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May 15, 2014
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for the Fiscal Year Ended
March 31, 2014**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Masami Ishii, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the fiscal year ended March 31, 2014 (April 1, 2013 to March 31, 2014).

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[Attached document] Outline of Financial Results for the Fiscal Year Ended March 31, 2014

End

* This document is intended for the sole purpose of providing information to the general public, and should not be construed as solicitation or an offer to invest in any securities including shares in the Company.

1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of March 31	2013				2014			
	Number of policies		Policy amount		Number of policies		Policy amount	
		% of March 31, 2012 total		% of March 31, 2012 total		% of March 31, 2013 total		% of March 31, 2013 total
Individual insurance	9,872	123.1	28,480.7	123.6	11,668	118.2	33,735.7	118.5
Individual annuities	1,058	119.2	3,194.6	114.9	1,194	112.9	3,443.9	107.8
Group insurance	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-

Note: The amount of individual annuities is the total of annuity resources at the beginning of the payout phase and policy reserves for policies in the payout phase.

▪ New Policies

(Thousands of policies, billions of yen, %)

Fiscal years ended March 31	2013						2014					
	Number of policies		Policy amount				Number of policies		Policy amount			
		% of March 31, 2012 total	% of March 31, 2012 total	New policies	Net increase arising from the conversion		% of March 31, 2013 total	% of March 31, 2013 total	New policies	Net increase arising from the conversion		
Individual insurance	2,208	104.0	6,515.9	104.8	6,515.9	-	2,234	101.2	6,559.8	100.7	6,559.8	-
Individual annuities	182	86.6	633.5	87.7	633.5	-	149	81.8	524.1	82.7	524.1	-
Group insurance	-	-	-	-	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-	-	-	-	-

Note: The amount of individual annuities is the annuity resources at the beginning of the payout phase.

(2) Annualized Premiums

▪ Policies in Force

(Billions of yen, %)

As of March 31	2013		2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Individual insurance	1,855.7	123.1	2,192.2	118.1
Individual annuities	667.4	103.6	661.4	99.1
Total	2,523.0	117.2	2,853.6	113.1
Medical coverage, living benefits and other	187.8	121.3	227.5	121.1

▪ New Policies

(Billions of yen, %)

Fiscal years ended March 31	2013		2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Individual insurance	431.7	105.0	439.1	101.7
Individual annuities	222.8	86.2	179.9	80.7
Total	654.4	97.8	619.0	94.6
Medical coverage, living benefits and other	40.9	102.2	49.2	120.4

Notes: 1. Annualized premiums are one-time insurance premiums factored according to the payment method and calculated as insurance premiums for one year. (Single payments are insurance premiums divided by the term of coverage.)

2. "Medical coverage, living benefits and other" includes medical benefits (hospitalization and surgery benefits, etc.), living benefits (limited illness and nursing care benefits, etc.) and premium payment waivers (excluding disability and including specified diseases and nursing) and is recorded as annualized premiums.

(3) Key Income and Expenses

(Billions of yen, %)

Fiscal years ended March 31	2013		2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Insurance premiums and others	6,481.7	94.5	5,911.6	91.2
Investment income	1,560.7	95.7	1,540.6	98.7
Insurance claims and others	10,673.0	94.1	10,160.8	95.2
Investment expenses	29.5	46.8	18.1	61.4
Ordinary profit	529.3	99.6	463.5	87.6

(4) Total Assets

(Billions of yen, %)

As of March 31	2013		2014	
		% of March 31, 2012 total		% of March 31, 2013 total
Total assets	90,462.3	96.6	87,088.6	96.3

2. Policy in Force by Benefit Type as of March 31, 2014

(Thousands of policies, billions of yen)

Items		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Death benefit	General death	11,668	33,735.7	-	-	-	-	11,668	33,735.7
	Accidental death	17,036	40,373.4	4	15.0	-	-	17,040	40,388.4
	Other conditional death	-	-	-	-	-	-	-	-
Living benefit		-	-	1,194	3,443.9	-	-	1,194	3,443.9
Hospitalization benefit	Hospitalization due to accident	9,246	38.5	7	0.0	-	-	9,252	38.5
	Hospitalization due to illness	9,044	37.8	2	0.0	-	-	9,046	37.8
	Other conditional hospitalization	9,246	6.3	7	0.0	-	-	9,253	6.3
Injury benefit		8,581	-	4	-	-	-	8,585	-
Surgery benefit		9,246	-	7	-	-	-	9,253	-

Items	Group annuities		Asset formation insurance / asset formation annuities		Total	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Living benefit	-	-	0	0.3	0	0.3

Items	Medical benefit insurance	
	Number of policies	Policy amount
Hospitalization benefit	-	-

Items	Disability benefit insurance	
	Number of policies	Policy amount
Disability benefit	-	-

- Notes:
1. The number of asset-formation insurance / asset-formation annuities indicates the number of the insured.
 2. For living benefit, amounts for individual annuities and asset formation annuities are the total of annuity resources at the beginning of the payout phase and policy reserves for policies in the payout phase, and the amount for asset formation insurance is the amount of policy reserves.
 3. Amount for hospitalization benefit is the amount of daily hospitalization benefits.
 4. As reinsurance, the Company holds 23,196 thousand policies or ¥63,358.9 billion for life insurance, and 3,396 thousand policies or ¥1,250.6 billion for annuities.

3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2014

(1) The overview of policyholder dividends determined based on the financial results for the fiscal year ended March 31, 2014 is as follows:

1. Japan Post Insurance policies (individual insurance policies / individual annuities, etc. purchased on and after October 1, 2007)
 - (1) The Company partially lowered the payout ratio for dividends from mortality and morbidity rate margin, the surplus in rider payments and administrative expense margin.
 - (2) The Company maintained the payout ratio for dividends from spread.
2. Former postal life insurance policies (postal life insurance policies concluded by September 30, 2007)
 In accordance with the reinsurance agreement with the Management Organization for Postal Savings and Postal Life Insurance, the Company posted provision for reserve for policyholder dividends of ¥222,812 million, based on the performance of the segment related to reinsurance.
 Policyholder dividends on former postal life insurance policies will be determined by the Management Organization for Postal Savings and Postal Life Insurance.

(2) Policyholder dividends on Japan Post Insurance policies based on the financial results for the fiscal year ended March 31, 2014 are as detailed below:

Ex. 1 Ordinary endowment insurance

[Concluded at age of 40 and matured at 50; premium monthly paid; ¥1 million maturity benefit]

Year of purchase <number of lapsed years>	Gender	Insurance premium (on an annual basis)	Policies in force (dividend for the fiscal year)
Fiscal year ended March 31, 2010 <five years>	Male	¥103,320	¥775
	Female	¥102,840	¥716

Ex. 2 Special endowment insurance

[Concluded at age of 40 and matured at 50; premium monthly paid; ¥2 million death benefit; ¥1 million maturity benefit]

Year of purchase <number of lapsed years>	Gender	Insurance premium (on an annual basis)	Policies in force (dividend for the fiscal year)
Fiscal year ended March 31, 2010 <five years>	Male	¥107,280	¥1,161
	Female	¥105,600	¥997

Ex. 3 Educational endowment insurance

[Concluded at when the insured is at the age of 0 and the policyholder at 40; living benefit at maturity (when the insured at 18); premium monthly paid; ¥1 million basic benefit]

Year of purchase <number of lapsed years>	Gender	Insurance premium (on an annual basis)	Policies in force (dividend for the fiscal year)
Fiscal year ended March 31, 2010 <five years>	Male	¥56,760	¥627
	Female	¥56,280	¥541

Notes: 1. The genders of the policyholder and the insured are assumed to be the same.
 2. A living benefit of ¥100,000 is paid when the insured turns 12 and 15, with a maturity benefit of ¥800,000.

Ex. 4 Ordinary whole life insurance

[Concluded at age of 40; premium paid until the age of 60; premium monthly paid; ¥1 million death benefit (¥200,000 after completion of premium payment)]

Year of purchase <number of lapsed years>	Gender	Insurance premium (on an annual basis)	Policies in force (dividend for the fiscal year)
Fiscal year ended March 31, 2010 <five years>	Male Female	¥12,600 ¥10,200	¥433 ¥328

Ex. 5 Accident rider

[Concluded at age of 40; premium monthly paid; ¥1 million rider benefit; added to ordinary endowment insurance policy (purchased at the age of 40 and matured at the age of 50)]

Year of purchase <number of lapsed years>	Gender	Insurance premium (on an annual basis)	Policies in force (dividend for the fiscal year)
Fiscal year ended March 31, 2010 <five years>	Male Female	¥600 ¥360	¥90 ¥70

These dividends are basically the total of a., b., c., and d., by type of rider:

a. Dividend from mortality and morbidity rate margin [Partially decreased]

Calculated by multiplying amount at risk by a payout ratio according to the insured's age, gender and category in an expected mortality table

(Ex.) Ordinary endowment insurance, age 40, male

Year of purchase	Payout ratio for dividend from mortality and morbidity rate margin (per amount at risk of ¥1 million)
October 2007 to March 2012	¥220
April 2012 to March 2014	¥0

b. Dividend from surplus in rider payments [Partially decreased]

Calculated by multiplying rider payments by a rider payments payout ratio according to the insured's age, gender and category in an expected rider payment rate table

(Ex.) Accidental death rider, age 40, male

Year of purchase	Payout ratio for dividend from the surplus in rider payments (per rider benefit of ¥1 million)
October 2007 to March 2012	¥100
April 2012 to March 2014	¥0

c. Dividend from administrative expense margin [Partially decreased]

Calculated by multiplying claim payments etc., by a payout ratio for dividend from administrative expense margin

(Ex.) Ordinary endowment insurance

Year of purchase	Payout ratio for dividend from administrative expense margin	
October 2007 to March 2012	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per claim payment of ¥1 million)	¥170
	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per monthly premium of ¥10,000)	¥512
April 2012 to March 2014	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per claim payment of ¥1 million)	¥0
	Payout ratio for dividend from administrative expense margin in proportion to claim payment (per monthly premium of ¥10,000)	¥0

d. Dividend from spread [Unchanged]

Calculated by multiplying policy reserves by a payout ratio for spread dividend

Payout ratio for dividend from spread	1.5% (target dividend yield) – assumed interest rate
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Please note that the dividend is ¥0 if the total of a., b., c., and d. is negative.
The dividend shall be ¥0 for single premium annuities and their additional riders.

4. Investment Overview for the Fiscal Year Ended March 31, 2014 (General Account)

(1) Investment Environment

1) Investment Environment

During the fiscal year ended March 31, 2014, the world economy remained on a slow-growth track. The economies of the United States and several other developed countries were brisk, but growth of emerging country economies slowed. The Japanese economy showed strong recovery supported by monetary easing and fiscal stimulus measures under the government's new economic policies. Meanwhile, the U.S. economy picked up at a firm pace under a gradual recovery in employment conditions. In the Eurozone economy, there were visible signs of a pickup, mainly in Germany, although the economies of such heavily indebted countries as Spain and Italy remained constricted by fiscal austerity policies. The Chinese economy decelerated due to concerns about the nation's financial system and the government's stance of emphasizing the quality of growth.

The central banks of developed countries are continuing easy money policies, beginning with the BOJ's quantitative and qualitative monetary easing, although the United States has begun gradually tapering its quantitative easing. Under these economic circumstances, the investment environment was as follows.

Domestic Bond Market

The yield on 10-year Japanese government bonds (JGBs) started the period at the 0.5% level and while fluctuating widely during the period, closed the year at 0.6%, virtually the same level as at the beginning of the year.

After starting at the 0.5% level, the long-term yield in the first half declined temporarily to the 0.3% level in response to the BOJ's April 4 announcement of quantitative and qualitative easing. However, the long-term yield then reversed course and momentarily spiked to the 1.0% range in reaction to short- and medium-term bond selling by Japanese banks and to a rise in U.S. long-term interest rates in response to improving U.S. economic indicators. Subsequently, the BOJ's dialogue with market players and flexible bond-buying operations restored calm in the markets and the yield gradually drifted down to the upper 0.6% range. Entering the second half, the domestic long-term yield moved up to the 0.7% level through the end of the year due to the impact of a rise in U.S. long-term interest rates and an increase in Japanese equities prices. Following the start of the new year, however, the yield retreated back to the 0.6% level amid tightened supply-demand for JGBs along with the BOJ's JGB purchases.

Domestic Stock Market

The Nikkei Stock Average moved from the ¥12,000 level at the beginning of the period to the ¥16,000 level in December despite fluctuating widely before drifting down to the ¥14,000 level at the end of the fiscal year.

In the first half, the Nikkei Stock Average soared to nearly ¥16,000 from April through mid-May due to a weakening of the yen in reaction to expectations that the new administration would implement economic policies, beginning with quantitative and qualitative easing by the BOJ. In June, the yen strengthened and Nikkei Stock Average temporarily plunged to the lower ¥12,000 range in response to concerns about the start of tapering of quantitative easing in the United States. In the second half, however, while making a series of advances and retreats, the Nikkei Stock Average gradually trended upward to reach the ¥16,000 level in December due to the impact of high U.S. stock prices accompanying the U.S. economic recovery and favorable corporate earnings in Japan. Entering 2014, rising concerns that frigid weather would cause the U.S. economy to stall and an increase in risk-averse positions along with mounting tensions over the Ukrainian situation sent the Nikkei Stock Average plunging to the ¥14,000 level, where it finished the period.

Foreign Exchange Markets

The U.S. dollar/yen exchange rate started the period at the ¥94/US dollar range before the yen weakened to close at the upper ¥102/US dollar level at fiscal year-end.

In the first half, the yen weakened sharply against the U.S. dollar through May in reaction to the BOJ's quantitative and qualitative easing and hopes for economic measures by the new government administration. From May onward, the yen seesawed in the upper ¥90/US dollar level on concerns of an economic slowdown in China and uncertainty over the direction of monetary policy in the United States.

Entering the second half, the yen once again began weakening and reached the ¥105/US dollar level at the end of 2013 in response to firm growth in the U.S. economy and factoring in expectations of a tapering of monetary easing in the United States. From the start of 2014, the yen's weakening paused in response to fears

that a cold wave would chill the U.S economic recovery and to mounting tensions over the situation in the Ukraine, and the yen closed the period in the upper ¥102/US dollar range.

The euro/yen exchange rate began the period at the ¥120/EUR range, with the euro subsequently strengthening in response to a softening of the yen and rising expectations of a pickup in the Eurozone economy as concerns about European sovereign debt receded. In November, although the European Central Bank (ECB) cut interest rates as medium-range inflationary pressures waned, funds continued flowing into the Eurozone and the euro maintained its upward momentum even after the start of the new year and closed the fiscal year at the upper ¥141/EUR level.

2) Investment Policies of the Company

The Company's operations are based on asset-liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and other obligations to policyholders. Our specific fundamental management approach is to match the cash flow required for our liabilities accruing in the future with the cash flow we receive from yen-denominated interest-bearing assets that have a high level of affinity with the particular characteristics of those liabilities. With this approach our aim is to earn stable profits while mitigating interest volatility risk.

3) Performance Overview

[Assets]

At March 31, 2014, total assets of Japan Post Insurance amounted to ¥87.0 trillion, a decrease of ¥3.3 trillion from ¥90.4 trillion at the end of fiscal 2013.

In terms of investment, the Company continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income.

For corporate and government bonds, the Company invested primarily in long-term and super long-term bonds, in view of their value as assets that secure stable income.

The investments of money held in trust centered on domestic stocks and others.

For loans, the Company provided loans including syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance.

[Investment Income and Expenses]

As of March 31, 2014, investment income of the Company decreased by ¥20.1 billion from the previous corresponding period to ¥1,540.6 billion mainly due to a decrease in interest and dividend income.

Investment expenses decreased by ¥11.3 billion from the previous corresponding period to ¥18.1 billion mainly due to a decrease in losses on sales of securities.

As a result, investment income and expenses amounted to ¥1,522.4 billion, a decrease of ¥8.7 billion from the previous corresponding period.

(2) Asset Composition

(Billions of yen, %)

As of March 31	2013		2014	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	927.6	1.0	1,893.6	2.2
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	2,331.2	2.6	2,822.1	3.2
Monetary claims bought	427.4	0.5	107.4	0.1
Trading account securities	-	-	-	-
Money held in trust	256.8	0.3	581.6	0.7
Securities	72,558.1	80.2	69,378.9	79.7
Corporate and government bonds	71,654.9	79.2	68,138.5	78.2
Domestic stocks	0.9	0.0	0.9	0.0
Foreign securities	902.2	1.0	1,239.4	1.4
Foreign corporate and government bonds	762.2	0.8	1,099.4	1.3
Foreign stocks and other securities	140.0	0.2	140.0	0.2
Other securities	-	-	-	-
Loans	12,691.5	14.0	11,020.5	12.7
Real estate	74.0	0.1	75.6	0.1
Deferred tax assets	461.5	0.5	592.6	0.7
Other	735.0	0.8	616.9	0.7
Reserve for possible loan losses	(1.0)	(0.0)	(1.0)	(0.0)
Total	90,462.3	100.0	87,088.6	100.0
Foreign currency-denominated assets	658.9	0.7	1,128.7	1.3

Note: "Real estate" includes the total of land, buildings and construction in progress.

(3) Increase/Decrease in Assets

(Billions of yen)

Fiscal years ended March 31	2013	2014
Cash, deposits, call loans	(895.0)	965.9
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	358.3	490.9
Monetary claims bought	412.8	(319.9)
Trading account securities	-	-
Money held in trust	14.0	324.7
Securities	(2,028.9)	(3,179.2)
Corporate and government bonds	(2,312.6)	(3,516.4)
Domestic stocks	-	-
Foreign securities	283.6	337.2
Foreign corporate and government bonds	283.6	337.2
Foreign stocks and other securities	-	-
Other securities	-	-
Loans	(1,237.4)	(1,670.9)
Real estate	(0.0)	1.6
Deferred tax assets	91.7	131.1
Other	58.1	(118.1)
Reserve for possible loan losses	(0.0)	0.0
Total	(3,226.3)	(3,373.7)
Foreign currency-denominated assets	278.3	469.8

Note: "Real estate" includes the total of land, buildings and construction in progress.

(4) Investment Income

(Billions of yen)

Fiscal years ended March 31	2013	2014
Interest and dividend income	1,500.1	1,458.1
Interest on deposits	0.4	0.4
Interest and dividends on securities	1,188.7	1,180.3
Interest on loans	10.9	12.4
Interest on loans to the Management Organization	295.8	260.7
Rent revenue from real estate	-	-
Other interest and dividend income	4.1	4.1
Gains on trading account securities	-	-
Gains on money held in trust	-	9.7
Gains on trading securities	-	-
Gains on sales of securities	60.3	71.0
Gains on sales of Japanese government bonds and other bonds	60.3	70.9
Gains on sales of domestic stocks and other securities	-	-
Gains on sales of foreign securities	-	0.1
Other gains on sales of securities	-	-
Gains on redemption of securities	0.0	0.0
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	1.4
Reversal of reserve for possible loan losses	-	-
Other investment income	0.1	0.1
Total	1,560.7	1,540.6

(5) Investment Expenses

(Billions of yen)

Fiscal years ended March 31	2013	2014
Interest expenses	3.7	4.9
Losses on trading account securities	-	-
Losses on money held in trust	4.1	-
Losses on trading securities	-	-
Losses on sales of securities	19.6	10.2
Losses on sales of Japanese government bonds and other bonds	19.6	2.9
Losses on sales of domestic stocks and other securities	-	-
Losses on sales of foreign securities	-	7.2
Other losses on sales of securities	-	-
Losses on valuation of securities	-	-
Losses on valuation of Japanese government bonds and other bonds	-	-
Losses on valuation of domestic stocks and other securities	-	-
Losses on valuation of foreign securities	-	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	0.0	0.0
Losses on derivative financial instruments	0.3	2.1
Losses on foreign exchanges	0.6	-
Provision for reserve for possible loan losses	0.0	0.0
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	0.9	0.7
Total	29.5	18.1

(6) Investment Related Efficiency

1) Yield by Asset Type

Fiscal years ended March 31	2013	2014
Cash, deposits and call loans	0.06	0.05
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	-	-
Monetary claims bought	0.58	0.34
Trading account securities	-	-
Money held in trust	(1.82)	3.04
Securities	1.66	1.71
Corporate and government bonds	1.65	1.71
Domestic stocks	-	-
Foreign securities	2.63	1.95
Loans	2.36	2.31
Real estate	-	-
General account total	1.67	1.71
Overseas loans and investments	2.63	1.98

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 securities trust.

3. "Overseas loans and investments" is the total of assets denominated in foreign-currencies and yen-denominated assets.

2) Net Valuation Gain/Loss of Trading Securities

The Company does not hold securities for trading.

3) Fair value information of securities (with fair value, other than trading securities)

(Billions of yen)

As of March 31	2013					2014				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				(losses)					(losses)	
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	43,282.0	46,925.2	3,643.1	3,643.1	0.0	45,257.3	48,427.0	3,169.7	3,174.1	4.3
Policy-reserve matching bonds	23,508.8	24,927.9	1,419.1	1,419.1	-	17,953.6	19,052.8	1,099.1	1,100.4	1.3
Stocks of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	6,425.2	6,650.1	224.9	238.6	13.7	7,148.5	7,414.1	265.5	278.0	12.4
Corporate and government bonds	4,853.4	4,962.0	108.5	116.9	8.4	4,927.7	5,025.5	97.8	100.0	2.2
Domestic stocks	182.0	225.4	43.4	48.2	4.8	337.7	412.2	74.4	78.0	3.5
Foreign securities	597.5	669.1	71.6	72.0	0.4	1,072.5	1,164.5	92.0	98.7	6.6
Foreign corporate and government bonds	592.5	664.2	71.7	72.0	0.3	917.5	1,001.4	83.9	90.6	6.6
Foreign stocks and other securities	4.9	4.8	(0.1)	-	0.1	155.0	163.1	8.1	8.1	-
Other securities	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	426.0	427.4	1.3	1.3	-	106.2	107.4	1.1	1.1	0.0
Negotiable certificates of deposit	366.1	366.1	-	-	-	704.3	704.3	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	73,216.1	78,503.3	5,287.2	5,300.9	13.7	70,359.5	74,894.0	4,534.4	4,552.5	18.1
Corporate and government bonds	71,546.3	76,713.0	5,166.6	5,175.0	8.4	68,040.7	72,403.6	4,362.9	4,370.8	7.9
Domestic stocks	182.0	225.4	43.4	48.2	4.8	337.7	412.2	74.4	78.0	3.5
Foreign securities	695.5	771.3	75.7	76.2	0.4	1,170.5	1,266.3	95.8	102.4	6.6
Foreign corporate and government bonds	690.5	766.4	75.8	76.2	0.3	1,015.5	1,103.2	87.7	94.3	6.6
Foreign stocks and other securities	4.9	4.8	(0.1)	-	0.1	155.0	163.1	8.1	8.1	-
Other securities	-	-	-	-	-	-	-	-	-	-
Monetary claims bought	426.0	427.4	1.3	1.3	-	106.2	107.4	1.1	1.1	0.0
Negotiable certificates of deposit	366.1	366.1	-	-	-	704.3	704.3	-	-	-
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 and its book value is ¥187.0 billion with net unrealized gains of ¥43.3 billion as of March 31, 2013 and ¥492.7 billion with net unrealized gains of ¥82.5 billion as of March 31, 2014.

The book values for securities that fair values are deemed extremely difficult to determine are as follows.

(Billions of yen)

As of March 31	2013	2014
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Others	-	-
Policy-reserve-matching bonds	-	-
Stocks of subsidiaries and affiliates	0.9	0.9
Available-for-sale securities	140.0	140.0
Unlisted domestic stocks (excluding OTC traded equities)	-	-
Unlisted foreign stocks (excluding OTC traded equities)	140.0	140.0
Unlisted foreign bonds	-	-
Others	-	-
Total	140.9	140.9

4) Data on Fair Value of Money Held in Trust

(Billions of yen)

As of March 31	2013					2014				
	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	256.8	256.8	-	-	-	581.6	581.6	-	-	-

- Money held in trust for trading purposes

The Company does not hold money held in trust for trading purposes.

- Assets held-to-maturity in trust/assets held for reserves in trust/other money held in trust

(Billions of yen)

As of March 31	2013					2014				
	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	213.5	256.8	43.3	48.2	4.9	499.0	581.6	82.5	86.1	3.5

5. UNAUDITED NON-CONSOLIDATED BALANCE SHEETS

(Millions of yen)

Year	As of March	As of March	Year	As of March	As of March
	31, 2013	31, 2014		31, 2013	31, 2014
Items	Amount	Amount	Items	Amount	Amount
ASSETS:			LIABILITIES:		
Cash and deposits	724,181	1,663,576	Policy reserves and others	84,746,052	80,799,941
Cash	5,196	4,258	Reserve for outstanding claims	947,123	831,690
Deposits	718,984	1,659,318	Policy reserves	81,401,981	77,745,490
Call loans	203,452	230,025	Reserve for policyholder dividends	2,396,947	2,222,759
Receivables under securities borrowing transactions	2,331,286	2,822,188	Reinsurance payables	191	1,234
Monetary claims bought	427,417	107,448	Other liabilities	3,662,976	4,077,493
Money held in trust	256,832	581,627	Payables under securities lending transactions	3,114,558	3,703,176
Securities	72,558,181	69,378,975	Income taxes payable	12,840	15,804
Japanese government bonds	56,472,609	52,522,914	Accounts payable	395,091	229,922
Japanese local government bonds	8,698,497	9,173,780	Accrued expenses	14,898	15,626
Japanese corporate bonds	6,483,840	6,441,832	Unearned revenue	5	4
Stocks	984	984	Deposits received	12,700	12,172
Foreign securities	902,249	1,239,464	Deposits from the Management Organization	78,877	66,221
Loans	12,691,554	11,020,585	Derivative financial instruments	6,417	15,805
Policy loans	35,924	54,271	Lease obligations	1,401	1,528
Industrial and commercial loans	676,792	763,298	Asset retirement obligation	15	15
Loans to the Management Organization	11,978,837	10,203,015	Suspense receipt	25,798	16,433
Tangible fixed assets	85,968	89,322	Other liabilities	371	781
Land	40,726	40,726	Reserve for possible claim payments	7,003	1,881
Buildings	33,262	33,287	Reserve for employees' retirement benefits	58,331	59,385
Leased assets	1,335	1,456	Reserve for directors' retirement benefits	164	-
Construction in progress	15	1,648	Reserve for price fluctuations	522,872	614,233
Other tangible fixed assets	10,628	12,204	Total liabilities	88,997,593	85,554,169
Intangible fixed assets	106,933	126,040	NET ASSETS:		
Software	106,909	126,022	Capital stock	500,000	500,000
Other intangible fixed assets	24	18	Capital surplus	500,044	500,044
Agency accounts receivable	133,911	102,651	Legal capital surplus	405,044	405,044
Reinsurance receivables	-	234	Other capital surplus	95,000	95,000
Other assets	482,227	374,320	Retained earnings	308,948	349,627
Accounts receivable	147,478	172,115	Legal retained earnings	12,672	17,222
Prepaid expenses	516	814	Other retained earnings	296,276	332,404
Accrued income	327,778	195,169	Retained earnings brought forward	296,276	332,404
Money on deposit	1,700	2,158	Total shareholders' equity	1,308,993	1,349,671
Derivative financial instruments	1,237	166	Net unrealized gains (losses) on available-for-sale securities	155,778	184,774
Suspense payments	628	787	Net deferred gains (losses) on hedges	-	11
Other assets	2,886	3,108	Total valuation and translation adjustments	155,778	184,785
Deferred tax assets	461,513	592,665	Total net assets	1,464,771	1,534,457
Reserve for possible loan losses	(1,095)	(1,036)	Total liabilities and net assets	90,462,364	87,088,626
Total assets	90,462,364	87,088,626			

6. UNAUDITED NON-CONSOLIDATED STATEMENTS of INCOME

(Millions of yen)

Items	Year	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014
		Amount	Amount
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
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 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

7. UNAUDITED 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 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					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	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

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2014

(Notes to the Unaudited Non-Consolidated Balance Sheet)

1. Valuation Criteria and Methods for Securities

(1) Significant Accounting Policies

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:

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) Stocks of Subsidiaries and Affiliates (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and closely related parties (excluding subsidiaries) and affiliates as defined in Article 13-5-2, Paragraph 3 of the Order for Enforcement of the Insurance Business Act)

Carried at cost and the cost of these securities sold is calculated using the moving-average method.

4) Available-for-sale Securities

(i) 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.

(ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

(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.

(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.

(2) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

(3) Depreciation Method for Fixed Assets

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:

(i) Buildings, facilities attached to buildings and structures: 2-55 years

(ii) 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

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.

(4) Recognition of Reserves

1) 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 also 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, 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, 2014 was ¥138 million.

2) Reserve for Possible Claim Payments

Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience through improvement of notification of claims the Company is currently working on.

3) Reserve for Employees' Retirement Benefits

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 obligations.

(i) Method for attributing expected benefits to periods

In calculating the projected benefit obligation, the straight-line basis is used to attribute the expected benefit to respective service period.

(ii) Method for recognizing actuarial differences

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.

(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

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).

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 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 which applied the exceptional treatment for interest rate swaps.

(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 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).
- 2) Reserves for other contracts are computed based on the net level premium method.

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

(8) Reserve for Employees’ Retirement Benefits

Unrecognized actuarial differences related to retirement benefits are treated differently from the consolidated financial statements.

(9) Consumption Taxes

All figures are net of consumption taxes.

(10) Consolidated Tax Payment System

The Company adopts the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

2. The balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds were as follows:

(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.

(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.

1) Postal Life Insurance Contracts

2) Japan Post Insurance life insurance contracts (general)

3) Japan Post Insurance life insurance contracts (lump-sum payment annuity)

3. Securities lent under lending agreements in the amount of ¥3,380,035 million was included in “Securities” in the balance sheets as of March 31, 2014.

4. 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.

5. The amount of unused commitments as of March 31, 2014 was ¥1,250 million.

6. Accumulated depreciation for tangible fixed assets as of March 31, 2014 was ¥63,476 million.

7. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥345 million and ¥121,647 million, respectively.

8. Total deferred tax assets and total deferred tax liabilities were ¥681,474 million and ¥85,817 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥2,991 million. Significant components of deferred tax assets include ¥485,089 million of policy reserves, ¥106,845 million of reserve for price fluctuations, ¥53,823 million of reserve for outstanding claims, ¥18,277 million of reserve for employees' retirement benefits, and ¥3,815 million of unrealized losses on available-for-sale securities. Significant components of deferred tax liabilities include ¥84,569 million of unrealized gains on available-for-sale securities.
9. The statutory tax rate for the fiscal year ended March 31, 2014 was 33.33%. Primary factors for the difference between the statutory tax rate and the effective income tax rate after tax effect accounting include a reduction of 26.76% in net deferred tax assets as of the end of the fiscal year resulting from tax rate.
10. During the fiscal year ended March 31, 2014, the Act for Partial Amendment of the Income Tax Act, etc. was promulgated on March 31, 2014 and, as a result, the Special Reconstruction Corporation Tax will no longer be imposed from the fiscal year beginning on or after April 1, 2014. Accordingly, the statutory tax rate used to measure the Company's deferred tax assets and liabilities for the fiscal year ended March 31, 2014 decreased from 33.33% in the previous fiscal year to 30.78% for the temporary differences expected to be settled in the fiscal year beginning on April 1, 2014. Due to this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,216 million and deferred income taxes increased by ¥5,250 million as of March 31, 2014.
11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2014 were as follows:
- | | |
|---|---------------------|
| a. Balance at the beginning of the fiscal year | ¥ 2,396,947 million |
| b. Policyholder dividends paid | ¥420,523 million |
| c. Interest accrual | ¥4,627 million |
| d. Reduction due to the acquisition of additional annuity | ¥438 million |
| e. Provision for reserve for policyholder dividends | ¥242,146 million |
| f. Balance at the end of the fiscal year | ¥2,222,759 million |
12. Stocks of subsidiaries and affiliates amounted to ¥984 million.
13. 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.
14. Reserve for outstanding claims for reinsured portion 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.
15. Net assets per share were ¥76,722.86.
16. 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.
17. 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.
18. 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.

19. 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 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 Unaudited Non-Consolidated Statement of Income)

1. Total expenses incurred by 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 domestic bonds of ¥2,948 million foreign securities of ¥7,256 million.
4. Gains (losses) 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. Net income per share was ¥3,171.42.
7. 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.
8. 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.
9. 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.

10. Transactions of the Company with related parties are as follows:

(1) Parent company, major corporate shareholders, and others

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Directly owned 100%	Business management Interlocking officers	Payments for business management fees (Note 1)	¥2,773 million	Accounts payable	¥242 million

Conditions of transactions and policies to decide the conditions

Notes: (1) Determined based on total cost incurred of the outsourced company in relation to the business management of the parent company.

(2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Subsidiaries of the parent company and others

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Subsidiary of parent company	Japan Post Co., Ltd.	None	Insurance agency Interlocking officers	Payments for commission of agency services (Note 1)	¥366,248 million	Agency accounts payable	¥35,557 million

Conditions of transactions and policies to decide the conditions

Notes: (1) Determined based on total cost incurred of the outsourced company in relation to the outsourcing services.

(2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

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

Type and number of treasury stock

Not applicable.

8. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Fiscal years ended March 31		2013	2014
Core profit	A	570,007	482,052
Capital gains		60,344	82,269
Gains on money held in trust		-	9,736
Gains on trading securities		-	-
Gains on sales of securities		60,344	71,074
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	1,452
Other capital gains		-	5
Capital losses		29,634	20,493
Losses on money held in trust		4,108	-
Losses on trading securities		-	-
Losses on sales of securities		19,665	10,205
Losses on valuation of securities		-	-
Losses on derivative financial instruments		318	2,161
Losses on foreign exchanges		672	-
Other capital losses		4,869	8,126
Net capital gains	B	30,710	61,776
Core profit including net capital gains (losses)	A+B	600,718	543,828
One-time income		100,149	94,807
Reinsurance income		-	-
Reversal of contingency reserve		100,149	94,807
Reversal of individual reserve for possible loan losses		-	-
Other one-time income		-	-
One-time expenses		171,491	175,129
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
Provision for individual reserve for possible loan losses		-	-
Provision for reserve for specific foreign loans		-	-
Write-off of loans		-	-
Other one-time expenses		171,491	175,129
Net one-time income (expenses)	C	(71,342)	(80,322)
Ordinary profit	A+B+C	529,375	463,506

- Notes:
1. Amount equivalent to income gains associated with money held in trust (¥4,869 million for 2013 and ¥8,126 million for 2014) is recognized as "other capital expenses" and included in core profit.
 2. Amount equivalent to capital gains in other investment income (¥5 million for 2014) is not included in core profit and is recognized as "other capital gains."
 3. Amount equivalent to capital losses out of other investment expenses (¥0 million for 2014) is not included in core profit and is recognized as "other capital losses."
 4. "Other one-time expenses" includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥171,491 million for 2013 and ¥175,129 million for 2014).

(Reference) Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

Fiscal years ended March 31	2013	2014
Core profit	570.0	482.0
(Negative)/Positive spread	(4.7)	54.2
Mortality and morbidity rate margin	385.2	290.4
Administrative expense margin	189.5	137.3

Notes: 1. The (negative)/positive spread is calculated according to the following formula:

$$\text{(Negative)/Positive spread} = \frac{\text{investment return on core profit} - \text{average assumed rates of return}}{[1.91\%]} \times \text{general account policy reserves}$$

¥76,236.5 billion

- The investment return on core profit is the return on general account policy reserves after deducting the provision for interest on policyholder dividends from general account investment revenue included in core profit.
 - The average assumed rates of return is the return of assumed interest on general account policy reserves.
 - The general account policy reserves are calculated as follows for policy reserves in the general account, excluding the contingency reserve:
(Policy reserve 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.
2. Mortality and morbidity rate margin arises from the difference between expected claim or benefit payments and the actual payments.
3. Administrative expense margin arises from the difference between expected administrative expenses and the actual administrative expenses.

9. Loans by Borrower Category

(Millions of yen, %)

As of March 31	2013	2014
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal	-	-
(Percentage in total)	(-)	(-)
Normal loans	13,281,177	11,385,224
Total	13,281,177	11,385,224

- 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 refer to loans 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 is 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.

10. Status of Risk-Monitored Loans

Not applicable.

11. Solvency Margin Ratio

(Millions of yen)

As of March 31	2013	2014
Total amount of solvency margin (A)	5,000,020	5,130,031
Capital stock, etc.	1,286,242	1,332,862
Reserve for price fluctuations	522,872	614,233
Contingency reserve	2,683,606	2,588,798
General reserve for possible loan losses	83	91
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	202,428	238,976
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3,389)	(3,465)
Excess of continued Zillmerised reserve	308,176	358,533
Capital raised through debt financing	-	-
Amounts within “excess of continued Zillmerised reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	-	-
Other	-	-
Total amount of risk (B)	681,224	632,004
$\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$		
Insurance risk R ₁	172,955	168,426
Underwriting risk of third-sector insurance R ₈	113,161	99,913
Anticipated yield risk R ₂	218,570	198,138
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	380,101	355,852
Business management risk R ₄	17,695	16,446
Solvency margin ratio $\frac{(A)}{(1/2 \times (B))} \times 100$	1,467.9%	1,623.4%

Note: These figures are calculated based on Article 86 and Article 87 of the Ordinance for Enforcement of the Insurance Business Act and the provisions of Ordinance No. 50 issued by the Ministry of Finance in 1996.

12. Separate Account for the Fiscal Year Ended March 31, 2014

Not applicable.

13. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Fiscal years ended March 31	2013	2014
Ordinary income	11,834,945	11,234,114
Ordinary profit	528,946	462,748
Net income	90,678	62,802
Comprehensive income	189,305	91,810

As of March 31	2013	2014
Total assets	90,463,501	87,092,800
Consolidated solvency margin ratio	1,468.8%	1,625.1%

(2) Scope of Consolidation and Application of the Equity Method

- Number of consolidated subsidiaries: 1
- Number of non-consolidated subsidiaries accounted for under the equity method: 0
- Number of affiliates accounted for under the equity method: 0

(3) Unaudited Consolidated Balance Sheets

(Millions of yen)

Items	Year	As of March	As of March	Items	Year	As of March	As of March
		31, 2013	31, 2014			31, 2013	31, 2014
		Amount	Amount			Amount	Amount
ASSETS:				LIABILITIES:			
Cash and deposits		726,649	1,670,837	Policy reserves and others		84,746,052	80,799,941
Call loans		203,452	230,025	Reserve for outstanding claims		947,123	831,690
Receivables under securities borrowing transactions		2,331,286	2,822,188	Policy reserves		81,401,981	77,745,490
Monetary claims bought		427,417	107,448	Reserve for policyholder dividends		2,396,947	2,222,759
Money held in trust		256,832	581,627	Reinsurance payables		191	1,234
Securities		72,557,197	69,377,991	Other liabilities		3,661,604	4,080,744
Loans		12,691,554	11,020,585	Reserve for possible claim payments		7,003	1,881
Tangible fixed assets		86,064	89,453	Reserve for employees' retirement benefits		58,821	-
Land		40,728	40,726	Reserve for directors' retirement benefits		173	-
Buildings		33,305	33,353	Liability for retirement benefits		-	56,627
Leased assets		1,394	1,507	Reserve for price fluctuations		522,872	614,233
Construction in progress		15	1,648	Total liabilities		88,996,720	85,554,663
Other tangible fixed assets		10,621	12,218	NET ASSETS:			
Intangible fixed assets		105,865	124,161	Capital stock		500,000	500,000
Software		105,821	124,130	Capital surplus		500,044	500,044
Leased assets		19	12	Retained earnings		310,958	351,010
Other intangible fixed assets		24	18	Total shareholders' equity		1,311,002	1,351,054
Agency accounts receivable		133,911	102,651	Net unrealized gains (losses) on available-for-sale securities		155,778	184,774
Reinsurance receivables		-	234	Net deferred gains (losses) on hedges		-	11
Other assets		482,150	374,099	Accumulated adjustments for retirement benefits		-	2,296
Deferred tax assets		462,214	592,532	Total accumulated other comprehensive income		155,778	187,082
Reserve for possible loan losses		(1,095)	(1,036)	Total net assets		1,466,780	1,538,136
Total assets		90,463,501	87,092,800	Total liabilities and net assets		90,463,501	87,092,800

(4) Unaudited Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
		Amount	Amount
ORDINARY INCOME		11,834,945	11,234,114
Insurance premiums and others		6,481,772	5,911,643
Investment income		1,560,789	1,540,615
Interest and dividend income		1,500,194	1,458,190
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		3,792,383	3,781,854
Reversal of reserve for outstanding claims		48,611	115,432
Reversal of policy reserves		3,741,858	3,656,490
Other ordinary income		1,912	9,931
ORDINARY EXPENSES		11,305,998	10,771,365
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		513,256	513,999
Other ordinary expenses		81,216	73,738
ORDINARY PROFIT		528,946	462,748
EXTRAORDINARY GAINS		127	-
Other extraordinary gains		127	-
EXTRAORDINARY LOSSES		67,107	100,030
Losses on sales and disposal of fixed assets		1,958	8,670
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		154,540	120,571
Income taxes - Current		199,441	200,724
Income taxes - Deferred		(135,580)	(142,955)
Total income taxes		63,861	57,769
Net income		90,678	62,802
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		90,678	62,802

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
		Amount	Amount
Net income		90,678	62,802
Other comprehensive income		98,627	29,007
Net unrealized gains (losses) on available-for-sale securities		98,627	28,996
Net deferred gains (losses) on hedges		-	11
Total comprehensive income		189,305	91,810
Comprehensive income attributable to Japan Post Insurance		189,305	91,810
Comprehensive income attributable to non-controlling interests		-	-

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
		Amount	Amount
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income taxes		154,540	120,571
Depreciation and amortization		34,390	34,074
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 directors' retirement benefits		7	(173)
Net change in reserve for employees' retirement benefits		1,521	-
Net change in liability for retirement benefits		-	(2,193)
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	280
Group restructuring expenses		491	-
Net change in agency accounts receivables		(18,725)	31,259
Net change in reinsurance receivables		-	(234)
Net change in other assets (excluding those related to investing activities and financing activities)		(56,923)	(26,487)
Net change in reinsurance payables		(75)	1,043
Net change in other liabilities (excluding those related to investing activities and financing activities)		(20,093)	(11,090)
Other, net		6,369	2,263
Subtotal		(4,837,137)	(4,805,197)
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		(245,738)	(174,063)
Net cash used in operating activities		(3,935,642)	(3,751,139)
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
Payment 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 operating activities and investment transactions		(444,688)	1,015,783
Purchases of tangible fixed assets		(4,629)	(6,052)
Proceeds from sale of tangible fixed assets		-	9
Purchases of intangible fixed assets		(33,868)	(39,808)
Other, net		(659)	(2,550)
Net cash provided by investing activities		3,451,797	4,718,522
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease obligations		(355)	(444)
Dividends paid		(16,933)	(22,750)
Net cash used in financing activities		(17,289)	(23,195)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		(501,134)	944,187
Cash and cash equivalents at the beginning of the fiscal year		1,227,784	726,649
Cash and cash equivalents at the end of the fiscal year		726,649	1,670,837

(6) Unaudited 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			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the fiscal year	500,000	500,044	237,213	1,237,257
Changes in the fiscal year				
Cash dividends			(16,933)	(16,933)
Net income			90,678	90,678
Net changes in items other than shareholders' equity in the fiscal year				
Net changes during the fiscal year	-	-	73,745	73,745
Balance at the end of the fiscal year	500,000	500,044	310,958	1,311,002

	Accumulated other comprehensive income		
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits
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 during 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
Balance at the beginning of the fiscal year	500,000	500,044	310,958	1,311,002
Changes in the fiscal year				
Cash dividends			(22,750)	(22,750)
Net income			62,802	62,802
Net changes in items other than shareholders' equity in the fiscal year				
Net changes during the fiscal year	-	-	40,052	40,052
Balance at the end of the fiscal year	500,000	500,044	351,010	1,351,054

	Accumulated other comprehensive income		
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits
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	2,296
Net changes during the fiscal year	28,996	11	2,296
Balance at the end of the fiscal year	184,774	11	2,296

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2014

(Basis for Preparation of the Unaudited Consolidated Financial Statements)

1. Scope of Consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 1

Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.

2. Fiscal Year-end Date of the Consolidated Subsidiary

The fiscal year-end date of the consolidated subsidiary is the same as the consolidated balance sheet date.

(Notes to the Unaudited Consolidated Balance Sheets)

1. Significant Accounting Policies

(1) Valuation Criteria and Methods for Securities

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:

1) Held-to-maturity Bonds

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

2) Policy-reserve-matching Bonds

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

3) Available-for-sale Securities

(i) 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.

(ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

(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.

(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.

(2) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

(3) Depreciation Methods for Depreciable Assets

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:

(i) Buildings, facilities attached to buildings and structures: 2-55 years

(ii) 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

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.

- (4) Recognition of Reserves
- 1) 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 also 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, 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, 2014 was ¥138 million.
 - 2) Reserve for possible claim payments
Reserve for possible claim payments includes an additional estimated amount of possible claims based on past experience through improvement of notification of claims the Company is currently working on.
- (5) Accounting Treatment for Retirement Benefits
- 1) Method for Attributing Expected Benefits to Periods
In calculating the projected benefit obligation, the straight-line basis is used to attribute the expected benefit to respective service period.
 - 2) Method for Recognizing Actuarial Differences
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.
 - 3) Application of the Simplified Method by Small Companies
The consolidated subsidiary adopts the simplified method in calculating its liability for retirement benefits and retirement benefit costs.
- (6) Reserve for Price Fluctuations
Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act.
- (7) Hedge Accounting
- 1) Methods for Hedge Accounting
The Company and its subsidiary (the "Group") apply 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" (ASBJ Statement No. 10).
 - 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 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 which applied the exceptional treatment for interest rate swaps.

(8) 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 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).
- 2) Reserves for other contracts are computed based on the net level premium method.

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

(9) Consumption Taxes

All figures are net of consumption taxes.

(10) Consolidated Tax Payment System

The Group adopts the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

2. Changes in Accounting Policies

Effective from March 31, 2014, the Company has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012; hereinafter referred to as the “Guidance on Retirement Benefits”) (excluding provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits). Accordingly, the Company has changed to the method of recording retirement benefit obligations net of plan assets as liability for retirement benefits, and recorded unrecognized actuarial differences under liability for retirement benefits.

In accordance with the transitional application provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of changes are recognized in accumulated adjustments for retirement benefits under total accumulated other comprehensive income as of March 31, 2014.

As a result, liability for retirement benefits of ¥56,627 million is recorded as of March 31, 2014. In addition, total accumulated other comprehensive income increased by ¥2,296 million.

3. Matters Regarding Status of Financial Instruments and Fair Value of 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

(i) Management of Market Risk

(a) Management of market price fluctuation risk

The Company has a basic investment policy to secure stable asset management 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 control supervisory 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 the 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 control supervisory 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 the foreign exchange risk.

(c) Management of interest rate fluctuation risk

The Company makes investment through ALM in order to mitigate interest rate fluctuation risk. In accordance with the internal rules, etc. for market risk management, the risk control supervisory department measures and manages the interest rate fluctuation risk using VaR in which cash flow for liabilities is considered and reports to the risk management committee regularly.

(d) Derivative transactions

The Company establishes the rule to limit the use of derivative transactions to the purpose of hedging transactions and does not use them for speculative purposes. The Company establishes a credit limit for each borrower to control risks. The Company selects counterparties that can be regarded as creditworthy through consideration of internal credit ratings, etc. The risk control supervisory department measures and manages market price fluctuation risk associated with derivative transactions and reports to the risk management committee regularly.

(ii) Management of Credit Risk

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

The risk control supervisory department measures and manages the credit risk. The credit department monitors each borrower or individual transaction based on the internal credit rating and credit limit. The results of those 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 “(5) Derivative Transactions” do not indicate the market risk related to derivative transactions.

(2) Fair Values of Financial Instruments

Amounts carried on the consolidated 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)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and deposits	1,670,837	1,670,837	-
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	85,440,588	90,662,928	5,222,340
Payables under securities lending transactions(*3)	3,703,176	3,703,176	-
Total liabilities	3,703,176	3,703,176	-
Derivative transactions (*4)	(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) Included in "Other liabilities" in the consolidated balance sheets.

(*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.

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 “(4) 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 “(3) 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 “(5) 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: Consolidated balance sheet amount of financial instruments for which fair values are deemed extremely difficult to determine

(Millions of yen)

	Consolidated balance sheet amount
Unlisted stocks (*)	140,000

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	-	-	-	-	-

(3) Securities

1) Held-to-maturity Bonds

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated 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 consolidated 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

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated 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 consolidated 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) Available-for-sale Securities

(Millions of yen)

	Type	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated 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 consolidated 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	

(*) "Others" include financial instruments accounted for as securities in accordance with the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10).

4) 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	-

5) 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

(4) Money Held in Trust

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

(Millions of yen)

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

(*) The Group 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.

(5) Derivative Transactions

1) Derivative transactions to which the hedge accounting method is not applied

Not applicable.

2) Derivative transactions to which the hedge accounting method is applied

(i) 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)

(*) Method for calculating fair value

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

(ii) 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	(*2)
Total			-	-	16

(*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.

4. The consolidated balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds were as follows:
 - (1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥17,953,667 million and ¥19,052,820 million, respectively.
 - (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.
 - 1) Postal Life Insurance Contracts
 - 2) Japan Post Insurance life insurance contracts (general)
 - 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity)
5. Securities lent under lending agreements in the amount of ¥3,380,035 million was included in “Securities” in the consolidated balance sheets as of March 31, 2014.
6. 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.
7. The amount of unused commitments as of March 31, 2014 was ¥1,250 million.
8. Accumulated depreciation for tangible fixed assets as of March 31, 2014 was ¥63,547 million.
9. Total deferred tax assets and total deferred tax liabilities were ¥681,352 million and ¥85,823 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥2,996 million.
 Significant components of deferred tax assets include ¥485,089 million of policy reserves, ¥106,845 million of reserve for price fluctuations, ¥53,823 million of reserve for outstanding claims, ¥17,464 million of liability for retirement benefits, and ¥3,815 million of unrealized losses on available-for-sale securities.
 Significant components of deferred tax liabilities include ¥84,569 million of unrealized gains on available-for-sale securities.
10. The statutory tax rate for the fiscal year ended March 31, 2014 was 33.33%. Primary factors for the difference between the statutory tax rate and the effective income tax rate after tax effect accounting include a reduction of 26.85% in net deferred tax assets as of the end of the fiscal year resulting from tax rate.
11. During the fiscal year ended March 31, 2014, the Act for Partial Amendment of the Income Tax Act, etc. was promulgated on March 31, 2014 and, as a result, the Special Reconstruction Corporation Tax will no longer be imposed from the fiscal year beginning on or after April 1, 2014. Accordingly, the statutory tax rate used to measure the Company’s deferred tax assets and liabilities for the fiscal year ended March 31, 2014 decreased from 33.33% in the previous fiscal year to 30.78% for the temporary differences expected to be settled in the fiscal year beginning on April 1, 2014. Due to this change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,223 million and deferred income taxes increased by ¥5,257 million as of March 31, 2014.

12. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2014 were as follows:

a. Balance at the beginning of the fiscal year	¥2,396,947 million
b. Policyholder dividends paid	¥420,523 million
c. Interest accrual	¥4,627 million
d. Reduction due to the acquisition of additional annuity	¥438 million
e. Provision for reserve for policyholder dividends	¥242,146 million
f. Balance at the end of the fiscal year	¥2,222,759 million

13. 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.

14. 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.

15. Net assets per share were ¥76,906.85.

16. The Group 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.

17. 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.

18. Matters related to retirement benefits are as follows:

(1) Outline of retirement benefits

The Company and its consolidated subsidiary have lump-sum severance indemnity plans which are an unfunded defined benefit plan to provide for employees’ retirement benefits. The consolidated subsidiary adopts the simplified method in calculating its liability for retirement benefits and retirement benefit costs.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

	(Millions of yen)
Balance at the beginning of the fiscal year	54,937
Service cost	3,289
Interest cost	932
Actuarial differences	251
Benefits paid	(3,146)
Other	363
Balance at the end of the fiscal year	<u>56,627</u>

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

	(Millions of yen)
Unfunded retirement benefit obligations	<u>56,627</u>
Liability for retirement benefits recorded on the consolidated balance sheet	<u>56,627</u>

3) Retirement benefit costs

	(Millions of yen)
Service cost	3,289
Interest cost	932
Amortization of actuarial differences	(315)
Other	32
Retirement benefit expenses of defined benefit plans	<u>3,938</u>

4) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of yen)
Unrecognized actuarial differences	3,317

5) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2014 were as follows:

Discount rate	1.7%
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19. 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.

20. "Other liabilities" in the consolidated balance sheet includes ¥66,221 million of 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 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 Unaudited Consolidated Statement of Income)

1. The amounts 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.
2. Net income per share was ¥3,140.11.
3. 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.
4. 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.
5. 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 Unaudited Consolidated Statement of Comprehensive Income)

(Millions of yen)

Net unrealized gains (losses) on available-for-sale securities:	
Amount arising during the fiscal year	32,105
Reclassification adjustments	8,502
Before tax effect adjustments	40,608
Tax effect	(11,611)
Net unrealized gains (losses) on available-for-sale securities	28,996
Net deferred gains (losses) on hedges:	
Amount arising during the fiscal year	16
Reclassification adjustments	-
Before tax effect adjustments	16
Tax effect	(4)
Net deferred gains (losses) on hedges	11
Total other comprehensive income	29,007

(Notes to the Unaudited Consolidated Statement of Cash Flows)

1. Scope of Cash and Cash Equivalents

Cash and cash equivalents consists of “Cash and deposits” in the consolidated balance sheet.

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

Cash and deposits	¥1,670,837 million
Cash and cash equivalents	¥1,670,837 million

(Notes to the Unaudited Consolidated Statements of Changes in Net Assets)

1. Class and Number of Shares Issued and Treasury Stock

(Thousands of shares)

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

2. Stock Acquisition Rights Including Those Owned by the Company

Not applicable.

3. Information on Dividends

(1) Dividends Paid

The following resolution was adopted at the Board of Directors' meeting held on May 14, 2013:

Dividends on common stock

a. Total amount	¥22,750 million
b. Per share amount	¥1,137.51
c. Effective date	May 15, 2013

The record date for the dividends was March 31, 2013 with retained earnings as the source of dividends.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2014:

The following resolution was adopted at the Board of Directors' meeting held on May 14, 2014:

Dividends on common stock

a. Total amount	¥16,808 million
b. Per share amount	¥840.43
c. Effective date	May 15, 2014

The record date for the dividends was March 31, 2014 with retained earnings as the source of dividends.

(7) Status of Risk-Monitored Loans (Consolidated)

Not applicable.

(8) Status of Insurance Claims Paying Ability of the Company and its Subsidiaries

(Consolidated Solvency Margin Ratio)

(Millions of yen)

As of March 31	2013	2014
Total amount of solvency margin (A)	5,002,028	5,134,732
Capital stock, etc.	1,288,252	1,334,246
Reserve for price fluctuations	522,872	614,233
Contingency reserve	2,683,606	2,588,798
Catastrophe loss reserve	-	-
General reserve for possible loan losses	83	91
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	202,428	238,976
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3,391)	(3,465)
Sum of unrecognized actuarial differences and unrecognized prior service cost	-	3,317
Excess of continued Zillmerised reserve	308,176	358,533
Capital raised through debt financing	-	-
Amounts within “excess of continued Zillmerised reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	-	-
Other	-	-
Total amount of risk (B)	681,066	631,890
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$		
Insurance risk R ₁	172,955	168,426
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
Underwriting risk of third-sector Insurance R ₈	113,161	99,913
Small amount, short-term insurance risk R ₉	-	-
Anticipated yield risk R ₂	218,570	198,138
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	379,929	355,728
Business management risk R ₄	17,692	16,444
Solvency margin ratio $\frac{(A)}{(1/2 \times (B))} \times 100$	1,468.8%	1,625.1%

- Notes: 1. These figures are calculated based on Article 86-2 and Article 88 of the Ordinance for Enforcement of the Insurance Business Act and the Ordinance No. 23 issued by the Financial Services Agency in 2011.
2. “Sum of unrecognized actuarial differences and unrecognized prior service cost” is included in the calculation from the end of the fiscal year ended March 31, 2014. (The figures as of March 31, 2013 are based on the previous standard.)

(9) Segment Information

Segment information is omitted as the Company has only one segment.

(Reference) Holdings of Securitized Products and Investments Related to Subprime-related Investments

Based on the reports of the Financial Stability Forum (FSF), Japan Post Insurance Co., Ltd. discloses the following information with respect to its holdings of securitized products and investments related to subprime loans-related investments as of March 31, 2014.

(Securitized products)

- Securitized products are all RMBS backed by mortgage loans in Japan, and there are no overseas mortgage loans backing RMBS.

(Investments related to subprime-related investments)

- The Company has no investments related to subprime-related investments.

Definitions of items in the table:

- Unrealized gain (loss) is fair value net of book value.

- Interest and dividend income is not included in realized gain (loss).

[Investments]

1) General Special Purpose Entities (SPEs)

None.

2) Collateralized Debt Obligations (CDO)

None.

3) Other Subprime Loans-Related Investments / Alt-A Exposures

The Company does not hold securitized products backed by other subprime-related investments / Alt-A exposures.

4) Commercial Mortgage-Backed Securities (CMBS)

None.

5) Leveraged Finance

None.

6) Others

(Billions of yen)

	Fair value	Unrealized gains (losses)	Realized gains (losses)
RMBS	446.9	20.1	-

Notes: 1. The Company has no investments related to subprime-related investments.
2. The RMBS held by the Company are backed by mortgage loans in Japan.