

UNOFFICIAL TRANSLATION

Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

**Summary of Non-Consolidated Financial Results
for the Fiscal Year Ended March 31, 2014
[Under Japanese GAAP]**



May 15, 2014

Company Name: JAPAN POST INSURANCE Co., Ltd.

URL: <http://www.jp-life.japanpost.jp/>

Representative: Masami Ishii, Director and President, CEO, Representative Executive Officer

Scheduled date of General Shareholder's Meeting: June 23, 2014

(Amounts of less than one million yen are rounded down.)

1. Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (April 1, 2013 to March 31, 2014)

(1) Non-Consolidated Results of Operations (% indicates changes from the previous corresponding period.)

| | Ordinary income | | Ordinary profit | | Net income | |
|----------------------------------|-----------------|-------|-----------------|--------|-------------|--------|
| | Million yen | % | Million yen | % | Million yen | % |
| Fiscal year ended March 31, 2014 | 11,233,925 | (5.1) | 463,506 | (12.4) | 63,428 | (30.3) |
| Fiscal year ended March 31, 2013 | 11,834,920 | (5.6) | 529,375 | (0.4) | 91,000 | 34.3 |

| | Net income per share | Diluted net income per share (Note) | Return on equity | Ordinary profit to total assets | Ordinary profit to ordinary income |
|----------------------------------|----------------------|-------------------------------------|------------------|---------------------------------|------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended March 31, 2014 | 3,171.42 | - | 4.2 | 0.5 | 4.1 |
| Fiscal year ended March 31, 2013 | 4,550.02 | - | 6.6 | 0.6 | 4.5 |

(Note) Diluted net income per share is not presented for the fiscal year ended March 31, 2014 as potential common stock did not exist.

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2014 | 87,088,626 | 1,534,457 | 1.8 | 76,722.86 |
| As of March 31, 2013 | 90,462,364 | 1,464,771 | 1.6 | 73,238.56 |

Net assets attributable to the Company's shareholders as of March 31, 2014 and 2013 were ¥1,534,457 million and ¥1,464,771 million, respectively.

(3) Non-Consolidated Cash Flows

| | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at the end of the year |
|----------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|--------------------------------------------------|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended March 31, 2014 | (3,751,723) | 4,714,279 | (23,161) | 1,663,576 |
| Fiscal year ended March 31, 2013 | (3,934,809) | 3,451,325 | (17,259) | 724,181 |

2. Non-Consolidated Financial Results Forecasts for the Fiscal Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% indicates changes from the previous corresponding period.)

| | Ordinary income | | Ordinary profit | | Net income | | Net income per share |
|-----------|-----------------|--------|-----------------|--------|-------------|------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 10,110,000 | (10.0) | 410,000 | (11.5) | 73,000 | 15.1 | 3,650.00 |

*** Notes:**

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(2) Total number of shares issued (common stock)

Total number of shares issued at the end of the fiscal year:

March 31, 2014: 20,000,000 shares

March 31, 2013: 20,000,000 shares

* Explanation of how to use forecasts appropriately, and other notes

The financial results forecasts and other forward-looking statements herein are based on certain assumptions deemed reasonable by the Company at the time of this document's disclosure. Please note that actual results may differ from the forecast figures due to various factors such as changes in the operating environment.

[Attachment]

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1. Analysis of Non-Consolidated Results of Operations and Non-Consolidated Financial Position

(1) Analysis of Non-Consolidated Results of Operations

During the fiscal year ended March 31, 2014, Japan Post Insurance Co., Ltd. (the “Company”) sold 2,234 thousand individual insurance policies with an insured amount of ¥6,559.8 billion, and 149 thousand individual annuity policies with an annuity amount of ¥524.1 billion. This was mainly attributable to further strengthening of sales promotion systems in collaboration with Japan Post Co., Ltd. (“Japan Post Co.”), the main channel of the Company.

Ordinary income amounted to ¥11,233.9 billion, comprising the sum of items including insurance premiums and others of ¥5,911.6 billion, investment income of ¥1,540.6 billion, and reversal of policy reserves of ¥3,656.4 billion. Meanwhile, ordinary expenses amounted to ¥10,770.4 billion, comprising the sum of items including insurance claims and others of ¥10,160.8 billion, investment expenses of ¥18.1 billion, and operating expenses of ¥513.0 billion. As a result, ordinary profit amounted to ¥463.5 billion.

Net income amounted to ¥63.4 billion due to the recording of items including ¥91.3 billion of provision for reserve for price fluctuations under extraordinary losses, ¥242.1 billion of provision for reserve for policyholder dividends, and ¥57.9 billion of total income taxes. In addition, core profit amounted to ¥482.0 billion.

(2) Analysis of Non-Consolidated Financial Position

As of March 31, 2014, total assets amounted to ¥87,088.6 billion, mainly comprising ¥69,378.9 billion of securities and ¥11,020.5 billion of loans.

Total liabilities amounted to ¥85,554.1 billion, comprising ¥80,799.9 billion of policy reserves and others.

Total net assets amounted to ¥1,534.4 billion, comprising ¥184.7 billion of net unrealized gains on available-for-sale securities.

The solvency margin ratio stood at 1,623.4% and real net assets amounted to ¥9,442.2 billion.

2. Issues to be Addressed

Since commencing provision of life insurance products in October 2007 after taking over a portion of operations and functions from the former Japan Post, the Company has been providing simple and easy-to-understand products in small amounts through post offices and directly managed sales offices of the Company across Japan.

As a result of entry into the life insurance industry by companies in Japan and overseas operating in other industries, expectations among customers for products and services provided by life insurance companies have grown and their needs have become increasingly diversified. Accordingly, the Company expects that competition within the industry will further intensify.

In February 2014, the Japan Post Group announced its medium-term management plan “New Japan Post Group Network Creation Plan 2016” covering the three years from the fiscal year ending March 31, 2015 to the fiscal year ending March 31, 2017, in an effort to enhance its corporate value by effectively utilizing the abundant management resources of the Group and revitalizing the network of post offices. Under the policy of aiming to

become the “No. 1 Japanese insurance company selected by customers” of the medium-term management plan, the Company endeavors to raise its corporate value by strengthening its profitability and management base.

This medium-term management plan focuses on implementing the following key measures:

1) Making investments for future growth

In constructing our future growth strategy, we will make investments in our administrative and IT system infrastructures that form the basis of our competitive edge. We aim to become the “No. 1 Japanese insurance company selected by customers” by building administrative operations and IT structures for simply, quickly and accurately performing functions ranging from underwriting to claims payments and consequently providing high-quality services.

In addition, we will reinforce our IT governance and promote a project to renew and upgrade our backbone systems which form the basis of our business processing related to life insurance policies. We will also reform our system development structure and operational management structure and strive to improve system quality and development productivity.

2) Strengthening profitability

We will strive to ensure the quality of our product solicitation and bolster the sales capabilities of each sales channel so that older adult customers feel assured with respect to buying our products. With respect to the agency (post office) channel, which accounts for a considerable portion of our new policy sales, we will continue to collaborate with Japan Post Co. as it aims to form a network of 20,000 external sales personnel, and carry out initiatives including training and development programs for strengthening sales capabilities so as to develop sales staff.

3) Utilizing the network of post offices and providing new services

As could be seen through the launch of revised educational endowment insurance products in April 2014, we are continuing with our initiatives to revise products to cater to customer needs, primarily focusing on the revision of existing products.

Under the business alliance agreement between Japan Post Holdings and Aflac, which became effective July 2013, subject to prior approval, we plan to sell Aflac’s cancer insurance products at our directly managed sales offices and provide support to post offices selling these products.

4) Renewing our operational structure and building an environment to ensure business continuity

Through enterprise risk management (ERM), we intend to achieve the optimum balance between maintaining soundness and improving capital efficiency (profitability), while at the same time attaining stable and sustainable profit and enhancing our corporate value.

As for investments, we will promote our policy of matching assets with liabilities and invest in risk assets while adequately controlling these risks, as well as aim to improve our asset portfolio and increase

investment income.

In addition, we will promote initiatives to incorporate customer feedback in our operations and strengthen the internal control environment by ensuring the quality of our product solicitations and achieving thorough compliance, which form the foundation of our operations.

In the fiscal year ending March 31, 2017, the final year of this medium-term management plan, the Company will celebrate the 100th anniversary of its Postal Life Insurance Services. Toward this commemorative year, we will steadily implement the key measures stated above and seek to move onto a growth path.

3. Non-Consolidated Forecast for the Fiscal Year Ending March 31, 2015

As for the financial results forecast for the fiscal year ending March 31, 2015, the Company expects ordinary income of ¥10,110.0 billion, ordinary profit of ¥410.0 billion and net income of ¥73.0 billion.

4. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2013 | As of March 31, 2014 |
|-----------------------------------------------------|----------------------|----------------------|
| ASSETS: | | |
| Cash and deposits | 724,181 | 1,663,576 |
| Cash | 5,196 | 4,258 |
| Deposits | 718,984 | 1,659,318 |
| Call loans | 203,452 | 230,025 |
| Receivables under securities borrowing transactions | 2,331,286 | 2,822,188 |
| Monetary claims bought | 427,417 | 107,448 |
| Money held in trust | 256,832 | 581,627 |
| Securities | 72,558,181 | 69,378,975 |
| Japanese government bonds | 56,472,609 | 52,522,914 |
| Japanese local government bonds | 8,698,497 | 9,173,780 |
| Japanese corporate bonds | 6,483,840 | 6,441,832 |
| Stocks | 984 | 984 |
| Foreign securities | 902,249 | 1,239,464 |
| Loans | 12,691,554 | 11,020,585 |
| Policy loans | 35,924 | 54,271 |
| Industrial and commercial loans | 676,792 | 763,298 |
| Loans to the Management Organization | 11,978,837 | 10,203,015 |
| Tangible fixed assets | 85,968 | 89,322 |
| Land | 40,726 | 40,726 |
| Buildings | 33,262 | 33,287 |
| Leased assets | 1,335 | 1,456 |
| Construction in progress | 15 | 1,648 |
| Other tangible fixed assets | 10,628 | 12,204 |
| Intangible fixed assets | 106,933 | 126,040 |
| Software | 106,909 | 126,022 |
| Other intangible fixed assets | 24 | 18 |
| Agency accounts receivable | 133,911 | 102,651 |
| Reinsurance receivables | - | 234 |
| Other assets | 482,227 | 374,320 |
| Accounts receivable | 147,478 | 172,115 |
| Prepaid expenses | 516 | 814 |
| Accrued income | 327,778 | 195,169 |
| Money on deposit | 1,700 | 2,158 |
| Derivative financial instruments | 1,237 | 166 |
| Suspense payments | 628 | 787 |
| Other assets | 2,886 | 3,108 |
| Deferred tax assets | 461,513 | 592,665 |
| Reserve for possible loan losses | (1,095) | (1,036) |
| Total assets | 90,462,364 | 87,088,626 |

(Millions of yen)

| | As of March 31, 2013 | As of March 31, 2014 |
|----------------------------------------------------------------|----------------------|----------------------|
| LIABILITIES: | | |
| Policy reserves and others | 84,746,052 | 80,799,941 |
| Reserve for outstanding claims | 947,123 | 831,690 |
| Policy reserves | 81,401,981 | 77,745,490 |
| Reserve for policyholder dividends | 2,396,947 | 2,222,759 |
| Reinsurance payables | 191 | 1,234 |
| Other liabilities | 3,662,976 | 4,077,493 |
| Payables under securities lending transactions | 3,114,558 | 3,703,176 |
| Income taxes payable | 12,840 | 15,804 |
| Accounts payable | 395,091 | 229,922 |
| Accrued expenses | 14,898 | 15,626 |
| Unearned revenue | 5 | 4 |
| Deposits received | 12,700 | 12,172 |
| Deposits from the Management Organization | 78,877 | 66,221 |
| Derivative financial instruments | 6,417 | 15,805 |
| Lease obligations | 1,401 | 1,528 |
| Asset retirement obligation | 15 | 15 |
| Suspense receipt | 25,798 | 16,433 |
| Other liabilities | 371 | 781 |
| Reserve for possible claim payments | 7,003 | 1,881 |
| Reserve for employees' retirement benefits | 58,331 | 59,385 |
| Reserve for directors' retirement benefits | 164 | - |
| Reserve under the special law | 522,872 | 614,233 |
| Reserve for price fluctuations | 522,872 | 614,233 |
| Total liabilities | 88,997,593 | 85,554,169 |
| NET ASSETS: | | |
| Capital stock | 500,000 | 500,000 |
| Capital surplus | 500,044 | 500,044 |
| Legal capital surplus | 405,044 | 405,044 |
| Other capital surplus | 95,000 | 95,000 |
| Retained earnings | 308,948 | 349,627 |
| Legal retained earnings | 12,672 | 17,222 |
| Other retained earnings | 296,276 | 332,404 |
| Retained earnings brought forward | 296,276 | 332,404 |
| Total shareholders' equity | 1,308,993 | 1,349,671 |
| Net unrealized gains (losses) on available-for-sale securities | 155,778 | 184,774 |
| Net deferred gains (losses) on hedges | - | 11 |
| Total valuation and translation adjustments | 155,778 | 184,785 |
| Total net assets | 1,464,771 | 1,534,457 |
| Total liabilities and net assets | 90,462,364 | 87,088,626 |

(2) Non-Consolidated Statements of Income

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|----------------------------------------------------------|-------------------------------------|-------------------------------------|
| ORDINARY INCOME | 11,834,920 | 11,233,925 |
| Insurance premiums and others | 6,481,772 | 5,911,643 |
| Insurance premiums | 6,481,772 | 5,911,269 |
| Reinsurance income | - | 374 |
| Investment income | 1,560,789 | 1,540,615 |
| Interest and dividend income | 1,500,194 | 1,458,190 |
| Interest on deposits | 419 | 465 |
| Interest and dividends on securities | 1,188,796 | 1,180,339 |
| Interest on loans | 10,949 | 12,478 |
| Interest on loans to the Management Organization | 295,861 | 260,797 |
| Other interest and dividend income | 4,167 | 4,109 |
| Gains on money held in trust | - | 9,736 |
| Gains on sales of securities | 60,344 | 71,074 |
| Gains on redemption of securities | 62 | 54 |
| Gains on foreign exchanges | - | 1,452 |
| Other investment income | 188 | 107 |
| Other ordinary income | 3,792,358 | 3,781,665 |
| Reversal of reserve for outstanding claims | 48,611 | 115,432 |
| Reversal of policy reserves | 3,741,858 | 3,656,490 |
| Reversal of reserve for possible claim payments | - | 5,122 |
| Reversal of reserve for directors' retirement benefits | - | 164 |
| Other ordinary income | 1,888 | 4,455 |
| ORDINARY EXPENSES | 11,305,545 | 10,770,418 |
| Insurance claims and others | 10,673,000 | 10,160,877 |
| Insurance claims | 10,189,390 | 9,511,326 |
| Annuity payments | 197,107 | 256,746 |
| Benefits | 26,231 | 33,941 |
| Surrender benefits | 154,965 | 220,263 |
| Other refunds | 105,305 | 135,968 |
| Reinsurance premiums | - | 2,631 |
| Provision for policy reserves and others | 9,008 | 4,627 |
| Provision for interest on policyholder dividends | 9,008 | 4,627 |
| Investment expenses | 29,515 | 18,122 |
| Interest expenses | 3,753 | 4,963 |
| Losses on money held in trust | 4,108 | - |
| Losses on sales of securities | 19,665 | 10,205 |
| Losses on redemption of securities | 78 | 62 |
| Losses on derivative financial instruments | 318 | 2,161 |
| Losses on foreign exchanges | 672 | - |
| Provision for reserve for possible loan losses | 18 | 8 |
| Other investment expenses | 900 | 721 |
| Operating expenses | 512,908 | 513,046 |
| Other ordinary expenses | 81,111 | 73,744 |
| Taxes | 38,068 | 38,193 |
| Depreciation and amortization | 34,422 | 34,217 |
| Provision for reserve for possible claim payments | 7,003 | - |
| Provision for reserve for employees' retirement benefits | 1,395 | 608 |
| Provision for reserve for directors' retirement benefits | 1 | - |
| Other ordinary expenses | 219 | 725 |
| Ordinary profit | 529,375 | 463,506 |

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|--------------------------------------------------|-------------------------------------|-------------------------------------|
| EXTRAORDINARY GAINS | 127 | - |
| Other extraordinary gains | 127 | - |
| EXTRAORDINARY LOSSES | 67,107 | 99,999 |
| Losses on sales and disposal of fixed assets | 1,958 | 8,638 |
| Provision for reserve under the special law | 64,656 | 91,360 |
| Provision for reserve for price fluctuations | 64,656 | 91,360 |
| Group restructuring expenses | 491 | - |
| Provision for reserve for policyholder dividends | 307,427 | 242,146 |
| Income before income taxes | 154,969 | 121,361 |
| Income taxes - Current | 199,231 | 200,701 |
| Income taxes - Deferred | (135,262) | (142,768) |
| Total income taxes | 63,968 | 57,932 |
| Net income | 91,000 | 63,428 |

(3) Non-Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2013 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

| | Shareholders' equity | | | | | Total shareholders' equity |
|-------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|----------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | |
| | | Legal capital surplus | Other capital surplus | Legal retained earnings | Other retained earnings | |
| | | | | | Retained earnings brought forward | |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | 95,000 | 9,285 | 225,596 | 1,234,926 |
| Changes in the fiscal year | | | | | | |
| Cash dividends | | | | 3,386 | (20,320) | (16,933) |
| Net income | | | | | 91,000 | 91,000 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | | |
| Net changes in the fiscal year | - | - | - | 3,386 | 70,680 | 74,066 |
| Balance at the end of the fiscal year | 500,000 | 405,044 | 95,000 | 12,672 | 296,276 | 1,308,993 |

| | Valuation and translation adjustments | |
|-------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------|
| | Net unrealized gains (losses) on available-for-sale securities | Net deferred gains (losses) on hedges |
| Balance at the beginning of the fiscal year | 57,151 | - |
| Changes in the fiscal year | | |
| Cash dividends | | |
| Net income | | |
| Net changes in items other than shareholders' equity in the fiscal year | 98,627 | |
| Net changes in the fiscal year | 98,627 | - |
| Balance at the end of the fiscal year | 155,778 | - |

Fiscal year ended March 31, 2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

| | Shareholders' equity | | | | | |
|-------------------------------------------------------------------------|----------------------|-----------------------|-----------------------|-------------------------|--------------------------------------------------------------|----------------------------|
| | Capital stock | Capital surplus | | Retained earnings | | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Legal retained earnings | Other retained earnings Retained earnings brought forward | |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | 95,000 | 12,672 | 296,276 | 1,308,993 |
| Changes in the fiscal year | | | | | | |
| Cash dividends | | | | 4,550 | (27,300) | (22,750) |
| Net income | | | | | 63,428 | 63,428 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | | |
| Net changes in the fiscal year | - | - | - | 4,550 | 36,128 | 40,678 |
| Balance at the end of the fiscal year | 500,000 | 405,044 | 95,000 | 17,222 | 332,404 | 1,349,671 |

| | Valuation and translation adjustments | |
|-------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------|
| | Net unrealized gains (losses) on available-for-sale securities | Net deferred gains (losses) on hedges |
| Balance at the beginning of the fiscal year | 155,778 | - |
| Changes in the fiscal year | | |
| Cash dividends | | |
| Net income | | |
| Net changes in items other than shareholders' equity in the fiscal year | 28,996 | 11 |
| Net changes in the fiscal year | 28,996 | 11 |
| Balance at the end of the fiscal year | 184,774 | 11 |

(4) Non-Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income taxes | 154,969 | 121,361 |
| Depreciation and amortization | 34,422 | 34,217 |
| Net change in reserve for outstanding claims | (48,611) | (115,432) |
| Net change in policy reserves | (3,741,858) | (3,656,490) |
| Provision for interest on policyholder dividends | 9,008 | 4,627 |
| Provision for reserve for policyholder dividends | 307,427 | 242,146 |
| Net change in reserve for possible loan losses | 16 | (59) |
| Net change in reserve for possible claim payments | 7,003 | (5,122) |
| Net change in reserve for employees' retirement benefits | 1,461 | 1,053 |
| Net change in reserve for directors' retirement benefits | 1 | (164) |
| Net change in reserve for price fluctuations | 64,656 | 91,360 |
| Interest and dividend income (accrual basis) | (1,500,194) | (1,458,190) |
| Net (gains) losses on securities | (40,662) | (60,861) |
| Interest expenses (accrual basis) | 3,753 | 4,963 |
| Net (gains) losses on foreign exchanges | 672 | (1,452) |
| Net (gains) losses on tangible fixed assets | 148 | 248 |
| Group restructuring expenses | 491 | - |
| Net change in agency accounts receivable | (18,725) | 31,259 |
| Net change in reinsurance receivables | - | (234) |
| Net change in other assets (excluding those related to investing activities and financing activities) | (56,925) | (26,644) |
| Net change in reinsurance payables | (75) | 1,043 |
| Net change in other liabilities (excluding those related to investing activities and financing activities) | (19,815) | (12,494) |
| Other, net | 6,369 | (1,054) |
| Subtotal | (4,836,467) | (4,805,918) |
| Interest and dividend received (cash basis) | 1,581,800 | 1,653,556 |
| Interest paid (cash basis) | (3,754) | (4,911) |
| Policyholder dividends paid | (430,448) | (420,523) |
| Other, net | (363) | - |
| Income taxes paid | (245,575) | (173,926) |
| Net cash used in operating activities | (3,934,809) | (3,751,723) |

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|----------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of call loans | (30,330,152) | (32,758,125) |
| Proceeds from redemption of call loans | 30,724,414 | 32,731,552 |
| Purchases of monetary claims bought | (2,044,334) | (2,746,495) |
| Proceeds from sale and redemption of monetary claims bought | 1,632,157 | 3,066,421 |
| Purchases of money held in trust | (10,000) | (290,000) |
| Proceeds from sale of money held in trust | 34,951 | 13,813 |
| Purchases of securities | (7,800,780) | (6,587,951) |
| Proceeds from sale and redemption of securities | 9,936,387 | 9,806,272 |
| Payments for loans | (1,802,395) | (1,610,231) |
| Proceeds from collection of loans | 3,034,426 | 3,273,164 |
| Net change in receivables under securities borrowing transactions and payables under securities lending transactions | 313,935 | 97,715 |
| Other, net | (197,656) | (229,212) |
| Total of net cash provided by investment transactions | 3,490,954 | 4,766,922 |
| Total of net cash provided by (used in) operating activities and investment transactions | (443,855) | 1,015,199 |
| Purchases of tangible fixed assets | (4,646) | (5,958) |
| Purchases of intangible fixed assets | (34,322) | (44,136) |
| Other, net | (659) | (2,548) |
| Net cash provided by investing activities | 3,451,325 | 4,714,279 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of lease obligations | (325) | (410) |
| Dividends paid | (16,933) | (22,750) |
| Net cash used in financing activities | (17,259) | (23,161) |
| Effect of exchange rate changes on cash and cash equivalents | - | - |
| Net change in cash and cash equivalents | (500,743) | 939,395 |
| Cash and cash equivalents at the beginning of the fiscal year | 1,224,924 | 724,181 |
| Cash and cash equivalents at the end of the fiscal year | 724,181 | 1,663,576 |

(5) Notes to the Non-Consolidated Financial Statements

(Notes on Going-Concern Assumption)

Not applicable.

(Significant Accounting Policies)

| | 2014 (From April 1, 2013 to March 31, 2014) |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Valuation Criteria and Methods for Securities | <p>Securities including cash and deposits and monetary claims bought which are equivalent to securities, and securities invested in money held in trust, are recorded based on the following:</p> <p>(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.</p> <p>(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.</p> <p>(3) Stocks of subsidiaries and affiliates (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and related parties (excluding subsidiaries) and affiliated companies as defined in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act) Stocks of subsidiaries and affiliates are carried at cost and the cost of these securities sold is calculated using the moving-average method.</p> <p>(4) Available-for-sale securities</p> <p>1) 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 average market prices during the final month of the fiscal year is used to value stocks and stock mutual funds. Cost of securities sold is calculated using the moving-average method.</p> <p>2) Available-for-sale securities for which fair values are deemed extremely difficult to determine</p> <p>(a) Government and corporate bonds (including foreign bonds) without market price whose premium or discount represents the interest adjustments are carried at amortized cost (the straight-line method) using the moving-average method.</p> <p>(b) 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.</p> |
| 2. Valuation Criteria and Methods for Derivative Transactions | All derivative transactions are valued at fair value. |
| 3. Depreciation Method for Fixed Assets | <p>(1) Tangible fixed assets (excluding leased assets) Depreciation of tangible fixed assets is computed using the straight-line method based on the following useful lives:</p> |

| | 2014 (From April 1, 2013 to March 31, 2014) |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>1) Buildings, facilities attached to buildings, and structures: 2-55 years</p> <p>2) Other tangible fixed assets: 2-20 years</p> <p>(2) Intangible fixed assets (excluding leased assets)</p> <p>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.</p> <p>(3) Leased assets</p> <p>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.</p> |
| 4. Recognition of Reserves | <p>(1) Reserve for possible loan losses</p> <p>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 also recorded.</p> <p>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.</p> <p>For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy, civil rehabilitation, or 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. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the fiscal year ended March 31, 2015 was ¥138 million.</p> <p>(2) Reserve for possible claim payments</p> <p>Reserve for possible claim payments is provided for additional payments of possible claims based on historical experience as a result of further review of closed insurance claim cases in order to ensure that certain insurance claims that were available to the policyholders are paid.</p> <p>(3) Reserve for employees' retirement benefits</p> <p>In order to provide for payment of retirement benefits to employees, a reserve is provided in the amount expected to be incurred at the end of the fiscal year based on projected benefit obligations.</p> <p>1) Method for attributing expected benefits to periods</p> <p>In calculating the projected benefit obligation, the straight-line basis is used to attribute the expected benefit to respective service period.</p> <p>2) Method for recognizing actuarial differences and prior service cost</p> <p>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.</p> |
| 5. Reserve for Price Fluctuations | Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act. |
| 6. Hedge Accounting | (1) Methods for hedge accounting |

| | 2014 (From April 1, 2013 to March 31, 2014) |
|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds, and 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).</p> <p>(2) Hedging instruments and hedged items</p> <p>1) Hedging instrument: Foreign currency exchange contracts Hedged item: Foreign-currency-denominated bonds</p> <p>2) Hedging instrument: Interest rate swaps Hedged item: Loans</p> <p>(3) Hedging policies</p> <p>Foreign currency exchange contracts are used to hedge fluctuations in 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.</p> <p>(4) Assessment of hedge effectiveness</p> <p>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 which applied the exceptional treatment for interest rate swaps.</p> |
| 7. Scope of Cash and Cash Equivalents in Statements of Cash Flows | Scope of cash and cash equivalents on the statements of cash flows is equivalent to cash and deposits on the balance sheets. |
| 8. Principal Matters Serving as the Basis for Preparing Financial Statements | <p>(1) Policy reserves</p> <p>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:</p> <p>1) Reserves for contracts subject to the standard policy reserves are computed in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).</p> <p>2) Reserves for other contracts are computed based on the net level premium method.</p> <p>Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the fiscal year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the “Management Organization”), which is an independent administrative institution. As a result, the amount of provision for policy reserves for the fiscal year ended March 31, 2014 was ¥175,129 million.</p> <p>(2) Consumption taxes</p> <p>All figures are net of consumption taxes.</p> |

| | |
|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 2014 (From April 1, 2013 to March 31, 2014) |
| | (3) Consolidated Tax Payment System The Company adopts the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company. |

(Notes to the Non-Consolidated Balance Sheet)

| |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2014 (As of March 31, 2014) |
| <p>1. The balance sheet amount, fair value and the outline of risk management policy of policy-reserve-matching bonds were as follows:</p> <p>(1) The balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥17,953,667 million and ¥19,052,820 million, respectively.</p> <p>(2) The outline of the risk management policy of policy-reserve-matching bonds is as follows: The Company categorizes its insurance products into sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy where 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.</p> <p>1) Postal Life Insurance Contracts 2) Japan Post Insurance life insurance contracts (general) 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity)</p> <p>2. Securities lent under lending agreements in the amount of ¥3,380,035 million were included in “Securities” in the balance sheets as of March 31, 2014.</p> <p>3. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, and restructured loans as of March 31, 2014. 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 Enforcement Ordinance of the Corporation Tax Act (Ordinance No. 97 in 1965). Interest accruals of such loans are suspended since 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 for the purpose of assisting and supporting 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.</p> <p>4. The amount of unused commitments as of March 31, 2014 was ¥1,250 million.</p> <p>5. Accumulated depreciation for tangible fixed assets as of March 31, 2014 was ¥63,476 million.</p> <p>6. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥345 million and ¥121,647 million, respectively.</p> |

2014 (As of March 31, 2014)

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 7. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2014 were as follows: | |
| Balance at the beginning of the fiscal year | ¥2,396,947 million |
| Policyholder dividends paid | ¥420,523 million |
| Interest accrual | ¥4,627 million |
| Reduction due to the acquisition of additional annuity | ¥438 million |
| Provision for reserve for policyholder dividends | ¥242,146 million |
| Balance at the end of the fiscal year | ¥2,222,759 million |
| 8. Stocks of subsidiaries and affiliates amounted to ¥984 million. | |
| 9. Assets pledged as collateral consisted of the following: | |
| Securities | ¥3,380,035 million |
| Liabilities corresponding to assets pledged as collateral consisted of the following: | |
| Payables under securities lending transactions | ¥3,703,176 million |
| All of securities above were pledged as collateral for securities lending transactions with cash collateral. | |
| 10. Reserve for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter referred to as “reserve for outstanding claims-ceded”), as of March 31, 2014 was ¥82 million. Policy reserves for reinsured portion defined in Article 71, Paragraph 1 of the said Regulations (hereinafter referred to as “policy reserves-ceded”) as of March 31, 2014 was ¥183 million. | |
| 11. The Company has the right to sell or pledge securities borrowed under borrowing agreements. The fair value of such securities held in hand was ¥2,816,810 million as of March 31, 2014. | |
| 12. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥18,834 million as of March 31, 2014 pursuant to Article 259 of the Insurance Business Act. This obligation is recognized as operating expenses when it is made. | |
| 13. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥57,879,628 million and are provided at amounts calculated based on the statement of calculation procedures for the Company’s insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts 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 in the amount of ¥2,350,030 million and ¥554,723 million, respectively, for the category of reinsurance. | |
| 14. Deposits from the Management Organization recorded on the balance sheets 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 was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance. | |

(Notes to the Non-Consolidated Statement of Income)

2014 (From April 1, 2013 to March 31, 2014)

1. Total expenses from transactions with subsidiaries and affiliates amounted to ¥10,448 million.
2. Gains on sales of securities comprise domestic bonds of ¥70,968 million and foreign securities of ¥106 million.
3. Losses on sales of securities comprise Japanese government bonds of ¥2,948 million and foreign securities of ¥7,256 million.
4. Gains on money held in trust include losses on valuation of ¥131 million.
5. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the fiscal year ended March 31, 2014 was ¥82 million. The amount of provision for policy reserve-ceded that is added to the calculation of reversal of policy reserves for the fiscal year ended March 31, 2014 was ¥183 million.
6. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the fiscal year ended March 31, 2014 were ¥2,155,398 million.
7. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2014 were ¥9,477,426 million.
8. 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, were ¥222,812 million for the fiscal year ended March 31, 2014.

(Notes to the Non-Consolidated Statement of Changes in Net Assets)

2014 (From April 1, 2013 to March 31, 2014)

1. Type and number of shares issued

(Thousands of shares)

| | April 1, 2013 | Increase | Decrease | March 31, 2014 | Remarks |
|---------------|---------------|----------|----------|----------------|---------|
| Shares issued | | | | | |
| Common stock | 20,000 | - | - | 20,000 | |

2. Information on dividends

Dividends paid of the fiscal year

| Resolution | Class of shares | Total amount (Millions of yen) | Per share amount (Yen) | Record date | Effective date |
|--------------------------------------------------|-----------------|-----------------------------------|---------------------------|----------------|----------------|
| Board of Directors' meeting held on May 14, 2013 | Common stock | 22,750 | 1,137.51 | March 31, 2013 | May 15, 2013 |

(Notes to the Non-Consolidated Statement of Cash Flows)

2014 (From April 1, 2013 to March 31, 2014)

The reconciliation of cash and cash equivalents in the statement of cash flows to cash and deposits in the balance sheet as of March 31, 2014 was as follows:

| | |
|---------------------------------------------------------|--------------------|
| Cash and deposits | ¥1,663,576 million |
| Cash and cash equivalents at the end of the fiscal year | ¥1,663,576 million |

(Financial Instruments)

1. Matters Regarding Status of Financial Instruments

(1) Policy for Handling Financial Instruments

The Company promotes cash flows 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 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 the credit risk of their issuing bodies, and market price fluctuation risk and interest rate risk. In addition, foreign-currency-denominated bonds are exposed to the foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to the interest rate risk.

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

(3) Risk Management Framework for Financial Instruments

1) Management of market risk

(a) Management of market price fluctuation risk

The Company has a basic investment policy to carry out stable investment by investing in interest-bearing assets denominated in yen, mainly Japanese government bonds, and market price fluctuation risk arising from investments in securities other than held-to-maturity or policy-reserve-matching is limited. In accordance with the internal rules, etc. for market risk management, the risk management department measures and manages the market price fluctuation risk using value at risk (VaR) and reports to the risk management committee regularly.

(b) Management of foreign exchange fluctuation risk

The Company primarily invests in interest-bearing assets denominated in yen, and foreign exchange fluctuation risk associated with investments in foreign-currency-denominated assets is limited. In accordance with the internal rules, etc. for market risk management, the risk management department measures and manages the foreign exchange fluctuation risk using VaR and reports to the risk management committee regularly. The Company applies hedge accounting by using foreign exchange contracts when purchasing certain foreign currency-denominated bonds to hedge foreign exchange risk.

(c) Management of interest rate fluctuation risk

The Company makes investment using an asset liability management (ALM) framework in order to mitigate interest rate risk. In accordance with the internal rules, etc. for market risk management, the risk management department measures and manages the interest rate fluctuation risk using VaR which takes into consideration cash flow required for liabilities and reports to the risk management committee regularly.

(d) Derivative transactions

The Company has established rules which limit the use of derivative transactions to the purpose of hedging transactions and does not use them for speculative purposes. The Company has established credit limits for each counterparty to control risks, and selects counterparties that can be regarded as creditworthy through consideration of internal credit rating, etc. The risk management department measures and manages market price fluctuation risk associated with derivative transactions and reports

to the risk management committee regularly.

2) Management of credit risk

The Company has assigned an internal credit rating to each borrower or individual transaction in accordance with the internal rules, etc. for credit risk management, and assesses and monitors credit risk using VaR. The Company has also established a credit limit for companies, corporate groups or industries in order to avoid concentration of the credit risk in a particular company, corporate group or industry.

The risk management department measures and manages credit risk. The credit department monitors each borrower or individual transaction based on internal credit rating and credit limit. The results of such risk management 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 whose market prices are not readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions may lead to changes in pricing.

The contract amounts of derivative transactions in “Derivative Transactions” do not indicate the market risk related to derivative transactions.

2. Fair Values of Financial Instruments

Amounts carried on the balance sheets, fair values and the difference between them as of March 31, 2014 were as follows. Financial instruments for which fair values are extremely difficult to determine are not included in the table below (see Note 2).

(Millions of yen)

| | Balance sheet amount | Fair value | Net unrealized gains (losses) |
|--------------------------------------------------------------------|----------------------|------------|-------------------------------|
| (1) Cash and deposits | 1,663,576 | 1,663,576 | - |
| Available-for-sale securities (negotiable certificates of deposit) | 704,300 | 704,300 | - |
| (2) Receivables under securities borrowing transactions | 2,822,188 | 2,822,188 | - |
| (3) Monetary claims bought | 107,448 | 107,448 | - |
| Available-for-sale securities | 107,448 | 107,448 | - |
| (4) Money held in trust (* 1) | 581,627 | 581,627 | - |
| (5) Securities | 69,237,991 | 73,506,909 | 4,268,917 |
| Held-to-maturity bonds | 45,257,324 | 48,427,090 | 3,169,765 |
| Policy-reserve-matching bonds | 17,953,667 | 19,052,820 | 1,099,152 |
| Available-for-sale securities | 6,026,999 | 6,026,999 | - |
| (6) Loans (* 2) | 11,020,493 | 11,973,916 | 953,422 |
| Policy loans | 54,271 | 54,271 | - |
| Industrial and commercial loans | 763,206 | 804,957 | 41,750 |
| Loans to the Management Organization | 10,203,015 | 11,114,687 | 911,671 |
| Total assets | 85,433,327 | 90,655,667 | 5,222,340 |
| Payables under securities lending transactions | 3,703,176 | 3,703,176 | - |
| Total liabilities | 3,703,176 | 3,703,176 | - |
| Derivative transactions (* 3) | (15,638) | (15,638) | - |
| Hedge accounting not applied | - | - | - |
| Hedge accounting applied | (15,638) | (15,638) | - |
| Total derivative transactions | (15,638) | (15,638) | - |

(* 1) Money held in trust classified as other than trading, held-to-maturities and policy-reserve-matching.

(* 2) Reserve for possible loan losses corresponding to loans has been deducted.

(* 3) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Note 1: Calculation methods for fair values of financial instruments

Assets

(1) Cash and deposits

Deposits (including negotiable certificates of deposit) mature within a short-term (one year), and their fair value approximates book value.

(2) Receivables under securities borrowing transactions

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

(3) 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.

(4) Money held in trust

The fair value of money held in trust is based on the price quoted by the exchange for shares and net asset value for mutual funds.

Money held in trust are provided in “Money Held in Trust” in accordance with the purpose of the holdings.

(5) 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 price offered by the financial institutions.

Securities are described in “Securities” in accordance with the purpose of keeping in possession.

(6) 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 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, whose 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 a short-term (one year) and their fair value approximates book value.

Derivative transactions

Notes on the fair value of derivatives are presented in “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.

Note 2: Balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine

(Millions of yen)

| | Balance Sheet Amount |
|-----------------|----------------------|
| Unlisted stocks | 140,984 |

Note 3: Redemption schedule of major monetary claims and securities with maturities

(Millions of yen)

| | Within 1 year | 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 |
|-----------------------------------------------------|------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|---------------------------------------------|-----------------------|
| Cash and deposits with maturities | 704,300 | - | - | - | - | - |
| Receivables under securities borrowing transactions | 2,822,188 | - | - | - | - | - |
| Monetary claims bought | 81,000 | - | - | - | - | 25,278 |
| Securities | 5,158,868 | 13,016,431 | 10,964,422 | 4,600,991 | 7,342,106 | 27,378,558 |
| Held-to-maturity bonds | 3,614,348 | 6,028,517 | 6,155,676 | 2,353,733 | 3,782,059 | 22,847,540 |
| Policy-reserve-matching bonds | 1,014,401 | 4,830,421 | 3,605,125 | 1,583,792 | 2,732,196 | 4,056,700 |
| Available-for-sale securities with maturities | 530,119 | 2,157,491 | 1,203,621 | 663,465 | 827,850 | 474,318 |
| Loans | 1,815,014 | 1,929,903 | 1,703,875 | 1,476,998 | 1,832,300 | 2,262,035 |
| Total | 10,581,372 | 14,946,334 | 12,668,298 | 6,077,989 | 9,174,407 | 29,665,872 |

Note 4: Redemption schedule of payables under securities lending transactions

(Millions of yen)

| | Within 1 year | 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 |
|------------------------------------------------|------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|---------------------------------------------|-----------------------|
| Payables under securities lending transactions | 3,703,176 | - | - | - | - | - |
| Total | 3,703,176 | - | - | - | - | - |

(Securities)

1. Held-to-maturity bonds (As of March 31, 2014)

(Millions of yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---------------------------------------------------------------------|---------------------------------|----------------------|------------|------------|
| Those for which fair value exceeds the balance sheet amount | Bonds | 44,425,542 | 47,595,869 | 3,170,326 |
| | Japanese government bonds | 34,001,961 | 36,656,535 | 2,654,574 |
| | Japanese local government bonds | 7,524,060 | 7,901,536 | 377,476 |
| | Japanese corporate bonds | 2,899,521 | 3,037,797 | 138,276 |
| | Foreign securities | 98,000 | 101,781 | 3,781 |
| | Other | - | - | - |
| | Subtotal | 44,523,542 | 47,697,650 | 3,174,107 |
| Those for which fair value does not exceed the balance sheet amount | Bonds | 733,781 | 729,439 | (4,342) |
| | Japanese government bonds | 571,260 | 568,033 | (3,226) |
| | Japanese local government bonds | 125,077 | 124,177 | (899) |
| | Japanese corporate bonds | 37,444 | 37,228 | (216) |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 733,781 | 729,439 | (4,342) |
| Total | | 45,257,324 | 48,427,090 | 3,169,765 |

2. Policy-reserve-matching bonds (As of March 31, 2014)

(Millions of yen)

| | Type | Balance sheet amount | Fair value | Difference |
|---------------------------------------------------------------------|---------------------------------|----------------------|------------|------------|
| Those for which fair value exceeds the balance sheet amount | Bonds | 17,610,495 | 18,710,949 | 1,100,453 |
| | Japanese government bonds | 16,783,518 | 17,861,458 | 1,077,940 |
| | Japanese local government bonds | 652,123 | 670,555 | 18,431 |
| | Japanese corporate bonds | 174,853 | 178,935 | 4,081 |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 17,610,495 | 18,710,949 | 1,100,453 |
| Those for which fair value does not exceed the balance sheet amount | Bonds | 343,171 | 341,870 | (1,300) |
| | Japanese government bonds | 233,293 | 232,257 | (1,036) |
| | Japanese local government bonds | 100,614 | 100,372 | (241) |
| | Japanese corporate bonds | 9,263 | 9,240 | (23) |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 343,171 | 341,870 | (1,300) |
| Total | | 17,953,667 | 19,052,820 | 1,099,152 |

3. Stocks of subsidiaries and affiliates (As of March 31, 2014)

Not applicable.

(Note) Stocks of subsidiaries and affiliates for which fair values are extremely difficult to determine

(Millions of yen)

| | Balance sheet amount |
|------------------------|----------------------|
| Stocks of subsidiaries | 984 |

The above item is not included in “stocks of subsidiaries and affiliates” because there are no available market prices and it is extremely difficult to determine their fair values.

4. Available-for-sale securities (As of March 31, 2014)

(Millions of yen)

| | Type | Cost | Balance sheet amount | Difference |
|---------------------------------------------------------------|---------------------------------|-----------|----------------------|------------|
| Those for which the balance sheet amount exceeds cost | Stocks | - | - | - |
| | Bonds | 4,554,372 | 4,654,469 | 100,097 |
| | Japanese government bonds | 797,272 | 798,847 | 1,575 |
| | Japanese local government bonds | 707,593 | 709,938 | 2,345 |
| | Japanese corporate bonds | 3,049,507 | 3,145,683 | 96,176 |
| | Foreign securities | 775,889 | 866,505 | 90,616 |
| | Foreign bonds | 775,889 | 866,505 | 90,616 |
| | Other (*) | 21,578 | 22,759 | 1,181 |
| | Subtotal | 5,351,840 | 5,543,735 | 191,894 |
| Those for which the balance sheet amount does not exceed cost | Stocks | - | - | - |
| | Bonds | 373,353 | 371,066 | (2,287) |
| | Japanese government bonds | 134,050 | 134,033 | (17) |
| | Japanese local government bonds | 62,013 | 61,966 | (47) |
| | Japanese corporate bonds | 177,289 | 175,066 | (2,223) |
| | Foreign securities | 141,610 | 134,958 | (6,652) |
| | Foreign bonds | 141,610 | 134,958 | (6,652) |
| | Other (*) | 789,000 | 788,988 | (11) |
| | Subtotal | 1,303,964 | 1,295,013 | (8,951) |
| Total | 6,655,804 | 6,838,748 | 182,943 | |

(*) “Other” includes financial instruments accounted for as securities in accordance with the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

5. Policy-reserve-matching bonds sold during the fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

| | Sales | Gains | Losses |
|---------------------------------|-----------|--------|--------|
| Bonds | 2,071,972 | 70,967 | - |
| Japanese government bonds | 1,962,621 | 68,754 | - |
| Japanese local government bonds | 109,350 | 2,212 | - |
| Total | 2,071,972 | 70,967 | - |

6. Available-for-sales securities sold during the fiscal year (From April 1, 2013 to March 31, 2014)

(Millions of yen)

| | Sales | Gains | Losses |
|--------------------------|---------|-------|--------|
| Bonds | 9,772 | 0 | 2,948 |
| Japanese corporate bonds | 9,772 | 0 | 2,948 |
| Foreign securities | 91,125 | 106 | 7,256 |
| Total | 100,897 | 107 | 10,205 |

(Money Held in Trust)

As of March 31, 2014

Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching

(Millions of yen)

| Cost | Balance sheet amount | Difference | Those for which the balance sheet amount exceeds cost | Those for which the balance sheet amount does not exceed cost |
|---------|----------------------|------------|-------------------------------------------------------|---------------------------------------------------------------|
| 499,042 | 581,627 | 82,585 | 86,112 | 3,527 |

(*) The Company recognized losses on valuation of ¥131 million for the fiscal year ended March 31, 2014.

Losses on valuation are recognized for stocks invested in money held in trust if their average market prices during the final month of the fiscal year decline by 30% or more of the cost.

(Derivative Transactions)

As of March 31, 2014

- Derivative transactions to which the hedge accounting method is not applied
Not applicable.
- Derivative transactions to which the hedge accounting method is applied

(1) Currency-related derivatives

(Millions of yen)

| 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 | | | |
| | U.S. dollars | | 270,312 | - | (6,817) |
| | Euros | | 133,944 | - | (8,837) |
| Total | | | 404,257 | - | (15,655) |

Note: Method for calculating fair value

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

(2) Interest rate-related derivatives (Millions of yen)

| Hedge accounting method | Type of derivative | Major hedged item | Contract amount | Contract amount due after 1 year | Fair value |
|-----------------------------------------------|--------------------------------------------------------------------------|-------------------|-----------------|----------------------------------|------------|
| Deferred hedge method | Interest rate swaps: Receivable fixed rate / Payable floating rate | Loans | 9,950 | 9,950 | 16 |
| Exceptional treatment for interest rate swaps | Interest rate swaps: Receivable fixed rate / Payable floating rate | Loans | 102,780 | 85,400 | (Note 2) |
| Total | | | - | - | 16 |

- Notes: 1. Method for calculating fair value
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.

(Retirement Benefits)

2014 (From April 1, 2013 to March 31, 2014)

1. Outline of retirement benefits

The Company has lump-sum severance indemnity plans which are an unfunded defined benefit plan to provide for employees' retirement benefits.

2. Defined benefit plans

(1) Changes in retirement benefit obligations

| | (Millions of yen) |
|---------------------------------------------|-------------------|
| Balance at the beginning of the fiscal year | 54,446 |
| Service cost | 3,218 |
| Interest cost | 932 |
| Actuarial differences | 251 |
| Benefits paid | (3,144) |
| Other | 363 |
| Balance at the end of the fiscal year | <u>56,068</u> |

(2) Balance of retirement benefit obligations and reconciliations of reserve for employees' retirement benefits recorded on the balance sheet

| | (Millions of yen) |
|--------------------------------------------------------------------------|-------------------|
| Unfunded retirement benefit obligations | 56,068 |
| Unrecognized actuarial differences | <u>3,317</u> |
| Reserve for employees' retirement benefits recorded on the balance sheet | <u>59,385</u> |

(3) Retirement benefit costs

| | (Millions of yen) |
|------------------------------------------------------|-------------------|
| Service cost | 3,218 |
| Interest cost | 932 |
| Amortization of actuarial differences | (315) |
| Other | (20) |
| Retirement benefit expenses of defined benefit plans | <u>3,813</u> |

(4) Actuarial assumptions

Principal actuarial assumption used for the fiscal year ended March 31, 2014

Discount rate 1.7%

(Tax Effect)

As of March 31, 2014

1. Significant components of deferred tax assets and liabilities as of March 31, 2014

(Millions of yen)

| | |
|----------------------------------------------------|----------|
| Deferred tax assets | |
| Policy reserves | 485,089 |
| Reserve for price fluctuations | 106,845 |
| Reserve for outstanding claims | 53,823 |
| Reserve for employees' retirement benefits | 18,277 |
| Unrealized losses on available-for-sale securities | 3,815 |
| Other | 13,621 |
| Subtotal | 681,474 |
| Valuation allowance | (2,991) |
| Total deferred tax assets | 678,482 |
| Deferred tax liabilities | |
| Unrealized gains on available-for-sale securities | (84,569) |
| Other | (1,247) |
| Total deferred tax liabilities | (85,817) |

2. Adjustment of deferred tax assets and liabilities due to the abolishment of the Special Corporate Tax for Reconstruction

During the fiscal year ended March 31, 2014, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Special Reconstruction Corporation Tax was abolished effective from the fiscal year beginning on or after April 1, 2014. As a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 33.33% to 30.78% for the temporary differences expected to be settled within the fiscal year beginning April 1, 2014. Due to this tax rate change, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥5,216 million and deferred income taxes increased by ¥5,250 million as of March 31, 2014.

(Per Share Data)

(Yen)

| 2014 (From April 1, 2013 to March 31, 2014) | |
|---------------------------------------------|-----------|
| Net assets per share | 76,722.86 |
| Net income per share | 3,171.42 |

Note: Diluted net income per share is not presented for the fiscal year ended March 31, 2014 as potential common stock did not exist.

(Subsequent Events)

Not applicable.