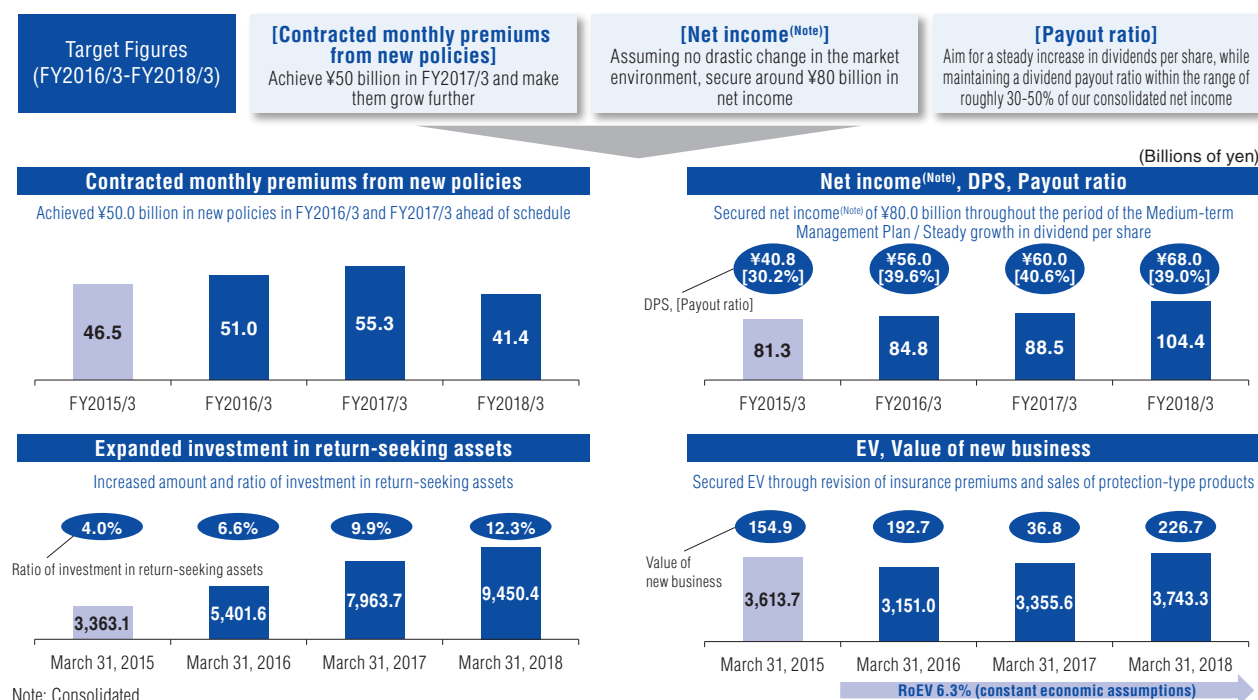
### Business expansion in line with the environment

- Realize sustainable profit growth by providing life insurance products corresponding to customers' diversifying protection needs
- Further enhance convenience and productivity by improving customer service and efficiency in back-office administration through use of ICT
- Increase profitability by diversifying asset portfolio within the scope of risk buffer, based on matching yen-interest-rate assets with liabilities (ALM)
- Enhance health promotion services
- Conduct research, study and human resources development to prepare for future overseas expansion

## Achievement Status of Medium-term Management Plan (FY2016/3-FY2018/3)

Under the Medium-term Management Plan (FY2016/3-FY2018/3) (“the previous Medium-term Management Plan”), we carried out various initiatives based on our fundamental management approach to “establish our financial management base which will be necessary for growth,” “develop products and services to enhance our strengths,” and “the reversal of the decreasing trend of policies in force after FY2018/3.”

As a result, we achieved the target levels for contracted monthly premiums from new policies, net income<sup>(Note)</sup>, and a payout ratio which were set forth in the Medium-term Management Plan. We evaluated these years that a management foundation as a listed company has been developed, and satisfying results have been obtained for sustainable improvement of corporate value.



## Overview of Medium-term Management Plan (FY2019/3-FY2021/3)

In May 2018, the Japan Post Group announced the “Japan Post Group Medium-term Management Plan 2020,” a new Medium-term Management Plan for the period from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2021, based on a policy that aims for becoming a “Total Lifestyle Support Group” that supports customers to realize safe, secure, comfortable and affluent lifestyles and lives.

Under the new Medium-term Management Plan (FY2019/3-FY2021/3) (“this Medium-term Management Plan”), we have set “pursue customer-first business operations,” “achieve sustainable growth,” and “maintain sound business operations” as our fundamental management approach, and will put together and implement various strategies.

We have set the following numerical business targets, aiming to increase profit both in terms of sales and asset management in a historically low interest rate environment, and reverse the declining trend and achieve growth based on policies in force.

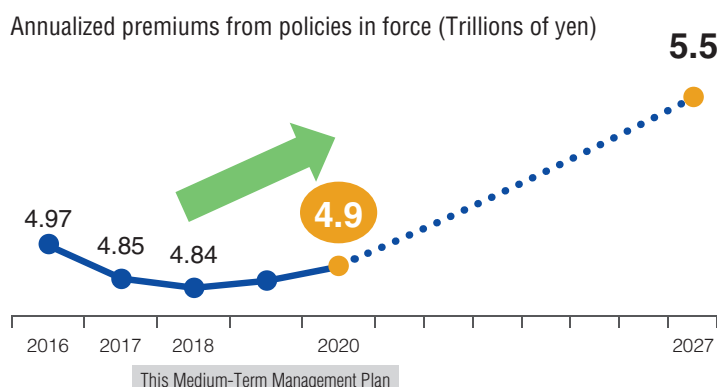
### Numerical targets (FY2021/3)

- Annualized premiums for policies in force **About ¥4.9 trillion**
- Earnings per share **¥155**  
(Reference) Consolidated net income **¥93.0 billion**
- Dividend policy  
Aim to increase dividend to **¥76.0** per share while ensuring the soundness of management



## Principal strategies of Medium-term Management Plan (FY2019/3-FY2021/3)

- Strengthening of sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation



Annualized premiums from policies in force  
About ¥4.9 trillion  
(FY2021/3 numerical targets)

- Improvement of customer service, and enhancement of efficiency in back-office administration through use of ICT

Reduction of administrative workload  
Equivalent to 1,000 people

- Diversification of asset management, and sophistication of risk management

Return-seeking assets  
12.3% → About 15%  
(FY2018/3 → FY2021/3)

## Principal measures in Medium-term Management Plan (FY2019/3-FY2021/3)

Strengthening of sales activities focusing on protection needs, Improvement in solicitation quality, Cultivation of new customer base, Development of new products, Establishment of sales foundation		Improvement of customer service, and enhancement of efficiency in back-office administration through use of ICT	
Strengthening of sales activities focusing on protection needs	<ul style="list-style-type: none"> <li>Training for post office offsite sales personnel and counter sales personnel</li> <li>Cooperation with other life insurance companies in products supply including commissioned sales, etc.</li> </ul>	Improvement of customer service	<ul style="list-style-type: none"> <li>Introduction of onscreen declaration/automated assessment system and insurance procedure support system</li> <li>Introduction of claim procedures utilizing digital technologies such as "My Page"</li> </ul>
Improvement in solicitation quality	<ul style="list-style-type: none"> <li>Ensuring that solicitation materials are easy to understand</li> <li>Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.)</li> </ul>	Enhancement of efficiency in back-office administration	<ul style="list-style-type: none"> <li>Digitalization of paper forms at Service Centers/Saving labor in policy maintenance administration process</li> <li>Stepwise introduction of RPA<sup>(Note)</sup></li> </ul>
Cultivation of new customer base	<ul style="list-style-type: none"> <li>Cultivate potential customers who are uninsured and young/ Strengthen sales activities at worksite, etc.</li> <li>Continue "Feel Secure with Kampo" activities/Launch of health promotion services</li> </ul>	Diversification of asset management, and sophistication of risk management	
Development of new products	<ul style="list-style-type: none"> <li>Development and diversification of protection-type products including third sector products</li> </ul>	Diversification of asset management	<ul style="list-style-type: none"> <li>Diversification of foreign bond investment and alternative investment/Expansion of in-house management of stocks</li> <li>Cooperation with other life insurance companies including joint investment, etc.</li> </ul>
Establishment of sales foundation	<ul style="list-style-type: none"> <li>Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing SNS (Social Networking Sites), etc.</li> <li>Increase in offsite sales personnel at post office</li> </ul>	Sophistication of risk management	<ul style="list-style-type: none"> <li>Actively taking risk of underwriting insurance through products that support both customer needs and profitability</li> <li>Taking asset management risk within the scope of risk buffer based on ALM and risk appetite</li> </ul>

Note: RPA (Robotic Process Automation): Automation of operations using robotics.

# Sales and Product Strategies

Strengthening sales activities focusing on protection needs and policy maintenance for the reversal and growth of policies in force

## Awareness of environment and strategies

With the advent of a super-aging society with declining birthrates, the falling population is expected to have an impact on Japan's life insurance market. On the other hand, the necessity for self-help efforts such as medical care protection, nursing care protection and preparing funds for life in old age is expected to grow. Customer needs are also becoming increasingly diverse owing to the diversification of lifestyles mainly among the young and middle-aged customer segments. The environment surrounding companies is also rapidly changing due to factors including the evolution of Information and Communication Technology (ICT), which may have a major impact on the Company's strategies.

Against such a backdrop, the savings-type products that had been our specialty are losing their appeal in the prolonged low interest rate environment. We are making efforts to improve our knowledge and skills with the aim of strengthening sales focusing

on protection needs, while developing new products in line with customer needs and enhancing the sales foundation through measures such as developing new mobile devices for sales, in order to provide products and services that satisfy customers. The Company will also pursue initiatives to ensure that customers are well-informed when signing policies by offering appropriate product proposals based on customer intention and life plans. For elderly customers in particular, in addition to thorough and easy-to-understand explanations, we provide meticulous services, including having a family member or equivalent present at policy signings to ensure that family members are well-informed. Furthermore, we will promote the cultivation of new customers in order to early achieve the reversal of the declining trend and growth in policies in force as stated in this Medium-term Management Plan.

## Key measures

### Sales channels for individuals

Our efforts in sales channels for individuals included the honing of "face-to-face sales" by post office employees based on the nationwide post office network in an aim to enhance product proposals and response to customers.

While the savings function of life insurance is losing its appeal due to the impact of extremely low interest rates, medical protection and life insurance that protects against longevity risk are becoming increasingly important as life spans extend and society ages, and it is even more vital for us to give proposals that

appropriately identify customer needs. In response, we will focus on improving the skills of sales personnel through meticulous training so that their proposals are pertinent to requests from customers. In addition, we will cultivate new customers including the uninsured, young and middle-aged through the "Feel Secure with Kampo" activities launched in the fiscal year ended March 31, 2016, as well as the "Family Registration Scheme," SNS marketing and other methods.

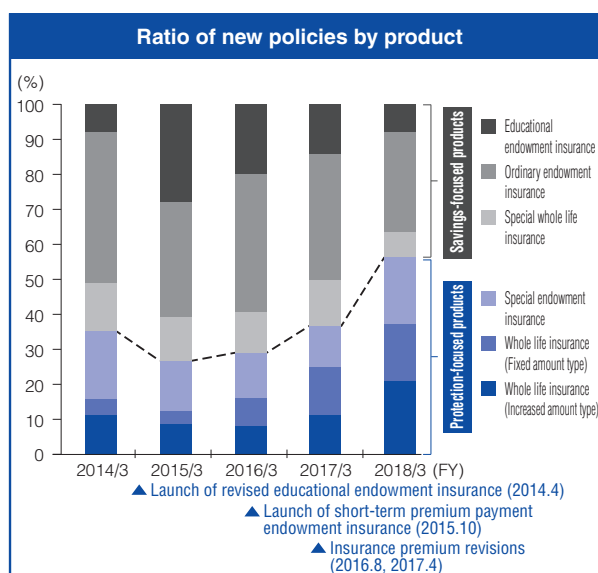
Although it has been our norm to improve solicitation quality through thorough efforts to grasp customer intention so that

customers would be well-informed and genuinely satisfied, going forward, we will ramp up our efforts to reinforce customer response. Specifically, we will implement comprehensive measures, such as sales personnel development that enable them to appropriately explain the necessity of protection, and introduce a criteria, the policy maintenance rate over a certain period of time, to evaluate sales personnel. Another measure would be to brush up the explanations and materials we provide customers so that they are easier to understand, in an effort to live up to the trust and confidence of our customers.

On the product front, we expanded our lineup in October 2017 with the launch of “*Sono hi kara Plus*, a medical rider” in response to changes in the medical care environment such as

shorter hospitalization and an increase in outpatient surgeries; the “*Shin Nagaiki Kun Low Cash Value Plan*,” whole life insurance that limits the burden of premiums while maintaining the same insurance coverage by setting low cash value during the premium payment term; and “*Choju no Shiawase*,” which lets customers prepare for longevity risk with higher annuities received for a longer life span. We will continue to develop and enhance third-sector and other protection-type products, in order to adequately meet the needs of customers including the young and middle-aged. We will also work to establish our sales foundation through measures such as introducing new mobile devices for sales and cooperating with Japan Post Co., Ltd. to increase offsite sales personnel at post offices.

#### Principal measures of this Medium-term Management Plan



#### Wholesale channel

In the wholesale channel, the Whole Sales Department was established in branches in 76 major cities nationwide to conduct sales activities for business insurance, focused on the welfare of company employees and the strengthening of finances, and worksite sales activities for individual company employees. In the fiscal year ended March 31, 2018, the Company put in place a framework capable of meeting a wide range of needs by establishing the Whole Sales Department at the head office as a specialized organization for the cultivation of large-scale corporate clients and worksites. Furthermore, we are working to

- Strengthening of sales activities focusing on protection needs**
  - Training for post office offsite sales personnel and counter sales personnel
  - Cooperation with other life insurance companies in products supply including commissioned sales, etc.
- Improvement in solicitation quality**
  - Ensuring that solicitation materials are easy to understand
  - Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.)
- Cultivation of new customer base**
  - Cultivate potential customers who are uninsured and young/strengthen sales activities at worksite, etc.
  - Continue “Feel Secure with Kampo” activities/Launch of health promotion services
- Development of new products**
  - Development and diversification of protection-type products including third sector products (Annualized premiums from new policies (third sector) : Up over 20% from FY2018/3 (¥59.2 billion))
- Establishment of sales foundation**
  - Introduction of new mobile devices for sales, counter support using TV systems<sup>(note)</sup> and marketing by utilizing SNS (Social Networking Sites), etc.
  - Increase in offsite sales personnel at post offices (Number of offsite sales personnel: about 18 thousand (FY2021/3))

Note: A service that uses television conference equipment to provide remote insurance consultations, etc.

enhance our services to meet the diverse needs of company managers by conducting consignment sales of corporate client products and cancer insurance from other life insurance companies in addition to our own products, and the number of corporate clients has steadily expanded since privatization.

We will work to upgrade the skills of our employees that enable them to respond to diverse needs so that we continue to be trusted and chosen by customers. At the same time, we will make efforts to expand the number of corporate clients by cooperating with other life insurance companies on the product front.

# Administrative Services Strategy

Improving customer services and enhancing efficiency in back-office administration through use of ICT

## Awareness of environment and strategies

The social environment is undergoing continual change year by year, including the diversification of customer needs amid transforming lifestyles, a declining labor population, and the evolution of ICT, and we recognize that the Company must also adapt appropriately to these changes.

The Company provides insurance services to many customers through the nationwide network of post offices, including payment

of ¥6,890.0 billion in insurance claims in the fiscal year ended March 31, 2018. However, we must work to further improve our customer services, such as simplifying claim procedures and making efforts to ameliorate physical constraints such as post office business hours or location. In addition, we need to work to further increase the efficiency of back-office administration in order to establish a competitive management base.

## Key measures

During the period of the previous Medium-term Management Plan, the Company worked to improve convenience through paperless applications, to shift to cashless operations by introducing a system for deferred first premium payment system, and to prevent the omission of payment by establishing a payment management framework for insurance claims, etc., with a view to achieving “deployment of administrative and IT system.”

In this Medium-term Management Plan, we will promote initiatives to further improve customer service and enhance the efficiency in back-office administration.

As initiatives to enhance customer service, we will reduce the burden on customers by introducing an “onscreen declaration and automated assessment system” that enables customers to easily input information on a special device rather than the paper declaration forms that were filled out previously, and makes a computational judgment on the examination regarding the customer's state of health. We are also introducing an “insurance procedure support system” that prints the necessary information for various billing documents in advance and automatically determines and displays a list of the documents needed at the

time of a claim. In addition, we will press ahead with services that aim to offer “simple, easy-to-understand claim procedures, anywhere, anytime” for customers by promoting multi-accessibility for various claims through measures such as introducing claim procedures using My Page and other digital technology.

As initiatives to improve efficiency in back-office administration, we are pursuing streamlined administration at our Service Centers (back office) that perform processing after the reception of claims. In addition to reducing printing and mailing costs by shifting from paper-based to electronic forms, we are streamlining existing forms. We will also enhance efficiency by changing to a paperless administrative flow by imaging and digitalizing processes related to policy maintenance that are currently paper-based, such as changes in policyholder or beneficiary and registration of bank accounts for receiving benefits while also introducing RPA incrementally.



■ Improve our customer services and enhance the efficiency in back-office administration through use of ICT

Improvement of customer service

- Introduction of onscreen declaration/automated assessment system and insurance procedure support system
- Introduction of claim procedures utilizing digital technologies such as 'My Page'

Enhancement of efficiency in back-office administration

- Digitalization of paper forms at Service Centers/Saving labor in policy maintenance administration process
- Stepwise introduction of RPA

The Company is using AI technology at Japan Post Insurance Call Centers for insurance claim payment operations and to handle inquiries from customers, and intends to expand the range of use

in the future for inquiries from post offices regarding administrative procedures.

Examples of Use of AI (Use in insurance claim payment operations)

➤ Issues in payment operations

Accuracy

Promptness

Efficiency

➤ Support for human-based responses

**High level of examiner knowledge and experience is required**

- Knowledge of policy conditions, medicine, law, etc.
- Approximately 10 years of practical experience required for especially difficult cases

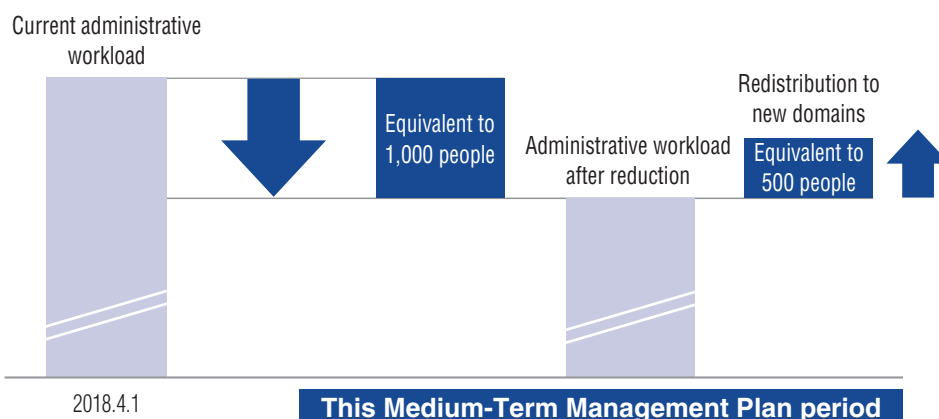
➤ With use of AI

- Pinpoint similar cases and bases of decisions in the past
- Indicate the next action required

By carrying out improvements to existing administration in addition to these initiatives, the Company plans to reduce the back-office administrative workload by an amount equivalent to

approximately 1,000 people, and reallocate these resources to new areas that will lead to improvements in customer service or to focus areas such as sales support.

Reduce the administrative workload of the back-office and shift to new domains



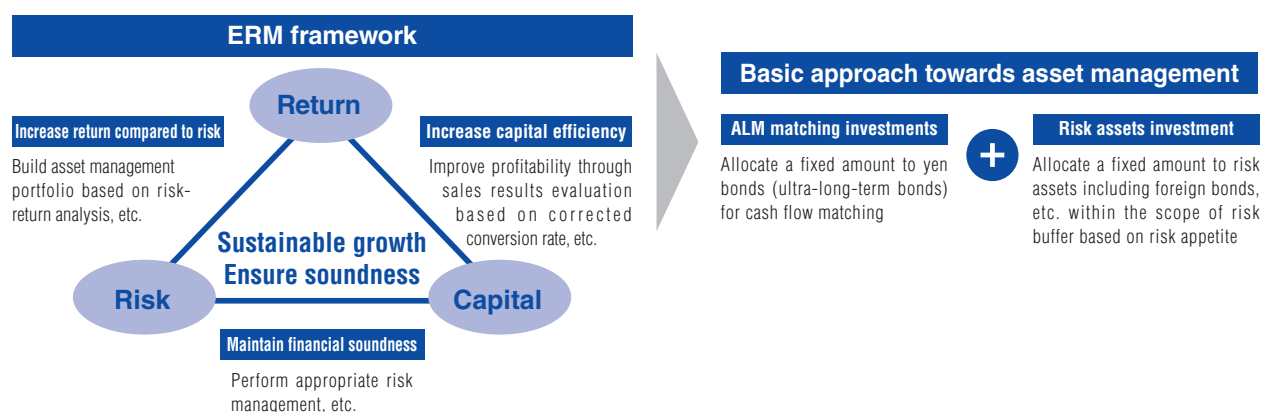
# Asset Management Strategy

Diversify asset portfolio within the scope of risk buffer under the ERM framework

## Awareness of environment and strategies

Looking at the operating environment during this Medium-term Management Plan period, an extremely low interest rate environment is expected to continue in Japan due to the negative interest rate policy of the Bank of Japan. Meanwhile, the end of the economic cycle is approaching in the U.S. and other developed countries as they are in their ninth year of economic expansion. Although the economy showed no signs of entering a recession as of April 2018, we believe we could see a recession in the next few years.

The Company aims to increase profitability by promoting diversification of asset management under the ERM framework, based on ALM. At the same time, we will work to sophisticate our risk management while ensuring financial soundness. We expect the ratio of risk assets to increase to approximately 15% of total assets during this Medium-term Management Plan period.



## Key measures

In response to the prolonged low interest rate environment, the Company has promoted the diversification of asset management in order to ensure the yields promised to customers.

Diversification in the asset classes was largely completed in the fiscal year ended March 31, 2018, as we expanded investment in overseas credit and began investing in emerging market bonds and alternative investments<sup>(Note 1)</sup>. From the fiscal year ending

March 31, 2019 onward, we will pursue further diversification by deepening our exploration of investment targets and management methods in each asset class. As for asset management composition, we have allocated a portion of our investment funds gained by redeeming high-yield assets to risk assets such as foreign bonds, Japanese and foreign equities, and alternative investments. As a result, we expect the ratio of risk assets to

Note 1: "Alternative investments" is a general term for new investment options or methods other than financial instruments that have a relatively long history such as bonds or listed stocks (traditional assets).

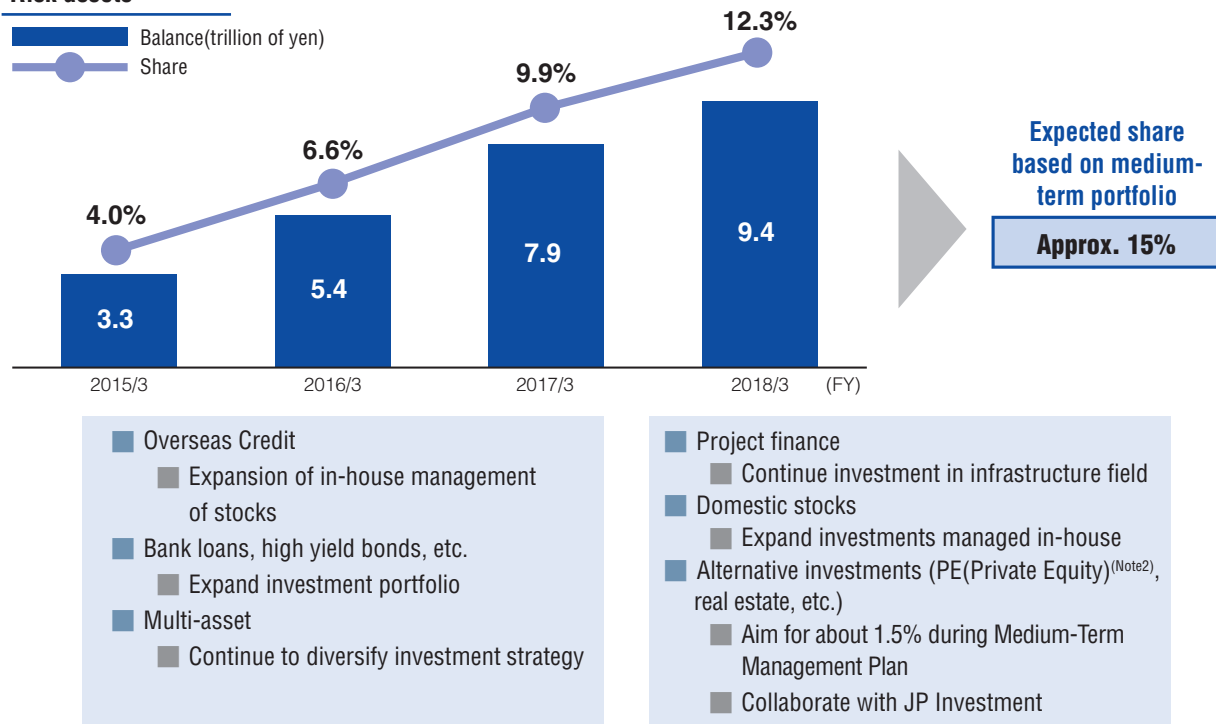
increase from 12.3% of total assets at the end of the fiscal year ended March 31, 2018, to approximately 15% of total assets during this Medium-term Management Plan period.

Specifically, with regard to Japanese equities, we have expanded in-house management since starting investment in the fiscal year ended March 31, 2017, and will continue to expand in-house investment through management of equities under new investment strategies and other measures. As for overseas credit, we plan to gradually shift to in-house management, including U.S. corporate bonds, from our current investments, which are mainly entrusted to external fund managers.

In alternative investments, we expect to increase the balance to approximately 1.5% of total assets during this Medium-term Management Plan period while aiming for time diversification, but will take a flexible approach based on the market environment and other factors. Regarding our relationship with Japan Post Investment Corporation ("JP Investment"), which was jointly established with JAPAN POST BANK Co., Ltd. in January 2018, we will pursue collaboration including investment in funds managed by JP Investment.

## Diversification of asset management

### Risk assets



Note 2: Unlisted stocks

## ■ Reinforcement of asset management framework ■ Cooperation with other life insurance companies including joint investment, etc.

The Company carried out a joint investment in a solar power generation project with The Dai-ichi Life Insurance Company Limited in February 2017. We will continue to promote cooperation with other life insurance companies, including joint investments in the future.

With regard to the organizational framework for asset management, the number of employees engaged in asset management reached 173 as of April 1, 2018, an increase of 26 compared to the previous fiscal year, as a result of hiring external human resources. We have also

expanded our organization, including the establishment of the Alternative Investment Office in the Credit and Alternative Investment Department, with the aim of bolstering alternative investment. The enhancement of the organizational framework and securing expert human resources are vital to promoting the diversification of asset management, and we will therefore continue to hire external human resources and enhance our organizational framework in line with the diversification of asset management.

### Column

In May 2014, Japan Post Insurance announced the acceptance of "Japan's Stewardship Code<sup>(Note 3)</sup>." Going forward, we will continue to carry out various initiatives to fulfill our stewardship responsibilities from the respective standpoints of "in-house investment" and "entrusted management," based on our "Policies on Japan's Stewardship Code" ([http://www.jp-life.japanpost.jp/aboutus/company/abt\\_cmp\\_stewardship.html](http://www.jp-life.japanpost.jp/aboutus/company/abt_cmp_stewardship.html) (in Japanese)).

Note 3: "The Stewardship Code" is a set of principles stipulating the responsibilities of institutional investors to strive to increase the medium- to long-term investment return for their customers and beneficiaries by promoting the enhancement of corporate value and sustainable growth of investee companies through engagement, or purposeful dialogue, with those companies.

# Development of IT System Platforms

## Awareness of environment and strategies

ICT such as IoT<sup>(Note)</sup>, big data, and AI is evolving rapidly, and society is becoming increasingly digitalized.

The Company will adapt to the evolution of technology and the advance of digitalization, and further promote measures such as the improvement of customer service and the enhancement of efficiency in back-office administration through use of ICT.

The Company has a large-scale IT system that manages information for approximately 34 million policies in force entrusted to us by customers, and serves as the infrastructure supporting a range of customer services provided through some 20,000 post offices. The system comprises the “core system,” which carries out high-volume processing such as policy underwriting, insurance premium collection, policy maintenance including changes of address, and claim payments; and the “open system,” which efficiently carries out back-office administration and

various claim procedures online from the mobile devices for sales used by offsite sales personnel to make proposals to customers and from counters at post offices. The “core system” was upgraded in January 2017, realizing lower hardware costs and improvements in system quality and development productivity compared to the previous system.

In order to promote the further improvement of customer service and the enhancement of efficiency in back-office administration, the Company will invest approximately ¥120.0 billion over the next three years to establish its IT foundation, including the introduction of new mobile devices for sales to improve customer convenience, and the development of the next-generation open system compatible with technological evolution and digitalization.

Note: IoT (Internet of Things): The connection of a wide variety of devices, such as automobiles, appliances, robots, facilities, etc., to the Internet, where they exchange information, thereby advancing the digitalization of objects and their automation, and leading to the creation of new added value.



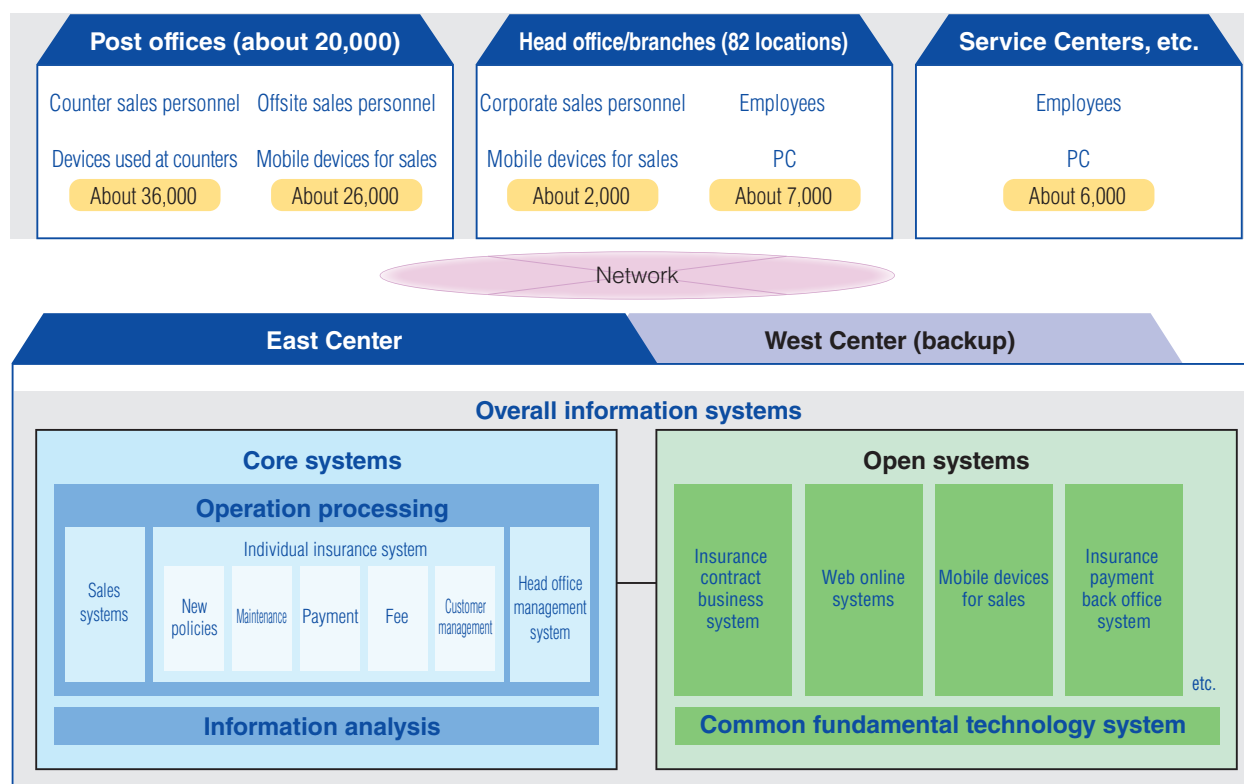
## Key measures

The Company has carried out continuous system development in order to provide better quality service to customers through reforming our administrative operations and IT systems for the simple, prompt and accurate performance of functions ranging from underwriting to claim payments.

The Company will implement the following initiatives with the aim of improving customer service and enhancing efficiency in back-office administration through use of ICT.

- 1) Introduction of new mobile devices for sales and construction of the next-generation open system
  - Establishing IT system platforms compatible with digitalization
- 2) Promotion of digitalization
  - Providing health promotion services, etc., to cultivate a new customer base
  - Introducing claim procedures utilizing digital technologies such as 'My Page'
  - Establishing and expanding use of AI
  - Enhancing efficiency in back-office administration through stepwise introduction of RPA
- 3) Enhancement of structure to further support IT system quality and productivity; strengthening collaboration with partner companies
- 4) Strengthening of cyber threat countermeasures and information security management framework
- 5) Further optimization of system costs

## Outline of the Company's IT system



# Promotion of Workstyle Reforms

## Awareness of environment and strategies

A declining population, declining birthrates and aging of society are evident in Japan, which is faced with the challenge of a decreasing labor population and unsavory workstyles such as long working hours and overtime. The Company is no exception. Long working hours have become customary due to business operation management that relied on certain seasoned employees and a corporate culture left over from the days when we were public servants. In addition, approximately 60% of our employees are of an age where they may take temporary leave from work for nursing care, childbirth or child-rearing reasons, so we are aware that transferring skills and the securing of a workforce are issues to be solved.

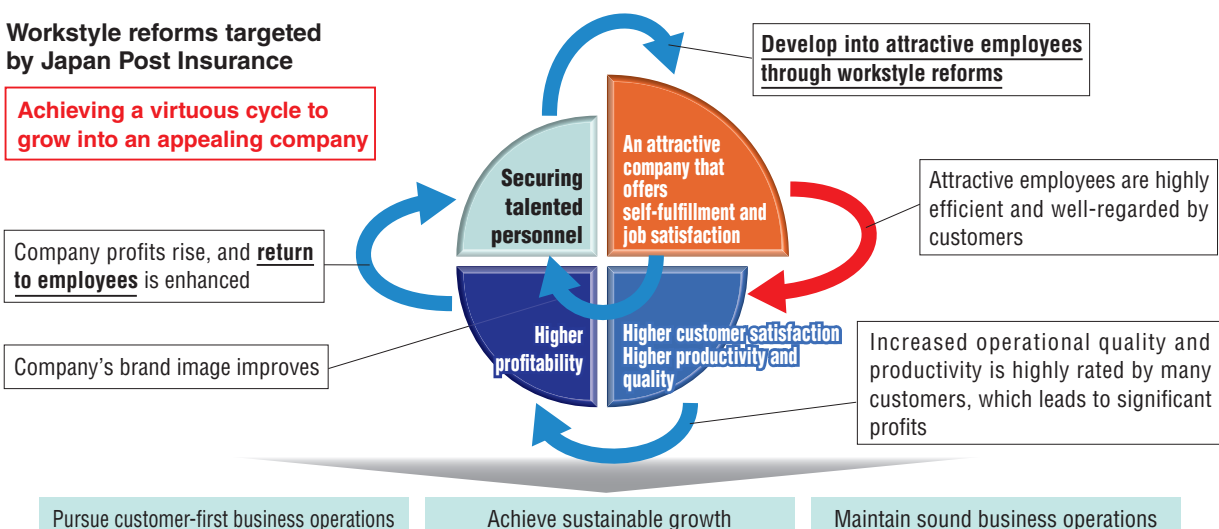
In response to this situation, we are implementing workstyle reforms, starting with raising the awareness of

employees through awareness reform seminars. Other initiatives include reducing work hours through operational efficiencies based on employees' solutions, standardizing knowledge and skills to eliminate operations dependent on individuals, improving the managerial skills of managers, fostering human resources, and trial establishment of satellite offices.

We view workstyle reforms as part of our management strategy. Our aim is not only for quantitative effects such as operational efficiency and reduction of overtime, but also to become "the most attractive organization to work for" through workstyle reforms. We will create a virtuous cycle in which all employees find self-fulfillment and job satisfaction and grow to be attractive employees who work with enthusiasm, thereby making Japan Post Insurance an appealing company.

### Workstyle reforms targeted by Japan Post Insurance

**Achieving a virtuous cycle to  
grow into an appealing company**



## Key measures

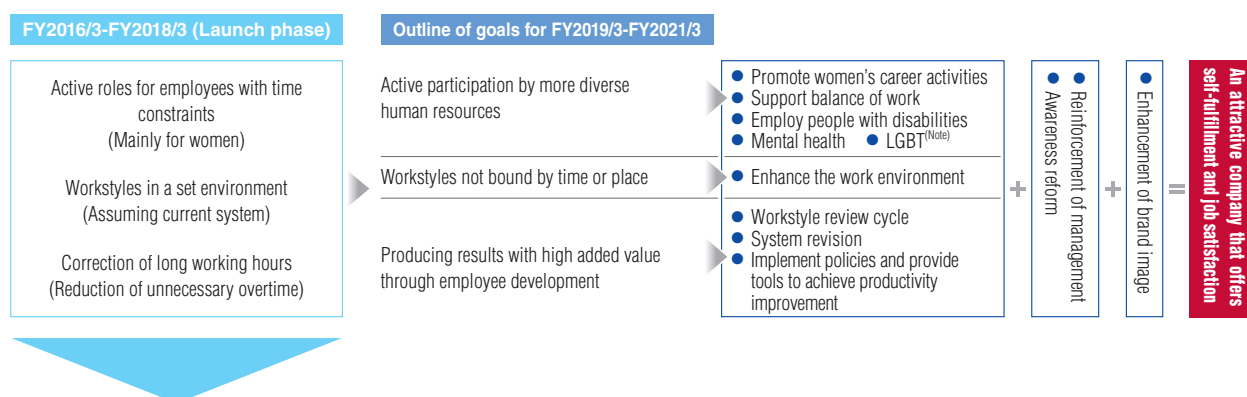
The workstyle reforms that Japan Post Insurance has been implementing since the fiscal year ended March 31, 2016 are aimed at becoming a more appealing company through reforms of management methods and ways of working that allow employees and the Company to grow together.

The previous Medium-term Management Plan was implemented as the “launch phase,” mainly with the aim of correcting long working hours so that employees with time constraints could participate actively. We succeeded in reducing average overtime hours by enhancing our systems and environment.

During this Medium-term Management Plan, as the

“expansion and companywide roll-out phase,” the aim is to develop human resources who can produce results with high added value, through the participation of more diverse human resources and workstyles not bound by time or place. Based on the knowhow we have accumulated thus far, we will roll out workstyle reforms companywide and create a corporate culture where all employees can find self-fulfillment and job satisfaction. We will also strive to create a secure and inclusive workplace environment for employees by continuing our efforts on issues such as work-life balance, promoting women’s career activities, support for balance of work with child-rearing and nursing care, and health management.

## Outline of goals during this Medium-term Management Plan period



## Initiatives during the previous Medium-term Management Plan period

	FY2016/3	FY2017/3	FY2018/3
<b>Workstyle reforms</b>	<ul style="list-style-type: none"> <li>Awareness reform seminars (head office)</li> <li>Advance approval of overtime by immediate managers and visualization of reasons for overtime, etc. (head office)</li> </ul>	<ul style="list-style-type: none"> <li>Awareness reform seminars (meetings/training, etc.)</li> <li>Enhanced multifaceted feedback</li> <li>Establishment and visualization of overtime hour targets by organization</li> <li>Self-development e-learning (head office)</li> </ul>	<ul style="list-style-type: none"> <li>Roll out of management handbook</li> <li>Trial of daily rest periods</li> <li>Trial of satellite offices</li> <li>Expansion of self-development e-learning (companywide)</li> </ul>
<b>Promoting diversity and inclusion</b>	<ul style="list-style-type: none"> <li>Return-to-work seminars (ongoing)</li> <li>Career design seminars (ongoing)</li> <li>Distribution of the WLB Guidebook</li> </ul>	<ul style="list-style-type: none"> <li>Next-generation leaders workshop (ongoing)</li> <li>Seminars for fathers (ongoing)</li> <li>e-learning for nursing care</li> </ul>	<ul style="list-style-type: none"> <li>Mentoring training for female managers</li> <li>Designation of leaders who promote employment of people with disabilities</li> <li>Acquired LGBT PRIDE INDEX rating</li> <li>Visualized rate of taking annual paid vacations</li> </ul>

Note: LGBT: Lesbian, Gay, Bisexual and Transgender.





A full-page photograph of a family walking on a large, green grassy field. A woman on the left, a man on the right, and a small child in the center are holding hands. The woman is wearing a white long-sleeved shirt and light-colored trousers. The man is wearing a white long-sleeved shirt and blue jeans. The child is wearing a red and white striped shirt and dark shorts. The background shows a line of green trees under a bright blue sky with scattered white clouds. The scene is brightly lit, suggesting a sunny day.

## Contribution to Local Communities and Society

CSR Activities ..... 46

Environmental Conservation Activities ..... 50



## Radio Exercise and Japan Post Insurance

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

Japan Post Insurance, which was created as a result of the privatization of the original Japan Post, has assumed the role of promoting the exercise program, first undertaken by the Ministry of Communications and then by its successors, namely the Ministry of Posts and Telecommunications, the Postal Service Agency and Japan Post prior to privatization. We have been working together with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation for its popularization and promotion.



Poster for the initial Radio Exercise Program (1929)



2018 Radio Exercise Attendance Card

### Milestones

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



Radio  
Exercise

## Popularization and Promotion of Radio Exercise Program through Various Events

56th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")  
Nagaoka City, Niigata Prefecture (July 30, 2017)





Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")  
Summer Tour and Special Tour  
Kamifurano Town, Hokkaido  
(July 26, 2017)



All-Japan Elementary School Radio Exercise Competition  
(Gold award-winning school in the fourth contest)  
Hikonari Elementary School, Misato City, Saitama Prefecture



Commendation of Radio Exercise  
Excellent Organizations  
(2017 National Commendation Ceremony)  
(July 30, 2017)



All-Japan Elementary School  
Radio Exercise Competition  
Visiting Session  
Chinzei Elementary School, Hagi City, Yamaguchi  
Prefecture  
(December 5, 2017)



## かんぽ プラチナライフサービス Kampo Platinum Life Service

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



▲ Establishment of a dedicated call center for elderly customers

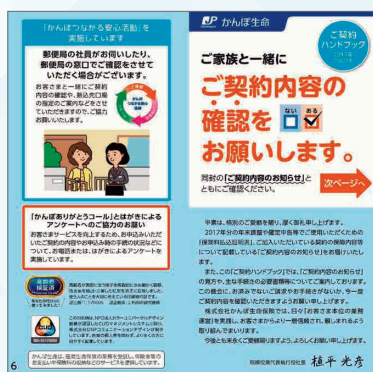
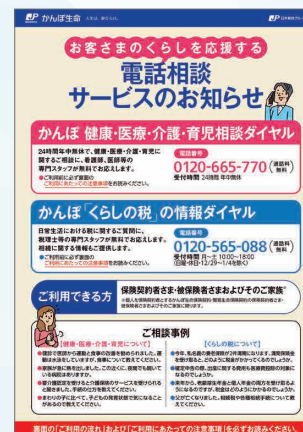


Kampo  
Platinum Life  
Service



▶ Provision of free telephone consultation service for policyholders

◀ Publishing of an information magazine for elderly customers



◀ Encouraging employees to acquire qualifications  
Carefitter training

◀ Efforts for simpler, more legible and easier notifications

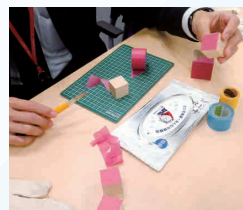


## Other Activities



Cleanup activities held in municipalities along Kasumigaura and Kitaura lakes  
(July 30, 2017)

### Volunteering to create educational puzzles (January 17, 2018)



Cleanup activities at Hibiya Park  
(November 25, 2017)



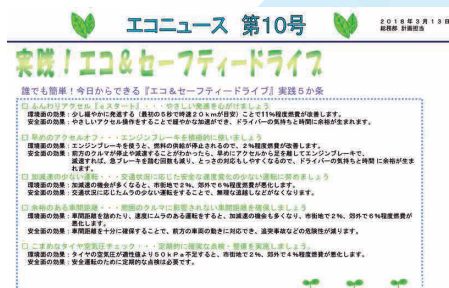
Kampo Kids Smile World®  
Aeon Mall Fukuoka (December 16 and 17, 2017)



Kampo Eat & Smile Project  
Eat & Smile Cafe  
THE THEATRE TABLE at Shibuya Hikarie  
(February 15–28, 2018)



# Environmental Conservation Activities



## Energy-saving efforts

We issue "Eco News," a quarterly newsletter about energy saving, to encourage all our employees to take energy-saving action.



## ESG investment

Investment in solar power generation projects

\*We are vigorously conducting ESG investment as a signatory to the United Nations Principles for Responsible Investment (PRI).

## Promoting Paperless Operations



Screen image for paperless application

## Contribution to environmental conservation by providing online contract guidelines and policy conditions

Participation in a tree-planting volunteer activity organized by a donate organization (October 28, 2017)



高血圧症に関する質問

新契約申込番号 | 5671188302  
 日 付 | 平成29年 4月10日  
 対 象 者 氏 名 | 島崎裕英 次郎 2歳

質問3 過去1年以内の血圧値について、直近の測定年月日および数値を回答してください。  
 不明な場合は、今は詳細がわからないボタンを押してください。

測定年月日	年月日を入力する	過去1年以内に測定していない
血圧値 (mmHg)	数値を入力する	数値を入力する
不測な場合 (毎日測定を始めた翌日から1週間以内は測定が正常とみなされます。)	今は詳細がわからない	

回答欄は、「次へ」ボタンを押してください。  
 前画面へ戻る場合は、「戻る」ボタンを押してください。  
 回答を中止の場合は、「質問一覧」画面で「中止」ボタンを押してください。

質問一覧へ 戻る 次へ



# Corporate Governance

Corporate Governance Systems	52
Compliance	62
Management of Conflicts of Interest	63
Initiatives for Protecting Personal Information	64
Elimination of Antisocial Forces	64
Risk Management Systems	65

## Corporate Governance Systems

### Basic Concept of Corporate Governance ●

Japan Post Insurance has set out the “Basic Policy Regarding Corporate Governance” and developed the corporate governance structure of the Group accordingly, 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.

#### Basic Policy Regarding Corporate Governance

[http://www.jp-life.japanpost.jp/en/aboutus/company/en\\_abt\\_cmp\\_report.html](http://www.jp-life.japanpost.jp/en/aboutus/company/en_abt_cmp_report.html)

### 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 fully utilize external views on the management of Japan Post Insurance and ensure the transparency and fairness of decision-making on the management. 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.

### 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 advisory bodies to the Executive Committee. Among the items subject to approval of each Executive Officer, cross-divisional 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. Workstyle Reform Committee     | 8. Information Security Committee | 9. Disclosure Committee                           |

#### ● 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 appropriate internal control systems, including the development of the following systems:

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

- **Internal Audit Framework**

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

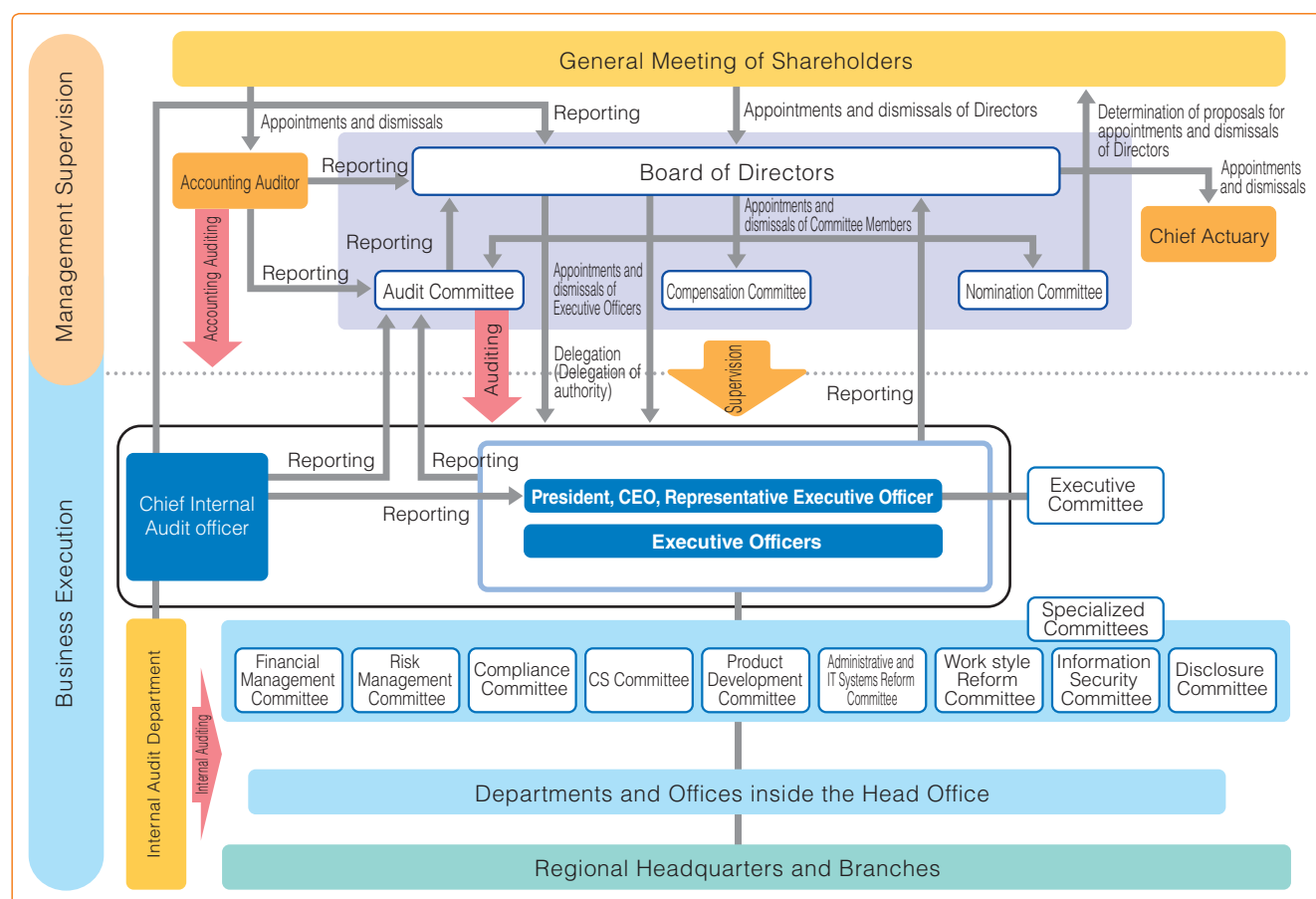
The Internal Audit Department carries out internal audits of various internal and external entities, including individual sections within the head office, regional headquarters, branches and our subsidiaries, as well as Japan Post Co., which acts as an agency of the Company.

Audited departments 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 departments 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.

## Internal Control System



## Directors and Executive Officers

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

(As of July 1, 2018)

### Directors

#### Mitsuhiko Uehira

(Born 1956)  
Director and President, CEO, Representative Executive Officer

Apr. 1979	Joined The Tokio Marine & Fire Insurance Co., Ltd.	Apr. 2014	Managing Executive Officer of the Company
Jun. 2012	Executive Officer and General Manager of Domestic Business Development Department of Tokio Marine Holdings, Inc.	Jun. 2015	Senior Managing Executive Officer of the Company
Jun. 2013	Managing Executive Officer of the Company	Jun. 2017	Director and President, CEO, Representative Executive Officer of the Company (current position)
Jul. 2013	Managing Executive Officer and Senior General Manager of Sales Planning Department of the Company	Jun. 2017	Director of Japan Post Holdings Co., Ltd. (current position)



**Reasons for election** He has held prominent positions at nonlife insurance companies and in the Sales Planning Department, etc. of the Company, and has also taken part in the management of the Company as President, CEO, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**Status of attendance** Board of Directors 90% (9/10 meetings)

#### Masaaki Horigane

(Born 1956)  
Director and Deputy President, Representative Executive Officer

Apr. 1979	Joined the Ministry of Posts and Telecommunications	Oct. 2010	Managing Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company
Oct. 2007	Executive Officer and Senior General Manager of Finance Department of the Company	Jul. 2011	Managing Executive Officer of the Company
Oct. 2008	Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company	Jul. 2014	Senior Managing Executive Officer of the Company
		Jun. 2017	Director and Deputy President, Representative Executive Officer of the Company (current position)



**Reasons for election** He has held prominent positions in the Finance Department, etc. of the Company, and has also taken part in the management of the Company as Deputy President, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**Status of attendance** Board of Directors 100% (10/10 meetings)

#### Yasuhiro Sadayuki

(Born 1955)  
Director

Apr. 1978	Joined Yasuda Fire & Marine Insurance Co., Ltd.	Apr. 2012	Audit & Supervisory Board Member (Full-Time) of NKSJ Systems, Inc.
Apr. 2009	Associate Director, General Manager, Risk Management Department of Sompo Japan Insurance Inc.	Jul. 2013	General Officer of Office of Audit Committee of the Company
Apr. 2010	General Manager, Risk Management Department of NKSJ Holdings, Inc.	Jul. 2014	Managing Executive Officer of the Company
		Jun. 2017	Director of the Company (current position)



**Reasons for election** Based on his considerable experience and achievements nurtured through his years of experience in Risk Management, etc. at nonlife insurance companies and the Company, we expect that he would play a significant role in making decisions on the execution of our operations, and in supervising the execution of duties by executive Officers.

**Status of attendance** Board of Directors 100% (10/10 meetings) Audit Committee 100% (12/12 meetings)

#### Masatsugu Nagato

(Born 1948)  
Director

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



**Reasons for election** He has been involved in the management of financial institutions over the years, and has also taken part in the management of the entire Japan Post Group as a Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd., a Group company, and Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd., the Company's parent company. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**Status of attendance** Board of Directors 100% (13/13 meetings) Nomination Committee 100% (2/2 meetings) Compensation Committee 100% (4/4 meetings)



## Shinji Hattori

(Born 1953)  
Outside Director



Apr. 1975	Joined Mitsubishi Corporation	Jun. 2009	Executive Vice President of Seiko Holdings Corporation
Jul. 1984	Joined Seikosha, Inc.	Apr. 2010	President of Seiko Holdings Corporation
Jun. 2001	President of SEIKO Precision Inc.	Oct. 2012	Chairman & Group CEO of Seiko Holdings Corporation (current position)
Jun. 2003	President of Seiko Watch Corporation	Jun. 2014	Director of the Company (current position)
Jun. 2007	Director of Seiko Corporation	Jun. 2015	President & CEO of Seiko Watch Corporation
Jul. 2007	Director of Seiko Holdings Corporation	Apr. 2017	Chairman & CEO of Seiko Watch Corporation (current position)

**Reasons for election** He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies.

**Status of attendance** Board of Directors 92% (12/13 meetings) Nomination Committee 100% (2/2 meetings) Compensation Committee 100% (4/4 meetings)

## Masako Suzuki

(Born 1954)  
Outside Director



Jul. 1983	Joined Temporary Center Inc.	Mar. 2012	Director of Benefit one Solutions (current position)
Apr. 1999	Executive Officer of Pasona Inc.	May 2012	Auditor of Benefit one Health care Inc.
Sept. 2004	Senior Managing Director of Pasona Inc.	Jan. 2016	President and Representative Director of Benefit one Health care Inc. (current position)
Dec. 2007	Senior Managing Director of Pasona Group Inc.		
Jun. 2010	Director, Vice President of Benefit One Inc. (current position)	Jun. 2016	Director of the Company (current position)
Aug. 2010	Director of Pasona Group Inc.		

**Reasons for election** She is nominated as an Outside Director because we expect that she is capable of fulfilling supervisory and monitoring functions over the management based on her experience and insight as a management expert nurtured through years of experience in management of stock companies.

**Status of attendance** Board of Directors 100% (13/13 meetings) Audit Committee 100% (12/12 meetings)

## Tamotsu Saito

(Born 1952)  
Outside Director



Apr. 1975	Joined Ishikawajima-Harima Heavy Industries Co., Ltd.	Apr. 2011	Executive Vice President of IHI Corporation
Jun. 2006	Executive Officer, Vice President of Aero-Engine & Space Operations of Ishikawajima-Harima Heavy Industries Co., Ltd.	Apr. 2012	President, Chief Executive Officer of IHI Corporation
Jul. 2007	Executive Officer, Vice President of Aero-Engine & Space Operations of IHI Corporation	Apr. 2016	Chairman of the Board, Chief Executive Officer, General Manager of Monozukuri System Strategy Planning Headquarters of IHI Corporation
Jan. 2008	Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation	Apr. 2017	Chairman of the Board of IHI Corporation (current position)
Apr. 2008	Director, Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation	Jun. 2017	Director of the Company (current position)
Apr. 2009	Director, Managing Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation	Jun. 2018	Outside Director of Oki Electric Industry Co., Ltd. (current position)
Apr. 2010	Director of IHI Corporation		

**Reasons for election** He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies.

**Status of attendance** Board of Directors 100% (10/10 meetings) Compensation Committee 100% (3/3 meetings)

## Michiaki Ozaki

(Born 1952)  
Outside Director



Apr. 1978	Appointed as Public Prosecutor of Tokyo District Public Prosecutors Office	Jan. 2014	Superintending Prosecutor of Takamatsu High Public Prosecutors Office
Jan. 2004	Public Prosecutor of Supreme Public Prosecutors Office	Jul. 2014	Superintending Prosecutor of Osaka High Public Prosecutors Office
Jan. 2005	Director-General for Inspection, Minister's Secretariat, Ministry of Foreign Affairs	Feb. 2016	Registered as attorney-at-law (Dai-ichi Tokyo Bar Association)
Apr. 2006	Chief Public Prosecutor of Kofu District Public Prosecutors Office	May 2016	Of Counsel of URYU & ITOGA (current position)
Jun. 2007	Public Prosecutor of Supreme Public Prosecutors Office (Panel on Preparation for Saiban-in System)	Jun. 2016	Outside Audit & Supervisory Board Member of East Nippon Expressway Company Limited (current position)
Jun. 2008	Director-General of Correction Bureau, Ministry of Justice	Jun. 2017	Director of the Company (current position)
Dec. 2010	Director-General of Public Security Intelligence Agency		

**Reasons for election** He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a legal expert nurtured through years of experience as a public prosecutor and attorney-at-law. Although he has never been directly involved in management of a company other than by serving as an Outside Director, we believe that he can appropriately perform duties as an Outside Director based on the aforementioned reasons.

**Status of attendance** Board of Directors 100% (10/10 meetings) Audit Committee 100% (12/12 meetings)



## Meyumi Yamada

(Born 1972)  
Outside Director

Apr. 1995	Joined KOEI KOGYO Co., Ltd	Sept. 2015	Director of MEDIA GLOBE CO., LTD. (current position)
May 1997	Joined Kiss Me Cosmetics co., Ltd.	Mar. 2016	President and Representative Director of IS Partners Inc. (current position)
Jul. 1999	Representative Director of I-Style Co., Ltd.		
Apr. 2000	Representative Director of istyle Inc.	Sept. 2016	Director of Eat Smart, Inc. (current position)
Dec. 2009	Executive Director of istyle Inc. (current position)	Jun. 2017	Director of the Company (current position)
May 2012	President and Representative Director of CyberStar Inc.	Jun. 2017	Outside Director of Seino Holdings Co., Ltd. (current position)



Reasons for election She is nominated as an Outside Director because we expect that she is capable of fulfilling supervisory and monitoring functions over the management based on her experience and insight as a management expert nurtured through years of experience in management of stock companies.

Status of attendance Board of Directors 100% (10/10 meetings) Audit Committee 100% (12/12 meetings)

## Yoshie Komuro

(Born 1975)  
Outside Director

Apr. 1999	Joined Shiseido Company, Limited	Apr. 2013	Member of Children and Childcare Support Council, Cabinet Office, Government of Japan
Jul. 2006	President of Work-Life Balance Co., Ltd. (current position)	Sept. 2014	Civil Member of Industrial Competitiveness Council, Prime Minister Abe's Cabinet
Apr. 2008	Member of Evaluation Working Group, Work-Life Balance Promotion and Evaluation Council, Cabinet Office, Government of Japan	Feb. 2015	Member of Central Council for Education, Ministry of Education, Culture, Sports, Science and Technology
Aug. 2011	Member of Working Group on Pension, Social Security Council, Ministry of Health, Labour and Welfare (current position)	Mar. 2016	Chairperson of the Panel for Promoting Workstyle Reforms of Kasumigaseki
Aug. 2012	Member of Industrial Structure Council, Ministry of Economy, Trade and Industry	Jun. 2017	Director of the Company (current position)



Reasons for election In addition to years of experience engaging in the management of stock companies, she has held prominent positions, including service as an expert committee member for government affiliated committee meetings, and possesses deep knowledge regarding the environment surrounding corporate management, including workstyle reforms. Based on her experience and insight as a management expert nurtured through years of such experience, we expect that she is capable of fulfilling supervisory and monitoring functions over the management.

Status of attendance Board of Directors 90% (9/10 meetings)

## Kazuyuki Harada

(Born 1954)  
Outside Director

Apr. 1976	Joined Keikyu Corporation	Jun. 2013	President & Representative Director of Keikyu Corporation (current position)
Jun. 2007	Director of Keikyu Corporation		
Jun. 2010	Executive Director of Keikyu Corporation	Jun. 2015	Outside Director of Japan Airport Terminal Co., Ltd. (current position)
Jun. 2011	Senior Executive Director of Keikyu Corporation	Jun. 2018	Director of the Company (current position)



Reasons for election He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies.

Status of attendance Board of Directors - % (-/- meetings)

Notes: 1. Mr. Shinji Hattori, Ms. Masako Suzuki, Mr. Tamotsu Saito, Mr. Michiaki Ozaki, Ms. Meyumi Yamada, Ms. Yoshie Komuro and Mr. Kazuyuki Harada are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

2. Status of attendance shows attendance at meetings of the Board of Directors and each Committee, respectively, held during the fiscal year ended March 31, 2018 since assuming the position of Director of the Company.

## Committees

Nomination Committee		Audit Committee		Compensation Committee	
Chairman	<b>Masatsugu Nagato</b>	Chairman	<b>Michiaki Ozaki</b>	Chairman	<b>Tamotsu Saito</b>
Member	<b>Shinji Hattori</b>	Member	<b>Yasuhiro Sadayuki</b>	Member	<b>Masatsugu Nagato</b>
Member	<b>Kazuyuki Harada</b>	Member	<b>Masako Suzuki</b>	Member	<b>Shinji Hattori</b>
		Member	<b>Meyumi Yamada</b>		

## Executive Officers

In charge of respective departments		
President, CEO Representative Executive Officer	<b>Mitsuhiko Uehira</b>	
Deputy President Representative Executive Officer	<b>Masaaki Horigane</b>	Secretariate, Actuarial and Accounting Department and Credit Department
Senior Managing Executive Officer	<b>Yoshito Horiie</b>	Compliance Control Department, Sales Quality Control Department and Customer Services Department
Senior Managing Executive Officer	<b>Yoshihiko Ido</b>	Sales Promotion Department and Sales Training Department
Managing Executive Officer	<b>Yoshio Inoue</b>	Internal Audit Department
Managing Executive Officer	<b>Hiroshi Nagaso</b>	General Affairs Department and Regional Headquarters
Managing Executive Officer	<b>Atsushi Tachibana</b>	Investment Planning Department, Investment Management Department and Credit and Alternative Investment Department
Managing Executive Officer	<b>Shinji Ando</b>	Legal Affairs Department, Cash-Flow and Expense Management Department and Loan Department
Managing Executive Officer	<b>Nobuyasu Kato</b>	Corporate Planning Department, Digital Services Acceleration Department and Public Relations Department
Managing Executive Officer	<b>Yasuaki Hironaka</b>	IT Systems Management Department, IT Systems Planning Department and in charge of Digitalization
Managing Executive Officer	<b>Tomoaki Nara</b>	Risk Management Department, Human Resources Department and Human Resources Development Department
Managing Executive Officer	<b>Nobuatsu Uchikoba</b>	Business Process Planning Department and Product Planning Department
Managing Executive Officer	<b>Yasumi Suzukawa</b>	Underwriting Department, Policy Administration Department, Claims-Related Services Department and Policy Assessment Department
Managing Executive Officer	<b>Yoshiki Miyanishi</b>	Sales Planning Department and Whole Sales Department
Managing Executive Officer	<b>Michiko Matsuda</b>	In charge of Workstyle Reform
Executive Officer	<b>Kieko Onoki</b>	General Manager, Sendai Administration Services Center
Executive Officer	<b>Toru Onishi</b>	Senior General Manager, Kinki Regional Headquarters
Executive Officer	<b>Hidekazu Sakamoto</b>	Senior General Manager, Sales Promotion Department
Executive Officer	<b>Junko Koie</b>	Chief Actuary
Executive Officer	<b>Masamichi Yokoyama</b>	
Executive Officer	<b>Motonori Tanaka</b>	Senior General Manager, Tokai Regional Headquarters
Executive Officer	<b>Masato Hashiba</b>	Senior General Manager, Kanto Regional Headquarters
Executive Officer	<b>Takashi Iida</b>	Senior General Manager, Kyushu Regional Headquarters
Executive Officer	<b>Shinsuke Fujii</b>	Senior General Manager, Internal Audit Department
Executive Officer	<b>Norihiro Fujimori</b>	Senior General Manager, Business Process Planning Department
Executive Officer	<b>Hajime Saito</b>	Senior General Manager, Tokyo Regional Headquarters

## Activities of the Board of Directors (Interview with Outside Director)

We aim to constantly create new value and achieve sustainable growth by practicing sound management based on strong corporate governance.

We asked Director Michiaki Ozaki, who has served as Chairman of the Audit Committee since June 2017, about the Company's corporate governance efforts and the role and effectiveness of our Board of Directors.

### Director Michiaki Ozaki

#### ● Experience

Apr. 1978	Appointed as Public Prosecutor of Tokyo District Public Prosecutors Office	Dec. 2010	Director-General of Public Security Intelligence Agency
Jan. 2004	Public Prosecutor of Supreme Public Prosecutors Office	Jan. 2014	Superintending Prosecutor of Takamatsu High Public Prosecutors Office
Jan. 2005	Director-General for Inspection, Minister's Secretariat, Ministry of Foreign Affairs	Jul. 2014	Superintending Prosecutor of Osaka High Public Prosecutors Office
Apr. 2006	Chief Public Prosecutor of Kofu District Public Prosecutors Office	Feb. 2016	Registered as attorney-at-law (Dai-ichi Tokyo Bar Association)
Jun. 2007	Public Prosecutor of Supreme Public Prosecutors Office (Panel on Preparation for Saiban-in System)	May 2016	Of Counsel of URYU & ITOGA (current position)
Jun. 2008	Director-General of Correction Bureau, Ministry of Justice	Jun. 2016	Outside Audit & Supervisory Board Member of East Nippon Expressway Company Limited (current position)
		Jun. 2017	Director of the Company (current position)

### Q.1

#### What is your view of the Company's corporate governance?

The Company has adopted a company with three committees structure, under which supervision of management is separated from execution of business. In a company with three committees, a large part of business execution is delegated to the authority of Executive Officers to enable swift decision-making according to management environments or issues.

Under this institutional design, called the "monitoring model," the Board of Directors, which includes Outside Directors, and the Nomination Committee, Compensation Committee, and Audit Committee, which comprise mainly Outside Directors, are independent of the executive organization, and are expected to carry out supervision from an objective standpoint. To this end, the Companies Act stipulates that a majority of the members of each committee must comprise Outside Directors.

Therefore, ensuring the effectiveness of supervision by the Board of Directors and each committee is an extremely important issue for the Company.

I belong to the Audit Committee, which is made up of four members, including myself, three of whom are Outside Directors. The Audit Committee bears the important responsibility of auditing the legality and appropriateness of business execution mainly by Executive Officers.

The Company's Audit Committee holds meetings in principle once a month, where it receives detailed reports from members such as the responsible Executive Officers regarding the status of execution of duties based on the audit plan decided at the beginning of the fiscal year, and requests reports or asks questions as necessary. Discussion is very lively, and the meetings often run overtime. The contents are also reported to the Board of Directors, and we strive to share our understanding with other Directors. I believe that the role of the Audit Committee to receive and discuss relatively detailed explanations from executives including the responsible Executive Officers is very important.

The Company has a unique social mission, which is for Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. to provide universal services as mandated by law. I feel it is vital to keep this in mind when performing our audits.

For example, around 90% of our life insurance products are sold through the nationwide post office network, and it is mainly the employees of Japan Post Co., Ltd. serving at post offices who receive



the paperwork for claims procedures from customers. The “customer-first business operations” the Company aims for cannot be achieved by our employees alone, but with cooperation from everyone involved in life insurance operations at such post offices.

Thus, when thinking about the Company’s corporate governance or internal control, I believe it is necessary to cooperate and coordinate closely with Japan Post Co., Ltd. To do that, in addition to mutual coordination among officers, the Company’s Outside Directors and the Audit Committee visit Japan Post regional offices and post offices as well as the Company’s branches in an effort to understand the actual situation.

It is important that the numerous employees of this large organization that stretches nationwide can carry out day-to-day insurance operations with a sense of mission and motivation in providing high quality insurance services to customers, thereby allowing the Company to develop further and earn greater trust. I am committed to striving together with the Executive Officers to achieve that goal.

## Q.2 How do you evaluate the effectiveness of the Company’s Board of Directors?

The Company’s Board of Directors is composed of 11 members, including seven Outside Directors, which ensures a very high degree of independence.

The six Outside Directors other than myself are all corporate managers from a wide variety of business areas including the manufacturing and service industries, with the deep insight and

abundant experience gained in their respective fields. Four of the Outside Directors are men, and three are women, representing a wide range of age groups, so the Board is rich in diversity in this respect as well.

Lively discussion takes place at meetings of the Board of Directors, which are held in principle once a month, fueled by the variety of extensive experience and knowledge of the Directors. I personally have had many instances of renewing my understanding triggered by the varied insights of other Directors based on their respective experience. All Outside Directors have an attendance rate at the meetings of the Board of Directors (for the fiscal year ended March 31, 2018) of over 90%.

With regard to the operation of the Board of Directors, creative measures are constantly being devised to allow the Outside Directors to fully perform their functions. For example, in addition to the meetings of the Board of Directors, business execution departments arrange extra opportunities as necessary to provide us with detailed explanations of specialized matters such as accounting and risk management unique to life insurance companies.

As I stated before, we are also given opportunities to visit post offices and Company branches where our products are actually delivered to customers and to exchange opinions with employees. It is an extremely effective environment for us Outside Directors to discuss and supervise regarding the Company’s management strategy and compliance.

Through such a framework, I believe that the Company’s Board of Directors is fully operating and is highly effective. I will continue to do my best to further enhance the effectiveness of the Board and to fulfill the role expected of me as an Outside Director.





## Dialogue with Shareholders and Investors

### IR Activities

#### ● Financial Results and Corporate Strategy Meetings/ Financial Results Conference Calls

We organize financial results and corporate strategy meetings and conference calls for institutional investors and analysts after quarterly financial results announcements, as opportunities for our management to provide explanation on our management strategy, financial condition, etc.

#### ● IR Activities for Domestic and Overseas Institutional Investors

Our IR activities cover institutional investors both in Japan and overseas, and overseas IR events by our management are organized several times a year. Meanwhile, to minimize the information gap between domestic and overseas investors, English translations of information such as financial results and IR materials are posted on our website.

#### ● IR Activities for Individual Investors

We strive to enhance the quality of information including IR materials and the status of meetings held on the individual investors section of our website. We also hold briefing sessions and seminars for individual investors throughout the year.

#### ● IR Website

We post financial information, IR materials and other non-financial timely disclosure materials as well as legal disclosure materials such as securities reports on our website.

#### Examples of dialogue activities (FY2018/3)

- Financial results conference calls for institutional investors and analysts (Held four times this year)
- Financial results and corporate strategy meetings for institutional investors and analysts (Held twice this year)
- Individual meetings with institutional investors in Japan and overseas (Held approximately 120 times this year)
- Briefing sessions for individual investors (Held 19 times this year: Tokyo, Osaka, Nagoya, Kanazawa, etc.)



A financial results and corporate strategy meeting

### General Meeting of Shareholders

We held our 12th Ordinary General Meeting of Shareholders on June 18, 2018. (The number of attending shareholders was 284, and the meeting time was 1 hour and 17 minutes.)

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

We mailed the Convocation Notice on May 30, 2018 to provide early dispatch and disclosed its content on our website and elsewhere prior to the dispatch on May 21, 2018, 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 the issue of improving the environment for shareholders to exercise their voting rights by participating in the virtual platform recommended by the Tokyo Stock

Exchange, which allows institutional investors to conduct the electronic exercise of voting rights.

Furthermore, at the meeting, we strived to explain our business lines using video materials to facilitate the understanding of attending shareholders. During the Q&A session, we received several questions about the Company's stance or responses toward such issues as the Company's growth strategy and dividend policy. 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 12th Ordinary General Meeting of Shareholders



## Appropriate Information Disclosure

We strive to appropriately disclose information in order to help our stakeholders, including our customers, have a better understanding of the Company's management.

We have announced our "Disclosure Policy," which entails active disclosure of information based on relevant laws and regulations, as well as financial and non-financial information through means such as this "JAPAN POST INSURANCE Annual Report 2018" and our website.

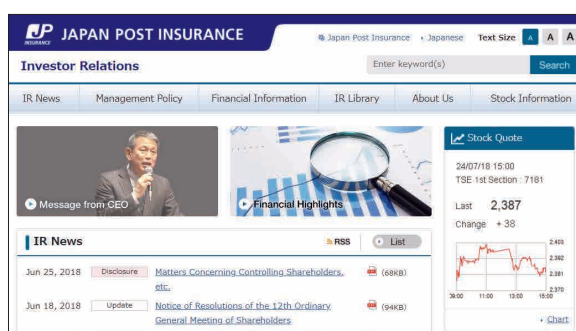
### Examples of information disclosure

Annual Report "JAPAN POST INSURANCE Annual Report 2018"

- |                                 |  |
|---------------------------------|--|
| Website for PCs and smartphones | <ul style="list-style-type: none"> <li>● Financial Information</li> <li>● Investor Relations</li> <li>● Contract Guidelines and Policy Conditions, etc.</li> </ul> |
|---------------------------------|--|



▲ Annual Report "JAPAN POST INSURANCE Annual Report 2018"



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

## 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 concerning our corporate activities, we have prepared a Compliance Manual that is distributed to all departments including our head office and 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 the 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 response to various compliance issues. The committee also works to achieve thorough compliance and prevent violations of compliance by monitoring and analyzing the Company’s compliance promotion efforts.

The CCO takes responsibility in operating and maintaining our compliance framework and reports on important matters to the Executive Committee, the Audit Committee and the Board of Directors.

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 Co., which serves as our insurance solicitor, 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.

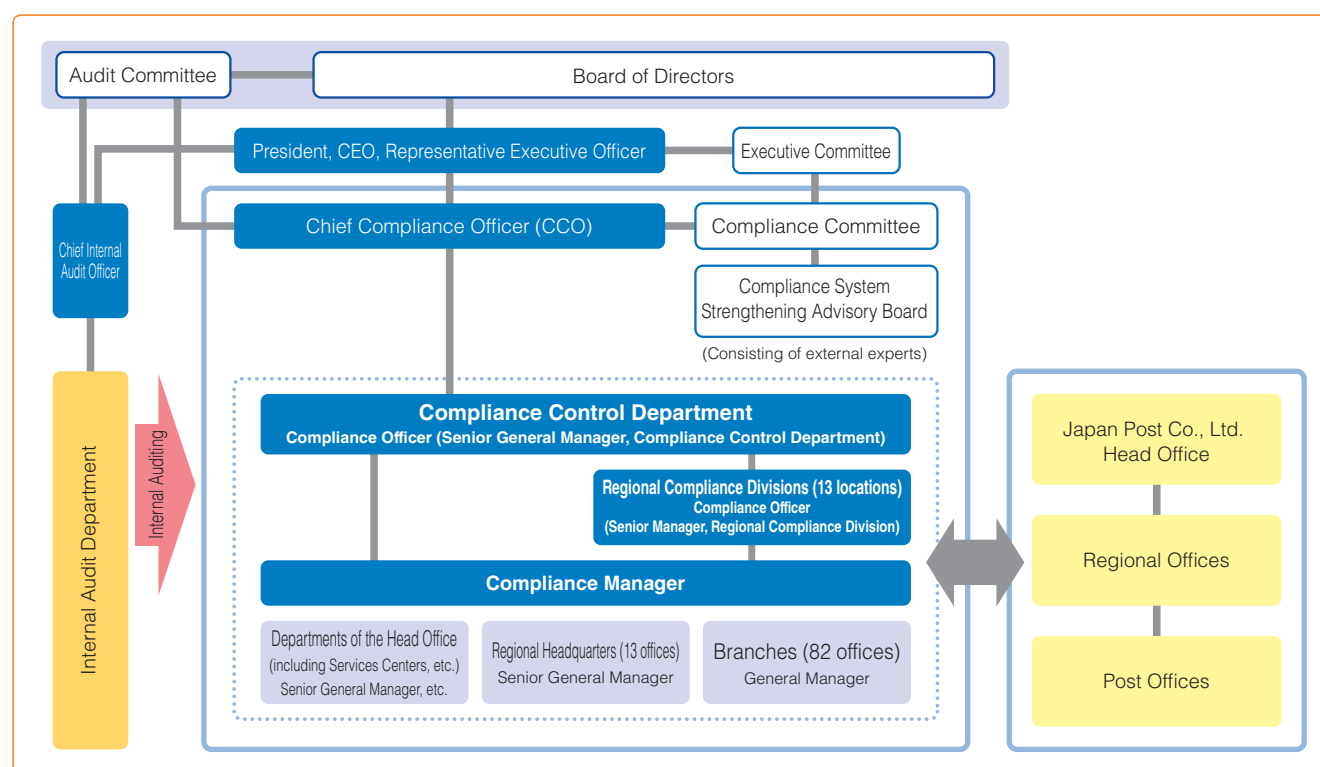
The Internal Audit Department conducts internal audits of compliance in our business activities and checks the adequacy and effectiveness of our compliance promotion system.

## 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 utilizing opportunities such as business study group sessions and other meetings. We also offer various training programs and training materials to post offices.

### Compliance Promotion System



## Solicitation 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.

Sales activities of life insurance will be conducted appropriately, abiding by laws and regulations as well as social norms.

### Solicitation Policy of Japan Post Insurance

[http://www.jp-life.japanpost.jp/policy/solicitation/pcy\\_sol\\_index.html](http://www.jp-life.japanpost.jp/policy/solicitation/pcy_sol_index.html) (in Japanese)

## 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

[http://www.jp-life.japanpost.jp/en/aboutus/company/en\\_abt\\_cmp\\_conflicts.html](http://www.jp-life.japanpost.jp/en/aboutus/company/en_abt_cmp_conflicts.html)

## Initiatives for Protecting Personal Information

Japan Post Insurance recognizes the importance of information security management called for by society and promotes measures to protect personal information appropriately pursuant to relevant laws and regulations.

We manage the security of personal data through an internal management structure that designates the Chief Information Security Officer (CISO), who is in charge of the company-wide control of information security, and an individual responsible for protection of personal information in each division, thereby protecting and handling personal information in an appropriate manner.

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

[http://www.jp-life.japanpost.jp/en/aboutus/company/en\\_abt\\_cmp\\_security.html](http://www.jp-life.japanpost.jp/en/aboutus/company/en_abt_cmp_security.html)

### **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 prescribed purposes, with a view to ensuring adequate management of life insurance operation on an ongoing basis.

### **Purpose of Use of Personal Information Succeeded from Japan Post**

[http://www.jp-life.japanpost.jp/policy/privacy/pcy\\_prv\\_index.html](http://www.jp-life.japanpost.jp/policy/privacy/pcy_prv_index.html) (in Japanese)

## 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 Handling of Antisocial Forces” to take appropriate actions against and eliminate and avoid any relationships with antisocial forces.

### **Basic Policy on Handling of Antisocial Forces**

[http://www.jp-life.japanpost.jp/en/aboutus/company/en\\_abt\\_cmp\\_antisocial.html](http://www.jp-life.japanpost.jp/en/aboutus/company/en_abt_cmp_antisocial.html)

### **Rules for Handling of Antisocial Forces ●**

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

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

### **System for Handling of Antisocial Forces ●**

We have established an appropriate system to eliminate relationships with antisocial forces, with the President, CEO, Representative Executive Officer at the top. Below the President, CEO, Representative Executive Officer, we 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-the-board discussion on relevant matters.

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

## 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 the 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 insurance 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 subcategories.

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

In enforcing risk management, we collaborate with the risk management departments of Japan Post Holdings Co., Ltd. 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:

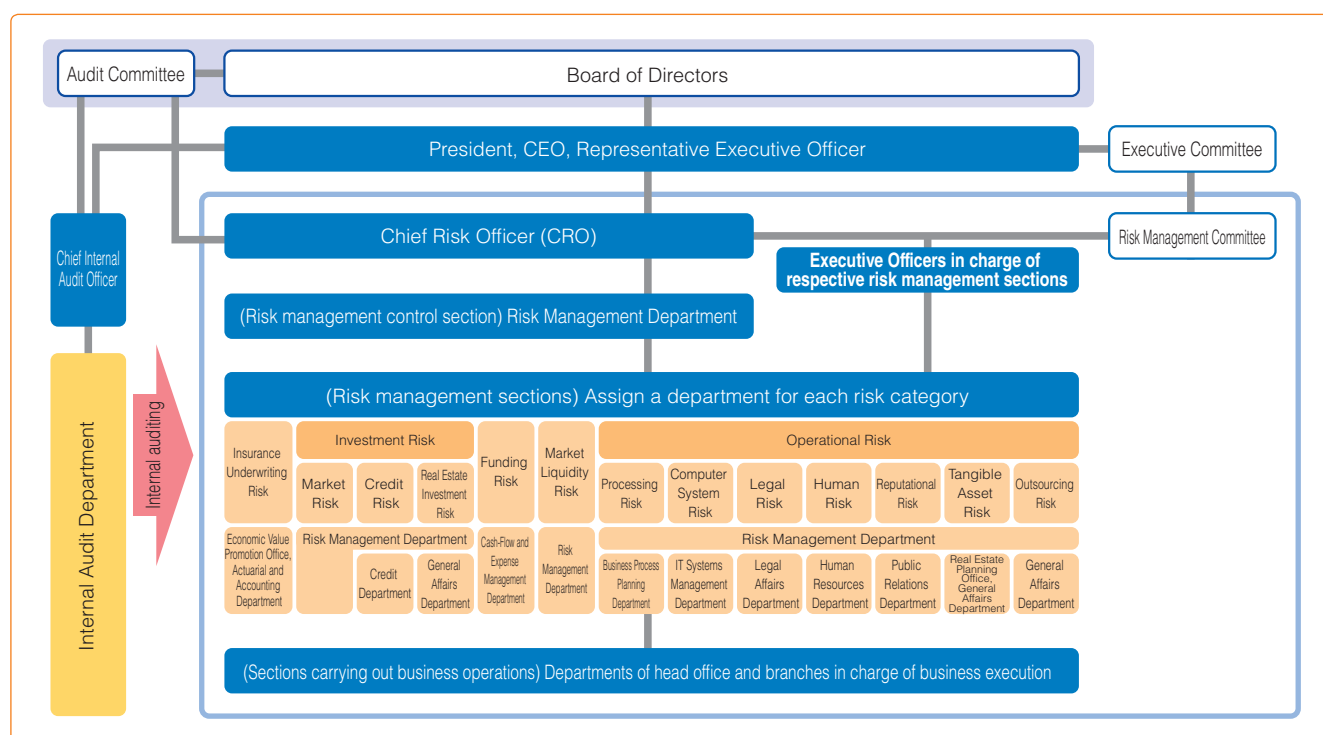
- We cover all risk categories that could have a significant impact on the Company taking into consideration the Company's risk profile status.
- Besides historical scenarios that have occurred in the past, we simulate forward-looking hypothetical scenarios that could occur in the future.

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

Specifically, we add sub-scenarios (financial market turmoil, 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.

<b>Insurance Underwriting Risk</b>	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.
<b>Investment Risk</b>	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance-sheet assets and liabilities.
<b>Market Risk</b>	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance sheet assets and liabilities as well as the risk of losses resulting from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stock prices.
<b>Credit Risk</b>	The risk of losses resulting from a decline or elimination in the value of assets including off-balance sheet assets due to deterioration in financial conditions of borrowers or a counterparty.
<b>Real Estate Investment Risk</b>	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.
<b>Funding Risk</b>	The risk of losses due to being forced to carry out transactions at a price extremely lower 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.
<b>Market Liquidity Risk</b>	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.
<b>Operational Risk</b>	The risk of losses due to improper business processing, inappropriate behavior by executives and employees, improper computer system operations or external events.
<b>Processing Risk</b>	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engagement in unlawful activities.
<b>Computer System Risk</b>	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.
<b>Legal Risk</b>	The risk of losses resulting 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.
<b>Human Risk</b>	The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.
<b>Reputational Risk</b>	The risk of losses due to the spread of vague information such as rumors, speculations or reputation with regard to the Company, and the spread of misunderstandings, misperceptions or exaggerated interpretations associated with an accident or unlawful acts among policyholders or the mass media.
<b>Tangible Asset Risk</b>	The risk of losses due to damage to tangible assets caused by disasters or other events.
<b>Outsourcing Risk</b>	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 risk management sections 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 the 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, which is the section to perform 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 yen-denominated 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 improving profitability, we also promote diversification of our asset portfolio to the extent allowed in managing investment risk.

The Risk Management Department, which is the section to perform investment risk management, 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 section to perform funding risk management, 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 section to perform market liquidity risk management, 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 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 section to perform processing risk management, 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 section to perform computer system risk management, 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 Subcategories

Other detailed subcategories of operational risk are legal risk, human risk, reputational risk, tangible asset risk and outsourcing risk. For each subcategory, we

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





# Corporate Information

History	72
Major Businesses	73
Organization Chart	74
Paid-in Capital	75
Total Number of Stocks	75
Condition of Stocks	75
Principal Shareholder	75
Accounting Advisor	76
Independent Auditor	76
Total Number of Employees and Conditions of Employment	76
Average Monthly Salary (In-house employees)	76
Average Monthly Salary (Sales employees)	76
Summary of the Subsidiaries	77
Major Types of Insurance	78
List of Major Insurance Products for Corporate Clients	79
Major Riders	80
Maximum Amount of Insurance Coverage	80
Briefing on Important Matters/Provision of Literature about Disadvantageous Information	81
Notice of Policy Details	82
Education for Sales Personnel and Insurance Solicitation Agents	82
Life Insurance Policyholders Protection Corporation of Japan	84
Customer-first Business Operations	86
Customer Satisfaction	87
Quantity and Content of Customer Feedback	88
Customer Satisfaction Survey	88
Compliments and Positive Comments	89
Examples of Improvement Based on Our Customers' Comments	89

## 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 <i>Sono hi kara</i> , a new hospitalization rider
July 2009	Established branches in all prefectures through the opening of the Nara Branch and Wakayama Branch
October 2011	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current consolidated subsidiary) became a subsidiary
April 2014	Launched <i>Hajime no Kampo</i> , an educational endowment insurance
July 2014	Commenced handling commissioned sales of cancer insurance products for American Family Life Assurance Company of Columbus <sup>(Note 1)</sup>
October 2015	Launched Shin Free Plan (short-term premium payment), an endowment insurance
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange 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 related services) Business alliance with The Dai-ichi Life Insurance Company, Limited <sup>(Note 2)</sup>
October 2017	Launched <i>Sono hi kara Plus</i> , a new medical rider Launched <i>Shin Nagaiki Kun Low Cash Value Plan</i> , a new whole life insurance (low cash value) Launched <i>Choju no Shiawase</i> , a longevity support insurance (low cash value)

Notes: 1. The Japan branch of the U.S. corporation was established as a Japanese corporation and the business conducted by the Japan branch was succeeded to the Japanese corporation. As a result, our contract partner at the date of publication of this report is Aflac Life Insurance Japan Ltd.  
2. 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, 2018)

- Approval for the liberalization of investment products (including derivative transactions)  
Pursuant to Article 138, Paragraph 2 of the Postal Service Privatization Act, application for approval was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on October 4, 2007. Accordingly, business operations including syndicated loans (participation loans) and the acquisition of trust beneficiary interests, etc. were approved on December 19, 2007.
- Approval for the commencement of commissioned sales of life insurance products for corporate clients (term insurance for managers) and the review on the hospitalization rider  
Pursuant to Article 138, Paragraph 1 and Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on November 26, 2007 and approved on April 18, 2008.

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

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.

8) Approval for the revision of the whole life insurance, etc.

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 March 31, 2017 and approved on June 19, 2017.

9) Approval for commissioned sales of life insurance products for corporate clients (term insurance with nursing care compensation for managers)

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 March 31, 2017 and approved on June 19, 2017.

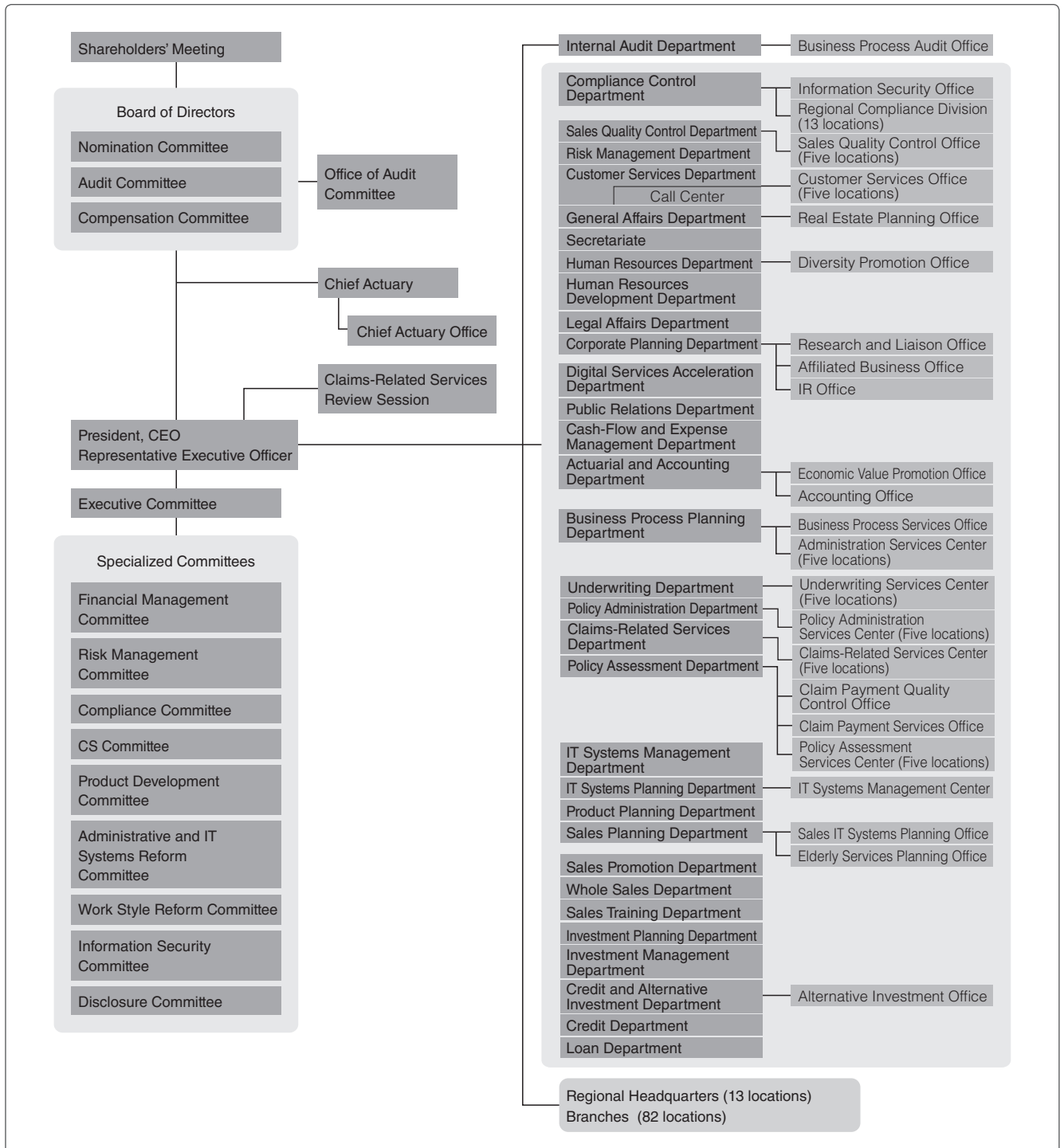
## Major Businesses

- (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 April 1, 2018)



## Paid-in Capital

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

## Total Number of Stocks

Total number of issuable stocks	2,400,000,000
Total number of issued stocks	600,000,000
Current period shareholders	175,381

## Condition of Stocks

### (1) Class of stocks issued

Issued stocks	Class	Number of issued stocks	Contents
	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.	
	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)	3,706	0.62%
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,377	0.40%
Japan Post Insurance Employee Shareholding Association	2,022	0.34%
THE BANK OF NEW YORK - JASDECNON - TREATY ACCOUNT	1,577	0.26%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,424	0.24%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	1,062	0.18%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	1,058	0.18%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	898	0.15%
JP MORGAN CHASE BANK 385151	890	0.15%

## Principal Shareholder

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

## Accounting Advisor

Not applicable.

## Independent Auditor

KPMG AZSA LLC

(Designated Limited Liability Partners, Engagement Partners)

Certified Public Accountant Yukihiisa Tatsumi

Certified Public Accountant Noriyuki Akiyama

Certified Public Accountant Takahiro Toyama

## Total Number of Employees and Conditions of Employment

(Unit: persons, years)

Category	As of the end of FY2017/3	As of the end of FY2018/3	FY2017/3	FY2018/3	As of the end of FY2017/3		As of the end of FY2018/3	
	Total	Total	Staff employed	Staff employed	Average age	Average years of service	Average age	Average years of service
In-house employees	6,320	6,342	255	303	38.5	14.4	38.7	14.6
(Male)	3,372	3,320	89	124	41.7	17.8	41.9	17.9
(Female)	2,948	3,022	166	179	34.9	10.7	35.3	11.0
Sales employees	1,104	1,148	48	47	39.2	14.8	39.2	14.7
(Male)	950	981	42	39	40.8	16.4	40.8	16.3
(Female)	154	167	6	8	29.0	5.2	30.0	5.6

- 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 exclude non-regular employees (including indefinite-term employees based on the indefinite-term employment conversion system).
2. Average number of years of service represents the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.
3. Average age and average years of service are based on attained ages as of March 31, 2018, and truncated to the first decimal place.

## Average Monthly Salary (In-house employees)

(Thousands of yen)

Category	March 2017	March 2018
In-house employees	345	353

Note: Average monthly salary represents the pre-tax regular salary for March 2018, which excludes bonuses and overtime allowances.

## Average Monthly Salary (Sales employees)

(Thousands of yen)

Category	March 2017	March 2018
Sales employees	292	297

Note: Average monthly salary represents the pre-tax regular salary for March 2018, which excludes bonuses and overtime allowances.

## 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 INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500 million	Commissioning of design, development, maintenance and operation of information systems	March 8, 1985 (Date of share acquisition: October 3, 2011)	100 %	—

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



JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. is mainly engaged in the design, development and maintenance of software for systems that support the Company's business activities. In the fiscal year ended March 31, 2018, the subsidiary steadily promoted the periodic update of the core IT system in October 2017, the first large-scale the development since the previous renewal, as well as the open IT system project. Its other IT system initiatives included improvement of system quality and productivity, the optimization of system costs and the development of specialist human resources.



## Major Types of Insurance

(As of March 31, 2018)

Purpose of Policy	Product Name	Nickname • Age Limit Range									
		0	10	20	30	40	50	60	70	80	
For lifetime coverage	Fixed amount type whole life insurance										
	Fixed amount type whole life insurance (low cash value)										
For balanced lifetime coverage	Double-type whole life insurance										
	Double-type whole life insurance (low cash value)										
	Fivefold-type whole life insurance										
	Fivefold-type whole life insurance (low cash value)										
For lifetime coverage with perks	Special whole life insurance										
	Special whole life insurance (low cash value)										
For large coverage with lower burden	Ordinary term insurance										
For coverage and benefits at maturity	Ordinary endowment insurance										
For full coverage and benefits at maturity	Double-type special endowment insurance										
	Fivefold-type special endowment insurance										
	Tenfold-type special endowment insurance										
For those who are spending life with a disease	Designated endowment insurance										
For preparing for educational funds	Educational endowment insurance (H24)										
For preparing for longevity risk with surplus funds	Longevity support insurance (low cash value)										
For working people who want to form assets	Asset-formation savings insurance										
	Asset-formation housing funding insurance										
	Asset-formation whole life annuities										

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

## List of Major Insurance Products for Corporate Clients

	Product
Own products	<p><b><i>Shin Free Plan</i> (ordinary endowment insurance)</b></p> <p><b><i>Shin Free Plan</i> (double, fivefold and tenfold benefits) (special endowment insurance)</b></p> <p><b><i>Shin Ichibyo Soken Plan</i> (designated endowment insurance)</b></p> <p><b><i>Shin Ordinary Term Insurance</i> (ordinary term insurance)</b></p>
Products sold on commission (Term insurance)	<p><b>NN Life Insurance Company, Ltd.</b> Quality (term insurance), Smart Term (no cash value term insurance) and Term insurance/Increasing term insurance</p> <p><b>SUMITOMO LIFE INSURANCE COMPANY</b> Term life insurance Emblem YOU Premium (low cash value term insurance without a dividend)</p> <p><b>The Dai-ichi Life Insurance Company, Limited</b> Success (long-term life insurance 2018), Just (no cash value term insurance 2018), Majesty (increasing term life insurance 2018) and Exceed (term insurance for disability with periodical fixed benefit 2018)</p> <p><b>Tokio Marine &amp; Nichido Life Insurance Co., Ltd.</b> Term Life Insurance [without dividend], Nagawari Teiki (Term Life Insurance with special provisions for lower surrender benefits [without dividend] ), Increasing Term Life Insurance with lower surrender benefits [without dividend] and Term Life Insurance with Disaster Coverage Period [without dividend]</p> <p><b>Nippon Life Insurance Company</b> Nissay Long-term Term Insurance, Nissay Increasing Term Insurance, Nissay Long-Term Insurance with Low Surrender Benefits Term Life Insurance, Nissay Term Life Insurance, and Nissay Long-Term Term Life Insurance with Period of Extensive Coverage for Accidents</p> <p><b>Mitsui Sumitomo Aioi Life Insurance Company, Limited</b> Term Life Insurance, Term Life Insurance (No Surrender Value) and Increasing Term Life Insurance</p> <p><b>Meiji Yasuda Life Insurance Company</b> New term life insurance E (New term life insurance with interest dividends every five years), New increasing term insurance and Increasing term life insurance with three-year disaster coverage with dividends every five years (low cash value)</p> <p><b>MetLife Insurance K. K.</b> Long-term Level term insurance (H19) and Non Participation Level term insurance</p>
Products sold on commission (Cancer insurance)	<p><b>Aflac Life Insurance Japan Ltd.</b> Days 1—Cancer insurance for daily living (cancer insurance with low or no cash value 2018), Days supporting you—Cancer insurance for daily living (special cancer insurance with no cash value)</p>
Products sold on commission (General welfare group term insurance)	<p><b>MetLife Insurance K. K.</b> General welfare group term insurance and nonparticipating group insurance (general welfare group term insurance without a dividend)</p>

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

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

## Major Riders

Name	Outline
Non-participation accidental rider	Offers provision for death or disability due to an unexpected accident
Non-participation accident medical rider	Offers provision for hospitalization, surgery and radiation therapy as prescribed in the rider due to an unexpected accident
Non-participation comprehensive medical rider	Offers provision for hospitalization, surgery and radiation therapy as prescribed in the rider due to illness or an unexpected accident

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.

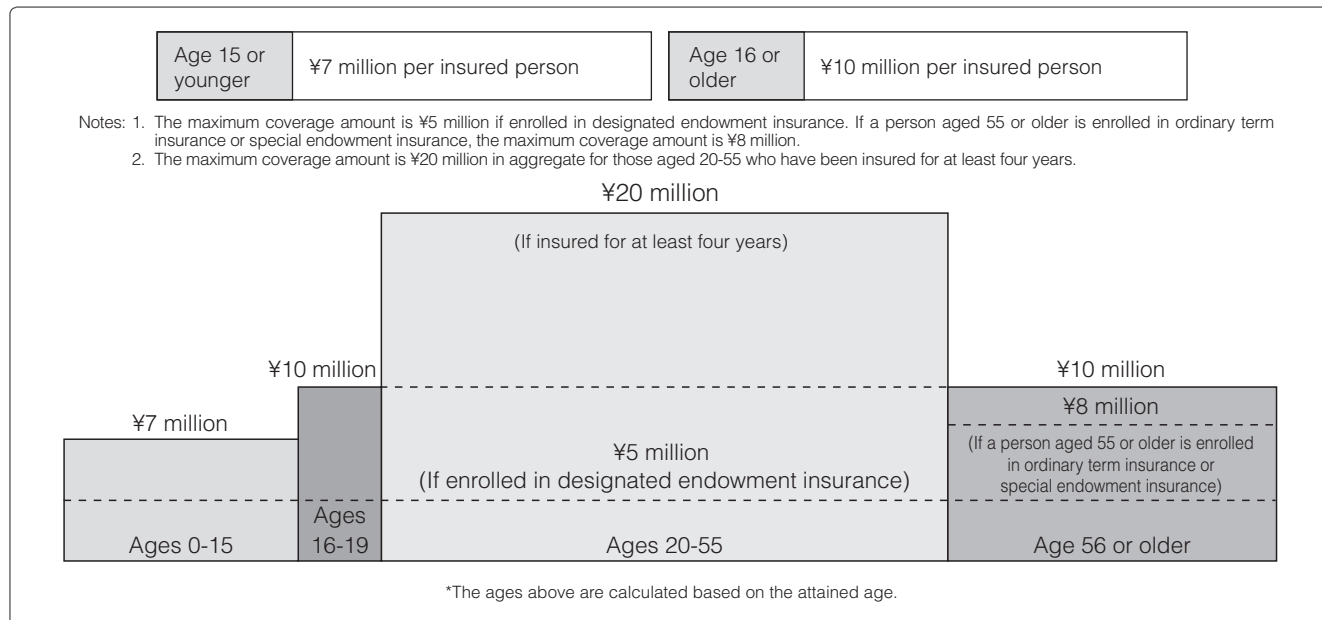
## Maximum Amount of Insurance Coverage

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 other regulations. 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.

### Maximum Coverage Amount of the Basic Insurance Policy

(As of March 31, 2018)



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.

### Maximum Amount of Insurance Coverage for Riders

(1) For the rider types below, each insured person can add up to ¥10 million in aggregate <sup>(Note 1)</sup>. However, the upper limit is the insurance amount of the basic insurance policy to which the rider is added <sup>(Note 2)</sup>.

Non-participation accidental rider	Non-participation accidental rider (decreasing cash value)
Non-participation accidental rider (no cash value)	Non-participation accidental rider (Educational endowment insurance (H24))

(2) Aside from (1) above, each insured person can add up to ¥10 million in aggregate <sup>(Note 3)</sup> to the following types of riders. However, the upper limit is the insurance amount of the basic insurance policy to which the rider is added <sup>(Note 2)</sup>.

Non-participation accident and medical rider	Non-participation comprehensive medical rider
Non-participation accident and medical rider (decreasing cash value)	Non-participation comprehensive medical rider (decreasing cash value)
Non-participation accident and medical rider (no cash value)	Non-participation comprehensive medical rider (no cash value)
Non-participation accident and medical rider (Educational endowment insurance (H24))	Non-participation comprehensive medical rider (Educational endowment insurance (H24))

Notes: 1. The total includes the amount of following types of riders that is currently unavailable. (Nursing care riders, Accidental riders and Accidental riders (Educational endowment insurance (H24))

2. In case of addition to Longevity Support Insurance (low cash value), the limit will be equivalent to 20 times that of annuity.

3. The total includes the amount of following types of riders that is currently unavailable. (Accident hospitalization rider, Illness hospitalization rider, Illness and accident hospitalization rider, Non-participating accident hospitalization rider, Non-participating illness and accident hospitalization rider, Non-participating accident hospitalization rider (Educational endowment insurance (H24)) and Non-participating illness and accident hospitalization rider (Educational endowment insurance (H24))

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

Type of basic insurance policy <sup>(Note 1)</sup> \ Type of rider	Non-participation accidental rider	Non-participation accidental rider (decreasing cash value)	Non-participation accidental rider (no cash value)	Non-participation accidental rider (Educational endowment insurance (H24))	Non-participation accident and medical rider	Non-participation accident and medical rider (decreasing cash value)	Non-participation accident and medical rider (no cash value)	Non-participation accident and medical rider (Educational endowment insurance (H24))	Non-participation comprehensive medical rider	Non-participation comprehensive medical rider (decreasing cash value)	Non-participation comprehensive medical rider (no cash value)	Non-participation comprehensive medical rider (Educational endowment insurance (H24))
Ordinary whole life insurance <sup>(Note 2)</sup>	—	○	○	—	—	○	○	—	—	○	○	—
Special whole life insurance <sup>(Note 2)</sup>	—	○	○	—	—	○	○	—	—	○	○	—
Ordinary endowment insurance	○	—	—	—	○	—	—	—	○	—	—	—
Special endowment insurance	○	—	—	—	○	—	—	—	○	—	—	—
Designated endowment insurance	○	—	—	—	○	—	—	—	—	—	—	—
Ordinary term insurance	○	—	—	—	○	—	—	—	○	—	—	—
Educational endowment insurance (H24)	—	—	—	○	—	—	—	○	—	—	—	○
Longevity support insurance (low cash value)	○	—	—	—	○	—	—	—	○	—	—	—

Notes: 1. There are cases where the above riders can be added if certain criteria are met even for basic insurance policies that are not currently available.

2. This includes low cash values.

## Briefing on Important Matters/Provision of Literature about Disadvantageous Information

We will suggest policies upon understanding the will of the customer regarding coverage expected in insurance products. 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, amount of insurance coverage and the duty of declaration. To that end, we deliver the summaries that explain items we would especially like

customers to confirm, 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.



## 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, so customers can confirm the content of the policy.

## 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

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

### Sales Personnel

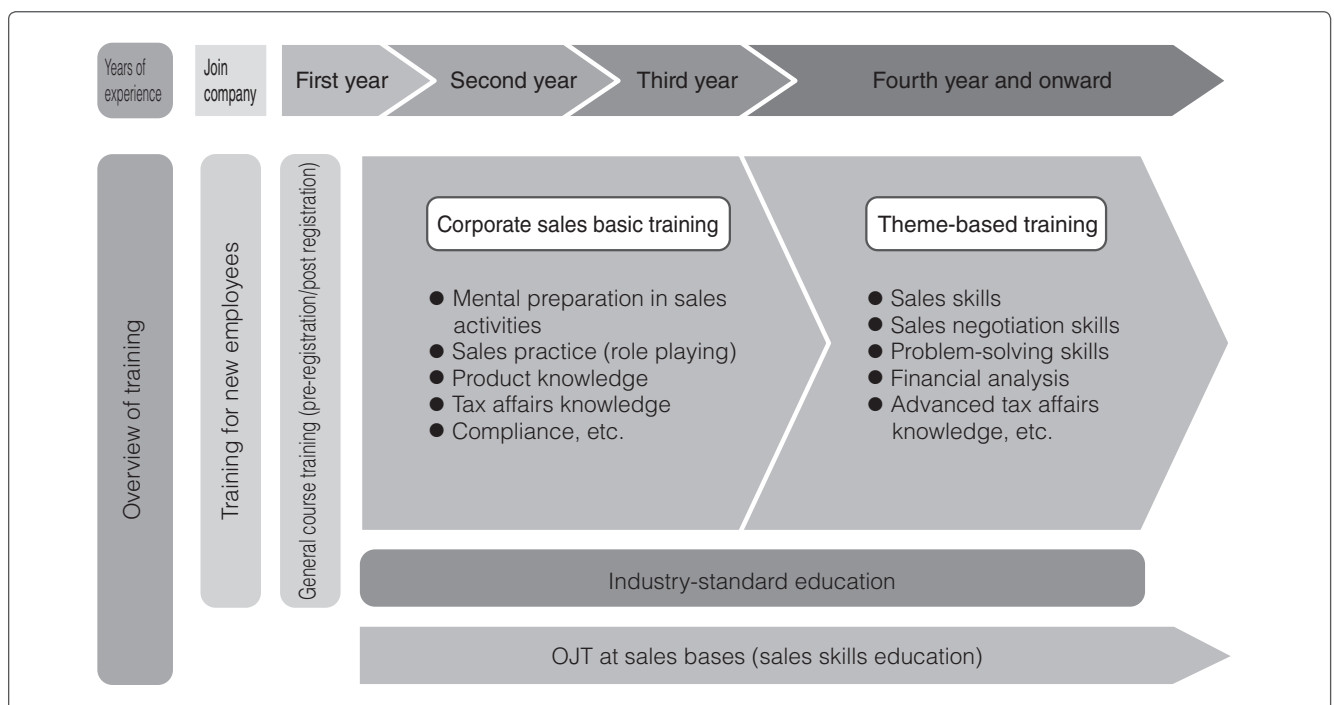
Sales personnel at directly-managed offices undertake insurance solicitations mainly targeting the corporate and worksite market.

### 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

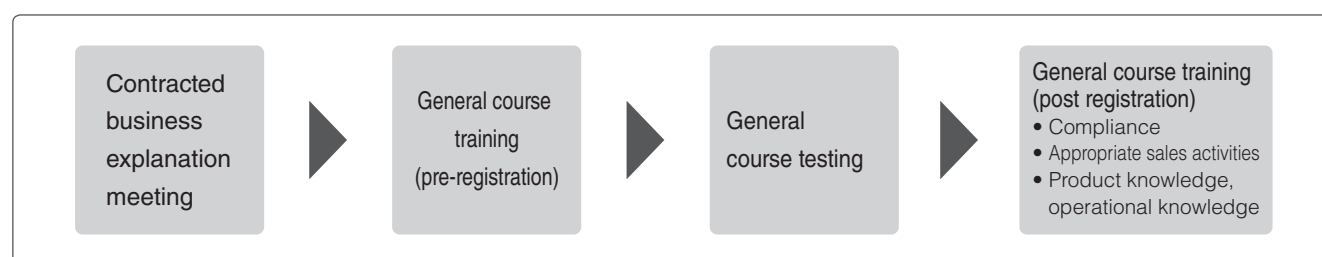
We conclude life insurance sales and maintenance agreements with Japan Post Co. and the operators of contracted post offices and carry out insurance

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 Co.



## 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 <sup>(\*)</sup> for performance-linked insurance contracts), in which the limits of indemnity are set to be equivalent to 90% of the relevant policy reserve, etc. <sup>(2)</sup>, except for the high assumed interest rate

policies <sup>(3)</sup> (which does not mean that the policyholder protection scheme provides 90% of the level of protection provided by the original insurance claims or annuities <sup>(4)</sup>).

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 <sup>(Note 1)</sup> in the five years prior to the default <sup>(Note 2)</sup>. For such policies, the limit of indemnity for the policy reserve, etc. shall be as follows, provided, however, that such limit shall not go below the limit of reimbursement in the case where no financial support is provided to the insurer in default.

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

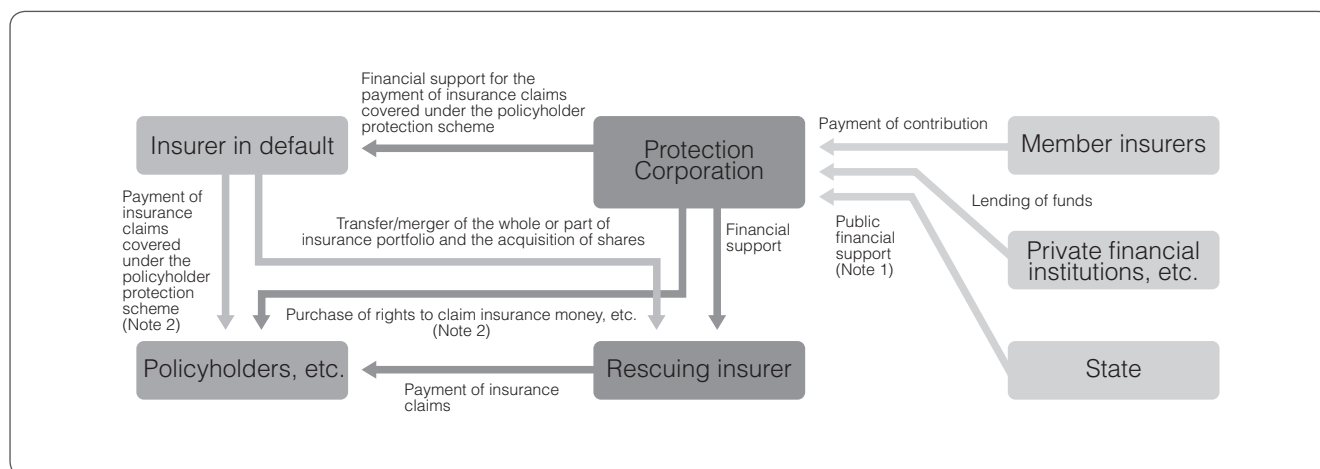
$$\text{Indemnity ratio in the high assumed interest rate policies} = 90\% - \frac{\text{[aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)]}}{2}$$

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.

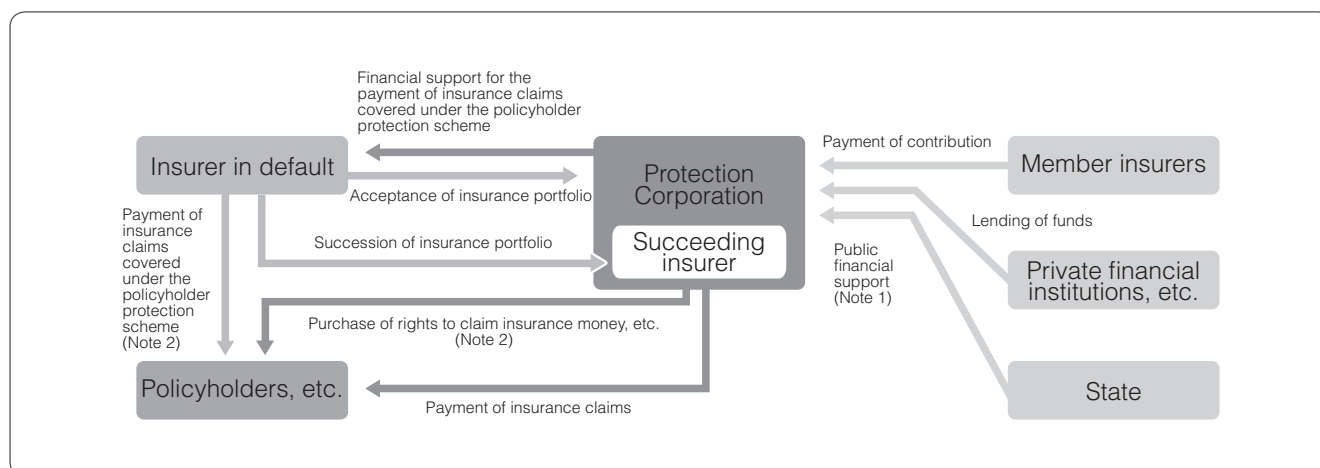
2. In the case where different assumed interest rates apply to the basic coverage and riders under one policy, each such basic coverage and rider applied by a different assumed interest rate shall be regarded as an independent insurance policy, and subject to the evaluation to determine whether it constitutes 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.

## ● 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 (\*).)

\* 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.

## 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,” 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.

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

[http://www.jp-life.japanpost.jp/aboutus/company/abt\\_cmp\\_fiduciary.html](http://www.jp-life.japanpost.jp/aboutus/company/abt_cmp_fiduciary.html) (in Japanese)



## 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.

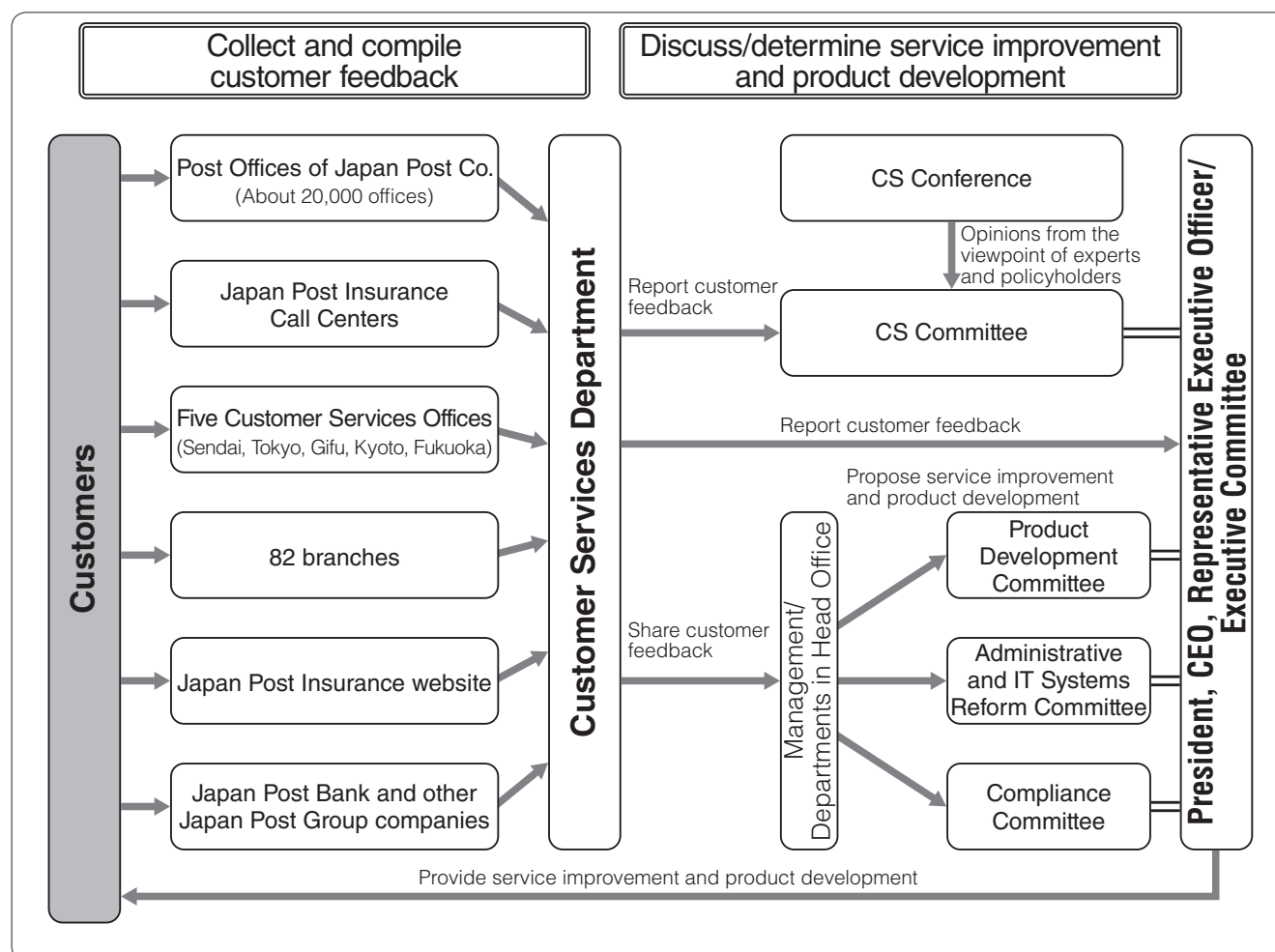
In addition to developing and improving products and services based on customer feedback, our Directors and Executive Officers, as well as our employees, give careful consideration to and act on customer feedback to ensure customer-first business operations.

### ● 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.

### Structure for Product and Service Improvements Using Customer Feedback



Our efforts to improve management from the standpoint of our customers are announced on our website as our Declaration on Customer-Oriented Services.

**“Declaration on Customer-Oriented Services” on the Japan Post Insurance website**

[http://www.jp-life.japanpost.jp/aboutus/company/abt\\_cmp\\_csmorientation.html](http://www.jp-life.japanpost.jp/aboutus/company/abt_cmp_csmorientation.html) (in Japanese)

## Quantity and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2017 to March 31, 2018 was as follows.

Content	April 2017 to March 2018	%
Enrollment in insurance policies	37,311	30.0%
Payments of premiums, etc.	10,063	8.1%
Procedures, dividends and other issues following enrollment in a policy	22,484	18.1%
Payments of insurance benefits	41,509	33.4%
Deduction for insurance premiums	2,564	2.1%
Other issues	10,487	8.4%
Total	124,418	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.

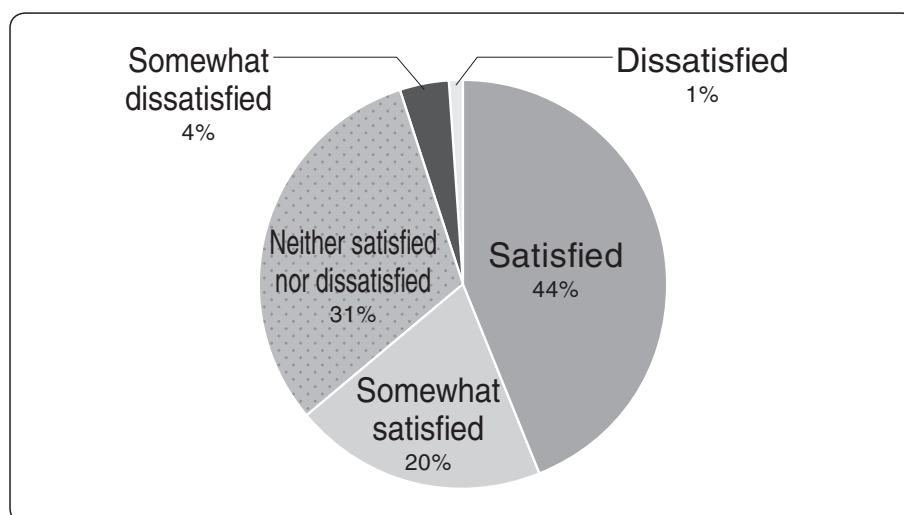
### Overview of Customer Satisfaction Survey Conducted in the Year Ended March 31, 2018

- Period of survey: September-October 2017
- 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: 33,000
- Number of questionnaires returned: 8,605

### 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, 2017 to March 31, 2018, we received a total of 26,395 compliments and positive comments from our customers.

### Sample of customer comments

- When my aged mother was buying an insurance policy, the post office clerk asked for family members to participate in the explanation session so I was able to learn about the policy along with my mother. I was reassured that I was able to check if it was the type of insurance my mother needed.
- A post office clerk came to my house as part of Feel Secure with Kampo and explained about designating the bank account for insurance and I carried out the procedures. It is convenient now that pure endowment insurance is automatically deposited into my bank account.

## Examples of Improvement Based on Our Customers' Comments

Customer Comment	Improvement
Both my spouse and I are healthy now, but we don't know what will happen in the future as we are both already old. I would like my family members to be notified when I am unable to be reached.	We implemented the "Family Registration Scheme" on March 26, 2018 so that our policyholders and their families can continue to hold our policies with a peace of mind. By registering the family members of policyholders, once the policyholder's family confirms the policy details, and once the individual has been verified, the same policy content can be disclosed as it would be to the policyholder, and thus make maintenance and management of insurance policies much easier as a family.
As I am old, I would like to specify a designated proxy for a payment claim, but I do not have a spouse or children, and my parents, grandparents, and siblings have all passed away. I have nieces and nephews, but I cannot specify them as designated proxies for payment claim as we do not live together. Can't the designation scope be expanded?	<p>Due to the progression of the aging population, and the increase in single or elderly households, we have revised and expanded the specifiable range of designated proxies for payment claim.</p> <p>Previously, a family member of an insured person within the third degree of kinship was allowed to be designated if they live with the insured person or make a living with the insured person. This condition has been abolished in the revision, so now, even if the family member does not live with the insured person, if that person is within the third degree of kinship, he/she can be designated as a proxy for payment claims.</p> <p>Furthermore, now persons who are in a domestic partnership with the insured person are permitted by the Company (for postal life insurance, the Management Organization for Postal Savings and Postal Life Insurance) to be designated if it is deemed that they are in a relationship worthy of claiming the insurance, etc. for the insured person.</p>
Recently, I was hospitalized after being in an accident and requested an insurance claim for my hospitalization, but it was extremely tedious as I was asked to write an "accident report" and was even interrogated about the accident by a post office clerk. I would like the process to be simplified.	<p>We abolished the process of interrogations by our clerk, and simplified the process.</p> <p>Also, filling out the "accident report" has become much less burdensome by changing long-hand answer sections to check boxes and by separating the report format by the type of case ("for traffic accidents" and "others").</p>
It is inconvenient to have to fill out multiple "notices of change to payment method" when wanting to change more than four insurance policies to in-person payment types. I would appreciate changes so that all can be handled at once.	We changed the procedure so that if more than four insurance policies are applied for at the same time, by submitting the "details of the notice of change for payment method" along with the "notice of change for payment method," all applications can be received at the same time.



# Financial Statements

1	Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018	<b>94</b>
2	Consolidated Financial Statements	<b>95</b>
3	Non-Consolidated Financial Statements	<b>131</b>
4	Status of Financial Assets (Consolidated)	<b>148</b>
5	Status of Financial Assets (Non-Consolidated)	<b>150</b>
6	Main Business Indicators	<b>161</b>
7	Indicators for Separate Accounts	<b>206</b>

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.



# Financial Statements

<b>1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 .....</b>	<b>94</b>		
<b>2 Consolidated Financial Statements .....</b>	<b>95</b>		
Consolidated Balance Sheets .....	95		
Consolidated Statements of Income .....	96		
Consolidated Statements of Comprehensive Income .....	98		
Consolidated Statements of Changes in Net Assets .....	99		
Consolidated Statements of Cash Flows.....	101		
Notes to the Consolidated Financial Statements .....	103		
Independent Auditor's Report .....	130		
<b>3 Non-Consolidated Financial Statements.....</b>	<b>131</b>		
Non-Consolidated Balance Sheets .....	131		
Non-Consolidated Statements of Income .....	133		
Non-Consolidated Statements of Changes in Net Assets .....	134		
Notes to the Non-Consolidated Financial Statements.....	136		
Independent Auditor's Report .....	147		
<b>4 Status of Financial Assets (Consolidated) .....</b>	<b>148</b>		
4-1 Status of Risk-Monitored Loans (Consolidated).....	148		
4-2 Status of Insurance Claims Paying Ability of the Company and Its Subsidiaries (Consolidated Solvency Margin Ratio) .....	148		
4-3 Status of Insurance Claims Paying Ability of the Company's Subsidiaries (Solvency Margin Ratio).....	149		
<b>5 Status of Financial Assets (Non-Consolidated) .....</b>	<b>150</b>		
5-1 Loans by Borrower Category .....	150		
5-2 Status of Risk-Monitored Loans .....	150		
5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts .....	150		
5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio) .....	151		
5-5 Real Net Assets.....	151		
5-6 Fair Value Information of Securities (Company Total)...	152		
( 1 ) Fair Value Information of Securities .....	152		
( 2 ) Data on Fair Value of Money Held in Trust.....	154		
( 3 ) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting) .....	155		
5-7 Breakdown of Ordinary Profit (Core Profit).....	159		
<b>6 Main Business Indicators .....</b>	<b>161</b>		
6-1 Key Business Indicators (Non-Consolidated) .....	161		
6-2 Selected Financial Data and Other Information .....	162		
( 1 ) Policies in Force and New Policies.....	162	( 5 ) Policies in Force by Benefit Type.....	165
( 2 ) Annualized Premiums.....	162	( 6 ) Policies in Force by Type of Policy of Individual Insurance and Individual Annuity.....	166
( 3 ) New Policies by Product.....	163	( 7 ) Trend of Changes in Policies .....	167
( 4 ) Policies in Force by Product.....	164	( 8 ) Embedded Value ("EV").....	168
		6-3 Insurance Policy Indicators.....	171
		( 1 ) Policies in Force and New Policies.....	171
		( 2 ) Average Policy Amount of New Policies and Policies in Force (individual insurance).....	172
		( 3 ) Ratio of New Policies (against the policy in force at the beginning of fiscal year) .....	172
		( 4 ) Ratio of Surrender and Lapse (against the policy in force at the beginning of fiscal year) ...	172
		( 5 ) Average Premium for New Policies of Individual Insurance (monthly payment agreement).....	172
		( 6 ) Mortality Rates (basic policies in individual insurance) .....	172
		( 7 ) Ratio of Riders Filing Claim (individual insurance) .....	173
		( 8 ) Ratio of Operating Expenses (against premium revenues).....	173
		( 9 ) In the Cases Where Insurance Policies are Reinsured, Number of Principal Insurance Companies Accepting Reinsurance.....	173
		(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 .....	173
		(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.....	174
		(12) Amount of Reinsurance Proceeds Yet to be Recovered .....	174
		(13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance.....	174
		6-4 Accounting Data .....	174
		( 1 ) Reserve for Outstanding Claims.....	174
		( 2 ) Policy Reserves .....	175
		( 3 ) Balance of Policy Reserves .....	175
		( 4 ) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves in Individual Insurance and Individual Annuities (by contract year) .....	175
		( 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.....	176
		( 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).....	176

( 7 ) Reserve for Policyholder Dividends.....	177	6-6 Fair Value Information of Securities	
( 8 ) Reserves.....	177	(General Account).....	201
( 9 ) Provision for Reserve for Specific Foreign		( 1 ) Fair Value of Securities .....	201
Loans .....	177	( 2 ) Fair Value of Money Held in Trust .....	202
(10) Capital Stock, etc. ....	178	( 3 ) Combined Fair Value of Derivative Transactions	
(11) Premiums .....	178	(with or without Hedge Accounting) .....	205
(12) Insurance Claims .....	179	<b>7 Indicators for Separate Accounts.....</b>	<b>206</b>
(13) Annuities .....	180		
(14) Benefits .....	181		
(15) Surrender Benefits .....	182		
(16) Depreciation and Amortization .....	183		
(17) Operating Expenses .....	183		
(18) Taxes.....	184		
(19) Lease Transactions.....	184		
(20) Borrowings by Maturity Date .....	184		
<b>6-5 Indicators Related to Asset Management</b>			
(General Account).....	185		
( 1 ) Portfolio Trends .....	185		
( 2 ) Yield .....	186		
( 3 ) Average Balance on Primary Assets .....	186		
( 4 ) Investment Income .....	187		
( 5 ) Investment Expenses.....	187		
( 6 ) Interest, Dividends and Other Income.....	188		
( 7 ) Gains on Sales of Securities .....	188		
( 8 ) Losses on Sales of Securities .....	188		
( 9 ) Losses on Valuation of Securities .....	188		
(10) Proprietary Trading Securities .....	189		
(11) Proceeds on Sales of Proprietary Trading			
Securities .....	189		
(12) Securities Composition .....	189		
(13) Securities by Maturity Date.....	190		
(14) Bond Term-End Balance Yield.....	191		
(15) Breakdown of Local Government Bonds by			
Region.....	191		
(16) Shareholdings by Industry Sector .....	192		
(17) Loans .....	193		
(18) Loans by Contractual Maturity Date .....	193		
(19) Loans to Domestic Companies by Company			
Size .....	194		
(20) Breakdown of Loans by Industry .....	195		
(21) Breakdown of Industrial Loans by Use.....	196		
(22) Breakdown of Loans by Region.....	196		
(23) Breakdown of Loans by Collateral.....	196		
(24) Tangible Fixed Assets.....	197		
(25) Gains on Disposal of Fixed Assets .....	197		
(26) Losses on Disposal of Fixed Assets .....	198		
(27) Depreciation on Real Estate, Movables and			
Other Assets Held for Leasing.....	198		
(28) Overseas Loans and Investments .....	198		
(29) Yield on Overseas Loans and Investments .....	200		
(30) Summary of New Public-Sector Investment			
Underwriting and Loans .....	200		
(31) Loan Interest Rates.....	200		
(32) Other Assets .....	200		

# 1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

The Japanese economy in the fiscal year ended March 31, 2018 continued gradual recovery as exports and production grew amid improvement in personal consumption. The U.S., European and Chinese economies continued solid recovery due to continuing growth in production in the manufacturing industry worldwide.

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 has 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 through the nationwide network of post offices, along with warmhearted customer services, through "Feel Secure with Kampo" activities.

Ordinary income amounted to ¥7,952.9 billion (8.2% decrease year on year), comprising the sum of insurance premiums and others of ¥4,236.4 billion (16.0% decrease year on year), investment income of ¥1,284.5 billion (6.1% decrease year on year), and other ordinary income of ¥2,431.9 billion (8.1% increase year on year).

Ordinary expenses amounted to ¥7,643.7 billion (8.8% decrease year on year), comprising the sum of insurance claims and others of ¥6,890.0 billion (8.7% decrease year on year), investment expenses of ¥106.0 billion (33.9% decrease year on year), operating expenses of ¥533.4 billion (4.8% decrease year on year), other ordinary expenses of ¥114.1 billion (5.2% increase year on year) and others.

As a result, ordinary profit amounted to ¥309.2 billion (10.5% increase year on year), and net income attributable to Japan Post Insurance amounted to ¥104.4 billion (17.9% increase year on year), which is calculated by adjusting extraordinary gains or losses, and subtracting 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, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>ASSETS:</b>			
Cash and deposits (Notes 3 and 25)	¥ 898,504	¥ 1,366,086	\$ 8,457
Call loans (Note 25)	265,000	150,000	2,494
Receivables under securities borrowing transactions (Note 25)	3,296,222	3,520,722	31,026
Monetary claims bought (Note 25)	176,069	27,561	1,657
Money held in trust (Notes 4 and 25)	2,814,873	2,127,042	26,495
Securities (Notes 4, 5 and 25)	60,130,909	63,485,289	565,991
Loans (Notes 6 and 25)	7,627,147	8,060,902	71,792
Tangible fixed assets (Note 7):			
Land	43,066	68,272	405
Buildings	32,888	44,664	310
Leased assets	2,194	2,047	21
Construction in progress	8,149	6,255	77
Other tangible fixed assets	14,617	16,022	138
Total tangible fixed assets	100,915	137,262	950
Intangible fixed assets:			
Software	163,246	185,498	1,537
Other intangible fixed assets	19	21	0
Total intangible fixed assets	163,265	185,520	1,537
Agency accounts receivable	33,715	50,888	317
Reinsurance receivables	3,227	2,293	30
Other assets (Note 6)	368,020	371,905	3,464
Deferred tax assets (Note 15)	954,085	851,942	8,980
Reserve for possible loan losses	(695)	(658)	(7)
<b>Total assets</b>	<b>¥ 76,831,261</b>	<b>¥ 80,336,760</b>	<b>\$ 723,186</b>
<b>LIABILITIES:</b>			
Policy reserves and others:			
Reserve for outstanding claims (Note 8)	¥ 548,196	¥ 577,376	\$ 5,160
Policy reserves (Notes 8 and 13)	67,777,297	70,175,234	637,964
Reserve for policyholder dividends (Note 10)	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
Payables under securities lending transactions (Notes 5 and 25)	3,663,547	4,889,066	34,484
Other liabilities (Notes 6, 11 and 14)	229,514	213,565	2,160
Liability for retirement benefits (Note 12)	63,739	62,184	600
Reserve for management board benefit trust	172	76	2
Reserve for price fluctuations (Note 13)	916,743	788,712	8,629
<b>Total liabilities</b>	<b>¥ 74,828,135</b>	<b>¥ 78,483,557</b>	<b>\$ 704,331</b>
<b>NET ASSETS (Note 16):</b>			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,706
Capital surplus	500,044	500,044	4,707
Retained earnings	595,846	527,358	5,608
Treasury stock	(466)	(521)	(4)
Total shareholders' equity	1,595,424	1,526,882	15,017
Net unrealized gains (losses) on available-for-sale securities	403,913	321,904	3,802
Net deferred gains (losses) on hedges	32	50	0
Accumulated adjustments for retirement benefits	3,755	4,366	35
Total accumulated other comprehensive income	407,701	326,321	3,838
<b>Total net assets</b>	<b>2,003,126</b>	<b>1,853,203</b>	<b>18,855</b>
<b>Total liabilities and net assets</b>	<b>¥ 76,831,261</b>	<b>¥ 80,336,760</b>	<b>\$ 723,186</b>

See accompanying notes to consolidated financial statements.

# JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

## 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>			
Insurance premiums and others (Note 19)	¥ 4,236,461	¥ 5,041,868	\$ 39,876
Investment income:			
Interest and dividend income	1,152,306	1,226,193	10,846
Gains on money held in trust	95,189	56,535	896
Gains on sales of securities	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 18)	29,180	57,790	275
Reversal of policy reserves (Note 18)	2,397,936	2,187,268	22,571
Other ordinary income	4,843	4,579	46
Total other ordinary income	2,431,960	2,249,639	22,891
Total ordinary income	7,952,951	8,659,444	74,858
<b>ORDINARY EXPENSES:</b>			
Insurance claims and others:			
Insurance claims (Note 20)	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	65,733	124,734	619
Losses on redemption of securities	5,964	7,480	56
Losses on derivative financial instruments	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</b> (Note 17)	533,461	560,423	5,021
<b>Other ordinary expenses</b>	114,154	108,502	1,074
<b>Total ordinary expenses</b>	7,643,717	8,379,689	71,948
<b>Ordinary profit</b>	309,233	279,755	2,911



	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>EXTRAORDINARY GAINS</b> (Note 21)	<b>86,053</b>	—	<b>810</b>
<b>EXTRAORDINARY LOSSES</b> (Note 22)	<b>130,372</b>	6,892	<b>1,227</b>
<b>Provision for reserve for policyholder dividends</b> (Note 23)	<b>117,792</b>	152,679	<b>1,109</b>
<b>Income before income taxes</b>	<b>147,122</b>	120,182	<b>1,385</b>
<b>Income taxes</b> (Note 15):			
Current	<b>176,428</b>	136,749	<b>1,661</b>
Deferred	<b>(133,793)</b>	(105,163)	<b>(1,259)</b>
<b>Total income taxes</b>	<b>42,634</b>	31,586	<b>401</b>
<b>Net income</b>	<b>¥ 104,487</b>	¥ 88,596	<b>\$ 983</b>
<b>Net income attributable to non-controlling interests</b>	—	—	—
<b>Net income attributable to Japan Post Insurance</b>	<b>104,487</b>	88,596	<b>983</b>

	Yen		U.S. Dollars
<b>Per share of common stock</b> (Note 30):			
Basic net income	<b>¥ 174.21</b>	¥ 147.71	<b>\$ 1.64</b>
Diluted net income	—	—	—

See accompanying notes to consolidated financial statements.

# JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
Net income	¥ 104,487	¥ 88,596	\$ 983
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on available-for-sale securities	82,009	(83,507)	772
Net deferred gains (losses) on hedges	(17)	(90)	(0)
Adjustments for retirement benefits	(611)	(655)	(6)
Total other comprehensive income (loss)	81,380	(84,254)	766
Comprehensive income	¥ 185,868	¥ 4,342	\$ 1,750
Total comprehensive income attributable to:			
Japan Post Insurance	185,868	4,342	1,750
Non-controlling interests	—	—	—

See accompanying notes to consolidated financial statements.

# JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2016	¥ 500,000	¥ 500,044	¥ 472,362	¥ —	¥ 1,472,406
Changes in the fiscal year:					
Cash dividends			(33,600)		(33,600)
Net income attributable to Japan Post Insurance			88,596		88,596
Purchases of treasury stock				(538)	(538)
Disposals of treasury stock				17	17
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	54,996	(521)	54,475
<b>BALANCE, MARCH 31, 2017</b>	<b>500,000</b>	<b>500,044</b>	<b>527,358</b>	<b>(521)</b>	<b>1,526,882</b>
Changes in the fiscal year:					
Cash dividends			(36,000)		(36,000)
Net income attributable to Japan Post Insurance			104,487		104,487
Purchases of treasury stock				—	—
Disposals of treasury stock				54	54
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	68,487	54	68,542
<b>BALANCE, MARCH 31, 2018</b>	<b>¥ 500,000</b>	<b>¥ 500,044</b>	<b>¥ 595,846</b>	<b>¥ (466)</b>	<b>¥ 1,595,424</b>

	Millions of Yen				
	Accumulated other comprehensive income				
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
BALANCE, APRIL 1, 2016	¥ 405,412	¥ 140	¥ 5,022	¥ 410,575	¥ 1,882,982
Changes in the fiscal year:					
Cash dividends					(33,600)
Net income attributable to Japan Post Insurance					88,596
Purchases of treasury stock					(538)
Disposals of treasury stock					17
Net changes in items other than shareholders' equity in the fiscal year	(83,507)	(90)	(655)	(84,254)	(84,254)
Net changes in the fiscal year	(83,507)	(90)	(655)	(84,254)	(29,778)
<b>BALANCE, MARCH 31, 2017</b>	<b>321,904</b>	<b>50</b>	<b>4,366</b>	<b>326,321</b>	<b>1,853,203</b>
Changes in the fiscal year:					
Cash dividends					(36,000)
Net income attributable to Japan Post Insurance					104,487
Purchases of treasury stock					—
Disposals of treasury stock					54
Net changes in items other than shareholders' equity in the fiscal year	82,009	(17)	(611)	81,380	81,380
Net changes in the fiscal year	82,009	(17)	(611)	81,380	149,922
<b>BALANCE, MARCH 31, 2018</b>	<b>¥ 403,913</b>	<b>¥ 32</b>	<b>¥ 3,755</b>	<b>¥ 407,701</b>	<b>¥ 2,003,126</b>

Millions of U.S. Dollars (Note 1)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>BALANCE, MARCH 31, 2017</b>	<b>\$ 4,706</b>	<b>\$ 4,707</b>	<b>\$ 4,964</b>	<b>\$ (5)</b>	<b>\$ 14,372</b>
<b>Changes in the fiscal year:</b>					
Cash dividends			(339)		(339)
Net income attributable to Japan Post Insurance			983		983
Purchases of treasury stock				—	—
Disposals of treasury stock				1	1
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	645	1	645
<b>BALANCE, MARCH 31, 2018</b>	<b>\$ 4,706</b>	<b>\$ 4,707</b>	<b>\$ 5,608</b>	<b>\$ (4)</b>	<b>\$ 15,017</b>

Millions of U.S. Dollars (Note 1)

Accumulated other comprehensive income

	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
<b>BALANCE, MARCH 31, 2017</b>	<b>\$ 3,030</b>	<b>\$ 0</b>	<b>\$ 41</b>	<b>\$ 3,072</b>	<b>\$ 17,444</b>
<b>Changes in the fiscal year:</b>					
Cash dividends					(339)
Net income attributable to Japan Post Insurance					983
Purchases of treasury stock					—
Disposals of treasury stock					1
Net changes in items other than shareholders' equity in the fiscal year	772	(0)	(6)	766	766
Net changes in the fiscal year	772	(0)	(6)	766	1,411
<b>BALANCE, MARCH 31, 2018</b>	<b>\$ 3,802</b>	<b>\$ 0</b>	<b>\$ 35</b>	<b>\$ 3,838</b>	<b>\$ 18,855</b>

See accompanying notes to consolidated financial statements.

## JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2018 AND 2017

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2018	2017	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 147,122	¥ 120,182	\$ 1,385
Depreciation and amortization	61,321	46,819	577
Impairment loss	2,003	—	19
Net change in reserve for outstanding claims	(29,180)	(57,790)	(275)
Net change in policy reserves	(2,397,936)	(2,187,268)	(22,571)
Provision for interest on policyholder dividends	7	25	0
Provision for reserve for policyholder dividends	117,792	152,679	1,109
Net change in reserve for possible loan losses	37	(114)	0
Net change in liability for retirement benefits	1,554	1,381	15
Net change in reserve for management board benefit trust	96	76	1
Net change in reserve for price fluctuations	128,031	6,444	1,205
Interest and dividend income (accrual basis)	(1,152,306)	(1,226,193)	(10,846)
Net (gains) losses on securities	35,175	47,039	331
Interest expenses (accrual basis)	1,450	2,218	14
Net (gains) losses on foreign exchanges	(284)	3,362	(3)
Net (gains) losses on tangible fixed assets	(85,747)	183	(807)
Net change in agency accounts receivable	17,173	30,304	162
Net change in reinsurance receivables	(933)	(924)	(9)
Net change in other assets (excluding those related to investing activities and financing activities)	37,643	141,332	354
Net change in reinsurance payables	1,259	1,396	12
Net change in other liabilities (excluding those related to investing activities and financing activities)	4,810	(1,914)	45
Other, net	(63,709)	(30,292)	(600)
Subtotal	(3,174,619)	(2,951,050)	(29,882)
Interest and dividend received (cash basis)	1,178,908	1,315,932	11,097
Interest paid (cash basis)	(1,567)	(2,142)	(15)
Policyholder dividends paid	(267,178)	(316,351)	(2,515)
Income taxes paid	(134,029)	(137,326)	(1,262)
Net cash used in operating activities	¥ (2,398,486)	¥ (2,090,939)	\$ (22,576)



**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchases of call loans	
Proceeds from redemption of call loans	
Net change in receivables under securities borrowing transactions	
Purchases of monetary claims bought	
Proceeds from sale and redemption of monetary claims bought	
Purchases of money held in trust	
Proceeds from decrease in money held in trust	
Purchases of securities	
Proceeds from sale and redemption of securities	
Payments for loans	
Proceeds from collection of loans	
Net change in payables under securities lending transactions	
Other, net	
Total of net cash provided by investment transactions	
Total of net cash used in operating activities and investment transactions	
Purchases of tangible fixed assets	
Proceeds from sales of tangible fixed assets	
Purchases of intangible fixed assets	
Other, net	
Net cash provided by investing activities	

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Repayment of lease obligations	
Purchases of treasury stock	
Dividends paid	
Net cash used in financing activities	

Effect of exchange rate changes on cash and cash equivalents	
Net change in cash and cash equivalents	
Cash and cash equivalents at the beginning of the year	
Cash and cash equivalents at the end of the year (Note 3)	

See accompanying notes to consolidated financial statements.

Millions of Yen		Millions of U.S. Dollars (Note 1)
2018	2017	2018
¥ (8,090,000)	¥ (26,495,000)	\$ (76,148)
7,975,000	26,705,000	75,066
224,499	(512,131)	2,113
(429,999)	(1,616,999)	(4,047)
281,242	2,018,804	2,647
(495,300)	(215,000)	(4,662)
30,000	—	282
(5,116,144)	(8,424,473)	(48,156)
8,298,957	8,107,266	78,115
(911,162)	(1,065,448)	(8,576)
1,344,889	1,982,969	12,659
(1,225,519)	1,240,587	(11,535)
(588)	(43,843)	(6)
1,885,875	1,681,731	17,751
(512,611)	(409,207)	(4,825)
(6,332)	(3,219)	(60)
115,849	—	1,090
(27,107)	(49,347)	(255)
(759)	(152)	(7)
1,967,525	1,629,012	18,520
(636)	(519)	(6)
—	(538)	—
(35,984)	(33,564)	(339)
(36,620)	(34,622)	(345)
—	—	—
(467,581)	(496,549)	(4,401)
1,366,086	1,862,636	12,858
¥ 898,504	¥ 1,366,086	\$ 8,457

# JAPAN POST INSURANCE CO., LTD., AND SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2018 AND 2017

### 1. BASIS OF PRESENTATION

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

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

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

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

##### 1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements for all periods presented include the accounts of the Company and a subsidiary, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (collectively, the "Group"). There are no non-consolidated subsidiaries.

##### 2) Application of the equity method

There are no non-consolidated subsidiaries and affiliates accounted for under the equity method. In addition, there are no non-consolidated subsidiaries that are not accounted for under the equity method.

The Company has 2 (0 in 2017) affiliates including Japan Post Investment Corporation that are not accounted for by the equity method. These companies are excluded from the scope of the equity method

because their net income (loss), retained earnings, and others are immaterial, and the exclusion of these companies from the scope of companies accounted for by the equity method does not hinder a reasonable understanding of the Group's financial position and results of operations.

#### 3) 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) Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method 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.

### (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, 2018 and 2017, were ¥65 million (\$1 million) and ¥214 million, respectively.

### (7) Policy Reserves

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

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

Pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act, 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.

#### **(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.

#### **(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) Additional Information**

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

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

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

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

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

##### **A) Outline of the transaction**

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

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

##### **B) Shares of the Company held in trust**

Shares of the Company held in trust are recorded as treasury stock under the category of net assets at book value in the trust (excluding accompanying expenses). The book value of such treasury stock at the end of the year ended March 31, 2018 and 2017, was ¥466 million (\$4 million) and ¥521 million, respectively, while the number of such treasury stock was 198 thousand shares and 221 thousand shares, respectively.

### 3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2018 and 2017, and cash and deposits in the consolidated balance sheets 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>			
Cash and deposits	¥ 898,504	¥ 1,366,086	\$ 8,457
Cash and cash equivalents at the end of the year	¥ 898,504	¥ 1,366,086	\$ 8,457

### 4. SECURITIES

#### (1) Securities

Securities 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>			
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	195,395	58,321	1,839
Foreign bonds	4,347,564	4,351,731	40,922
Other	2,011,524	1,417,122	18,934
Total	¥ 60,130,909	¥ 63,485,289	\$ 565,991

Investments in affiliates in the amount of ¥495 million (\$5 million) were included in "Stocks" as of March 31, 2018. There were no investments in affiliates as of March 31, 2017.

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 consolidated balance sheets as of March 31, 2018 and 2017, respectively.

The Group 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 consolidated balance sheet amount and fair value of policy-reserve-matching bonds 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>			
Consolidated balance sheet amount	¥ 10,676,330	¥ 12,517,334	\$ 100,493
Fair value	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 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)

	2018				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
<b>March 31</b>					
Bonds	¥ 38,392,055	¥ 44,508,572	¥ 6,116,516	¥ 6,158,096	¥ (41,579)
Japanese government bonds	29,289,869	34,915,893	5,626,024	5,661,940	(35,915)
Japanese local government bonds	6,847,288	7,199,958	352,669	355,924	(3,254)
Japanese corporate bonds	2,254,897	2,392,719	137,822	140,231	(2,409)
Foreign securities	98,000	100,160	2,160	2,160	—
Foreign bonds	98,000	100,160	2,160	2,160	—
Total	¥ 38,490,055	¥ 44,608,732	¥ 6,118,677	¥ 6,160,256	¥ (41,579)

(Millions of Yen)

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

(Millions of U.S. Dollars)

	2018				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
<b>March 31</b>					
Bonds	\$ 361,371	\$ 418,944	\$ 57,573	\$ 57,964	\$ (391)
Japanese government bonds	275,695	328,651	52,956	53,294	(338)
Japanese local government bonds	64,451	67,771	3,320	3,350	(31)
Japanese corporate bonds	21,225	22,522	1,297	1,320	(23)
Foreign securities	922	943	20	20	—
Foreign bonds	922	943	20	20	—
Total	\$ 362,293	\$ 419,886	\$ 57,593	\$ 57,984	\$ (391)

## 2) Policy-reserve-matching bonds

(Millions of Yen)

2018					
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
<b>March 31</b>					
Bonds	¥ 10,676,330	¥ 11,769,615	¥ 1,093,285	¥ 1,103,904	¥ (10,618)
Japanese government bonds	9,884,662	10,942,829	1,058,167	1,068,439	(10,271)
Japanese local government bonds	561,453	587,254	25,801	26,148	(346)
Japanese corporate bonds	230,214	239,531	9,316	9,316	(0)
Total	¥ 10,676,330	¥ 11,769,615	¥ 1,093,285	¥ 1,103,904	¥ (10,618)

(Millions of Yen)

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

(Millions of U.S. Dollars)

2018					
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
<b>March 31</b>					
Bonds	\$ 100,493	\$ 110,783	\$ 10,291	\$ 10,391	\$ (100)
Japanese government bonds	93,041	103,001	9,960	10,057	(97)
Japanese local government bonds	5,285	5,528	243	246	(3)
Japanese corporate bonds	2,167	2,255	88	88	(0)
Total	\$ 100,493	\$ 110,783	\$ 10,291	\$ 10,391	\$ (100)

## 3) Available-for-sale securities

(Millions of Yen)

March 31	2018				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 4,508,040	¥ 4,474,163	¥ 33,877	¥ 55,126	¥ (21,248)
Japanese government bonds	415,365	424,274	(8,909)	—	(8,909)
Japanese local government bonds	1,104,842	1,107,388	(2,546)	495	(3,041)
Japanese corporate bonds	2,987,833	2,942,499	45,333	54,630	(9,297)
Stocks	190,659	180,384	10,274	13,802	(3,527)
Foreign securities	4,249,564	4,238,918	10,645	124,782	(114,136)
Foreign bonds	4,137,485	4,129,047	8,437	122,573	(114,136)
Foreign other securities	112,079	109,870	2,208	2,208	—
Other <sup>1</sup>	2,607,593	2,620,442	(12,849)	9,319	(22,169)
Total	¥ 11,555,857	¥ 11,513,909	¥ 41,948	¥ 203,030	¥ (161,081)

(Millions of Yen)

March 31	2017				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 4,796,899	¥ 4,758,489	¥ 38,409	¥ 71,613	¥ (33,204)
Japanese government bonds	422,893	444,229	(21,335)	181	(21,517)
Japanese local government bonds	1,246,368	1,250,422	(4,054)	1,331	(5,386)
Japanese corporate bonds	3,127,637	3,063,837	63,800	70,100	(6,299)
Stocks	54,081	50,206	3,874	4,205	(331)
Foreign securities	4,253,731	4,224,600	29,130	175,028	(145,898)
Foreign bonds	4,248,732	4,219,602	29,130	175,028	(145,898)
Foreign other securities	4,998	4,998	—	—	—
Other <sup>2</sup>	1,794,684	1,803,149	(8,465)	6,498	(14,964)
Total	¥ 10,899,395	¥ 10,836,447	¥ 62,948	¥ 257,346	¥ (194,398)

(Millions of U.S. Dollars)

March 31	2018				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 42,433	\$ 42,114	\$ 319	\$ 519	\$ (200)
Japanese government bonds	3,910	3,994	(84)	—	(84)
Japanese local government bonds	10,399	10,423	(24)	5	(29)
Japanese corporate bonds	28,123	27,697	427	514	(88)
Stocks	1,795	1,698	97	130	(33)
Foreign securities	40,000	39,899	100	1,175	(1,074)
Foreign bonds	38,945	38,865	79	1,154	(1,074)
Foreign other securities	1,055	1,034	21	21	—
Other <sup>1</sup>	24,544	24,665	(121)	88	(209)
Total	\$ 108,771	\$ 108,376	\$ 395	\$ 1,911	\$ (1,516)

Notes:

1. "Other" includes negotiable certificates of deposit (cost: ¥420,000 million (\$3,953 million), consolidated balance sheet amount: ¥420,000 million (\$3,953 million)) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥173,907 million (\$1,637 million), consolidated balance sheet amount: ¥176,069 million (\$1,657 million)) as of March 31, 2018.

2. "Other" includes negotiable certificates of deposit (cost: ¥350,000 million, consolidated balance sheet amount: ¥350,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥25,149 million, consolidated balance sheet amount: ¥27,561 million) as of March 31, 2017.

3. Bonds among available-for-sale securities denominated in foreign currencies, in the event of significant yen appreciation causing a significant drop in their yen values, are subject to recognition of losses on valuation. Although the existence of "significant yen appreciation" was determined based on the exchange rate at the end of each period so far, the Company has decided to make such determination based on the average exchange rate during the final month of the period from the year ended March 31, 2017. As investments in bonds denominated in foreign currencies are on the rise, this change intends to present business results more appropriately reflecting the Company's investment policy to ensure stable profits over the medium to long term period.

There was no recognition of losses on valuation for the year ended March 31, 2017, and no impact due to such change.

#### 4) Available-for-sale securities sold for the years ended March 31, 2018 and 2017

(Millions of Yen)

##### March 31

Bonds	
Japanese local government bonds	
Japanese corporate bonds	
Stocks	
Foreign securities	
Foreign bonds	
Other securities	
Total	

2018		
Sales	Gains	Losses
¥ 16,223	¥ 1	¥ (334)
—	—	—
16,223	1	(334)
37,437	4,692	(1,152)
1,385,474	31,774	(64,156)
1,385,474	31,774	(64,156)
24,909	—	(90)
¥ 1,464,045	¥ 36,468	¥ (65,733)

(Millions of Yen)

##### March 31

Bonds	
Japanese local government bonds	
Japanese corporate bonds	
Stocks	
Foreign securities	
Foreign bonds	
Other securities	
Total	

2017		
Sales	Gains	Losses
¥ 202,108	¥ 1,384	¥ (147)
55,716	126	(138)
146,392	1,258	(8)
4,703	352	(53)
2,488,583	83,406	(124,533)
2,488,583	83,406	(124,533)
—	—	—
¥ 2,695,395	¥ 85,142	¥ (124,734)

(Millions of U.S. Dollars)

##### March 31

Bonds	
Japanese local government bonds	
Japanese corporate bonds	
Stocks	
Foreign securities	
Foreign bonds	
Other securities	
Total	

2018		
Sales	Gains	Losses
\$ 153	\$ 0	\$ (3)
—	—	—
153	0	(3)
352	44	(11)
13,041	299	(604)
13,041	299	(604)
234	—	(1)
\$ 13,781	\$ 343	\$ (619)

#### (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

2018				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 2,755,347	¥ 2,238,862	¥ 516,484	¥ 555,532	¥ (39,047)

(Millions of Yen)

##### March 31

Specified money held in trust

2017				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 2,127,042	¥ 1,746,326	¥ 380,716	¥ 400,483	¥ (19,767)

(Millions of U.S. Dollars)

##### March 31

Specified money held in trust

2018				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
\$ 25,935	\$ 21,074	\$ 4,861	\$ 5,229	\$ (368)

Note:

**For the year ended March 31, 2018**

The Group recognized losses on valuation of ¥561 million (\$5 million).

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

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

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

**For the year ended March 31, 2017**

The Group recognized losses on valuation of ¥1,066 million.

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

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

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

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

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

## 5. 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



## 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, 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 "Other liabilities (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 "Other assets (accrued income)," and advances repaid of such loans recorded in "Other liabilities (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.

## 7. TANGIBLE FIXED ASSETS

Accumulated depreciation 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>			
Accumulated depreciation	¥ 32,715	¥ 75,722	\$ 308

## 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, 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

## 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 ¥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.

## 10. 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
<b>Years ended March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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

## 11. LEASE OBLIGATIONS AND OTHER INTEREST-BEARING DEBT

Lease obligations and other interest-bearing debt as of March 31, 2018 and 2017, were as follows:

	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
<b>March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	
Lease obligations	¥ 2,364	¥ 2,202	\$ 22	—	March 2025
Other interest-bearing debt:					
Payables under securities lending transactions	3,663,547	4,889,066	34,484	0.03%	—
Total	¥ 3,665,912	¥ 4,891,269	\$ 34,506	—	—

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, 2018, was as follows:

	Millions of Yen	Millions of U.S. Dollars
<b>March 31</b>		
Within 1 year	¥ 614	\$ 6
Due after 1 year through 2 years	549	5
Due after 2 years through 3 years	464	4
Due after 3 years through 4 years	333	3
Due after 4 years through 5 years	223	2
Due after 5 years	179	2
Total	¥ 2,364	\$ 22

## 12. RETIREMENT BENEFITS

### (1) Outline of Retirement Benefits

The Group has adopted lump-sum severance indemnity plans as unfunded defined benefit plans.

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 years ended March 31, 2018 and 2017, was ¥360 million (\$3 million) and ¥345 million, respectively.

### (2) Defined Benefit Plans

#### 1) Changes in retirement benefit obligations

	Millions of Yen		Millions of U.S. Dollars
<u>Years ended March 31</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Balance at the beginning of the year	¥ 62,184	¥ 60,803	\$ 585
Service cost	4,075	3,993	38
Interest cost	431	421	4
Actuarial differences	298	281	3
Benefits paid	(3,292)	(3,342)	(31)
Other	42	27	0
Balance at the end of the year	¥ 63,739	¥ 62,184	\$ 600

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

	Millions of Yen		Millions of U.S. Dollars
<u>March 31</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Unfunded retirement benefit obligations	¥ 63,739	¥ 62,184	\$ 600
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 63,739	¥ 62,184	\$ 600

#### 3) Retirement benefit costs

	Millions of Yen		Millions of U.S. Dollars
<u>Years ended March 31</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Service cost	¥ 4,075	¥ 3,993	\$ 38
Interest cost	431	421	4
Amortization of actuarial differences	(239)	(259)	(2)
Amortization of prior service cost	(369)	(369)	(3)
Other	175	166	2
Retirement benefit expenses of defined benefit plans	¥ 4,072	¥ 3,952	\$ 38

#### 4) Adjustments for retirement benefits (before tax effect)

	Millions of Yen		Millions of U.S. Dollars
<u>Years ended March 31</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Prior service cost	¥ (308)	¥ (369)	\$ (3)
Actuarial differences	(537)	(541)	(5)
Total	¥ (846)	¥ (911)	\$ (8)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Unrecognized prior service cost	¥ 4,095	¥ 4,404	\$ 39
Unrecognized actuarial differences	1,122	1,660	11
Total	¥ 5,218	¥ 6,064	\$ 49

### 6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2018 and 2017, were as follows:

Years ended March 31	2018	2017
Discount rate	0.3% – 0.7%	0.3% – 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, 2018 and 2017, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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

## 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, 2018 and 2017, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Deposits from the Management Organization	¥ 46,329	¥ 50,481	\$ 436

## 15. 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
<b>March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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
Liability for retirement benefits	17,881	17,456	168
Unrealized losses on available-for-sale securities	56,264	59,950	530
Other	17,450	20,737	164
Subtotal	1,176,118	1,042,615	11,070
Valuation allowance	(3,907)	(4,482)	(37)
Total deferred tax assets	1,172,211	1,038,133	11,034
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(209,916)	(181,710)	(1,976)
Other	(8,208)	(4,481)	(77)
Total deferred tax liabilities	(218,125)	(186,191)	(2,053)
Net deferred tax assets (liabilities)	¥ 954,085	¥ 851,942	\$ 8,980

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% 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 consolidated statements of income to the statutory tax rate for the year ended March 31, 2017 was as follows:

<b>Year ended March 31</b>	<b>2017</b>
Statutory tax rate	28.24%
Change in valuation allowance	(2.61)
Other	0.65
Effective income tax rate	26.28%

## 16. NET ASSETS

### (1) Type and Number of Shares Issued

	Thousands of shares		
<b>Year ended March 31, 2018</b>	<b>April 1, 2017</b>	<b>Increase</b>	<b>Decrease</b>
Shares issued:			<b>March 31, 2018</b>
Common stock	600,000	—	—
Total	600,000	—	—
Treasury stock			
Common stock	221	—	23
Total	221	—	23

Notes:

- The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2018, was shares of the Company held in the BBT, and was 221 thousand shares and 198 thousand shares, respectively.
- The decrease of 23 thousand shares of treasury stock of common stock was attributable to the granting of shares via the BBT.

	Thousands of shares		
<b>Year ended March 31, 2017</b>	<b>April 1, 2016</b>	<b>Increase</b>	<b>Decrease</b>
Shares issued:			<b>March 31, 2017</b>
Common stock	600,000	—	—
Total	600,000	—	—
Treasury stock			
Common stock	—	228	7
Total	—	228	7

Notes:

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



**(2) Information on Dividends****1) Dividends paid****Dividend paid for the year ended March 31, 2018**

Resolution	Type of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017	Common stock	¥ 36,000	\$ 339	¥ 60.00	\$ 0.56	March 31, 2017	June 22, 2017

Notes:

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

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

**Dividend paid for the year ended March 31, 2017**

Resolution	Type of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 13, 2016	Common stock	¥ 33,600	¥ 56.00	March 31, 2016	June 23, 2016

**2) Dividends for which the effective date falls after the end of the fiscal year****Dividends for which the effective date falls after the end of the year ended March 31, 2018**

Resolution	Type of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2018	Common stock	¥ 40,800	\$ 384	Retained earnings	¥ 68.00	\$ 0.64	March 31, 2018	June 19, 2018

Notes:

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

2. The amount of dividends per share includes a special dividend of ¥4 (\$0.04) per share.

**17. OPERATING EXPENSES**

Operating expenses for the years ended March 31, 2018 and 2017, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Sales activity expenses	¥ 177,274	¥ 201,199	\$ 1,669
Sales administration expenses	17,692	20,618	167
General administration expenses	338,494	338,605	3,186
Total	¥ 533,461	¥ 560,423	\$ 5,021

**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, 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.

**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, 2018 and 2017, were as follows:

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

## 20. 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:

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

## 21. EXTRAORDINARY GAINS

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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.

## 22. EXTRAORDINARY LOSSES

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Losses on sales and disposal of fixed assets	¥ 337	¥ 448	\$ 3
Losses on impairment of fixed assets	2,003	—	19
Provision for reserve for price fluctuations	128,031	6,444	1,205
Total	¥ 130,372	¥ 6,892	\$ 1,227

Note: As mentioned in Note 21 "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.

## 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, 2018 and 2017, was as follows:

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

## 24. OTHER COMPREHENSIVE INCOME

The amount reclassified and the tax effect amounts related to other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 124,111	¥ (147,188)	\$ 1,168
Reclassification adjustments	(10,210)	29,325	(96)
Before tax-effect adjustments	113,901	(117,862)	1,072
Tax effect	(31,892)	34,355	(300)
Net unrealized gains (losses) on available-for-sale securities	82,009	(83,507)	772
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(24)	(91)	(0)
Reclassification adjustments	—	(34)	—
Before tax-effect adjustments	(24)	(125)	(0)
Tax effect	6	35	0
Net deferred gains (losses) on hedges	(17)	(90)	(0)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	(237)	(281)	(2)
Reclassification adjustments	(609)	(629)	(6)
Before tax-effect adjustments	(846)	(911)	(8)
Tax effect	235	255	2
Adjustments for retirement benefits	(611)	(655)	(6)
Total other comprehensive income (loss)	¥ 81,380	¥ (84,254)	\$ 766

## 25. FINANCIAL INSTRUMENTS

### (1) Policy for Handling Financial Instruments

The Company promotes matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which the yield is expected to be relatively higher than that of Japanese government bonds, as well as in risk assets including foreign bonds and stocks from the perspective of improving profitability as well as to strengthen the risk management system.

Derivative transactions are identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk to our investment assets, and these are not used for speculative purposes.

### (2) Features and Risks of Financial Instruments

Financial assets owned by the Company consist mainly of securities and loans, and are managed by using an asset liability management (ALM) framework. Such securities are exposed to credit risk of their issuing bodies as well as market price fluctuation risk and interest rate risk. In addition, foreign-currency-denominated bonds are exposed to foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to interest rate risk.

Derivative transactions that the Company uses are mainly foreign exchange contracts and interest rate swaps. These are used to hedge interest rate risk and foreign exchange fluctuation risk limited to the purpose of hedging and are not meant for speculative purposes. The market-related risk of derivative transactions is therefore

reduced and limited.

### (3) Risk Management Framework for Financial Instruments

#### 1) Management of market risk

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

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

#### 2) Management of credit risk

Credit risk is the risk of losses resulting from a decline or elimination in the value of assets including off-balance-sheet assets due to deterioration in the financial conditions of borrowers and other reasons.

To control investment and lending to borrowers with high credit risk, the Company manages its investment

and lending by prescribing credit eligibility rules based on internal rating. Moreover, to prevent concentration of credit risk on a particular borrower, group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

The results of their activities are reported to the risk management committee regularly.

#### (4) Additional Notes Concerning the Fair Value of Financial Instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those for which the market prices are not

readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions could lead to changes in pricing.

The contract amounts of derivative transactions in Note 26 "DERIVATIVE TRANSACTIONS" do not indicate the market risk related to derivative transactions.

#### (5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2018 and 2017, 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)

2018			
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
<b>March 31</b>			
1) Cash and deposits	¥ 898,504	¥ 898,504	¥ —
Available-for-sale securities (negotiable certificates of deposit)	420,000	420,000	—
2) Call loans	265,000	265,000	—
3) Receivables under securities borrowing transactions	3,296,222	3,296,222	—
4) Monetary claims bought	176,069	176,069	—
Available-for-sale securities	176,069	176,069	—
5) Money held in trust <sup>1</sup>	2,755,347	2,755,347	—
6) Securities	60,126,174	67,338,137	7,211,962
Held-to-maturity bonds	38,490,055	44,608,732	6,118,677
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285
Available-for-sale securities	10,959,788	10,959,788	—
7) Loans	7,627,086	8,216,144	589,057
Policy loans	135,314	135,314	—
Industrial and commercial loans <sup>2</sup>	919,051	985,547	66,556
Loans to the Management Organization <sup>2</sup>	6,572,781	7,095,282	522,500
Reserve for possible loan losses <sup>3</sup>	(60)	—	—
Total assets	¥ 75,144,405	¥ 82,945,425	¥ 7,801,020
Payables under securities lending transactions	¥ 3,663,547	¥ 3,663,547	¥ —
Total liabilities	¥ 3,663,547	¥ 3,663,547	¥ —
Derivative transactions <sup>4</sup>			
Hedge accounting not applied	¥ 1	¥ 1	¥ —
Hedge accounting applied	1,270	1,270	—
Total derivative transactions	¥ 1,271	¥ 1,271	¥ —

(Millions of Yen)

**March 31**

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust <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	
Hedge accounting applied	
Total derivative transactions	

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

(Millions of U.S. Dollars)

**March 31**

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust <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	
Hedge accounting applied	
Total derivative transactions	

2018		
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
\$ 8,457	\$ 8,457	\$ —
3,953	3,953	—
2,494	2,494	—
31,026	31,026	—
1,657	1,657	—
1,657	1,657	—
25,935	25,935	—
565,947	633,830	67,884
362,293	419,886	57,593
100,493	110,783	10,291
103,161	103,161	—
71,791	77,336	5,545
1,274	1,274	—
8,651	9,277	626
61,867	66,785	4,918
(1)	—	—
\$ 707,308	\$ 780,736	\$ 73,428
\$ 34,484	\$ 34,484	\$ —
\$ 34,484	\$ 34,484	\$ —
\$ 0	\$ 0	\$ —
12	12	—
\$ 12	\$ 12	\$ —

## Notes:

1. Money held in trust classified as other than trading, held-to-maturities and policy-reserve-matching.
2. In the column of "Net unrealized gains (losses)," the difference between the consolidated balance sheet amount after deduction of reserve for possible loan losses and the fair value is provided.
3. Reserve for possible loan losses corresponding to loans has been deducted.
4. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.



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

#### Assets

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

quoted by the exchange. The fair value of mutual funds is based on the net asset value.

Securities are described in Note 4 "SECURITIES" in accordance with the purpose of keeping in possession.

#### 7) Loans

For policy loans and those included in loans to the Management Organization of Postal Life Insurance Contracts, book values are used as fair values because amounts are limited to the values of the corresponding cash surrender value, and their fair value approximates book value considering their short maturities and interest conditions.

For industrial and commercial loans with floating interest rates, for which the future cash flows follow market interest rates, their fair value approximates book value.

For industrial and commercial loans with fixed interest rates or loans to the Management Organization (excluding policy loans), fair value is based on a net discounted present value of future cash flows.

#### Liabilities

Payables under securities lending transactions

These are settled within the short term (one year), and their fair value approximates book value.

#### Derivatives

Notes on the fair value of derivatives are presented in Note 26 "DERIVATIVE TRANSACTIONS." Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

The consolidated balance sheet amounts of financial instruments for which the fair values are deemed extremely difficult to determine are as shown below:

#### **March 31**

Money held in trust<sup>1</sup>

Securities

Unlisted stocks<sup>2</sup>

Total

Notes:

1. Trust asset components such as unlisted stocks, for which the fair values are deemed extremely difficult to determine, are not included in 5) Money held in trust.

2. Unlisted stocks are not included in "6) Securities" because there are no available market prices and it is extremely difficult to determine their fair values.

Millions of Yen		Millions of U.S. Dollars
2018	2017	2018
¥ 59,526	¥ —	\$ 560
4,735	4,239	45
4,735	4,239	45
¥ 64,262	¥ 4,239	\$ 605

Redemption schedules of major monetary claims and securities with maturities were as follows:

(Millions of Yen)

	2018			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
<b>March 31</b>				
Deposits	¥ 897,386	¥ –	¥ –	¥ –
Call loans	265,000	–	–	–
Receivables under securities borrowing transactions	3,296,222	–	–	–
Monetary claims bought	150,000	–	–	23,907
Securities	4,235,024	10,500,429	11,459,469	30,640,041
Held-to-maturity bonds	3,072,072	5,198,477	6,621,172	23,072,436
Bonds	3,072,072	5,100,477	6,621,172	23,072,436
Japanese government bonds	1,696,700	651,800	5,303,600	21,118,900
Japanese local government bonds	1,045,003	3,470,038	1,156,002	1,170,076
Japanese corporate bonds	330,369	978,639	161,570	783,460
Foreign securities	–	98,000	–	–
Policy-reserve-matching bonds	584,069	3,427,934	2,031,881	4,386,900
Bonds	584,069	3,427,934	2,031,881	4,386,900
Japanese government bonds	533,500	3,161,100	1,827,400	4,118,400
Japanese local government bonds	31,738	202,373	183,764	142,300
Japanese corporate bonds	18,831	64,461	20,717	126,200
Available-for-sale securities with maturities	578,882	1,874,017	2,806,415	3,180,705
Bonds	537,446	1,407,950	1,339,523	1,172,491
Japanese government bonds	–	–	–	425,200
Japanese local government bonds	148,049	336,629	616,026	–
Japanese corporate bonds	389,397	1,071,321	723,496	747,291
Foreign securities	41,436	466,066	1,466,892	2,001,483
Other securities	–	–	–	6,729
Loans	1,402,165	3,187,531	2,003,161	1,034,345
Total	¥ 10,245,799	¥ 13,687,960	¥ 13,462,631	¥ 31,698,294

(Millions of Yen)

	2017			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
<b>March 31</b>				
Deposits	¥ 1,364,622	¥ –	¥ –	¥ –
Call loans	150,000	–	–	–
Receivables under securities borrowing transactions	3,520,722	–	–	–
Monetary claims bought	–	–	–	25,149
Securities	6,649,154	12,516,396	10,831,362	31,028,793
Held-to-maturity bonds	3,083,603	6,945,392	5,525,129	24,331,730
Bonds	3,083,603	6,847,392	5,525,129	24,331,730
Japanese government bonds	1,835,700	2,157,400	3,121,600	22,776,200
Japanese local government bonds	788,814	3,823,086	1,808,457	1,037,670
Japanese corporate bonds	459,089	866,906	595,072	517,860
Foreign securities	–	98,000	–	–
Policy-reserve-matching bonds	2,863,055	3,206,932	2,680,153	3,638,100
Bonds	2,863,055	3,206,932	2,680,153	3,638,100
Japanese government bonds	2,844,400	3,009,200	2,356,000	3,533,100
Japanese local government bonds	18,655	150,462	267,414	77,200
Japanese corporate bonds	–	47,270	56,739	27,800
Available-for-sale securities with maturities	702,495	2,364,070	2,626,079	3,058,963
Bonds	692,495	1,746,447	1,218,189	1,081,599
Japanese government bonds	20,000	–	–	425,200
Japanese local government bonds	140,508	463,130	637,891	–
Japanese corporate bonds	531,987	1,283,317	580,298	656,399
Foreign securities	10,000	617,623	1,407,890	1,974,363
Other securities	–	–	–	3,000
Loans	993,472	3,454,804	2,383,943	1,229,022
Total	¥ 12,677,972	¥ 15,971,200	¥ 13,215,305	¥ 32,282,966

(Millions of U.S. Dollars)

	2018			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
<b>March 31</b>				
Deposits	\$ 8,447	\$ —	\$ —	\$ —
Call loans	2,494	—	—	—
Receivables under securities borrowing transactions	31,026	—	—	—
Monetary claims bought	1,412	—	—	225
Securities	39,863	98,837	107,864	288,404
Held-to-maturity bonds	28,916	48,931	62,323	217,173
Bonds	28,916	48,009	62,323	217,173
Japanese government bonds	15,970	6,135	49,921	198,785
Japanese local government bonds	9,836	32,662	10,881	11,014
Japanese corporate bonds	3,110	9,212	1,521	7,374
Foreign securities	—	922	—	—
Policy-reserve-matching bonds	5,498	32,266	19,125	41,292
Bonds	5,498	32,266	19,125	41,292
Japanese government bonds	5,022	29,754	17,201	38,765
Japanese local government bonds	299	1,905	1,730	1,339
Japanese corporate bonds	177	607	195	1,188
Available-for-sale securities with maturities	5,449	17,639	26,416	29,939
Bonds	5,059	13,253	12,608	11,036
Japanese government bonds	—	—	—	4,002
Japanese local government bonds	1,394	3,169	5,798	—
Japanese corporate bonds	3,665	10,084	6,810	7,034
Foreign securities	390	4,387	13,807	18,839
Other securities	—	—	—	63
Loans	13,198	30,003	18,855	9,736
<b>Total</b>	<b>\$ 96,440</b>	<b>\$ 128,840</b>	<b>\$ 126,719</b>	<b>\$ 298,365</b>

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

(Millions of Yen)

	2018					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
<b>March 31</b>						
Payables under securities lending transactions	¥ 3,663,547	¥ —	¥ —	¥ —	¥ —	¥ —

(Millions of Yen)

	2017					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
<b>March 31</b>						
Payables under securities lending transactions	¥ 4,889,066	¥ —	¥ —	¥ —	¥ —	¥ —

(Millions of U.S. Dollars)

	2018					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
<b>March 31</b>						
Payables under securities lending transactions	\$ 34,484	\$ —	\$ —	\$ —	\$ —	\$ —

## 26. DERIVATIVE TRANSACTIONS

### (1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

(Millions of Yen)

March 31		2018			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	¥ 185	¥ –	¥ 1	¥ 1
	U.S. dollars	185	–	1	1
	Total				¥ 1

(Millions of U.S. dollars)

March 31		2018			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	\$ 2	\$ –	\$ 0	\$ 0
	U.S. dollars	2	–	0	0
	Total				\$ 0

Note: Fair value is calculated using forward foreign exchange rates at the fiscal year-end.

There were no derivative transactions to which the hedge accounting method was not applied as of March 31, 2017.

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

#### 1) Currency-related derivatives

(Millions of Yen)

March 31			2018		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold		¥ 2,704,514	¥ –	¥1,222
	U.S. dollars	Foreign currency-denominated bonds	1,696,376	–	(3,992)
	Euros		657,080	–	3,116
	Australian dollars		224,994	–	1,794
	Other		126,062	–	304
	Total				¥1,222

(Millions of Yen)

March 31			2017		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold		¥ 2,438,390	¥ –	¥ (4,657)
	U.S. dollars	Foreign currency-denominated bonds	1,603,918	–	(5,630)
	Euros		834,472	–	973
	Australian dollars		–	–	–
	Other		–	–	–
	Total				¥ (4,657)

(Millions of U.S. Dollars)

March 31			2018		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold	Foreign currency-denominated bonds	\$ 25,457	\$ —	\$ 12
	U.S. dollars		15,967	—	(38)
	Euros		6,185	—	29
	Australian dollars		2,118	—	17
	Other		1,187	—	3
	Total			\$ 12	

Note: Fair value is calculated using forward foreign exchange rates at the fiscal year-end.

## 2) Interest rate-related derivatives

(Millions of Yen)

March 31			(millions of yen)		
Hedge accounting method	Type of derivative	Major hedged item	2018		
			Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 11,750	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		39,750	30,100	— <sup>2</sup>
		Total			¥ 47

(Millions of Yen)

March 31			(Amount in million yen)		
Hedge accounting method	Type of derivative	Major hedged item	2017		
			Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 11,750	¥ 11,750	¥ 71
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		46,050	39,750	— <sup>2</sup>
		Total			¥ 71

(Millions of U.S. Dollars)

March 31			(millions of U.S. dollars)		
Hedge accounting method	Type of derivative	Major hedged item	2018		
			Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		\$ 111	\$ 58	\$ 0
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		374	283	— <sup>2</sup>
Total					\$ 0

Notes:

1. Fair value is calculated using discounted present value.

2. Interest rate swap amounts measured by the exceptional treatment for interest rate swaps are disclosed with the loans that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant loans.



## 27. LEASE TRANSACTIONS

### Operating Leases

#### As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2018 and 2017, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
Due within 1 year	¥ 5,016	¥ 5,044	\$ 47
Due after 1 year	74	211	1
Total	¥ 5,090	¥ 5,256	\$ 48

## 28. SEGMENT INFORMATION

### (1) Segment Information

The Group has only one segment, namely, the life insurance business in Japan.

### (2) Information on Losses on Impairment of Fixed Assets by Reportable Segment

This information is not presented for the year ended March 31, 2018 as the Group has only one segment. No losses on impairment of fixed assets were recorded for the year ended March 31, 2017.

### (3) 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, 2018 and 2017.

#### 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, 2018 and 2017.

#### 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, 2018 and 2017.

## 29. RELATED PARTY TRANSACTIONS

### (1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2018 and 2017, were as follows:

2018										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million (\$32,944 million)	Holding company	Directly owned 89%	Group management Interlocking officers	Payments of brand royalty fees <sup>1</sup>	¥3,194 million (\$30 million)	Accounts payable—other	¥287 million (\$3 million)
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million (\$3,765 million)	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services <sup>2</sup>	¥372,265 million (\$3,504 million)	Agency accounts payable	¥39,153 million (\$369 million)
2017										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding company	Directly owned 89%	Group management Interlocking officers	Payments of brand royalty fees <sup>1</sup>	¥3,259 million	Accounts payable—other	¥293 million
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services <sup>2</sup>	¥392,768 million	Agency accounts payable	¥43,812 million

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 in 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 out-sourcing services, such as the collection of insurance premiums and payments for insurance money, by the volume of work.
3. Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

### (2) Parent Company

JAPAN POST HOLDINGS Co., Ltd. (Listed on the Tokyo Stock Exchange)

## 30. PER SHARE DATA

### March 31

Net assets per share

Yen		U.S. Dollars
2018	2017	2018
¥ 3,339.65	¥ 3,089.81	\$ 31.43

### Years ended March 31

Net income per share

Yen		U.S. Dollars
2018	2017	2018
¥ 174.21	¥ 147.71	\$ 1.64

Notes:

1. Diluted net income per share is not presented for the years ended March 31, 2018 and 2017 as potential common stock did not exist.
2. Net income per share is calculated based on the following:

### Years ended March 31

Net income

Amount not attributable to common stockholders

Net income attributable to common stock

Millions of Yen		Millions of U.S. Dollars
2018	2017	2018
¥ 104,487	¥ 88,596	\$ 983
—	—	—
¥ 104,487	¥ 88,596	\$ 983

### Years ended March 31

Average number of common stock during the fiscal year

3. Net assets per share is calculated based on the following:

### March 31

Net assets

Amount deducted from net assets

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

Millions of Yen		Millions of U.S. Dollars
2018	2017	2018
¥ 2,003,126	¥ 1,853,203	\$ 18,855
—	—	—
¥ 2,003,126	¥ 1,853,203	\$ 18,855

### March 31

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

Thousands of shares	
2018	2017
599,801	599,778

4. The Company established the Board Benefit Trust (BBT), whereby shares of the Company held in trust, which was recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year, for the purpose of calculating net income per share. In addition, they were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

The average number of treasury stock during the fiscal year that were deducted from the calculation of net income per share for the years ended March 31, 2018 and 2017, was 206,599 shares and 195,660 shares, respectively. 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, 2018 and 2017, was 198,100 shares and 221,200 shares, respectively.

## 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, 2018 and 2017, 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 judgment, 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, 2018 and 2017, 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, 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 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.

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

	Millions of Yen					
	Valuation and translation adjustments				Total net assets	
	Net unrealized gains (losses) on available-for- sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments			
BALANCE, APRIL 1, 2016	¥	405,412	¥	140	¥	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)
Net changes in the fiscal year		(83,507)		(90)	(83,598)	(29,199)
BALANCE, MARCH 31, 2017		321,904		50	321,954	1,849,253
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
Net changes in the fiscal year		82,009		(17)	81,991	150,355
BALANCE, MARCH 31, 2018	¥	403,913	¥	32	¥	1,999,608

## 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>	<b>\$ 4,706</b>	<b>\$ 3,813</b>	<b>\$ 894</b>	<b>\$ 4,707</b>	<b>\$ 303</b>	<b>\$ —</b>	<b>\$ 4,665</b>	<b>\$ 4,968</b>	<b>\$ (5)</b>	<b>\$ 14,376</b>
<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										
Net changes in the fiscal year	—	—	—	—	68	58	517	643	1	643
<b>BALANCE, MARCH 31, 2018</b>	<b>\$ 4,706</b>	<b>\$ 3,813</b>	<b>\$ 894</b>	<b>\$ 4,707</b>	<b>\$ 371</b>	<b>\$ 58</b>	<b>\$ 5,182</b>	<b>\$ 5,611</b>	<b>\$ (4)</b>	<b>\$ 15,019</b>

## 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>	<b>\$ 3,030</b>	<b>\$ 0</b>	<b>\$ 3,030</b>	<b>\$ 17,406</b>
<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>	<b>\$ 3,802</b>	<b>\$ 0</b>	<b>\$ 3,802</b>	<b>\$ 18,822</b>

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
<b>March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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
<b>March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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
<b>Years ended March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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
<b>March 31</b>	<b>2018</b>	<b>2017</b>	<b>2018</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:

<b>Years ended March 31</b>	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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:

<b>Years ended March 31</b>	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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:

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2018	2017	2018
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
Total	¥ 532,843	¥ 560,206	\$ 5,015

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
Tangible fixed assets:							
Land	¥ —	¥ —	¥ —	¥ 43,066	¥ —	¥ —	¥ 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
Total tangible fixed assets	—	—	—	133,153	32,584	11,361	100,568
Intangible fixed assets:							
Software	—	—	—	418,598	250,854	51,084	167,744
Other	—	—	—	28	8	2	19
Total intangible fixed assets	—	—	—	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
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 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>	
<b>Long-term prepaid expenses</b>	<b>6</b>	<b>—</b>	<b>0</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>3</b>	
<b>Deferred assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	

## 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.

## 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	2017	2018
Total amount of solvency margin (A)	¥ 5,425,821	¥ 5,595,880
Capital stock, etc.	1,490,882	1,554,624
Reserve for price fluctuations	788,712	916,743
Contingency reserve	2,254,027	2,114,348
Catastrophe loss reserve	—	—
General reserve for possible loan losses	59	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes)·Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	(2,896)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	6,064	5,218
Excess of continued Zillmerized reserve	486,674	506,467
Capital raised through debt financing	—	—
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—
Deductions	—	(495)
Other	—	—
Total amount of risk (B)	840,767	988,803
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$		
Insurance risk R <sub>1</sub>	153,070	147,403
General insurance risk R <sub>5</sub>	—	—
Catastrophe risk R <sub>6</sub>	—	—
Underwriting risk of third-sector insurance R <sub>8</sub>	69,104	63,087
Small amount and short-term insurance risk R <sub>9</sub>	—	—
Anticipated yield risk R <sub>2</sub>	158,838	150,450
Minimum guarantee risk R <sub>7</sub>	—	—
Investment risk R <sub>3</sub>	631,036	792,075
Business management risk R <sub>4</sub>	20,240	23,060
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,290.6%	1,131.8%

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.

### **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		2017	2018
	Bankrupt or quasi-bankrupt loans	¥ —	¥ —
	Doubtful loans	—	—
	Substandard loans	—	—
	Subtotal	—	—
	(Percentage in total)	( — )	( — )
	Normal loans	9,070,318	9,161,528
	Total	9,070,318	9,161,528

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, 2017 and 2018.

### 5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2017 and 2018.



## 5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

As of March 31	2017	2018
Total amount of solvency margin (A)	¥ 5,420,173	¥ 5,591,395
Capital stock, etc.	1,491,298	1,554,861
Reserve for price fluctuations	788,712	916,743
Contingency reserve	2,254,027	2,114,348
General reserve for possible loan losses	59	60
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	399,297	501,809
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	103	(2,896)
Excess of continued Zillmerized reserve	486,674	506,467
Capital raised through debt financing	—	—
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—
Deductions	—	—
Other	—	—
Total amount of risk (B)	840,902	989,104
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Insurance risk R <sub>1</sub>	153,070	147,403
Underwriting risk of third-sector insurance R <sub>8</sub>	69,104	63,087
Anticipated yield risk R <sub>2</sub>	158,838	150,450
Minimum guarantee risk R <sub>7</sub>	—	—
Investment risk R <sub>3</sub>	631,173	792,377
Business management risk R <sub>4</sub>	20,243	23,066
Solvency margin ratio (A) ————— × 100 (1/2) × (B)	1,289.1%	1,130.5%

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.

## 5-5 Real Net Assets

(Millions of yen, %)

As of March 31	2017	2018
Real net assets	12,757,455	12,899,899
[Ratio to general account assets]	[15.9]	[16.8]

Note: These figures are calculated based on the provisions set forth in Article 3, Paragraph 2 of the “Order Providing for Categories Prescribed in Article 132, Paragraph 2 of the Insurance Business Act.”

## 5-6 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, 2017 and 2018.

#### 2) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	¥ 40,441,881	¥ 46,518,693	¥ 6,076,812	¥ 6,149,942	¥ 73,129	¥38,490,055	¥44,608,732	¥6,118,677	¥6,160,256	¥ 41,579
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075	1,204,445	24,370	10,676,330	11,769,615	1,093,285	1,103,904	10,618
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	12,522,618	12,966,282	443,664	657,830	214,165	13,667,194	14,225,628	558,433	758,562	200,129
Corporate and government bonds	4,758,489	4,796,899	38,409	71,613	33,204	4,474,163	4,508,040	33,877	55,126	21,248
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,658,641	4,748,683	90,041	237,280	147,238	4,835,101	4,923,090	87,989	202,126	114,137
Foreign corporate and government bonds	4,219,602	4,248,732	29,130	175,028	145,898	4,129,047	4,137,485	8,437	122,573	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	—	173,907	176,069	2,161	2,161	—
Negotiable certificates of deposit	350,000	350,000	—	—	—	420,000	420,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>65,481,834</b>	<b>73,182,386</b>	<b>7,700,552</b>	<b>8,012,218</b>	<b>311,665</b>	<b>62,833,580</b>	<b>70,603,976</b>	<b>7,770,395</b>	<b>8,022,723</b>	<b>252,327</b>
Corporate and government bonds	57,619,705	64,911,866	7,292,160	7,422,865	130,704	53,542,548	60,786,228	7,243,680	7,317,126	73,446
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,756,641	4,849,819	93,178	240,417	147,238	4,933,101	5,023,250	90,149	204,286	114,137
Foreign corporate and government bonds	4,317,602	4,349,869	32,266	178,164	145,898	4,227,047	4,237,645	10,597	124,733	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	—	173,907	176,069	2,161	2,161	—
Negotiable certificates of deposit	350,000	350,000	—	—	—	420,000	420,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,153,285 million with net unrealized gains of ¥516,484 million as of March 31, 2018 and ¥1,686,170 million with net unrealized gains of ¥380,716 million as of March 31, 2017.

## ○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2017			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 39,154,981	¥ 45,304,923	¥ 6,149,942	¥ 37,606,569	¥ 43,766,825	¥ 6,160,256
Corporate and government bonds	39,056,981	45,203,787	6,146,805	37,508,569	43,666,665	6,158,096
Foreign securities	98,000	101,136	3,136	98,000	100,160	2,160
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	1,286,899	1,213,770	(73,129)	883,486	841,906	(41,579)
Corporate and government bonds	1,286,899	1,213,770	(73,129)	883,486	841,906	(41,579)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

## ○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2017			2018		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 12,120,004	¥ 13,324,449	¥ 1,204,445	¥ 10,270,427	¥ 11,374,331	¥ 1,103,904
Corporate and government bonds	12,120,004	13,324,449	1,204,445	10,270,427	11,374,331	1,103,904
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	397,330	372,960	(24,370)	405,902	395,284	(10,618)
Corporate and government bonds	397,330	372,960	(24,370)	405,902	395,284	(10,618)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

## ○ Available-for-sale securities

(Millions of yen)

As of March 31	2017			2018		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 5,448,692	¥ 5,706,039	¥ 257,346	¥ 5,634,651	¥ 5,837,681	¥ 203,030
Corporate and government bonds	3,086,086	3,157,699	71,613	2,745,231	2,800,357	55,126
Domestic stocks	39,912	44,117	4,205	118,021	131,824	13,802
Foreign securities	1,697,544	1,872,573	175,028	2,048,490	2,173,272	124,782
Other securities	600,000	604,086	4,086	699,000	706,158	7,158
Monetary claims bought	25,149	27,561	2,411	23,907	26,069	2,161
Negotiable certificates of deposit	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which the balance sheet amount does not exceed book value	5,387,754	5,193,356	(194,398)	5,879,257	5,718,176	(161,081)
Corporate and government bonds	1,672,403	1,639,199	(33,204)	1,728,931	1,707,683	(21,248)
Domestic stocks	10,294	9,963	(331)	62,363	58,835	(3,527)
Foreign securities	2,527,056	2,381,158	(145,898)	2,190,427	2,076,291	(114,136)
Other securities	828,000	813,035	(14,964)	1,327,534	1,305,365	(22,169)
Monetary claims bought	—	—	—	149,999	149,999	—
Negotiable certificates of deposit	350,000	350,000	—	420,000	420,000	—
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	2017	2018
Held-to-maturity bonds	¥ –	¥ –
Unlisted foreign bonds	–	–
Other	–	–
Policy-reserve-matching bonds	–	–
Equities of subsidiaries and affiliates	984	1,479
Available-for-sale securities	4,239	61,625
Unlisted domestic stocks (excluding OTC traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC traded equities)	–	–
Unlisted foreign bonds	–	–
Other	–	57,385
Total	5,223	63,105

Notes:

1. This table includes money held in trust other than trading securities (¥57,385 million as of March 31, 2018).
2. Net unrealized losses on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: ¥867 million as of March 31, 2018.

## (2) Data on Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Money held in trust	¥ 2,127,042	¥ 2,127,042	¥ –	¥ –	¥ –	¥ 2,755,347	¥ 2,755,347	¥ –	¥ –	¥ –

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

### 1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2017 and 2018.

### 2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Assets held-to-maturity in trust	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Assets held for reserves in trust	–	–	–	–	–	–	–	–	–	–
Other money held in trust	1,746,326	2,127,042	380,716	400,483	19,767	2,238,862	2,755,347	516,484	555,532	39,047
Domestic stock fund	1,306,142	1,625,946	319,804	338,231	18,426	1,456,654	1,899,530	442,876	478,188	35,312
Foreign stock fund	273,163	315,104	41,941	43,282	1,340	309,075	378,482	69,406	69,407	0
Foreign bond fund	167,020	185,990	18,970	18,970	–	473,131	477,334	4,202	7,936	3,734

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

### (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 foreign-currency-denominated assets, as well as for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

Of the above transactions, for the interest rate swaps used for converting floating interest rate loans into fixed interest rate loans, the Company applies the exceptional treatment and deferred hedge accounting for interest rate swaps, and applies fair value hedge accounting for the foreign exchange contracts used for hedging foreign exchange fluctuation risk for a portion of foreign-currency-denominated assets.

##### (iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in interest rates and foreign exchange rates) and credit risk (risks of transaction partners' default, including bankruptcy).

The Company uses derivative transactions for the purpose, in principle, of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their

ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

##### (v) Risk management framework

The Company has formulated the Basic Risk Management Policy, whereby the investment policies of derivative transactions are provided, limiting the use of derivative transactions to the purpose of hedging and prohibiting their use for speculative purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

##### (vi) Additional notes about quantitative information

- Additional notes about credit risk  
We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

- Additional notes about the calculation of fair value

We calculate fair value on the following basis:

[Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Foreign exchange contracts]

Fair value is calculated using the forward foreign exchange rate as of the fiscal year-end date.

- Additional notes about net unrealized gains (losses)

We use derivative transactions as a means to hedge the market risk of our investment assets in principle, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

## 2) Quantitative Information

### (i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
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	–	–	–	–	–	–
<b>As of March 31, 2018</b>	<b>1,177</b>	<b>1,223</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,401</b>
Portion with hedge accounting applied	1,177	1,222	–	–	–	2,400
Portion with hedge accounting not applied	–	1	–	–	–	1

Notes:

1. 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.
2. Net unrealized gains on the portion subject to the fair value hedge method (currency related ¥1,222 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2018 are 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, 2017 and 2018.

#### (iii) Currency-related derivatives

(Millions of yen)

Category	Type of derivative	As of March 31, 2017			As of March 31, 2018		
		Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
			Due after 1 year			Due after 1 year	
OTC	Forward foreign exchange						
	Sold	¥ –	¥ –	¥ –	¥ 185	¥ –	¥ 1
	U.S. dollars	–	–	–	185	–	1
	Purchased	–	–	–	–	–	–
Total				–			1

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

#### (iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

#### (v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

#### (vi) Others

There were no such outstanding balances as of March 31, 2017 and 2018.



## Derivative transactions to which hedge accounting is applied

## (ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2017			As of March 31, 2018		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Deferred hedge method	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	¥ 11,750	¥ 11,750	¥ 71	¥ 11,750	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	46,050	39,750	1,293	39,750	30,100	1,130
Total					1,364			1,177

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

## Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 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	—	—	—	—	—	—	—
As of March 31, 2018	15,250	8,400	8,600	14,250	5,000	—	51,500
Fixed receipt swap notional principal	15,250	8,400	8,600	14,250	5,000	—	51,500
Average fixed interest receipt	0.46	0.52	0.61	0.92	1.12	—	0.69
Average floating interest payment	0.03	0.07	0.12	0.11	0.10	—	0.08
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—

### (iii) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2017			As of March 31, 2018		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Fair value hedge accounting	Foreign exchange contracts							
	Sold		¥ 2,438,390	¥ –	¥ (4,657)	¥ 2,704,514	¥ –	¥ 1,222
	U.S. dollars	Available-for-sale securities	1,603,918	–	(5,630)	1,696,376	–	(3,992)
	Euros		834,472	–	973	657,080	–	3,116
	Australian dollars		–	–	–	224,994	–	1,794
	Others		–	–	–	126,062	–	304
	Purchased		–	–	–	–	–	–
Total					(4,657)			1,222

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

### (iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

### (v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2017 and 2018.

### (vi) Others

There were no such outstanding balances as of March 31, 2017 and 2018.

## 5-7 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31	2017	2018
<b>Core income</b>	<b>¥ 8,621,468</b>	<b>¥ 7,934,268</b>
Insurance premiums and others	5,041,868	4,236,461
Investment income	1,270,423	1,207,597
Other ordinary income	2,309,176	2,490,208
Reversal of policy reserves	2,246,808	2,456,186
<b>Core expenses</b>	<b>8,231,397</b>	<b>7,548,068</b>
Insurance claims and others	7,550,323	6,890,020
Provision for policy reserves and others	25	7
Investment expenses	11,717	10,039
Operating expenses	560,206	532,843
Other ordinary expenses	109,124	115,158
<b>Core profit</b> A	<b>390,070</b>	<b>386,199</b>
<b>Capital gains</b>	<b>141,677</b>	<b>131,942</b>
Gains on money held in trust	56,535	95,189
Gains on trading securities	—	—
Gains on sales of securities	85,142	36,468
Gains on derivative financial instruments	—	—
Gains on foreign exchanges	—	284
Other capital gains	—	—
<b>Capital losses</b>	<b>192,860</b>	<b>151,046</b>
Losses on money held in trust	—	—
Losses on trading securities	—	—
Losses on sales of securities	124,734	65,733
Losses on valuation of securities	—	—
Losses on derivative financial instruments	20,599	30,301
Losses on foreign exchanges	3,362	—
Other capital losses	44,163	55,010
<b>Net capital gains (losses)</b> B	<b>(51,182)</b>	<b>(19,103)</b>
<b>Core profit including net capital gains (losses)</b> A+B	<b>338,887</b>	<b>367,096</b>
<b>Other one-time gains</b>	<b>120,819</b>	<b>139,678</b>
Reinsurance income	—	—
Reversal of contingency reserve	120,819	139,678
Reversal of specific reserve for possible loan losses	—	—
Other	—	—
<b>Other one-time losses</b>	<b>180,359</b>	<b>197,929</b>
Reinsurance premiums	—	—
Provision for contingency reserve	—	—
Provision for specific reserve for possible loan losses	—	—
Provision for reserve for specific foreign loans	—	—
Write-off of loans	—	—
Other	180,359	197,929
<b>Other one-time profits (losses)</b> C	<b>(59,539)</b>	<b>(58,250)</b>
<b>Ordinary profit</b> A+B+C	<b>279,347</b>	<b>308,845</b>

Notes:

1. "Investment income" and "investment expenses" exclude the amount regarding net capital gains (losses).
2. "Reversal of policy reserves" excludes the amount regarding other one-time profits (reversal of contingency reserve) and includes the amount regarding other one-time losses (provision for contingency reserve and the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act).
3. Amount equivalent to income gains associated with money held in trust (¥44,130 million for 2017 and ¥55,010 million for 2018) is recognized as "other capital losses" and included in "investment income."
4. Amount equivalent to income gains associated with derivative financial instruments (¥33 million for 2017) is recognized as "other capital losses" and included in "investment income."
5. "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 (¥180,359 million for 2017 and ¥197,929 million for 2018).

(Reference) Breakdown of Core Profit

(Millions of yen)

For the years ended March 31	2017	2018
Core profit	390,070	386,199
Spread (positive/negative spread)	78,581	65,875
Core profit attributable to life insurance activities	311,488	320,324

### 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, 2018, there was a positive spread of ¥65.8 billion.

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

$$\begin{array}{lcl} \text{Positive spread} & = & [\text{investment return on core profit} - \text{average assumed rate of return}] \times \text{general account policy reserves} \\ [\text{¥65.8 billion}] & & [1.81\%] \quad [1.71\%] \quad [\text{¥66,226.2 billion}] \end{array}$$

- 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.

# 6 Main Business Indicators

## 6-1 Key Business Indicators (Non-Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2014	2015	2016	2017	2018
Ordinary income	¥ 11,233.9	¥ 10,169.2	¥ 9,605.8	¥ 8,659.4	¥ 7,952.9
Ordinary profit	463.5	493.1	413.0	279.3	308.8
Core profit	482.0	515.4	464.2	390.0	386.1
Net income	63.4	81.7	86.3	88.5	104.3
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(20,000)	(20,000)	(600,000)	(600,000)	(600,000)
Total assets	87,088.6	84,911.9	81,543.6	80,336.4	76,832.5
Separate account	—	—	—	—	—
Policy reserves	77,745.4	75,112.6	72,362.5	70,175.2	67,777.2
Loans	11,020.5	9,977.3	8,978.4	8,060.9	7,627.1
Securities	69,378.9	66,277.2	63,610.8	63,486.2	60,131.8
Solvency margin ratio (%)	1,623.4%	1,641.4%	1,568.1%	1,289.1%	1,130.5%
Number of employees (persons)	6,948	7,153	7,378	7,424	7,490
Policy amount in force	37,179.5	42,774.9	47,882.7	53,229.1	55,102.2
Individual insurance	33,735.6	39,159.0	44,406.2	50,097.9	52,359.7
Individual annuities	3,443.8	3,615.9	3,476.4	3,131.1	2,742.5
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes:

- The number of shares issued reflects the 30:1 stock split effective August 1, 2015.
- For the above figures for 2016 onwards, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016 (The figures for 2015 and before provided above were determined based on existing standards).
- "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.

### (Reference)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2009	2010	2011	2012	2013
Ordinary income	¥ 15,533.7	¥ 14,591.6	¥ 13,375.4	¥ 12,538.6	¥ 11,834.9
Ordinary profit	214.2	379.6	422.2	531.3	529.3
Core profit	432.4	427.1	484.4	571.6	570.0
Net income	38.3	70.1	77.2	67.7	91.0
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total assets	106,577.9	100,969.7	96,786.7	93,688.6	90,462.3
Separate account	—	—	—	—	—
Policy reserves	98,801.2	93,417.0	89,164.7	85,143.8	81,401.9
Loans	18,341.8	16,260.5	14,547.4	13,929.0	12,691.5
Securities	83,326.8	80,341.5	77,173.0	74,587.1	72,558.1
Solvency margin ratio (%)	1,429.7%	1,663.9%	1,821.6% [1,153.9%]	1,336.1%	1,467.9%
Number of employees (persons)	5,770	6,293	6,815	6,741	6,789
Policy amount in force	7,694.8	13,849.2	19,865.7	25,824.7	31,675.3
Individual insurance	6,870.7	12,343.1	17,642.1	23,043.1	28,480.7
Individual annuities	824.1	1,506.0	2,223.5	2,781.5	3,194.6
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes:

- In accordance with the Cabinet Office Ordinance No. 23 of 2010 and the public notification No. 48 issued by the Financial Services Agency in 2010, the calculation standard for the total amount of solvency margin and the total amount of risk was partially amended (tightening of margin calculations, tightening and refining of risk measurements and others). Accordingly, these items for 2009 to 2011 and those for 2012 onwards were calculated based on different standards. The figure in brackets for 2011 is the figure disclosed in the fiscal year ended March 31, 2011 on the assumption that the standard as of 2012 was applied on March 31, 2011.
- "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.

## 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, %)

As of March 31	2017				2018			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	17,150,748	111.7%	¥ 50,097,987	112.8%	17,921,047	104.5%	¥ 52,359,711	104.5%
Individual annuities	1,363,121	99.7	3,131,186	90.1	1,333,084	97.8	2,742,555	87.6
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—

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

#### 2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2017						2018					
	Number of policies		Policy amount				Number of policies		Policy amount			
		Year-on-year comparison		Year-on-year comparison	New policies	Net increase arising from the conversion		Year-on-year comparison		Year-on-year comparison	New policies	Net increase arising from the conversion
Individual insurance	2,441,232	101.8%	¥ 7,847,481	109.5%	¥ 7,847,481	—	1,739,153	71.2%	¥ 5,464,124	69.6%	¥ 5,464,124	—
Individual annuities	10,624	16.7	39,797	18.1	39,797	—	641	6.0	3,002	7.5	3,002	—
Group insurance	—	—	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—	—	—

Note: Policy amounts for "individual annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.

### (2) Annualized Premiums

#### 1) Policies in Force

(Millions of yen, %)

As of March 31	2017		2018	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 3,207,988	112.0%	¥ 3,367,381	105.0%
Individual annuities	569,359	86.8	491,191	86.3
Total	¥ 3,777,348	107.3	¥ 3,858,573	102.2
Medical coverage, living benefits and other	333,857	113.8	382,107	114.5

Notes:

- Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
- "Medical coverage, living benefits and other" includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).



## 2) New Policies

(Millions of yen, %)

For the years ended March 31	2017		2018	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 507,988	104.7%	¥ 376,237	74.1%
Individual annuities	19,429	18.5	264	1.4
Total	¥ 527,417	89.3	¥ 376,502	71.4
Medical coverage, living benefits and other	55,739	112.4	59,205	106.2

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	2017		2018	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	2,441,232	¥ 7,847,481	1,739,153	¥ 5,464,124
Ordinary whole life insurance	607,993	1,788,082	646,669	1,879,881
Fixed amount type	332,216	759,054	282,707	595,166
Increased amount type	275,777	1,029,027	363,962	1,284,715
(Inclusive) Ordinary whole life insurance (low cash value)	—	—	82,274	218,419
Fixed amount type	—	—	37,918	74,577
Increased amount type	—	—	44,356	143,841
Special whole life insurance	314,673	1,250,539	123,433	443,791
(Inclusive) Special whole life insurance (low cash value)	—	—	15,345	50,920
Ordinary term insurance	455	1,058	596	1,337
Ordinary endowment insurance	881,969	2,898,010	498,624	1,534,679
Special endowment insurance	288,389	1,164,671	332,546	1,324,272
Designated endowment insurance	802	1,020	719	922
Educational endowment insurance (H24)	346,951	744,099	136,566	279,240
Individual annuities	10,624	¥ 39,797	641	¥ 3,002
Longevity support insurance	—	—	641	3,002
Immediate term annuity	2,251	7,933	—	—
Deferred term annuity	8,373	31,864	—	—
Asset-formation insurance	18	¥ 0	3	¥ 0
Asset-formation savings insurance	18	0	3	0
Asset-formation housing funding insurance	—	—	—	—
Asset-formation annuities	1	¥ 4	—	¥ —
Asset-formation whole life annuity	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.
4. "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

#### (4) Policies in Force by Product

(Number of policies, millions of yen)

As of March 31	2017		2018	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	17,150,748	¥ 50,097,987	17,921,047	¥ 52,359,711
Ordinary whole life insurance	2,692,370	8,636,024	3,171,912	9,928,579
Fixed amount type	912,498	2,209,735	1,139,717	2,665,158
Increased amount type	1,779,872	6,426,288	2,032,195	7,263,421
(Inclusive) Ordinary whole life insurance (low cash value)	—	—	81,302	215,881
Fixed amount type	—	—	37,281	73,251
Increased amount type	—	—	44,021	142,630
Special whole life insurance	1,855,456	6,286,734	1,915,010	6,472,009
(Inclusive) Special whole life insurance (low cash value)	—	—	15,199	50,335
Whole life insurance with nursing care benefit	123	354	116	328
Ordinary term insurance	3,738	16,422	3,859	16,574
Ordinary endowment insurance	6,809,519	17,590,358	6,859,904	17,763,478
Special endowment insurance	3,069,931	12,288,755	3,183,352	12,702,198
Designated endowment insurance	64,307	119,025	57,746	107,256
Educational endowment insurance	1,120,418	1,897,421	1,090,366	1,897,730
Educational endowment insurance with scholarship annuity	88,373	164,273	86,469	164,336
Educational endowment insurance (H24)	1,446,081	3,096,843	1,551,924	3,305,574
Husband-and-wife insurance	70	169	35	103
Whole life insurance with whole life annuity	361	1,600	353	1,537
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3
Individual annuities	1,363,121	¥ 3,131,186	1,333,084	¥ 2,742,555
Longevity support insurance	—	—	619	2,855
Immediate whole life annuity	1,020	4,048	987	3,792
Deferred whole life annuity	10,216	80,400	9,993	78,417
Whole life annuity with additional nursing annuity	5	51	5	51
Immediate term annuity	392,394	556,451	370,378	427,710
Deferred term annuity	959,474	2,490,157	951,090	2,229,649
Immediate husband-and-wife annuity	2	6	2	6
Deferred husband-and-wife annuity	10	71	10	71
Asset-formation insurance	132	¥ 114	108	¥ 100
Asset-formation savings insurance	125	102	103	91
Asset-formation housing funding insurance	7	12	5	9
Asset-formation annuities	13	¥ 56	13	¥ 56
Asset-formation whole life annuity	13	56	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

(Millions of yen)

As of March 31			Policy amount in force	
			2017	2018
Death benefit	General death	Individual insurance	¥ 47,001,143	¥ 49,054,136
		Individual annuities	—	—
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	81,178,001	77,375,536
	Accidental death	Individual insurance	[ 55,809,032]	[ 59,860,503]
		Individual annuities	[ 14,781]	[ 14,393]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ 117,065,108]	[ 112,334,755]
	Other conditional death	Individual insurance	[ —]	[ —]
		Individual annuities	[ —]	[ —]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ —]	[ —]
Survival benefit	Maturity/living benefits	Individual insurance	3,096,843	3,305,574
		Individual annuities	1,018,299	749,279
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	6,352,313	6,054,690
	Annuities	Individual insurance	[ 20,956]	[ 20,517]
		Individual annuities	[ 487,045]	[ 476,643]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ 1,402,586]	[ 1,253,283]
	Others	Individual insurance	—	—
		Individual annuities	2,112,887	1,993,275
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	11,402,938	11,123,715
Hospitalization benefit	Hospitalization due to accident	Individual insurance	[ 50,097]	[ 52,363]
		Individual annuities	[ 35]	[ 34]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ 101,209]	[ 96,144]
	Hospitalization due to illness	Individual insurance	[ 49,423]	[ 51,719]
		Individual annuities	[ 8]	[ 8]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ 100,315]	[ 95,351]
	Other conditional hospitalization	Individual insurance	[ 8,259]	[ 7,983]
		Individual annuities	[ 5]	[ 5]
		Group insurance	[ —]	[ —]
		Group annuities	[ —]	[ —]
		Net, including others	[ 13,016]	[ 12,309]

Notes:

- Figures within brackets “[ ]” are supplementary benefits of the basic policy and rider benefits.
- 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.
- Policy amounts of “annuities” in survival benefit are the amounts of annuities to be paid annually.
- Policy amounts of “others” in survival benefit are the amounts of policy reserves for individual annuities (the annuity after payments have commenced).
- Policy amounts for “hospitalization benefits” are the amounts of daily hospitalization benefits.

(Number of policies)

As of March 31		Number of policies in force	
		2017	2018
Disability benefit	Individual insurance	[ 10,758,476]	[ 11,033,468]
	Individual annuities	[ 4,008]	[ 3,937]
	Group insurance	[ -]	[ -]
	Group annuities	[ -]	[ -]
	Net, including others	[ 23,659,852]	[ 22,203,649]
Surgery benefit	Individual insurance	[ 12,577,107]	[ 13,248,234]
	Individual annuities	[ 6,462]	[ 6,369]
	Group insurance	[ -]	[ -]
	Group annuities	[ -]	[ -]
	Net, including others	[ 25,584,202]	[ 24,843,577]

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)

As of March 31		Policy amount in force	
		2017	2018
Death protection insurance	Whole life insurance	¥ 14,923,113	¥ 16,400,918
	Whole life insurance with term rider	—	—
	Term insurance	16,422	16,574
	Net, including others	14,941,139	16,419,033
Mixed insurance	Endowment insurance	29,998,139	30,572,933
	Endowment insurance with term rider	—	—
	Term insurance with living benefits	—	—
	Net, including others	32,060,004	32,635,103
Pure endowment insurance		3,096,843	3,305,574
Annuities	Individual annuities	3,131,186	2,742,555
Accident/illness riders	Accident rider	29,739,659	29,311,917
	Nursing care rider	225	209
	Accident hospitalization rider	36	15
	Illness hospitalization rider	1	0
	Illness and accident hospitalization rider	1,579	975
	Non-participating accident hospitalization rider	665	633
	Non-participating illness and accident hospitalization rider	47,852	46,640
	Non-participation accidental rider	—	1,192,026
	Non-participation accident medical rider	—	21
	Non-participation comprehensive medical rider	—	4,111

Notes:

1. Policy amounts for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
2. 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 ended March 31	2017		2018	
	Number of policies	Policy amount	Number of policies	Policy amount
At the beginning of the fiscal year	15,350,407	¥ 44,406,257	17,150,748	¥ 50,097,987
New policies	2,441,232	7,847,481	1,739,153	5,464,124
Renewals	—	—	—	—
Reinstatements	12,132	33,118	11,689	31,376
Increase in coverage amount	[ 1 ]	0	[ — ]	—
Increase by conversion	—	—	—	—
Death	24,419	59,052	29,167	69,468
Maturity	9,763	12,160	232,090	655,783
Decrease in coverage amount	[ 88,130 ]	265,514	[ 91,829 ]	263,995
Decrease by conversion	—	—	—	—
Surrender	523,686	1,675,088	621,249	1,993,564
Lapse	76,953	226,414	80,855	241,334
Decrease by other changes	18,202	(49,361)	17,182	9,630
At the end of the fiscal year	17,150,748	50,097,987	17,921,047	52,359,711
[Increase ratio]	[ 11.7 %]	[ 12.8 %]	[ 4.5 %]	[ 4.5 %]
Net increase	1,800,341	5,691,729	770,299	2,261,723
[Increase ratio]	[ (0.6)%]	[ 8.5 %]	[ (57.2)%]	[ (60.3)%]

Notes:

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 “net increase.”
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 ended March 31	2017		2018	
	Number of policies	Policy amount	Number of policies	Policy amount
At the beginning of the fiscal year	1,367,445	¥ 3,476,492	1,363,121	¥ 3,131,186
New policies	10,624	39,797	641	3,002
Reinstatements	92	418	77	413
Increase by conversion	—	—	—	—
Death	7,373	14,745	7,798	13,452
Full payment	—	—	17,801	1,090
Decrease in coverage amount	[ 244 ]	679	[ 221 ]	474
Decrease by conversion	—	—	—	—
Surrender	7,256	23,094	4,939	15,362
Lapse	337	1,342	226	1,016
Decrease by other changes	74	345,659	(9)	360,650
At the end of the fiscal year	1,363,121	3,131,186	1,333,084	2,742,555
[Increase ratio]	[ (0.3)%]	[ (9.9)%]	[ (2.2)%]	[ (12.4)%]
Net increase	(4,324)	(345,305)	(30,037)	(388,631)
[Increase ratio]	[ — ]	[ — ]	[ — ]	[ — ]

Notes:

1. Policy amounts for “individual annuities” are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
2. 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”)

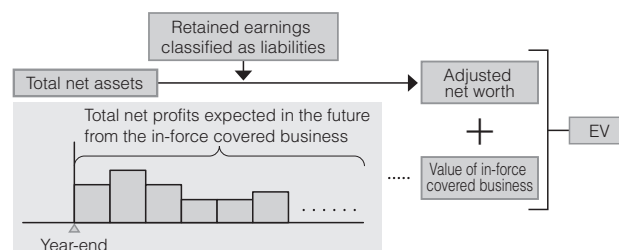
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

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



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	2017	2018	
			Increase (Decrease)
<b>EV</b>	¥ 3,355.6	¥ 3,743.3	¥ 387.6
Adjusted net worth	1,965.2	2,136.4	171.2
Total net assets on the balance sheet (Note 1)	1,527.4	1,595.8	68.4
Reserve for price fluctuations (Note 2)	140.2	251.2	110.9
Contingency reserve (Note 2)	415.2	449.2	34.0
Others (Note 3)	52.6	50.3	(2.2)
Tax effect on the above	(170.3)	(210.2)	(39.9)
Value of in-force covered business	1,390.4	1,606.8	216.4
Certainty equivalent present value of future profits	1,960.1	2,105.5	145.3
Time value of financial options and guarantees	(408.2)	(353.7)	54.4
Cost of holding required capital	(0.0)	(0.0)	(0.0)
Allowance for non-hedgeable risk	(161.4)	(144.8)	16.6

For the years ended March 31	2017	2018 (Note 4)	
			Increase (Decrease)
<b>Value of new business</b>	¥ 36.8	¥ 226.7	¥ 189.8
Certainty equivalent present value of future profits	97.0	246.3	149.3
Time value of financial options and guarantees	(41.7)	(14.1)	27.6
Cost of holding required capital	(0.0)	—	0.0
Allowance for non-hedgeable risk	(18.3)	(5.4)	12.9

Notes:

- 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.
- Excluding amounts in respect of the Postal Life Insurance policies that are included in the VIF.
- 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).
- The value of new business includes the difference in value arising from the switchover subscription to riders launched in October 2017.



## 2) Movement Analysis

(Billions of yen)

	Adjusted net worth	Value of in-force covered business	EV
Values as of March 31, 2017	¥ 1,965.2	¥ 1,390.4	¥ 3,355.6
(1) Opening adjustments	(36.0)	—	(36.0)
Values as of March 31, 2017 after adjustment	¥ 1,929.2	¥ 1,390.4	¥ 3,319.6
(2) Value of new business	—	226.7	226.7
(3) Expected existing business contribution (risk-free rate)	(3.8)	89.8	86.0
(4) Expected existing business contribution (in excess of risk-free rate)	1.2	25.2	26.4
(5) Expected transfer from value of in-force covered business to adjusted net worth	143.5	(143.5)	—
On in-force at the beginning of the fiscal year	162.9	(162.9)	—
On new business	(19.4)	19.4	—
(6) Non-economic experience variances	3.0	(10.5)	(7.5)
(7) Non-economic assumption changes	—	(1.7)	(1.7)
(8) Economic variances	63.2	30.3	93.5
Values as of March 31, 2018	¥ 2,136.4	¥ 1,606.8	¥ 3,743.3

## 3) Sensitivities

(Billions of yen)

Assumptions		EV		Value of new business	
			Change in EV		Change in value of new business
Base Scenario	March 31, 2018	¥ 3,743.3	¥ —	¥ 226.7	¥ —
Sensitivity 1	50bp increase in risk-free rate (Note 1)	3,917.1	173.8	277.3	50.5
Sensitivity 2	50bp decrease in risk-free rate (Notes 1 and 2)	3,402.8	(340.4)	154.7	(71.9)
Sensitivity 3	10% decrease in equity and real estate value	3,640.9	(102.3)	226.7	—
Sensitivity 4	10% decrease in maintenance expenses	3,917.4	174.1	239.7	12.9
Sensitivity 5	10% decrease in surrender and lapse rates	3,788.6	45.3	242.7	15.9
Sensitivity 6	5% decrease in claim incidence rates for life business	3,859.7	116.4	237.9	11.2
Sensitivity 7	5% decrease in claim incidence rates for annuity business	3,621.4	(121.8)	226.7	(0.0)
Sensitivity 8	Change the required capital to statutory minimum	3,743.3	0.0	226.7	—
Sensitivity 9	25% increase in implied volatilities of equity and real estate values	3,672.6	(70.6)	226.2	(0.4)
Sensitivity 10	25% increase in implied volatilities of swaptions	3,645.4	(97.8)	226.5	(0.2)

Notes:

1. 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.
2. 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 (Years)	For calculation of the value of in-force covered business		For calculation of the value of new business	
	March 31, 2017	March 31, 2018	Fiscal year ended March 31, 2017 (Rate at September 30, 2016)	Fiscal year ended March 31, 2018 (Rate at September 30, 2017)
1	(0.254)%	(0.134)%	(0.318)%	(0.134)%
2	(0.204)%	(0.137)%	(0.289)%	(0.120)%
3	(0.179)%	(0.118)%	(0.286)%	(0.105)%
4	(0.148)%	(0.118)%	(0.265)%	(0.093)%
5	(0.124)%	(0.108)%	(0.249)%	(0.078)%
10	0.068%	0.043%	(0.083)%	0.062%
15	0.375%	0.293%	0.144%	0.335%
20	0.663%	0.542%	0.376%	0.599%
25	0.828%	0.709%	0.465%	0.837%
30	0.881%	0.778%	0.472%	0.899%
40	1.271%	1.194%	0.909%	1.281%
50	1.682%	1.620%	1.387%	1.689%
60	1.978%	1.926%	1.732%	1.985%

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) 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.
- (iii) 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/2018/en\\_news\\_id000069.html](http://www.jp-life.japanpost.jp/en/news/2018/en_news_id000069.html)).

## 6-3 Insurance Policy Indicators

### (1) Policies in Force and New Policies

#### 1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2017				2018			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	17,150,748	11.7%	¥ 50,097,987	12.8%	17,921,047	4.5%	¥ 52,359,711	4.5%
Death protection insurance	4,552,049	20.1	14,941,139	19.6	5,091,251	11.8	16,419,033	9.9
Mixed insurance	11,152,618	6.9	32,060,004	8.7	11,277,872	1.1	32,635,103	1.8
Pure endowment insurance	1,446,081	28.5	3,096,843	28.4	1,551,924	7.3	3,305,574	6.7
Individual annuities	1,363,121	(0.3)	3,131,186	(9.9)	1,333,084	(2.2)	2,742,555	(12.4)
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	132	(21.4)	114	(15.6)	108	(18.2)	100	(12.0)
Asset-formation annuities	13	8.3	56	8.5	13	0.0	56	0.0

Notes:

- Figures for number of policies for “asset-formation insurance” and “asset-formation annuities” are the number of insured persons.
- Policy amounts for “individual annuities” and “asset-formation annuities” are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Policy amount for “asset-formation insurance” is the amount of policy reserves.

#### 2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2017				2018			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	2,441,232	1.8%	¥ 7,847,481	9.5%	1,739,153	(28.8)%	¥ 5,464,124	(30.4)%
Death protection insurance	923,121	39.2	3,039,679	36.5	770,698	(16.5)	2,325,010	(23.5)
Mixed insurance	1,171,160	(6.6)	4,063,701	4.6	831,889	(29.0)	2,859,874	(29.6)
Pure endowment insurance	346,951	(27.9)	744,099	(29.6)	136,566	(60.6)	279,240	(62.5)
Individual annuities	10,624	(83.3)	39,797	(81.9)	641	(94.0)	3,002	(92.5)
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	18	(10.0)	0	(41.5)	3	(83.3)	0	(79.0)
Asset-formation annuities	1	—	4	—	—	(100.0)	—	(100.0)

Notes:

- Figures for number of policies for “asset-formation insurance” and “asset-formation annuities” are the number of insured persons.
- Policy amounts for “individual annuities” and “asset-formation annuities” are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- 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)

Items	New Policies		Policies in Force	
	For the year ended March 31, 2017	For the year ended March 31, 2018	As of March 31, 2017	As of March 31, 2018
Individual insurance	¥ 3,214	¥ 3,141	¥ 2,921	¥ 2,921
Death protection insurance	3,292	3,016	3,282	3,224
Mixed insurance	3,469	3,437	2,874	2,893
Pure endowment insurance	2,144	2,044	2,141	2,129

## (3) Ratio of New Policies (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2017	2018
Individual insurance	17.7%	10.9%
Individual annuities	1.1	0.1
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	2017	2018
Individual insurance	4.8%	4.9%
Individual annuities	1.3	1.1
Group insurance	—	—

Notes:

- Ratio of surrender and lapse is calculated based on the policy amount associated with surrenders and lapses as modified by decrease or increase in policy amount, as well as the amount of the policy reinstatement.
- Ratio of surrender and lapse for "individual annuities" is based on the annuity before payments commence.

## (5) Average Premium for New Policies of Individual Insurance (monthly payment agreement)

(Yen)

For the years ended March 31	2017	2018
Individual insurance	¥ 272,661	¥ 257,413

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	2017	2018
In terms of number of policies	1.50‰	1.66‰
In terms of policy amount	1.25	1.36

Notes:

- Mortality rates are calculated by dividing the number of/policy amount for policies filing death claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:  
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing death claim) ÷ 2

**(7) Ratio of Riders Filing Claim (individual insurance)**

(‰)

For the years ended March 31		2017	2018
Accident death benefit policy	In terms of number of policies	0.10‰	0.11‰
	In terms of policy amount	0.09	0.09
Disability benefit policy	In terms of number of policies	0.17	0.18
	In terms of policy amount	0.05	0.05
Accident hospitalization benefit policy	In terms of number of policies	4.62	5.17
	In terms of policy amount	0.14	0.16
Illness hospitalization benefit policy	In terms of number of policies	39.31	42.18
	In terms of policy amount	0.81	0.87
Lifestyle disease hospitalization benefit policy	In terms of number of policies	—	—
	In terms of policy amount	—	—
Illness/accident surgery benefit policy	In terms of number of policies	26.68	29.21
Lifestyle disease surgery benefit policy	In terms of number of policies	—	—

Notes:

- Ratio of the number of/policy amount for riders filing claim is calculated by dividing the number of/policy amount for riders filing claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:  

$$(\text{Number of/policy amount for policies in force at the beginning of fiscal year} + \text{number of/policy amount for policies in force at the end of fiscal year} + \text{the number of/policy amount for policies filing full-paid rider claim}) \div 2$$

**(8) Ratio of Operating Expenses (against premium revenues)**

(%)

For the year ended March 31, 2017	For the year ended March 31, 2018
11.13%	12.61%

**(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, 2017	For the year ended March 31, 2018
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, 2017	For the year ended March 31, 2018
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, 2017	For the year ended March 31, 2018
A or superior	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 yen)

As of March 31, 2017	As of March 31, 2018
¥ 1,866	¥ 2,603

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

**(13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance**

(%)

For the years ended March 31	2017	2018
Claim-filing ratio in third-sector insurance	42.5%	40.7%
Medical (Illness)	32.8	31.9
Cancer	—	—
Nursing care	49.0	48.5
Other	93.3	89.6

## 6-4 Accounting Data

**(1) Reserve for Outstanding Claims**

(Millions of yen)

As of March 31	2017	2018
Insurance claims		
Death benefits	¥ 10,075	¥ 11,770
Accidental benefits	1,925	2,175
Serious disability benefits	1,105	1,319
Maturity benefits	655	29,247
Other	523,185	455,010
Subtotal	536,947	499,523
Annuity payments	5,830	6,856
Benefits	15,934	18,198
Surrender benefits	16,365	20,101
Deferred insurance benefits payment	—	—
Net, including other reserve for outstanding claims	577,376	548,196



## (2) Policy Reserves

(Millions of yen)

As of March 31		2017	2018
Policy reserves [excluding contingency reserve]	Individual insurance	¥ 22,871,669	¥ 24,638,597
	[General account]	[ 22,871,669]	[ 24,638,597]
	[Separate account]	[ -]	[ -]
	Individual annuities	3,038,767	2,673,091
	[General account]	[ 3,038,767]	[ 2,673,091]
	[Separate account]	[ -]	[ -]
	Group insurance	-	-
	[General account]	[ -]	[ -]
	[Separate account]	[ -]	[ -]
	Group annuities	-	-
	[General account]	[ -]	[ -]
	[Separate account]	[ -]	[ -]
	Other	42,010,770	38,351,259
	[General account]	[ 42,010,770]	[ 38,351,259]
	[Separate account]	[ -]	[ -]
	Subtotal	67,921,206	65,662,949
	[General account]	[ 67,921,206]	[ 65,662,949]
	[Separate account]	[ -]	[ -]
Contingency reserve		2,254,027	2,114,348
Total		70,175,234	67,777,297
[General account]		[ 70,175,234]	[ 67,777,297]
[Separate account]		[ -]	[ -]

Note: "Other" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

## (3) Balance of Policy Reserves

(Millions of yen)

	Insurance premium reserves	Unearned premiums	Reserve for refunds	Contingency reserve	Total
As of March 31, 2017	¥ 56,550,856	¥ 11,370,350	¥ -	¥ 2,254,027	¥ 70,175,234
As of March 31, 2018	55,255,019	10,407,929	-	2,114,348	67,777,297

## (4) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves in Individual Insurance and Individual Annuities (by contract year)

### 1) Reserving Method and Reserve Ratio for Policy Reserves

As of March 31		2017	2018
Reserving method	Contracts subject to the standard policy reserves	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)
	Contracts outside the scope of the standard policy reserves	—	—
Reserve ratio (excluding contingency reserve)		100.0%	100.0%

Notes:

- Individual insurance and individual annuities are subject to the reserving method and the reserve ratio. Asset-formation insurance, asset-formation annuities and reinsurance contracts from the Management Organization are not included here, while they are computed based on the net level premium method.
- Reserve ratios here are the ratios against insurance premium reserves and unearned premiums as calculated by the method prescribed by the public notification No. 48 issued by the Ministry of Finance in 1996.

## 2) Balance of Policy Reserves (by contract year)

(Millions of yen)

Contract year	Balance of policy reserves	Assumed rates of return
For the years ended March 31, 2008 to 2011	¥ 8,756,408	1.00%-1.50%
For the year ended March 31, 2012	3,062,125	0.80%-1.50%
For the year ended March 31, 2013	3,095,772	0.70%-1.50%
For the year ended March 31, 2014	3,013,668	0.70%-1.00%
For the year ended March 31, 2015	3,233,194	0.55%-1.00%
For the year ended March 31, 2016	2,672,271	0.50%-1.00%
For the year ended March 31, 2017	2,399,601	0.50%-1.00%
For the year ended March 31, 2018	1,078,647	0.25%

Notes:

1. Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).
2. Assumed rates of return here refer to the main assumed rates of return applicable to policy reserves by contract year.

## (5) Balance of Policy Reserves in General Account Associated with Insurance Policies Involving a Separate Account with a Guarantee for Minimum Insurance Claims and Others, Their Calculation Methods and the Multiplier Used in Such Calculation

Not applicable as of March 31, 2017 and 2018.

## (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 certain rates of probability (99% and 97.7%) during the next 10 years, based on the historical actual payment of hospitalization benefits and others.

### 3) Results of the Liability Adequacy Test and Stress Test

We have verified as a result of the stress test that there is no need for an additional provision of contingency reserve or policy reserves in third-sector insurance, as the expected occurrence rate we assumed beforehand adequately covers the risks expected to materialize in the future.

## (7) Reserve for Policyholder Dividends

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance Asset-formation annuities	Other insurance	Total
<b>For the year ended March 31, 2017</b>							
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 [ 66,346]	1,266 [ 1,264]	– [ –]	– [ –]	– [ –]	1,689,052 [ –]	1,772,565 [ 67,610]
<b>For the year ended March 31, 2018</b>							
Balance at the beginning of the fiscal year	82,247	1,266	–	–	–	1,689,052	1,772,565
Interest accrual	6	0	–	–	–	–	7
Reduction due to policyholder dividends paid	8,190	11	–	–	–	258,976	267,178
Reduction due to the acquisition of additional annuity	–	2	–	–	–	294	297
Provision for reserve for policyholder dividends	21,615	2	–	–	–	96,174	117,792
Balance at the end of the fiscal year	95,679 [ 73,226]	1,254 [ 1,251]	– [ –]	– [ –]	– [ –]	1,525,955 [ –]	1,622,889 [ 74,478]

Note: Figures within brackets "[ ]" are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Organization (¥1,689,052 million for the year ended March 31, 2017 and ¥1,525,955 million for the year ended March 31, 2018) is scheduled to be distributed/paid to the Management Organization, based on the reinsurance contract.

## (8) Reserves

(Millions of yen)

For the years ended March 31		2017			2018		
		Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year
Reserve for Possible Loan Losses	General reserve for possible loan losses	¥ 71	¥ 59	¥ (11)	¥ 59	¥ 60	¥ 1
	Specific reserve for possible loan losses	701	598	(102)	598	634	35
	Reserve for specific foreign loans	–	–	–	–	–	–
Reserve for employees' retirement benefits		66,675	67,040	365	67,040	67,649	608
Reserve for management board benefit trust		–	76	76	76	172	96
Reserve for price fluctuations		782,268	788,712	6,444	788,712	916,743	128,031

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, 2017 and 2018.

## (10) Capital Stock, etc.

(Millions of yen)

		Balance at the beginning of the year ended March 31, 2018	Increase in the fiscal year	Decrease in the fiscal year	Balance at the end of the year ended March 31, 2018	Remarks
Capital stock		¥ 500,000	¥ —	¥ —	¥ 500,000	
Of which shares issued	[Common stock]	[600,000 thousand shares]	—	—	[600,000 thousand shares]	
		500,000	—	—	500,000	
	Total	500,000	—	—	500,000	
Capital surplus	[Legal capital surplus]	405,044	—	—	405,044	
	[Other capital surplus]	95,000	—	—	95,000	
	Total	500,044	—	—	500,044	

## (11) Premiums

(Millions of yen)

For the years ended March 31	2017	2018
Individual insurance	¥ 3,964,238	¥ 3,446,372
(Lump-sum payment)	—	—
(Annual payment)	—	—
(Semi-annual payment)	—	—
(Monthly payment)	3,964,238	3,446,372
Individual annuities	66,956	22,429
(Lump-sum payment)	41,042	—
(Annual payment)	—	—
(Semi-annual payment)	—	—
(Monthly payment)	25,913	22,429
Group insurance	—	—
Group annuities	—	—
Net, including other premiums	5,034,273	4,225,050

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and reinsurance.

## • Premiums by Income Year

(Millions of yen)

For the years ended March 31		2017	2018
Individual insurance	First-year premiums	¥ 672,791	¥ 482,714
	Premiums for the following years	3,358,403	2,986,087
Individual annuities	Subtotal	4,031,194	3,468,801
Group insurance Group annuities	First-year premiums	—	—
	Premiums for the following years	—	—
	Subtotal	—	—
Net, including other premiums	First-year premiums	673,021	483,450
	Premiums for the following years	4,361,251	3,741,600
	Total	5,034,273	4,225,050

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and reinsurance.

## (12) Insurance Claims

### 1) Insurance Claims (amounts)

(Millions of yen)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 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
<b>Total</b>	<b>55,474</b>	<b>4,712</b>	<b>1,201</b>	<b>12,109</b>	<b>6,413,769</b>	<b>6,487,267</b>
For the year ended March 31, 2018						
<b>Individual insurance</b>	<b>65,220</b>	<b>5,376</b>	<b>1,707</b>	<b>428,057</b>	<b>–</b>	<b>500,362</b>
<b>Individual annuities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Group insurance</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Group annuities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Asset-formation insurance, asset- formation annuities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>30</b>	<b>–</b>	<b>30</b>
<b>Other insurance</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,124,650</b>	<b>5,124,650</b>
<b>Total</b>	<b>65,220</b>	<b>5,376</b>	<b>1,707</b>	<b>428,088</b>	<b>5,124,650</b>	<b>5,625,043</b>

Note: "Other insurance" includes reinsurance.

## 2) Insurance Claims (number of benefits)

(Number of benefits)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 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
For the year ended March 31, 2018						
Individual insurance	27,124	2,455	613	217,105	–	247,297
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	18	–	18
Other insurance	–	–	–	–	14,811,783	14,811,783
Total	27,124	2,455	613	217,123	14,811,783	15,059,098

Note: "Other insurance" includes reinsurance.

## (13) Annuities

(Millions of yen)

For the year ended March 31, 2017						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 62	¥ 371,154	¥ –	¥ –	¥ –	¥ –	¥ 371,216

For the year ended March 31, 2018						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 68	¥ 394,613	¥ –	¥ –	¥ –	¥ –	¥ 394,681



**(14) Benefits****1) Benefits (amounts)**

(Millions of yen)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
<b>For the year ended March 31, 2017</b>							
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	—	—	—	—	—	—	—
<b>Total</b>	<b>22</b>	<b>30,428</b>	<b>20,866</b>	<b>1,448</b>	<b>3,543</b>	<b>800</b>	<b>57,111</b>
<b>For the year ended March 31, 2018</b>							
<b>Individual insurance</b>	<b>49</b>	<b>34,601</b>	<b>23,894</b>	<b>1,555</b>	<b>7,597</b>	<b>949</b>	<b>68,647</b>
<b>Individual annuities</b>	<b>—</b>	<b>25</b>	<b>12</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>38</b>
<b>Group insurance</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Group annuities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Asset-formation insurance, asset- formation annuities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other insurance</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>49</b>	<b>34,627</b>	<b>23,907</b>	<b>1,555</b>	<b>7,597</b>	<b>949</b>	<b>68,686</b>

## 2) Benefits (number of benefits)

(Number of benefits)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 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	—	—	—	—	—	—	—
<b>Total</b>	<b>130</b>	<b>497,211</b>	<b>286,183</b>	<b>1,718</b>	<b>17,909</b>	<b>11,725</b>	<b>814,876</b>
For the year ended March 31, 2018							
<b>Individual insurance</b>	<b>133</b>	<b>575,376</b>	<b>334,832</b>	<b>1,890</b>	<b>36,647</b>	<b>13,873</b>	<b>962,751</b>
<b>Individual annuities</b>	<b>—</b>	<b>188</b>	<b>115</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>310</b>
<b>Group insurance</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Group annuities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Asset-formation insurance, asset-formation annuities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other insurance</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>133</b>	<b>575,564</b>	<b>334,947</b>	<b>1,890</b>	<b>36,647</b>	<b>13,880</b>	<b>963,061</b>

## (15) Surrender Benefits

(Millions of yen)

For the year ended March 31, 2017						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 417,380	¥ 15,660	¥ —	¥ —	¥ 11	¥ —	¥ 433,053

For the year ended March 31, 2018						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 534,189	¥ 11,083	¥ —	¥ —	¥ 9	¥ —	¥ 545,281

## (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
<b>For the year ended March 31, 2017</b>					
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
<b>Total</b>	<b>554,607</b>	<b>47,607</b>	<b>302,012</b>	<b>252,594</b>	<b>54.5</b>
<b>For the year ended March 31, 2018</b>					
Tangible fixed assets	81,938	11,361	32,584	49,353	39.8
Buildings	49,639	6,665	16,933	32,705	34.1
Leased assets	3,925	577	1,763	2,161	44.9
Other tangible fixed assets	28,373	4,118	13,887	14,486	48.9
Intangible fixed assets	418,627	51,087	250,863	167,763	59.9
Others	625	56	298	326	47.7
<b>Total</b>	<b>501,190</b>	<b>62,505</b>	<b>283,746</b>	<b>217,444</b>	<b>56.6</b>

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	2017	2018
Sales activity expenses	¥ 201,199	¥ 177,274
Sales administration expenses	20,618	17,692
General administration expenses	338,388	337,876
<b>Total</b>	<b>560,206</b>	<b>532,843</b>

Note: "General administration expenses" include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥2,069 million for the year ended March 31, 2017 and ¥2,262 million for the year ended March 31, 2018), pursuant to Article 259 of the Insurance Business Act.

## (18) Taxes

(Millions of yen)

For the years ended March 31	2017	2018
National taxes	¥ 40,699	¥ 34,474
Consumption tax	36,171	30,492
Special local corporation tax	3,773	3,253
Stamp duty	754	728
Registration license tax	0	0
Other national taxes	0	0
Local taxes	20,256	17,421
Local consumption tax	9,760	8,228
Enterprise tax	9,055	7,809
Fixed property tax	1,201	1,131
Real estate acquisition tax	—	0
Business office tax	239	252
Other local taxes	—	—
Total	60,956	51,895

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, 2017 and 2018.

## (20) Borrowings by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2017							
Payables under securities lending transactions	¥ 4,889,066	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 4,889,066
Total	4,889,066	—	—	—	—	—	4,889,066
As of March 31, 2018							
Payables under securities lending transactions	3,663,547	—	—	—	—	—	3,663,547
Total	3,663,547	—	—	—	—	—	3,663,547

## 6-5 Indicators Related to Asset Management (General Account)

### (1) Portfolio Trends

#### Asset Structure, Increase/Decrease in Assets

(Millions of yen, %)

As of March 31	2017			2018		
	Amount	Percentage	Increase/decrease	Amount	Percentage	Increase/decrease
Cash, deposits, call loans	¥ 1,510,137	1.9	¥ (705,900)	¥ 1,159,191	1.5	¥ (350,945)
Receivables under resale agreements	—	—	—	—	—	—
Receivables under securities borrowing transactions	3,520,722	4.4	512,131	3,296,222	4.3	(224,499)
Monetary claims bought	27,561	0.0	(402,588)	176,069	0.2	148,507
Trading account securities	—	—	—	—	—	—
Money held in trust	2,127,042	2.6	482,494	2,814,873	3.7	687,831
Securities	63,486,273	79.0	(124,616)	60,131,893	78.3	(3,354,379)
Corporate and government bonds	57,658,115	71.8	(2,162,924)	53,576,426	69.7	(4,081,688)
Domestic stocks	59,305	0.1	58,321	196,379	0.3	137,074
Foreign securities	4,351,731	5.4	662,908	4,347,564	5.7	(4,166)
Foreign corporate and government bonds	4,346,732	5.4	657,910	4,235,485	5.5	(111,247)
Foreign stocks and other securities	4,998	0.0	4,998	112,079	0.1	107,080
Other securities	1,417,122	1.8	1,317,077	2,011,524	2.6	594,401
Loans	8,060,902	10.0	(917,534)	7,627,147	9.9	(433,755)
Policy loans	118,141	0.1	22,511	135,314	0.2	17,172
Industrial and commercial loans	873,720	1.1	44,693	919,051	1.2	45,330
Loans to the Management Organization	7,069,040	8.8	(984,739)	6,572,781	8.6	(496,258)
Real estate	119,011	0.1	(4,735)	83,920	0.1	(35,090)
Investment property	—	—	—	—	—	—
Deferred tax assets	852,263	1.1	139,647	954,136	1.2	101,873
Other	633,157	0.8	(186,221)	589,747	0.8	(43,409)
Reserve for possible loan losses	(658)	(0.0)	114	(695)	(0.0)	(37)
General account total	80,336,414	100.0	(1,207,209)	76,832,508	100.0	(3,503,905)
Foreign currency denominated assets	4,753,649	5.9	804,231	4,748,512	6.2	(5,136)

Notes:

1. "Loans to the Management Organization" includes lending to the Management Organization (Postal Life Insurance Account).
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.

## (2) Yield

(%)

For the years ended March 31	2017	2018
Cash, deposits and call loans	0.00%	0.00%
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	0.23	0.91
Trading account securities	—	—
Money held in trust	3.49	4.75
Securities	1.52	1.48
Corporate and government bonds	1.59	1.54
Domestic stocks	5.23	6.68
Foreign securities	0.61	0.85
Other securities	0.54	1.00
Loans	2.10	2.04
Industrial and commercial loans	1.30	1.26
Real estate	—	—
General account total	1.50	1.51
Overseas loans and investments	0.82	1.01

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	2017	2018
Cash, deposits and call loans	¥ 908,816	¥ 694,247
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	219,220	50,515
Trading account securities	—	—
Money held in trust	1,622,160	2,005,947
Securities	63,807,097	62,303,940
Corporate and government bonds	58,887,577	56,086,647
Domestic stocks	19,215	106,256
Foreign securities	4,198,112	4,407,549
Other securities	701,208	1,703,486
Loans	8,783,153	7,848,491
Industrial and commercial loans	895,898	900,863
Real estate	122,386	110,589
General account total	80,580,478	78,146,063
Overseas loans and investments	4,651,791	5,178,383

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	2017	2018
Interest and dividend income	¥ 1,226,193	¥ 1,152,306
Gains on trading account securities	—	—
Gains on money held in trust	56,535	95,189
Gains on trading securities	—	—
Gains on sales of securities	85,142	36,468
Gains on redemption of securities	33	53
Gains on derivative financial instruments	—	—
Gains on foreign exchanges	—	284
Reversal of reserve for possible loan losses	11	—
Other investment income	21	226
Total	1,367,937	1,284,529

#### (5) Investment Expenses

(Millions of yen)

For the years ended March 31	2017	2018
Interest expenses	¥ 2,218	¥ 1,450
Losses on trading account securities	—	—
Losses on money held in trust	—	—
Losses on trading securities	—	—
Losses on sales of securities	124,734	65,733
Losses on valuation of securities	—	—
Losses on redemption of securities	7,480	5,964
Losses on derivative financial instruments	20,599	30,301
Losses on foreign exchanges	3,362	—
Provision for reserve for possible loan losses	—	1
Write-off loans	—	—
Depreciation of real estate for lease and other assets	—	—
Other investment expenses	2,018	2,623
Total	160,414	106,074

## (6) Interest, Dividends and Other Income

(Millions of yen)

For the years ended March 31	2017	2018
Interest on deposits	¥ 22	¥ 15
Interest and dividends on securities	1,037,359	986,497
Interest on corporate and government bonds	934,895	863,325
Domestic stock dividends	727	3,646
Interest and dividends on foreign securities	97,953	102,349
Interest on loans	14,037	14,128
Interest on loans to the Management Organization	170,098	146,327
Rent revenue from real estate	—	—
Net, including other income	1,226,193	1,152,306

## (7) Gains on Sales of Securities

(Millions of yen)

For the years ended March 31	2017	2018
Japanese government bonds and other bonds	¥ 1,384	¥ 1
Domestic stocks and other securities	352	4,692
Foreign securities	83,406	31,774
Net, including other gains on sales of securities	85,142	36,468

## (8) Losses on Sales of Securities

(Millions of yen)

For the years ended March 31	2017	2018
Japanese government bonds and other bonds	¥ 147	¥ 334
Domestic stocks and other securities	53	1,152
Foreign securities	124,533	64,156
Other securities	—	90
Net, including other losses on sales of securities	124,734	65,733

## (9) Losses on Valuation of Securities

Not applicable as of March 31, 2017 and 2018.

## (10) Proprietary Trading Securities

Not applicable as of March 31, 2017 and 2018.

## (11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2017 and 2018.

## (12) Securities Composition

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
Corporate and government bonds	¥ 57,658,115	90.8	¥ 53,576,426	89.1
Japanese government bonds	42,732,364	67.3	39,589,896	65.8
Japanese local government bonds	9,226,804	14.5	8,513,583	14.2
Japanese corporate bonds	5,698,945	9.0	5,472,945	9.1
Public entity bonds	3,808,315	6.0	3,674,193	6.1
Domestic stocks	59,305	0.1	196,379	0.3
Foreign securities	4,351,731	6.9	4,347,564	7.2
Foreign corporate and government bonds	4,346,732	6.8	4,235,485	7.0
Foreign stocks and other securities	4,998	0.0	112,079	0.0
Other securities	1,417,122	2.2	2,011,524	3.3
Total	63,486,273	100.0	60,131,893	100.0

### (13) Securities by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
<b>As of March 31, 2017</b>	<b>¥ 7,005,851</b>	<b>¥ 7,185,453</b>	<b>¥ 5,437,276</b>	<b>¥ 4,819,396</b>	<b>¥ 6,133,670</b>	<b>¥33,282,186</b>	<b>¥63,863,835</b>
Securities	6,655,851	7,185,453	5,437,276	4,819,396	6,133,670	33,254,624	63,486,273
Japanese government bonds	4,701,876	3,483,857	1,734,510	1,923,244	3,589,153	27,299,722	42,732,364
Japanese local government bonds	949,161	2,145,869	2,297,098	1,627,623	1,087,674	1,119,376	9,226,804
Japanese corporate bonds	994,794	1,240,631	990,973	787,845	455,534	1,229,165	5,698,945
Stocks	—	—	—	—	—	59,305	59,305
Foreign securities	10,018	315,095	414,694	480,682	1,001,307	2,129,932	4,351,731
Foreign corporate and government bonds	10,018	315,095	414,694	480,682	1,001,307	2,124,934	4,346,732
Foreign stocks and other securities	—	—	—	—	—	4,998	4,998
Other securities	—	—	—	—	—	1,417,122	1,417,122
Monetary claims bought	—	—	—	—	—	27,561	27,561
Negotiable certificates of deposit	350,000	—	—	—	—	—	350,000
Other	—	—	—	—	—	—	—
<b>As of March 31, 2018</b>	<b>4,809,300</b>	<b>5,048,498</b>	<b>5,528,740</b>	<b>4,568,215</b>	<b>7,006,744</b>	<b>33,766,464</b>	<b>60,727,963</b>
Securities	4,239,300	5,048,498	5,528,740	4,568,215	7,006,744	33,740,394	60,131,893
Japanese government bonds	2,231,260	1,710,097	2,147,169	1,888,525	5,273,345	26,339,497	39,589,896
Japanese local government bonds	1,225,464	2,126,553	1,886,568	1,353,232	604,668	1,317,096	8,513,583
Japanese corporate bonds	740,859	958,161	1,178,288	432,644	478,662	1,684,327	5,472,945
Stocks	—	—	—	—	—	196,379	196,379
Foreign securities	41,716	253,686	316,713	893,812	650,066	2,191,569	4,347,564
Foreign corporate and government bonds	41,716	253,686	316,713	893,812	650,066	2,079,490	4,235,485
Foreign stocks and other securities	—	—	—	—	—	112,079	112,079
Other securities	—	—	—	—	—	2,011,524	2,011,524
Monetary claims bought	149,999	—	—	—	—	26,069	176,069
Negotiable certificates of deposit	420,000	—	—	—	—	—	420,000
Other	—	—	—	—	—	—	—

Note: Includes the handling of securities based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10).

**(14) Bond Term-End Balance Yield**

As of March 31	2017	2018
Corporate and government bonds	1.57%	<b>1.54%</b>
Foreign corporate and government bonds	2.08	<b>2.38</b>

(%)

**(15) Breakdown of Local Government Bonds by Region**

As of March 31	2017	2018
Hokkaido	¥ 219,534	¥ <b>218,549</b>
Tohoku	86,774	<b>81,012</b>
Kanto	2,070,417	<b>1,910,698</b>
Chubu	1,012,153	<b>944,478</b>
Kinki	1,004,950	<b>990,172</b>
Chugoku	316,872	<b>286,384</b>
Shikoku	89,691	<b>85,120</b>
Kyushu	598,001	<b>576,154</b>
Other	3,828,407	<b>3,421,013</b>
Total	9,226,804	<b>8,513,583</b>

(Millions of yen)

Note: "Other" indicates the balance of joint issuance local government bonds.

## (16) Shareholdings by Industry Sector

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
Fishery, agriculture and forestry	¥ –	–	¥ –	–
Mining	–	–	–	–
Construction	2,523	4.3	7,946	4.0
Manufacturing				
Foods	1,465	2.5	6,747	3.4
Textiles and apparel	1,433	2.4	2,487	1.3
Pulp and paper	–	–	–	–
Chemicals	7,937	13.4	15,273	7.8
Pharmaceuticals	3,074	5.2	4,856	2.5
Oil and coal products	–	–	–	–
Rubber products	524	0.9	1,127	0.6
Glass and ceramic products	–	–	1,637	0.8
Iron and steel	–	–	–	–
Nonferrous metals	1,121	1.9	3,529	1.8
Metal products	–	–	–	–
Machinery	2,374	4.0	9,183	4.7
Electric appliances	2,872	4.8	23,219	11.8
Transportation equipment	2,292	3.9	11,696	6.0
Precision instruments	566	1.0	4,294	2.2
Other products	1,007	1.7	3,550	1.8
Electric power and gas	–	–	–	–
Transportation, information and communications				
Land transportation	3,172	5.3	8,916	4.5
Marine transportation	–	–	–	–
Air transportation	1,095	1.8	3,735	1.9
Warehousing and port transportation services	–	–	–	–
Information and communications	13,611	23.0	27,168	13.8
Trade and services				
Wholesale trade	1,145	1.9	12,593	6.4
Retail trade	4,582	7.7	17,970	9.2
Finance and insurance				
Banking	5,539	9.3	13,876	7.1
Securities and trading	–	–	495	0.3
Insurance	486	0.8	2,713	1.4
Other financial services	–	–	2,912	1.5
Real estate	–	–	–	–
Services	2,476	4.2	10,445	5.3
<b>Total</b>	<b>59,305</b>	<b>100.0</b>	<b>196,379</b>	<b>100.0</b>

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	2017	2018
Policy loans	¥ 118,141	¥ 135,314
Policyholder loans	118,139	135,312
Policy premium loans	1	2
Industrial and commercial loans	7,942,761	7,491,833
(Loans to non-residents)	( — )	( — )
Loans to companies	7,271,272	6,772,822
(Loans to domestic corporations)	( 7,271,272 )	( 6,772,822 )
Loans to state, international organizations and government organizations	—	—
Loans to public bodies and public businesses	671,488	719,010
Housing loans	—	—
Consumer loans	—	—
Other	—	—
<b>Total</b>	<b>8,060,902</b>	<b>7,627,147</b>

Note: Loans to the Management Organization (Postal Life Insurance account) are recorded as loans to companies, as they are classified into loans to companies in "finance and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

**(18) Loans by Contractual Maturity Date**

(Millions of yen)							
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
<b>Total industrial and commercial loans as of March 31, 2017</b>	¥ 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
<b>Total industrial and commercial loans as of March 31, 2018</b>	<b>965,546</b>	<b>2,185,923</b>	<b>1,303,072</b>	<b>1,056,198</b>	<b>947,012</b>	<b>1,034,079</b>	<b>7,491,833</b>
Variable rate loans	15,250	8,400	8,600	14,250	5,000	—	51,500
Fixed rate loans	950,296	2,177,523	1,294,472	1,041,948	942,012	1,034,079	7,440,333

Notes:

1. "Fixed rate loans" includes loans to the Management Organization (Postal Life Insurance Account).
2. Among the loans to the Management Organization (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

## (19) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

As of March 31		2017		2018	
			Percentage		Percentage
Large companies	Number of borrowers	33	82.5	31	73.8
	Amount of loans	¥ 175,820	2.4	¥ 163,620	2.4
Medium-sized companies	Number of borrowers	—	—	—	—
	Amount of loans	—	—	—	—
Small companies	Number of borrowers	7	17.5	11	26.2
	Amount of loans	7,095,452	97.6	6,609,202	97.6
Total loans to domestic companies	Number of borrowers	40	100.0	42	100.0
	Amount of loans	7,271,272	100.0	6,772,822	100.0

Notes:

- Loans to the Management Organization (Postal Life Insurance Account) are classified as “small and medium-sized companies” in the “Corporate Guideline of Entry Statistics Questionnaire” as specified by the Research and Statistics Department, the Bank of Japan.
- Classifications are defined as shown below.
- “Number of borrowers” indicates the number of borrowers identified by name and is not the number of loans.

Industry type	1. All industries (excluding 2–4)		2. Retail and restaurant		3. Service		4. Wholesale	
Large companies	More than 300 employees	Paid-in capital over ¥1 billion	More than 50 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.1 billion and ¥1 billion
Small companies	Paid-in capital under ¥0.3 billion or fewer than 300 employees		Paid-in capital under ¥0.05 billion or fewer than 50 employees		Paid-in capital under ¥0.05 billion or fewer than 100 employees		Paid-in capital under ¥0.1 billion or fewer than 100 employees	

**(20) Breakdown of Loans by Industry**

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
<b>Domestic</b>				
Manufacturing	¥ 50,750	0.6	¥ 46,750	0.6
Foods	4,000	0.1	—	—
Textiles and apparel	—	—	—	—
Wood, wood products	—	—	—	—
Pulp and paper	11,950	0.2	11,950	0.2
Printing	—	—	—	—
Chemicals	10,150	0.1	10,150	0.1
Oil and coal products	4,650	0.1	4,650	0.1
Ceramics, soil and stone	7,000	0.1	7,000	0.1
Iron and steel	8,000	0.1	8,000	0.1
Nonferrous metals	—	—	—	—
Metal products	—	—	—	—
General purpose, production and industrial machinery	—	—	—	—
Electric appliances	—	—	—	—
Transportation equipment	5,000	0.1	5,000	0.1
Other manufacturing products	—	—	—	—
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	—	—	—	—
Construction	900	0.0	900	0.0
Electric power, gas, heat supply and waterworks	2,863	0.0	9,777	0.1
Information and communications	4,350	0.1	4,350	0.1
Transportation and postal	43,006	0.5	41,025	0.5
Wholesale trade	44,700	0.6	43,400	0.6
Retail trade	—	—	—	—
Financing and insurance	7,102,040	89.4	6,605,781	88.2
Real estate	22,662	0.3	20,837	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	671,488	8.5	719,010	9.6
Individuals (residential/consumption/local taxes/other)	—	—	—	—
<b>Total</b>	<b>7,942,761</b>	<b>100.0</b>	<b>7,491,833</b>	<b>100.0</b>
<b>Overseas</b>				
Governments and public entities	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry, etc.	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total industrial and commercial loans</b>	<b>7,942,761</b>	<b>100.0</b>	<b>7,491,833</b>	<b>100.0</b>

## Notes:

- Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).
- Loans to the Management Organization (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type of "the Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

## (21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
Capital investments	¥ 559,435	7.0	¥ 590,551	7.9
Operations	7,383,325	93.0	6,901,281	92.1
Total	7,942,761	100.0	7,491,833	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	2017		2018	
	Amount	Percentage	Amount	Percentage
Hokkaido	¥ –	–	¥ –	–
Tohoku	37,231	0.5	46,645	0.6
Kanto	7,412,963	93.3	6,932,494	92.5
Chubu	156,728	2.0	164,215	2.2
Kinki	194,865	2.5	198,354	2.6
Chugoku	50,453	0.6	52,204	0.7
Shikoku	7,030	0.1	8,436	0.1
Kyushu	83,489	1.1	89,482	1.2
Total	7,942,761	100.0	7,491,833	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	2017		2018	
	Amount	Percentage	Amount	Percentage
Secured loans	¥ 5,612	0.1	¥ 12,320	0.2
Loans secured by securities	–	–	–	–
Loans secured by real estate, movable property or foundation	–	–	–	–
Loans secured by nominative claims	5,612	0.1	12,320	0.2
Guaranteed loans	27,490	0.3	27,490	0.4
Credit loans	840,618	10.6	879,240	11.7
Other	7,069,040	89.0	6,572,781	87.7
Industrial and commercial loans	7,942,761	100.0	7,491,833	100.0
Subordinated loans	1,000	0.0	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, %)

	Balance at the end of the previous fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Balance at the end of the fiscal year	Accumulated depreciation	Accumulated depreciation percentage
For the year ended March 31, 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)	–	–	–	–	–	–	–
For the year ended March 31, 2018							
Land	68,272	0	25,206 (1,237)	0	43,066	0	–
Buildings, net	44,483	1,458	6,570 (765)	6,665	32,705	16,933	34.1
Leased assets, net	2,004	740	6	577	2,161	1,763	44.9
Construction in progress	6,255	3,626	1,733	0	8,149	0	–
Others, net	15,911	2,960	268	4,118	14,486	13,887	48.9
Total	136,928	8,786	33,784 (2,003)	11,361	100,568	32,584	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–

Notes:

- Figures in brackets in “decrease in the fiscal year” are represented by the booked amounts of impairment loss.
- “Buildings” is booked as the sum total of buildings, facilities and structures.

### 2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

As of March 31	2017	2018
Value of real estate holdings	¥ 119,011	¥ 83,920
For business operations	119,011	83,920
For lease	–	–
Number of buildings held for leasing	–	–

Note: “Value of real estate holdings” is booked as the sum total of land, buildings (including facilities and structures) and construction in progress.

## (25) Gains on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2017	2018
Tangible fixed assets	¥ –	¥ 90,136
Land	–	90,057
Buildings	–	78
Leased assets	–	–
Other assets	–	–
Intangible fixed assets	–	–
Others	–	–
Total	–	90,136
Includes rentals and other real estate	–	–

Note: In 2018, land and buildings were sold in bulk. As a result, ¥86,053 million obtained by deducting ¥4,082 million in losses on sales and disposal of land and buildings from ¥90,136 million in total gains on sales of fixed assets presented above is accrued in the statement of income.

## (26) Losses on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2017	2018
Tangible fixed assets	¥ 183	¥ 4,386
Land	–	72
Buildings	109	4,025
Leased assets	5	6
Other assets	68	282
Intangible fixed assets	269	32
Others	–	–
<b>Total</b>	<b>453</b>	<b>4,419</b>
Includes rentals and other real estate	–	–

Note: The total of ¥4,419 million for 2018 includes ¥4,082 million in losses on sales and disposal of land and buildings.

## (27) Depreciation on Real Estate, Movables and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2017 and 2018.

## (28) Overseas Loans and Investments

### 1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2017		2018	
		Amount	Percentage	Amount	Percentage
Foreign-currency-denominated assets	Foreign corporate and government bonds	¥ 4,444,312	90.3	¥ 4,381,818	83.8
	Foreign stocks	309,050	6.3	342,539	6.6
	Cash and cash equivalents	286	0.0	24,154	0.5
	Subtotal	4,753,649	96.5	4,748,512	90.9
Foreign-currency-denominated assets with fixed yen value	Foreign corporate and government bonds	–	–	–	–
	Cash and cash equivalents	–	–	–	–
	Subtotal	–	–	–	–
Yen-denominated assets	Loans to non-residents	–	–	–	–
	Foreign corporate and government bonds and other assets	170,197	3.5	477,880	9.1
	Subtotal	170,197	3.5	477,880	9.1
Net overseas loans and investments		4,923,846	100.0	5,226,393	100.0

Note: "Foreign-currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.



## 2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

	Foreign securities						Loans to non-residents	
			Corporate and government bonds		Stocks and other securities			
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
As of March 31, 2017	¥ 4,846,683	100.0	¥ 4,346,732	100.0	¥ 499,950	100.0	¥ —	—
North 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	—	—	—	—
As of March 31, 2018	5,044,316	100.0	4,235,485	100.0	808,830	100.0	—	—
North America	3,135,029	62.1	2,823,297	66.7	311,731	38.5	—	—
Europe	837,536	16.6	806,728	19.0	30,807	3.8	—	—
Oceania	214,552	4.3	214,552	5.1	—	—	—	—
Asia	—	—	—	—	—	—	—	—
Central and South America	486,196	9.6	19,905	0.5	466,291	57.7	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	371,000	7.4	371,000	8.8	—	—	—	—

## 3) Composition of Foreign-Currency-Denominated Assets by Currency

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
U.S. dollar	¥ 3,559,917	74.9	¥ 3,501,739	73.7
Euro	1,013,531	21.3	727,362	15.3
Australian dollar	142,020	3.0	372,312	7.8
New Zealand dollar	—	—	77,691	1.6
Canadian dollar	4,596	0.1	49,527	1.0
British pound	33,583	0.7	19,879	0.4
Total	4,753,649	100.0	4,748,512	100.0

## (29) Yield on Overseas Loans and Investments

(%)

For the years ended March 31	2017	2018
Yield on overseas loans and investments	0.82	1.01

## (30) Summary of New Public-Sector Investment Underwriting and Loans

(Millions of yen)

For the years ended March 31		2017	2018
Public bonds	Japanese government bonds	¥ —	¥ —
	Japanese local government bonds	—	—
	Public entity bonds	4	7
	Subtotal	4	7
Loans	Government organizations	—	—
	Public entities	124,696	80,933
	Subtotal	124,696	80,933
Total		124,700	80,940

## (31) Loan Interest Rates

Not applicable for the years ended March 31, 2017 and 2018

## (32) Other Assets

(Millions of yen)

Asset class	Cost	Balance at the beginning of the fiscal year	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, 2017							
Other	¥ 1,597	¥ 2,115	¥ 4,475	¥ 4,993	¥ —	¥ 1,597	
Total	1,597	2,115	4,475	4,993	—	1,597	
For the year ended March 31, 2018							
Other	2,489	1,597	4,202	3,310	—	2,489	
Total	2,489	1,597	4,202	3,310	—	2,489	

## 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, 2017 and 2018.

#### 2) Fair Value Information of Securities (with fair value, other than trading securities)

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥ 40,441,881	¥ 46,518,693	¥ 6,076,812	¥ 6,149,942	¥ 73,129	¥38,490,055	¥44,608,732	¥6,118,677	¥6,160,256	¥ 41,579
Policy-reserve-matching bonds	12,517,334	13,697,410	1,180,075	1,204,445	24,370	10,676,330	11,769,615	1,093,285	1,103,904	10,618
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	12,522,618	12,966,282	443,664	657,830	214,165	13,667,194	14,225,628	558,433	758,562	200,129
Corporate and government bonds	4,758,489	4,796,899	38,409	71,613	33,204	4,474,163	4,508,040	33,877	55,126	21,248
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,658,641	4,748,683	90,041	237,280	147,238	4,835,101	4,923,090	87,989	202,126	114,137
Foreign corporate and government bonds	4,219,602	4,248,732	29,130	175,028	145,898	4,129,047	4,137,485	8,437	122,573	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	—	173,907	176,069	2,161	2,161	—
Negotiable certificates of deposit	350,000	350,000	—	—	—	420,000	420,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>65,481,834</b>	<b>73,182,386</b>	<b>7,700,552</b>	<b>8,012,218</b>	<b>311,665</b>	<b>62,833,580</b>	<b>70,603,976</b>	<b>7,770,395</b>	<b>8,022,723</b>	<b>252,327</b>
Corporate and government bonds	57,619,705	64,911,866	7,292,160	7,422,865	130,704	53,542,548	60,786,228	7,243,680	7,317,126	73,446
Domestic stocks	1,302,336	1,626,015	323,679	342,436	18,757	1,587,499	2,040,650	453,150	491,990	38,839
Foreign securities	4,756,641	4,849,819	93,178	240,417	147,238	4,933,101	5,023,250	90,149	204,286	114,137
Foreign corporate and government bonds	4,317,602	4,349,869	32,266	178,164	145,898	4,227,047	4,237,645	10,597	124,733	114,136
Foreign stocks and other securities	439,038	499,950	60,911	62,252	1,340	706,053	785,604	79,551	79,552	0
Other securities	1,428,000	1,417,122	(10,877)	4,086	14,964	2,176,523	2,157,777	(18,745)	7,158	25,903
Monetary claims bought	25,149	27,561	2,411	2,411	—	173,907	176,069	2,161	2,161	—
Negotiable certificates of deposit	350,000	350,000	—	—	—	420,000	420,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—

Notes:

1. This table includes the handling of securities under the Financial Instruments and Exchange Act.
2. This table includes money held in trust other than trading securities for trading purposes for which the book value was ¥1,686,170 million with a gain of ¥380,716 million as of March 31, 2018 and ¥2,153,285 million with a gain of ¥516,484 million as of March 31, 2017.

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	2017	2018
Held-to-maturity bonds	¥ —	¥ —
Unlisted foreign bonds	—	—
Other	—	—
Policy-reserve-matching bonds	—	—
Equities of subsidiaries and affiliates	984	1,479
Available-for-sale securities	4,239	61,625
Unlisted domestic stocks (excluding OTC-traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC-traded equities)	—	—
Unlisted foreign bonds	—	—
Other	—	57,385
<b>Total</b>	<b>5,223</b>	<b>63,105</b>

Notes:

1. This table includes money held in trust other than trading securities (¥57,385 million as of March 31, 2018).
2. Net unrealized losses on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: (¥867 million as of March 31, 2018)

## (2) Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
			Gains		Losses			Gains		Losses
Money held in trust	¥2,127,042	¥2,127,042	¥ —	¥ —	¥ —	¥2,755,347	¥2,755,347	¥ —	¥ —	¥ —

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

### 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, 2017 and 2018.

### 2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2017					2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains		Losses			Gains		Losses
Assets held-to-maturity in trust	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Assets held for reserves in trust	—	—	—	—	—	—	—	—	—	—
Other money held in trust	1,746,326	2,127,042	380,716	400,483	19,767	2,238,862	2,755,347	516,484	555,532	39,047
Domestic stock fund	1,306,142	1,625,946	319,804	338,231	18,426	1,456,654	1,899,530	442,876	478,188	35,312
Foreign stock fund	273,163	315,104	41,941	43,282	1,340	309,075	378,482	69,406	69,407	0
Foreign bond fund	167,020	185,990	18,970	18,970	—	473,131	477,334	4,202	7,936	3,734

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018).

### 3) Balances of Securities in Money Held in Trust

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
<b>As of March 31, 2017</b>							
Domestic stock						¥ 1,571,934	
Foreign securities						494,952	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						494,952	
Other securities						—	2,066,886
<b>As of March 31, 2018</b>							
Domestic stock						1,849,990	
Foreign securities						696,751	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						696,751	
Other securities						179,546	2,726,288

Note: Including money held in trust for which the fair values are deemed extremely difficult to determine.

### 4) Currency Composition of Money Held in Trust

(Millions of yen, %)

As of March 31	2017		2018	
	Amount	Percentage	Amount	Percentage
Japanese yen	¥ 1,571,934	76.1	¥ 2,180,256	80.0
U.S. dollar	462,314	22.4	501,852	18.4
Euro	28,041	1.4	39,604	1.5
Others	4,596	0.2	4,574	0.2
Total	2,066,886	100.0	2,726,288	100.0

Note: Including money held in trust for which the fair values are deemed extremely difficult to determine.  
Excluding cash and deposits.

## 5) Industry Composition of Japanese Stocks of Money Held in Trust

(Millions of yen, %)

As of March 31	2017		2018	
	Fair value	Percentage	Fair value	Percentage
Fishery, agriculture and forestry	¥ 1,318	0.1	¥ 1,398	0.1
Mining	4,328	0.3	5,122	0.3
Construction	55,564	3.5	67,897	3.7
Manufacturing				
Foods	71,062	4.5	79,353	4.3
Textiles and apparel	8,565	0.5	13,521	0.7
Pulp and paper	3,042	0.2	4,132	0.2
Chemicals	95,352	6.1	132,753	7.2
Pharmaceuticals	80,019	5.1	93,583	5.1
Oil and coal products	5,965	0.4	8,929	0.5
Rubber products	32,904	2.1	33,816	1.8
Glass and ceramic products	12,751	0.8	14,612	0.8
Iron and steel	16,483	1.0	17,845	1.0
Nonferrous metals	12,170	0.8	13,850	0.7
Metal products	8,145	0.5	9,464	0.5
Machinery	90,035	5.7	105,321	5.7
Electric appliances	196,919	12.5	241,462	13.1
Transportation equipment	197,316	12.6	197,203	10.7
Precision instruments	21,402	1.4	26,542	1.4
Other products	20,538	1.3	31,716	1.7
Electric power and gas	21,451	1.4	23,567	1.3
Transportation, information and communications				
Land transportation	53,224	3.4	62,185	3.4
Marine transportation	2,956	0.2	2,683	0.1
Air transportation	11,315	0.7	14,332	0.8
Warehousing and port transportation services	2,095	0.1	2,302	0.1
Information and communications	148,094	9.4	162,234	8.8
Trade and services				
Wholesale trade	73,048	4.6	90,685	4.9
Retail trade	60,623	3.9	76,444	4.1
Finance and insurance				
Banking	108,138	6.9	112,729	6.1
Securities and trading	16,443	1.0	15,857	0.9
Insurance	47,667	3.0	58,365	3.2
Other financial services	16,061	1.0	27,829	1.5
Real estate	31,904	2.0	39,462	2.1
Services	45,021	2.9	62,781	3.4
Total	1,571,934	100.0	1,849,990	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)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
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	–	–	–	–	–	–
<b>As of March 31, 2018</b>	<b>1,177</b>	<b>1,223</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,401</b>
Portion with hedge accounting applied	1,177	1,222	–	–	–	2,400
Portion with hedge accounting not applied	–	1	–	–	–	1

Notes:

1. 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.
2. Net unrealized gains on the portion subject to the fair value hedge method (currency related ¥1,222 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2018 are accrued in the statement of income.

#### (ii) Interest rate related

(Millions of yen)

Category	As of March 31	2017				2018			
	Type	Contract amount, etc.		Fair value	Net gain/loss	Contract amount, etc.		Fair value	Net gain/loss
			Over one year				Over one year		
Over-the-counter	Interest rate swap								
	Fixed interest receipt/ variable interest payment	¥ 57,800	¥ 51,500	¥ 1,364	¥ 1,364	¥ 51,500	¥ 36,250	¥ 1,177	¥ 1,177
Total					1,364				1,177

Note: The fair value (current price) of swap transactions is indicated in the net gain/loss column.

#### Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 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
<b>As of March 31, 2018</b>	<b>15,250</b>	<b>8,400</b>	<b>8,600</b>	<b>14,250</b>	<b>5,000</b>	<b>–</b>	<b>51,500</b>
Fixed receipt swap notional principal	15,250	8,400	8,600	14,250	5,000	–	51,500
Average fixed interest receipt	0.46	0.52	0.61	0.92	1.12	–	0.69
Average variable interest payment	0.03	0.07	0.12	0.11	0.10	–	0.08

**(iii) Currency related**

(Millions of yen)

Category	As of March 31 Type	2017				2018			
		Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts								
	Sold	¥2,438,390	¥ -	¥ (4,657)	¥ (4,657)	¥2,704,699	¥ -	¥ 1,223	¥ 1,223
	U.S. dollar	1,603,918	-	(5,630)	(5,630)	1,696,562	-	(3,991)	(3,991)
	Euro	834,472	-	973	973	657,080	-	3,116	3,116
	Australian dollars	-	-	-	-	224,994	-	1,794	1,794
	Others	-	-	-	-	126,062	-	304	304
	Purchased	-	-	-	-	-	-	-	-
Total					(4,657)				1,223

Notes:

1. Future quotation for the exchange rate at the end of the fiscal year is used.
2. The net gain/loss is described for the exchange contract fair value.

**(iv) Stock related**

There were no such outstanding balances as of March 31, 2017 and 2018.

**(v) Bond related**

There were no such outstanding balances as of March 31, 2017 and 2018.

**(vi) Others**

There were no such outstanding balances as of March 31, 2017 and 2018.

## 7 Indicators for Separate Accounts

Not applicable.

**Annual Report 2018**

Published August 2018

The information in this Annual Report is as of March 31, 2018, unless expressly stated otherwise.

# **JAPAN POST INSURANCE Co.,Ltd.**

Public Relations Department

3-2, Kasumigaseki 1-chome,  
Chiyoda-ku, Tokyo 100-8798, Japan

OTEMACHI PLACE WEST TOWER  
3-1, Otemachi 2-chome,  
Chiyoda-ku, Tokyo 100-8794, Japan  
(To relocate on November 12, 2018)

URL: <http://www.jp-life.japanpost.jp/en/>

