

UNOFFICIAL TRANSLATION

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May 15, 2015
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for the Fiscal Year Ended
March 31, 2015**

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, 2015 (April 1, 2014 to March 31, 2015).

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[Attached document] Outline of Financial Results for the Fiscal Year Ended March 31, 2015

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 | 2014 | | | | 2015 | | | |
|----------------------|--------------------|---------------------------|---------------|---------------------------|--------------------|---------------------------|---------------|---------------------------|
| | Number of policies | | Policy amount | | Number of policies | | Policy amount | |
| | | % of March 31, 2013 total | | % of March 31, 2013 total | | % of March 31, 2014 total | | % of March 31, 2014 total |
| Individual insurance | 11,668 | 118.2 | 33,735.6 | 118.5 | 13,539 | 116.0 | 39,159.0 | 116.1 |
| Individual annuities | 1,194 | 112.9 | 3,443.8 | 107.8 | 1,318 | 110.4 | 3,615.9 | 105.0 |
| Group insurance | - | - | - | - | - | - | - | - |
| Group annuities | - | - | - | - | - | - | - | - |

Notes: 1. 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.

2. Figures and amounts which were previously rounded to the nearest unit are rounded down from the end of the fiscal year (including the figures and amounts for the previous fiscal year).

▪ New Policies

(Thousands of policies, billions of yen, %)

| Fiscal years ended March 31 | 2014 | | | | | | 2015 | | | | | |
|-----------------------------|--------------------|---------------------------|---------------------------|--------------|--|---|---------------------------|---------------------------|---------------|--|---------|---|
| | Number of policies | | Policy amount | | | | Number of policies | | Policy amount | | | |
| | | % of March 31, 2013 total | % of March 31, 2013 total | New policies | Net increase arising from the conversion | | % of March 31, 2014 total | % of March 31, 2014 total | New policies | Net increase arising from the conversion | | |
| Individual insurance | 2,233 | 101.2 | 6,559.8 | 100.7 | 6,559.8 | - | 2,381 | 106.6 | 7,002.5 | 106.8 | 7,002.5 | - |
| Individual annuities | 148 | 81.8 | 524.0 | 82.7 | 524.0 | - | 137 | 92.7 | 493.5 | 94.2 | 493.5 | - |
| Group insurance | - | - | - | - | - | - | - | - | - | - | - | - |
| Group annuities | - | - | - | - | - | - | - | - | - | - | - | - |

Notes: 1. The amount of individual annuities is the annuity resources at the beginning of the payout phase.

2. Figures and amounts which were previously rounded to the nearest unit are rounded down from the end of the fiscal year (including the figures and amounts for the previous fiscal year).

(2) Annualized Premiums

▪ Policies in Force

(Billions of yen, %)

| As of March 31 | 2014 | | 2015 | |
|---|---------|------------------------------|---------|------------------------------|
| | | % of March 31, 2013 total | | % of March 31, 2014 total |
| Individual insurance | 2,192.2 | 118.1 | 2,526.8 | 115.3 |
| Individual annuities | 661.4 | 99.1 | 673.8 | 101.9 |
| Total | 2,853.6 | 113.1 | 3,200.6 | 112.2 |
| Medical coverage, living benefits and other | 227.4 | 121.1 | 257.4 | 113.2 |

▪ New Policies

(Billions of yen, %)

| Fiscal years ended March 31 | 2014 | | 2015 | |
|---|-------|------------------------------|-------|------------------------------|
| | | % of March 31, 2013 total | | % of March 31, 2014 total |
| Individual insurance | 439.0 | 101.7 | 457.8 | 104.3 |
| Individual annuities | 179.8 | 80.7 | 162.5 | 90.4 |
| Total | 618.9 | 94.6 | 620.4 | 100.2 |
| Medical coverage, living benefits and other | 49.1 | 120.4 | 41.1 | 83.6 |

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. Figures for annualized premiums, which were previously rounded to the nearest unit are rounded down to the nearest unit from the end of the fiscal year (including the figures for the previous fiscal year).

(3) Key Income and Expenses

(Billions of yen, %)

| Fiscal years ended March 31 | 2014 | | 2015 | |
|-------------------------------|----------|------------------------------|---------|------------------------------|
| | | % of March 31, 2013 total | | % of March 31, 2014 total |
| Insurance premiums and others | 5,911.6 | 91.2 | 5,956.7 | 100.8 |
| Investment income | 1,540.6 | 98.7 | 1,460.7 | 94.8 |
| Insurance claims and others | 10,160.8 | 95.2 | 9,059.5 | 89.2 |
| Investment expenses | 18.1 | 61.4 | 10.9 | 60.7 |
| Ordinary profit | 463.5 | 87.6 | 493.1 | 106.4 |

(4) Total Assets

(Billions of yen, %)

| As of March 31 | 2014 | | 2015 | |
|----------------|----------|------------------------------|----------|------------------------------|
| | | % of March 31, 2013 total | | % of March 31, 2014 total |
| Total assets | 87,088.6 | 96.3 | 84,911.9 | 97.5 |

2. Policy in Force by Benefit Type as of March 31, 2015

(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 | 12,877 | 37,768.8 | - | - | - | - | 12,877 | 37,768.8 |
| | Accidental death | 19,716 | 46,526.0 | 4 | 15.4 | - | - | 19,720 | 46,541.4 |
| | Other conditional death | - | - | - | - | - | - | - | - |
| Living benefit | | 661 | 1,390.1 | 1,318 | 3,615.9 | - | - | 1,979 | 5,006.0 |
| Hospitalization benefit | Hospitalization due to accident | 10,343 | 42.6 | 6 | 0.0 | - | - | 10,350 | 42.6 |
| | Hospitalization due to illness | 10,140 | 41.9 | 1 | 0.0 | - | - | 10,142 | 41.9 |
| | Other conditional hospitalization | 10,343 | 7.0 | 6 | 0.0 | - | - | 10,350 | 7.0 |
| Injury benefit | | 9,451 | - | 4 | - | - | - | 9,455 | - |
| Surgery benefit | | 10,343 | - | 6 | - | - | - | 10,350 | - |

| 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 | 0.2 | 0 | 0.2 |

| 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 19,949 thousand policies or ¥54,322.3 billion for life insurance, and 2,950 thousand policies or ¥1,077.9 billion for annuities.
 5. Figures and amounts which were previously rounded to the nearest unit are rounded down from the end of the fiscal year (including the figures for the previous fiscal year).

3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2015

(1) The overview of policyholder dividends determined based on the financial results for the fiscal year ended March 31, 2015 is as follows:

1. Japan Post Insurance policies (individual insurance policies / individual annuities, etc. purchased on and after October 1, 2007)
 - (1) The Company overall raised the payout ratio for dividends from mortality and morbidity rate margin and from the surplus in rider payments. The ratio varies depending on the age and gender of the policyholder.
 - (2) The Company lowered the payout ratio for dividends from administrative expense margin and 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 ¥190,363 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, 2015 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, 2011 <five years> | Male | ¥103,320 | ¥0 |
| | Female | ¥102,840 | ¥0 |

Ex. 2 Special endowment insurance

[Concluded at age of 40 and matured at 60; 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, 2011 <five years> | Male | ¥55,440 | ¥492 |
| | Female | ¥52,800 | ¥109 |

Ex. 3 Ordinary term insurance

[Concluded at age of 40 and matured at 50; premium monthly paid; ¥1 million death 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, 2011 <five years> | Male | ¥5,040 | ¥606 |
| | Female | ¥3,840 | ¥388 |

Ex. 4 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, 2011 <five years> | Male | ¥56,760 | ¥0 |
| | Female | ¥56,280 | ¥0 |

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. 5 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, 2011 <five years> | Male | ¥12,600 | ¥451 |
| | Female | ¥10,200 | ¥259 |

Ex. 6 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, 2011 <five years> | Male | ¥600 | ¥130 |
| | Female | ¥360 | ¥80 |

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

a. Dividend from mortality and morbidity rate margin [Increased at large]

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 2013 | ¥230 |
| April 2013 to March 2015 | ¥0 |

b. Dividend from surplus in rider payments [Increased at large]

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 2013 | ¥130 |
| April 2013 to March 2015 | ¥0 |

c. Dividend from administrative expense margin [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 2013 | Payout ratio for dividend from administrative expense margin in proportion to claim payment (per claim payment of ¥1 million) | ¥160 |
| | Payout ratio for dividend from administrative expense margin in proportion to claim payment (per monthly premium of ¥10,000) | ¥509 |
| April 2013 to March 2015 | 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 [Decreased]

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

| | |
|---------------------------------------|--|
| Payout ratio for dividend from spread | 1.1% (target dividend yield) – assumed interest rate |
|---------------------------------------|--|

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, 2015 (General Account)

(1) Investment Environment

1) Investment environment

Although the U.S. economy was brisk, the world economy once again managed only weak growth as the economies of Japan, Europe as well as emerging countries recorded slower growth. The U.S. economy rebounded at a steady pace under a gradual recovery in employment conditions. In the Japanese economy, domestic demand such as private consumption and housing residential investment declined in the wake of a consumption tax rate increase in April, while a subsequent pickup in the economy was also sluggish. In the European economy, the pace of recovery was weak due to ongoing softness in the economies of several countries where structural reforms have lagged and to deteriorating conditions in the Ukraine. The Chinese economy is continuing to slow amid the implementation of structural reforms aimed transforming to a personal consumption-driven economy.

The BOJ, European Central Bank (ECB) and other central banks of developed countries acted to strengthen easy money policies. However, the United States moved in the opposite direction as Japan and Europe by ending quantitative easing policies and preparing for an increase in interest rates. 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 0.6% level and declined to the 0.4% level at the end of the period.

The long-term yield in the first half continued to decline moderately and dipped to near 0.5% in the last part of August, reflecting tight supply-demand in the bond market resulting from the BOJ's bond-buying operations, which were ongoing from the previous year, and lower interest rates in Europe and the United States. Entering September, the yield temporarily rose to the vicinity of 0.6% in reaction to rising interest rates due to growing expectations of an early rate hike in the United States. However, the yield then reversed course and once again headed downward, briefly reaching the 0.1% range in January corresponding to the BOJ's decision on October 31, 2014 to adopt additional monetary easing measures and to a decline in U.S. interest rates amid concerns about waning inflation expectations accompanying plunging crude oil prices. From February, the yield changed direction and climbed to the 0.4% range due to a halt in the decline in crude oil prices and a rise in U.S. interest rates spurred by favorable U.S. employment statistics. Subsequently, the yield seesawed within a range between the 0.3% level and the 0.4% level amid debate concerning the timing for the start of interest rate increases in the United States.

Domestic Stock Market

The Nikkei Stock Average began the period at the ¥14,000 level and despite some wide fluctuations during the period climbed to the ¥19,000 level at the end of the fiscal year. In the first half, the Nikkei Stock Average briefly slid under the ¥14,000 level in April in reaction to the BOJ's deferral of additional monetary easing measures. Despite some volatile swings, the Nikkei Stock Average subsequently trended moderately and rose to the ¥16,000 level in September on expectations of a change in the Government Pension Investment Fund's (GPIF) investment policy and high U.S. stock prices propelled by a rebound in the U.S. economy. Entering the second half, the Nikkei Stock Average briefly retreated to the ¥14,000 level upon growing concerns over the domestic economy and the advancing appreciation of the yen. However, the Nikkei Stock Average then soared and climbed to the ¥17,000 level at year-end following the BOJ's decision in October to adopt additional monetary easing measures and the announcement of a change in the GPIF's Base Portfolio. After the start of the new year as well, the Nikkei Stock Average rose in response to the halt to the decline in crude oil prices and mounting expectations of a recovery in domestic demand, and reached the ¥19,000 level at the end of the fiscal year.

Foreign Exchange Markets

The U.S. dollar/yen exchange rate began the period at the ¥103/U.S. dollar level before the yen weakened to the lower ¥120/U.S. dollar level at fiscal year-end. In the first half, the yen trended stably at around ¥102/U.S. dollar up from April to July. From August onward, however, the yen continued to weaken sharply owing to the global-wide strengthening of the dollar spurred by the robust U.S. economic recovery, and the yen hit the ¥109/U.S. dollar level at the end of September. Entering the second half, although at one point the yen strengthened to the ¥105/U.S. dollar level on concerns of a slowing U.S. economy due to a strong dollar, the

yen once again began weakening against the U.S. dollar in response to the BOJ's decision in October to adopt additional monetary easing measures, and the yen temporarily reached the ¥121/U.S. dollar level in December. From the start of the new year, the yen trended within a range between the ¥116/U.S. dollar level to the ¥121/U.S. dollar level, influenced by the debate on the timing of the Federal Reserve's first rate hike.

The euro/yen exchange rate began the period at the ¥142/EUR level and despite some wide fluctuations in the second half the yen strengthened and reached the vicinity of ¥130/EUR at the end of the period.

In the first half, the euro almost consistently weakened on concerns of a slowdown in the Euro zone economy and a decline in interest rates by the ECB's implementation of additional monetary easing measures in Europe. Entering the second half, the euro/yen exchange rate reversed course rapidly and the weakening of the yen against the euro progressed and the yen temporarily weakened sharply to the ¥149/EUR level in December. From the beginning of the year, however, the yen once again began strengthening against the euro in response to the decision by the ECB to implement quantitative easing measures and the yen momentarily strengthened to the ¥127/EUR level.

2) Investment Policies of the Company

The Company's operations are based on the concept of asset-liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and 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 risk.

3) Performance Overview

[Assets]

At the end of March 2015, total assets of Japan Post Insurance amounted to ¥84.9 trillion, a decrease of ¥2.1 trillion from ¥87.0 trillion at the end of fiscal 2014.

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 to the Management Organization for Postal Savings and Postal Life Insurance.

[Investment income and expenses]

As of March 31, 2015, investment income of the Company decreased by ¥79.8 billion from the previous corresponding period to ¥1,460.7 billion mainly due to a decrease in interest and dividend income.

Investment expenses decreased by ¥7.1 billion from the previous corresponding period to ¥10.9 billion mainly due to a decrease in losses on sales of securities.

As a result, investment income and expenses amounted to ¥1,449.7 billion, a decrease of ¥72.7 billion from the previous corresponding period.

(2) Asset Composition

(Billions of yen, %)

| As of March 31 | 2014 | | 2015 | |
|---|----------|-------|----------|-------|
| | Amount | Ratio | Amount | Ratio |
| Cash, deposits, call loans | 1,893.6 | 2.2 | 2,651.3 | 3.1 |
| Receivables under resale agreements | - | - | - | - |
| Receivables under securities borrowing transactions | 2,822.1 | 3.2 | 2,720.8 | 3.2 |
| Monetary claims bought | 107.4 | 0.1 | 449.0 | 0.5 |
| Trading account securities | - | - | - | - |
| Money held in trust | 581.6 | 0.7 | 1,434.9 | 1.7 |
| Securities | 69,378.9 | 79.7 | 66,277.2 | 78.1 |
| Corporate and government bonds | 68,138.5 | 78.2 | 64,294.7 | 75.7 |
| Domestic stocks | 0.9 | 0.0 | 0.9 | 0.0 |
| Foreign securities | 1,239.4 | 1.4 | 1,981.4 | 2.3 |
| Foreign corporate and government bonds | 1,099.4 | 1.3 | 1,961.4 | 2.3 |
| Foreign stocks and other securities | 140.0 | 0.2 | 20.0 | 0.0 |
| Other securities | - | - | - | - |
| Loans | 11,020.5 | 12.7 | 9,977.3 | 11.8 |
| Real estate | 75.6 | 0.1 | 112.2 | 0.1 |
| Deferred tax assets | 592.6 | 0.7 | 548.2 | 0.6 |
| Other | 616.9 | 0.7 | 741.5 | 0.9 |
| Reserve for possible loan losses | (1.0) | (0.0) | (0.9) | (0.0) |
| Total | 87,088.6 | 100.0 | 84,911.9 | 100.0 |
| Foreign currency-denominated assets | 1,128.7 | 1.3 | 2,196.3 | 2.6 |

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 | 2014 | 2015 |
|---|-----------|-----------|
| Cash, deposits, call loans | 965.9 | 757.7 |
| Receivables under resale agreements | - | - |
| Receivables under securities borrowing transactions | 490.9 | (101.3) |
| Monetary claims bought | (319.9) | 341.6 |
| Trading account securities | - | - |
| Money held in trust | 324.7 | 853.3 |
| Securities | (3,179.2) | (3,101.7) |
| Corporate and government bonds | (3,516.4) | (3,843.7) |
| Domestic stocks | - | - |
| Foreign securities | 337.2 | 742.0 |
| Foreign corporate and government bonds | 337.2 | 862.0 |
| Foreign stocks and other securities | - | (120.0) |
| Other securities | - | - |
| Loans | (1,670.9) | (1,043.2) |
| Real estate | 1.6 | 36.6 |
| Deferred tax assets | 131.1 | (44.4) |
| Other | (118.1) | 124.6 |
| Reserve for possible loan losses | 0.0 | 0.0 |
| Total | (3,373.7) | (2,176.6) |
| Foreign currency-denominated assets | 469.8 | 1,067.5 |

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

(4) Investment Income

(Billions of yen)

| Fiscal years ended March 31 | 2014 | 2015 |
|---|---------|---------|
| Interest and dividend income | 1,458.1 | 1,365.7 |
| Interest on deposits | 0.4 | 0.6 |
| Interest and dividends on securities | 1,180.3 | 1,119.3 |
| Interest on loans | 12.4 | 13.4 |
| Interest on loans to the Management Organization | 260.7 | 227.6 |
| Rent revenue from real estate | - | - |
| Other interest and dividend income | 4.1 | 4.5 |
| Gains on trading account securities | - | - |
| Gains on money held in trust | 9.7 | 32.7 |
| Gains on trading securities | - | - |
| Gains on sales of securities | 71.0 | 61.9 |
| Gains on sales of Japanese government bonds and other bonds | 70.9 | 56.8 |
| Gains on sales of domestic stocks and other securities | - | - |
| Gains on sales of foreign securities | 0.1 | 5.0 |
| 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 | 0.0 |
| Reversal of reserve for possible loan losses | - | 0.0 |
| Other investment income | 0.1 | 0.2 |
| Total | 1,540.6 | 1,460.7 |

(5) Investment Expenses

(Billions of yen)

| Fiscal years ended March 31 | 2014 | 2015 |
|--|-------------|-------------|
| Interest expenses | 4.9 | 4.2 |
| Losses on trading account securities | - | - |
| Losses on money held in trust | - | - |
| Losses on trading securities | - | - |
| Losses on sales of securities | 10.2 | 4.9 |
| Losses on sales of Japanese government bonds and other bonds | 2.9 | - |
| Losses on sales of domestic stocks and other securities | - | - |
| Losses on sales of foreign securities | 7.2 | 4.9 |
| 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 | 2.1 | 0.7 |
| Losses on foreign exchanges | - | - |
| Provision for reserve for possible loan losses | 0.0 | - |
| Write-off loans | - | - |
| Depreciation of real estate for lease and other assets | - | - |
| Other investment expenses | 0.7 | 0.9 |
| Total | 18.1 | 10.9 |

(6) Investment Related Efficiency

1) Yield by Asset Type

| Fiscal years ended March 31 | 2014 | 2015 |
|---|------|------|
| Cash, deposits and call loans | 0.05 | 0.05 |
| Receivables under resale agreements | - | - |
| Receivables under securities borrowing transactions | - | - |
| Monetary claims bought | 0.34 | 0.32 |
| Trading account securities | - | - |
| Money held in trust | 3.04 | 3.54 |
| Securities | 1.71 | 1.73 |
| Corporate and government bonds | 1.71 | 1.70 |
| Domestic stocks | - | - |
| Foreign securities | 1.95 | 2.87 |
| Loans | 2.31 | 2.25 |
| Real estate | - | - |
| General account total | 1.71 | 1.70 |
| Overseas loans and investments | 1.98 | 2.88 |

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 | 2014 | | | | | 2015 | | | | |
|--|------------|------------|-------------------------------|---------|--------|------------|------------|-------------------------------|---------|--------|
| | Book value | Fair value | Net unrealized gains (losses) | | | Book value | Fair value | Net unrealized gains (losses) | | |
| | | | | | | | | | | |
| | | | | Gains | Losses | | | | Gains | Losses |
| Held-to-maturity bonds | 45,257.3 | 48,427.0 | 3,169.7 | 3,174.1 | 4.3 | 43,695.5 | 48,232.6 | 4,537.1 | 4,537.6 | 0.5 |
| Policy-reserve matching bonds | 17,953.6 | 19,052.8 | 1,099.1 | 1,100.4 | 1.3 | 15,493.2 | 16,668.4 | 1,175.2 | 1,175.4 | 0.2 |
| Stocks of subsidiaries and affiliates | - | - | - | - | - | - | - | - | - | - |
| Available-for-sale securities | 7,148.5 | 7,414.1 | 265.5 | 278.0 | 12.4 | 9,411.4 | 10,193.2 | 781.7 | 784.4 | 2.7 |
| Corporate and government bonds | 4,927.7 | 5,025.5 | 97.8 | 100.0 | 2.2 | 5,105.3 | 5,203.9 | 98.6 | 99.1 | 0.5 |
| Domestic stocks | 337.7 | 412.2 | 74.4 | 78.0 | 3.5 | 713.2 | 996.9 | 283.7 | 285.5 | 1.8 |
| Foreign securities | 1,072.5 | 1,164.5 | 92.0 | 98.7 | 6.6 | 1,850.9 | 2,248.2 | 397.3 | 397.6 | 0.3 |
| Foreign corporate and government bonds | 917.5 | 1,001.4 | 83.9 | 90.6 | 6.6 | 1,537.7 | 1,863.4 | 325.7 | 326.1 | 0.3 |
| Foreign stocks and other securities | 155.0 | 163.1 | 8.1 | 8.1 | - | 313.1 | 384.7 | 71.5 | 71.5 | - |
| Other securities | - | - | - | - | - | - | - | - | - | - |
| Monetary claims bought | 106.2 | 107.4 | 1.1 | 1.1 | 0.0 | 446.9 | 449.0 | 2.0 | 2.0 | - |
| Negotiable certificates of deposit | 704.3 | 704.3 | - | - | - | 1,295.0 | 1,295.0 | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 70,359.5 | 74,894.0 | 4,534.4 | 4,552.5 | 18.1 | 68,600.2 | 75,094.3 | 6,494.0 | 6,497.5 | 3.5 |
| Corporate and government bonds | 68,040.7 | 72,403.6 | 4,362.9 | 4,370.8 | 7.9 | 64,196.1 | 70,003.2 | 5,807.0 | 5,808.3 | 1.3 |
| Domestic stocks | 337.7 | 412.2 | 74.4 | 78.0 | 3.5 | 713.2 | 996.9 | 283.7 | 285.5 | 1.8 |
| Foreign securities | 1,170.5 | 1,266.3 | 95.8 | 102.4 | 6.6 | 1,948.9 | 2,350.1 | 401.2 | 401.5 | 0.3 |
| Foreign corporate and government bonds | 1,015.5 | 1,103.2 | 87.7 | 94.3 | 6.6 | 1,635.7 | 1,965.3 | 329.6 | 330.0 | 0.3 |
| Foreign stocks and other securities | 155.0 | 163.1 | 8.1 | 8.1 | - | 313.1 | 384.7 | 71.5 | 71.5 | - |
| Other securities | - | - | - | - | - | - | - | - | - | - |
| Monetary claims bought | 106.2 | 107.4 | 1.1 | 1.1 | 0.0 | 446.9 | 449.0 | 2.0 | 2.0 | - |
| Negotiable certificates of deposit | 704.3 | 704.3 | - | - | - | 1,295.0 | 1,295.0 | - | - | - |
| 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 and ¥1,026.4 billion with net unrealized gains of ¥355.2 billion as of March 31, 2015 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 | 2014 | 2015 |
|--|--------------|-------------|
| 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 | 20.0 |
| Unlisted domestic stocks (excluding OTC traded equities) | - | - |
| Unlisted foreign stocks (excluding OTC traded equities) | 140.0 | 20.0 |
| Unlisted foreign bonds | - | - |
| Others | - | - |
| Total | 140.9 | 20.9 |

4) Data on Fair Value of Money Held in Trust

(Billions of yen)

| As of March 31 | 2014 | | | | | 2015 | | | | |
|---------------------|----------------------|------------|-------------------------------|-------|--------|----------------------|------------|-------------------------------|-------|--------|
| | 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 | 581.6 | 581.6 | - | - | - | 1,434.9 | 1,434.9 | - | - | - |

- 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 | 2014 | | | | | 2015 | | | | |
|-----------------------------------|------------|------------|-------------------------------|-------|--------|------------|------------|-------------------------------|-------|--------|
| | 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 | 499.0 | 581.6 | 82.5 | 86.1 | 3.5 | 1,079.7 | 1,434.9 | 355.2 | 357.0 | 1.8 |

5. UNAUDITED NON-CONSOLIDATED BALANCE SHEETS

(Millions of yen)

| Year | As of March | As of March | Year | As of March | As of March |
|--|-------------------|-------------------|---|-------------------|-------------------|
| | 31, 2014 | 31, 2015 | | 31, 2014 | 31, 2015 |
| Items | Amount | Amount | Items | Amount | Amount |
| ASSETS: | | | LIABILITIES: | | |
| Cash and deposits | 1,663,576 | 2,205,969 | Policy reserves and others | 80,799,941 | 77,905,677 |
| Cash | 4,258 | 3,118 | Reserve for outstanding claims | 831,690 | 718,156 |
| Deposits | 1,659,318 | 2,202,851 | Policy reserves | 77,745,490 | 75,112,601 |
| Call loans | 230,025 | 445,428 | Reserve for policyholder dividends | 2,222,759 | 2,074,919 |
| Receivables under securities borrowing transactions | 2,822,188 | 2,720,856 | Reinsurance payables | 1,234 | 2,017 |
| Monetary claims bought | 107,448 | 449,068 | Other liabilities | 4,077,493 | 4,257,294 |
| Money held in trust | 581,627 | 1,434,943 | Payables under securities lending transactions | 3,703,176 | 3,658,492 |
| Securities | 69,378,975 | 66,277,244 | Income taxes payable | 15,804 | 19,452 |
| Japanese government bonds | 52,522,914 | 48,086,445 | Accounts payable | 229,922 | 463,217 |
| Japanese local government bonds | 9,173,780 | 9,555,857 | Accrued expenses | 15,626 | 16,218 |
| Japanese corporate bonds | 6,441,832 | 6,652,464 | Unearned revenue | 4 | - |
| Stocks | 984 | 984 | Deposits received | 12,172 | 11,184 |
| Foreign securities | 1,239,464 | 1,981,492 | Deposits from the Management Organization | 66,221 | 59,058 |
| Loans | 11,020,585 | 9,977,345 | Derivative financial instruments | 15,805 | 12,866 |
| Policy loans | 54,271 | 74,097 | Lease obligations | 1,528 | 2,105 |
| Industrial and commercial loans | 763,298 | 806,259 | Asset retirement obligation | 15 | 15 |
| Loans to the Management Organization | 10,203,015 | 9,096,988 | Suspense receipt | 16,433 | 13,963 |
| Tangible fixed assets | 89,322 | 131,672 | Other liabilities | 781 | 719 |
| Land | 40,726 | 68,350 | Reserve for possible claim payments | 1,881 | - |
| Buildings | 33,287 | 34,176 | Reserve for employees' retirement benefits | 59,385 | 65,645 |
| Leased assets | 1,456 | 1,970 | Reserve for price fluctuations | 614,233 | 712,167 |
| Construction in progress | 1,648 | 9,759 | Total liabilities | 85,554,169 | 82,942,802 |
| Other tangible fixed assets | 12,204 | 17,415 | NET ASSETS: | | |
| Intangible fixed assets | 126,040 | 157,580 | Capital stock | 500,000 | 500,000 |
| Software | 126,022 | 157,564 | Capital surplus | 500,044 | 500,044 |
| Other intangible fixed assets | 18 | 15 | Legal capital surplus | 405,044 | 405,044 |
| Agency accounts receivable | 102,651 | 95,023 | Other capital surplus | 95,000 | 95,000 |
| Reinsurance receivables | 234 | 630 | Retained earnings | 349,627 | 411,043 |
| Other assets | 374,320 | 468,916 | Legal retained earnings | 17,222 | 20,584 |
| Accounts receivable | 172,115 | 259,663 | Other retained earnings | 332,404 | 390,459 |
| Prepaid expenses | 814 | 924 | Retained earnings brought forward | 332,404 | 390,459 |
| Accrued income | 195,169 | 184,944 | Total shareholders' equity | 1,349,671 | 1,411,088 |
| Money on deposit | 2,158 | 7,243 | Net unrealized gains (losses) on available-for-sale securities | 184,774 | 558,033 |
| Derivative financial instruments | 166 | 13,393 | Net deferred gains (losses) on hedges | 11 | 22 |
| Suspense payments | 787 | 589 | Total valuation and translation adjustments | 184,785 | 558,055 |
| Other assets | 3,108 | 2,157 | | | |
| Deferred tax assets | 592,665 | 548,210 | Total net assets | 1,534,457 | 1,969,143 |
| Reserve for possible loan losses | (1,036) | (943) | Total liabilities and net assets | 87,088,626 | 84,911,946 |
| Total assets | 87,088,626 | 84,911,946 | | | |

6. UNAUDITED NON-CONSOLIDATED STATEMENTS of INCOME

(Millions of yen)

| Items | Year | From April 1, 2013 to March 31, 2014 | From April 1, 2014 to March 31, 2015 |
|---|------|---|---|
| | | Amount | Amount |
| ORDINARY INCOME | | 11,233,925 | 10,169,236 |
| Insurance premiums and others | | 5,911,643 | 5,956,716 |
| Insurance premiums | | 5,911,269 | 5,954,839 |
| Reinsurance income | | 374 | 1,876 |
| Investment income | | 1,540,615 | 1,460,745 |
| Interest and dividend income | | 1,458,190 | 1,365,796 |
| Interest on deposits | | 465 | 694 |
| Interest and dividends on securities | | 1,180,339 | 1,119,333 |
| Interest on loans | | 12,478 | 13,489 |
| Interest on loans to the Management Organization | | 260,797 | 227,682 |
| Other interest and dividend income | | 4,109 | 4,596 |
| Gains on money held in trust | | 9,736 | 32,762 |
| Gains on sales of securities | | 71,074 | 61,908 |
| Gains on redemption of securities | | 54 | 36 |
| Gains on foreign exchanges | | 1,452 | 12 |
| Reversal of reserve for possible loan losses | | - | 14 |
| Other investment income | | 107 | 215 |
| Other ordinary income | | 3,781,665 | 2,751,774 |
| Reversal of reserve for outstanding claims | | 115,432 | 113,534 |
| Reversal of policy reserves | | 3,656,490 | 2,632,889 |
| Reversal of reserve for possible claim payments | | 5,122 | 1,881 |
| Reversal of reserve for directors' retirement benefits | | 164 | - |
| Other ordinary income | | 4,455 | 3,468 |
| ORDINARY EXPENSES | | 10,770,418 | 9,676,067 |
| Insurance claims and others | | 10,160,877 | 9,059,549 |
| Insurance claims | | 9,511,326 | 8,253,973 |
| Annuity payments | | 256,746 | 304,096 |
| Benefits | | 33,941 | 41,538 |
| Surrender benefits | | 220,263 | 291,290 |
| Other refunds | | 135,968 | 162,462 |
| Reinsurance premiums | | 2,631 | 6,188 |
| Provision for policy reserves and others | | 4,627 | 1,497 |
| Provision for interest on policyholder dividends | | 4,627 | 1,497 |
| Investment expenses | | 18,122 | 10,994 |
| Interest expenses | | 4,963 | 4,298 |
| Losses on sales of securities | | 10,205 | 4,963 |
| Losses on redemption of securities | | 62 | 44 |
| Losses on derivative financial instruments | | 2,161 | 773 |
| Provision for reserve for possible loan losses | | 8 | - |
| Other investment expenses | | 721 | 915 |
| Operating expenses | | 513,046 | 512,417 |
| Other ordinary expenses | | 73,744 | 91,608 |
| Taxes | | 38,193 | 54,238 |
| Depreciation and amortization | | 34,217 | 35,552 |
| Provision for reserve for employees' retirement benefits | | 608 | 1,099 |
| Other ordinary expenses | | 725 | 717 |
| ORDINARY PROFIT | | 463,506 | 493,169 |
| EXTRAORDINARY GAINS | | - | - |
| EXTRAORDINARY LOSSES | | 99,999 | 99,366 |
| Losses on sales and disposal of fixed assets | | 8,638 | 1,432 |
| Provision for reserve for price fluctuations | | 91,360 | 97,934 |
| Provision for reserve for policyholder dividends | | 242,146 | 200,722 |
| Income before income taxes | | 121,361 | 193,080 |
| Income taxes - Current | | 200,701 | 208,234 |
| Income taxes - Deferred | | (142,768) | (96,912) |
| Total income taxes | | 57,932 | 111,321 |
| Net income | | 63,428 | 81,758 |

7. UNAUDITED NON-CONSOLIDATED STATEMENTS of CHANGES in NET ASSETS

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 |

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(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 | 17,222 | 332,404 | 1,349,671 |
| Cumulative effects of changes in accounting policies | | | | | (3,533) | (3,533) |
| Restated balance | 500,000 | 405,044 | 95,000 | 17,222 | 328,871 | 1,346,138 |
| Changes in the fiscal year | | | | | | |
| Cash dividends | | | | 3,361 | (20,170) | (16,808) |
| Net income | | | | | 81,758 | 81,758 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | | |
| Net changes in the fiscal year | - | - | - | 3,361 | 61,588 | 64,949 |
| Balance at the end of the fiscal year | 500,000 | 405,044 | 95,000 | 20,584 | 390,459 | 1,411,088 |

| | 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 | 184,774 | 11 |
| Cumulative effects of changes in accounting policies | | |
| Restated balance | 184,774 | 11 |
| Changes in the fiscal year | | |
| Cash dividends | | |
| Net income | | |
| Net changes in items other than shareholders' equity in the fiscal year | 373,258 | 11 |
| Net changes in the fiscal year | 373,258 | 11 |
| Balance at the end of the fiscal year | 558,033 | 22 |

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2015

(Notes to the Unaudited Non-Consolidated Balance Sheet)

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) 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: 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, 2015 was ¥294 million.

2) 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 benefit formula basis is used to attribute the expected benefit to respective service period.

(ii) Method for Recognizing Actuarial Differences and Prior Service Cost

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.

(Additional information)

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥5,174 million was recognized for the fiscal year ended March 31, 2015.

(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, 2015 was ¥176,491 million.

(8) Employee’s Retirement Benefits Accounting

Unrecognized actuarial differences and unrecognized prior service cost 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. Changes in Accounting Policies

Effective from the fiscal year ended March 31, 2015, with respect to the application of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the “Guidance on Retirement Benefits”), the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and service cost and changed the method of attributing expected benefit to each fiscal year from the straight-line basis to the benefit formula basis. In addition, the method for determining the discount rate has been changed from the method using a discount rate based on the number of years which approximates the estimated average remaining service lives for employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts in the respective estimated payment periods.

In accordance with the transitional application provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of changes of the calculation methods for retirement benefit obligations and service cost are recognized in retained earnings brought forward at the beginning of the fiscal year ended March 31, 2015.

As a result, reserve for employees’ retirement benefits increased by ¥5,104 million and retained earnings brought forward decreased by ¥3,533 million at the beginning of the fiscal year ended March 31, 2015.

The effect of these changes on ordinary profit and income before income taxes for the fiscal year ended March 31, 2015 was immaterial.

3. The balance sheet amount, fair value and the outline of 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 ¥15,493,208 million and ¥16,668,447 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)
4. Securities lent under lending agreements in the amount of ¥3,211,916 million were included in “Securities” in the balance sheets as of March 31, 2015.
 5. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, and restructured loans as of March 31, 2015. Definitions for each of the respective loans are as follows:
Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the 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.
 6. The amount of unused commitments as of March 31, 2015 was ¥1,250 million.
 7. Accumulated depreciation for tangible fixed assets as of March 31, 2015 was ¥63,535 million.
 8. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥314 million and ¥107,445 million, respectively.
 9. Total deferred tax assets and total deferred tax liabilities were ¥778,215 million and ¥227,057 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥2,947 million.
Significant components of deferred tax assets include ¥559,683 million of policy reserves, ¥134,860 million of reserve for price fluctuations, ¥49,850 million of reserve for outstanding claims, ¥18,936 million of reserve for employees’ retirement benefits, and ¥769 million of unrealized losses on available-for-sale securities.
Significant components of deferred tax liabilities include ¥224,458 million of unrealized gains on available-for-sale securities.
 10. The statutory tax rate for the fiscal year ended March 31, 2015 was 30.78%. 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 changes.
 11. During the fiscal year ended March 31, 2015, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015 and, as a result, the statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 30.78% to 28.85% from the fiscal year beginning on or after April 1, 2015. Due to this tax rate change, deferred tax assets and deferred tax liabilities decreased by ¥51,900 million and ¥15,200 million, respectively, and deferred income taxes increased by ¥51,675 million for the fiscal year ended March 31, 2015.

12. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2015 were as follows:

| | |
|---|--------------------|
| a. Balance at the beginning of the fiscal year | ¥2,222,759 million |
| b. Policyholder dividends paid | ¥349,687 million |
| c. Interest accrual | ¥1,497 million |
| d. Reduction due to the acquisition of additional annuity | ¥372 million |
| e. Provision for reserve for policyholder dividends | ¥200,722 million |
| f. Balance at the end of the fiscal year | ¥2,074,919 million |

13. Stocks of subsidiaries and affiliates amounted to ¥984 million.

14. Assets pledged as collateral consisted of the following:

Securities ¥3,211,916 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,658,492 million

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

15. 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, 2015 was ¥285 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, 2015 was ¥314 million.

16. Net assets per share were ¥98,457.19.

17. The Company has the right to sell or pledge securities borrowed under borrowing agreements. The fair value of such securities held in hand was ¥2,701,601 million as of March 31, 2015.

18. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥22,829 million as of March 31, 2015 pursuant to Article 259 of the Insurance Business Act. This obligation is recognized as operating expenses when it is made.

19. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥52,156,724 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 ¥2,182,885 million and ¥626,849 million, respectively, for the category of reinsurance.

20. 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 income from transactions with subsidiaries and affiliates amounted to ¥0 million, and total expenses amounted to ¥12,535 million.
2. Gains on sales of securities comprise domestic bonds of ¥56,869 million and foreign securities of ¥5,038 million.
3. Losses on sales of securities comprise foreign securities of ¥4,963 million.
4. Gains on money held in trust include losses on valuation of ¥442 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, 2015 was ¥203 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, 2015 was ¥130 million.
6. Net income per share for the fiscal year ended March 31, 2015 was ¥4,087.92.
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, 2015 were ¥1,697,140 million.
8. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2015 were ¥8,208,198 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 ¥190,363 million for the fiscal year ended March 31, 2015.

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) | ¥3,030 million | Accounts payable | ¥272 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) | ¥359,536 million | Agency accounts payable | ¥37,087 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 | | 2014 | 2015 |
|---|-------|----------|----------|
| Core profit | A | 482,052 | 515,417 |
| Capital gains | | 82,269 | 94,683 |
| Gains on money held in trust | | 9,736 | 32,762 |
| Gains on trading securities | | - | - |
| Gains on sales of securities | | 71,074 | 61,908 |
| Gains on derivative financial instruments | | - | - |
| Gains on foreign exchanges | | 1,452 | 12 |
| Other capital gains | | 5 | - |
| Capital losses | | 20,493 | 30,527 |
| Losses on money held in trust | | - | - |
| Losses on trading securities | | - | - |
| Losses on sales of securities | | 10,205 | 4,963 |
| Losses on valuation of securities | | - | - |
| Losses on derivative financial instruments | | 2,161 | 773 |
| Losses on foreign exchanges | | - | - |
| Other capital losses | | 8,126 | 24,790 |
| Net capital gains | B | 61,776 | 64,156 |
| Core profit including net capital gains (losses) | A+B | 543,828 | 579,573 |
| One-time income | | 94,807 | 90,087 |
| Reinsurance income | | - | - |
| Reversal of contingency reserve | | 94,807 | 90,087 |
| Reversal of individual reserve for possible loan losses | | - | - |
| Other one-time income | | - | - |
| One-time expenses | | 175,129 | 176,491 |
| 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 | | 175,129 | 176,491 |
| Net one-time income | C | (80,322) | (86,403) |
| Ordinary profit | A+B+C | 463,506 | 493,169 |

- Notes:
1. Amount equivalent to income gains associated with money held in trust (¥8,126 million for 2014 and ¥24,790 million for 2015) is recognized as "other capital losses" 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 losses."
 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 (¥175,129 million for 2014 and ¥176,491 million for 2015).

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

(Billions of yen)

| Fiscal years ended March 31 | 2014 | 2015 |
|-------------------------------------|-------|-------|
| Core profit | 482.0 | 515.4 |
| (Negative)/Positive spread | 54.2 | 66.9 |
| Mortality and morbidity rate margin | 290.4 | 342.0 |
| Administrative expense margin | 137.3 | 106.3 |

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

$$\text{(Negative)/Positive spread} = \frac{[\text{investment return on core profit} - \text{average assumed rates of return}] \times \text{general account policy reserves}}{[1.89\%] \quad [1.80\%] \quad \text{¥73,226.7 billion}}$$

- 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 | 2014 | 2015 |
|----------------------------------|------------|------------|
| Bankrupt or quasi-bankrupt loans | - | - |
| Doubtful loans | - | - |
| Substandard loans | - | - |
| Subtotal | - | - |
| (Percentage in total) | (-) | (-) |
| Normal loans | 11,385,224 | 10,291,347 |
| Total | 11,385,224 | 10,291,347 |

- 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 | 2014 | 2015 |
|---|-----------|-----------|
| Total amount of solvency margin (A) | 5,130,031 | 5,697,257 |
| Capital stock, etc. | 1,332,862 | 1,386,560 |
| Reserve for price fluctuations | 614,233 | 712,167 |
| Contingency reserve | 2,588,798 | 2,498,711 |
| General reserve for possible loan losses | 91 | 77 |
| Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%) | 238,976 | 703,549 |
| Net unrealized gains (losses) on real estate × 85% (if negative, × 100%) | (3,465) | (10,077) |
| Excess of continued Zillmerised reserve | 358,533 | 406,267 |
| 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) | 632,004 | 694,176 |
| $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$ | | |
| Insurance risk R ₁ | 168,426 | 163,796 |
| Underwriting risk of third-sector insurance R ₈ | 99,913 | 88,568 |
| Anticipated yield risk R ₂ | 198,138 | 184,450 |
| Minimum guarantee risk R ₇ | - | - |
| Investment risk R ₃ | 355,852 | 443,294 |
| Business management risk R ₄ | 16,446 | 17,602 |
| Solvency margin ratio $\frac{(A)}{(1/2 \times (B))} \times 100$ | 1,623.4% | 1,641.4% |

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, 2015

Not applicable.

13. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

| Items | 2014 | 2015 |
|----------------------|------------|------------|
| Ordinary income | 11,234,114 | 10,169,241 |
| Ordinary profit | 462,748 | 492,625 |
| Net income | 62,802 | 81,323 |
| Comprehensive income | 91,810 | 457,932 |

| As of March 31 | 2014 | 2015 |
|------------------------------------|------------|------------|
| Total assets | 87,092,800 | 84,915,012 |
| Consolidated solvency margin ratio | 1,625.1% | 1,644.2% |

(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 31, 2014 | As of March 31, 2015 | Items | Year | As of March 31, 2014 | As of March 31, 2015 |
|---|------|----------------------|----------------------|--|------|----------------------|----------------------|
| | | Amount | Amount | | | Amount | Amount |
| ASSETS: | | | | LIABILITIES: | | | |
| Cash and deposits | | 1,670,837 | 2,213,786 | Policy reserves and others | | 80,799,941 | 77,905,677 |
| Call loans | | 230,025 | 445,428 | Reserve for outstanding claims | | 831,690 | 718,156 |
| Receivables under securities borrowing transactions | | 2,822,188 | 2,720,856 | Policy reserves | | 77,745,490 | 75,112,601 |
| Monetary claims bought | | 107,448 | 449,068 | Reserve for policyholder dividends | | 2,222,759 | 2,074,919 |
| Money held in trust | | 581,627 | 1,434,943 | Reinsurance payables | | 1,234 | 2,017 |
| Securities | | 69,377,991 | 66,276,260 | Other liabilities | | 4,080,744 | 4,261,065 |
| Loans | | 11,020,585 | 9,977,345 | Reserve for possible claim payments | | 1,881 | - |
| Tangible fixed assets | | 89,453 | 131,790 | Liability for retirement benefits | | 56,627 | 58,356 |
| Land | | 40,726 | 68,350 | Reserve for price fluctuations | | 614,233 | 712,167 |
| Buildings | | 33,353 | 34,237 | Total liabilities | | 85,554,663 | 82,939,284 |
| Leased assets | | 1,507 | 2,009 | NET ASSETS: | | | |
| Construction in progress | | 1,648 | 9,759 | Capital stock | | 500,000 | 500,000 |
| Other tangible fixed assets | | 12,218 | 17,433 | Capital surplus | | 500,044 | 500,044 |
| Intangible fixed assets | | 124,161 | 155,067 | Retained earnings | | 351,010 | 411,992 |
| Software | | 124,130 | 155,045 | Total shareholders' equity | | 1,351,054 | 1,412,036 |
| Leased assets | | 12 | 5 | Net unrealized gains (losses) on available-for-sale securities | | 184,774 | 558,033 |
| Other intangible fixed assets | | 18 | 16 | Net deferred gains (losses) on hedges | | 11 | 22 |
| Agency accounts receivable | | 102,651 | 95,023 | Accumulated adjustments for retirement benefits | | 2,296 | 5,635 |
| Reinsurance receivables | | 234 | 630 | Total accumulated other comprehensive income | | 187,082 | 563,691 |
| Other assets | | 374,099 | 468,700 | | | | |
| Deferred tax assets | | 592,532 | 547,053 | | | | |
| Reserve for possible loan losses | | (1,036) | (943) | Total net assets | | 1,538,136 | 1,975,727 |
| Total assets | | 87,092,800 | 84,915,012 | Total liabilities and net assets | | 87,092,800 | 84,915,012 |

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

(Consolidated Statements of Income)

(Millions of yen)

| Items | Year | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|------|----------------------------------|----------------------------------|
| | | Amount | Amount |
| ORDINARY INCOME | | 11,234,114 | 10,169,241 |
| Insurance premiums and others | | 5,911,643 | 5,956,716 |
| Investment income | | 1,540,615 | 1,460,745 |
| Interest and dividend income | | 1,458,190 | 1,365,796 |
| Gains on money held in trust | | 9,736 | 32,762 |
| Gains on sales of securities | | 71,074 | 61,908 |
| Gains on redemption of securities | | 54 | 36 |
| Gains on foreign exchanges | | 1,452 | 12 |
| Reversal of reserve for possible loan losses | | - | 14 |
| Other investment income | | 107 | 215 |
| Other ordinary income | | 3,781,854 | 2,751,779 |
| Reversal of reserve for outstanding claims | | 115,432 | 113,534 |
| Reversal of policy reserves | | 3,656,490 | 2,632,889 |
| Other ordinary income | | 9,931 | 5,354 |
| ORDINARY EXPENSES | | 10,771,365 | 9,676,616 |
| Insurance claims and others | | 10,160,877 | 9,059,549 |
| Insurance claims | | 9,511,326 | 8,253,973 |
| Annuity payments | | 256,746 | 304,096 |
| Benefits | | 33,941 | 41,538 |
| Surrender benefits | | 220,263 | 291,290 |
| Other refunds | | 135,968 | 162,462 |
| Reinsurance premiums | | 2,631 | 6,188 |
| Provision for policy reserves and others | | 4,627 | 1,497 |
| Provision for interest on policyholder dividends | | 4,627 | 1,497 |
| Investment expenses | | 18,122 | 10,994 |
| Interest expenses | | 4,963 | 4,298 |
| Losses on sales of securities | | 10,205 | 4,963 |
| Losses on redemption of securities | | 62 | 44 |
| Losses on derivative financial instruments | | 2,161 | 773 |
| Provision for reserve for possible loan losses | | 8 | - |
| Other investment expenses | | 721 | 915 |
| Operating expenses | | 513,999 | 513,159 |
| Other ordinary expenses | | 73,738 | 91,415 |
| ORDINARY PROFIT | | 462,748 | 492,625 |
| EXTRAORDINARY GAINS | | - | - |
| EXTRAORDINARY LOSSES | | 100,030 | 99,366 |
| Losses on sales and disposal of fixed assets | | 8,670 | 1,432 |
| Provision for reserve for price fluctuations | | 91,360 | 97,934 |
| Provision for reserve for policyholder dividends | | 242,146 | 200,722 |
| Income before income taxes | | 120,571 | 192,536 |
| Income taxes - Current | | 200,724 | 208,365 |
| Income taxes - Deferred | | (142,955) | (97,152) |
| Total income taxes | | 57,769 | 111,213 |
| Net income | | 62,802 | 81,323 |
| Net income attributable to non-controlling interests | | - | - |
| Net income attributable to Japan Post Insurance | | 62,802 | 81,323 |

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

| Items | Year | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|------|-------------------------------------|-------------------------------------|
| | | Amount | Amount |
| Net income | | 62,802 | 81,323 |
| Other comprehensive income | | 29,007 | 376,609 |
| Net unrealized gains (losses) on available-for-sale securities | | 28,996 | 373,258 |
| Net deferred gains (losses) on hedges | | 11 | 11 |
| Adjustments for retirement benefits | | - | 3,339 |
| Total comprehensive income | | 91,810 | 457,932 |
| Comprehensive income attributable to Japan Post Insurance | | 91,810 | 457,932 |
| Comprehensive income attributable to non-controlling interests | | - | - |

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of yen)

| Items | Year | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|------|-------------------------------------|-------------------------------------|
| | | Amount | Amount |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income taxes | | 120,571 | 192,536 |
| Depreciation and amortization | | 34,074 | 35,224 |
| Net change in reserve for outstanding claims | | (115,432) | (113,534) |
| Net change in policy reserves | | (3,656,490) | (2,632,889) |
| Provision for interest on policyholder dividends | | 4,627 | 1,497 |
| Provision for reserve for policyholder dividends | | 242,146 | 200,722 |
| Net change in reserve for possible loan losses | | (59) | (92) |
| Net change in reserve for possible claim payments | | (5,122) | (1,881) |
| Net change in reserve for directors' retirement benefits | | (173) | - |
| Net change in liability for retirement benefits | | (2,193) | (3,375) |
| Net change in reserve for price fluctuations | | 91,360 | 97,934 |
| Interest and dividend income (accrual basis) | | (1,458,190) | (1,365,796) |
| Net (gains) losses on securities | | (60,861) | (56,937) |
| Interest expenses (accrual basis) | | 4,963 | 4,298 |
| Net (gains) losses on foreign exchanges | | (1,452) | (12) |
| Net (gains) losses on tangible fixed assets | | 280 | 1,310 |
| Net change in agency accounts receivable | | 31,259 | 7,628 |
| Net change in reinsurance receivables | | (234) | (396) |
| Net change in other assets (excluding those related to investing activities and financing activities) | | (26,487) | (86,519) |
| Net change in reinsurance payables | | 1,043 | 782 |
| Net change in other liabilities (excluding those related to investing activities and financing activities) | | (11,090) | (8,926) |
| Other, net | | 2,263 | (28,995) |
| Subtotal | | (4,805,197) | (3,757,421) |
| Interest and dividend received (cash basis) | | 1,653,556 | 1,438,805 |
| Interest paid (cash basis) | | (4,911) | (4,311) |
| Policyholder dividends paid | | (420,523) | (349,687) |
| Income taxes paid | | (174,063) | (215,874) |
| Net cash used in operating activities | | (3,751,139) | (2,888,489) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of call loans | | (32,758,125) | (33,053,228) |
| Proceeds from redemption of call loans | | 32,731,552 | 32,837,825 |
| Net change in receivables under securities borrowing transactions | | (490,901) | 101,332 |
| Purchases of monetary claims bought | | (2,746,495) | (3,417,540) |
| Proceeds from sale and redemption of monetary claims bought | | 3,066,421 | 3,131,989 |
| Purchases of money held in trust | | (290,000) | (550,000) |
| Proceeds from sale of money held in trust | | 13,813 | - |
| Purchases of securities | | (6,587,951) | (3,849,529) |
| Proceeds from sale and redemption of securities | | 9,806,272 | 7,196,095 |
| Payments for loans | | (1,610,231) | (1,354,547) |
| Proceeds from collection of loans | | 3,273,164 | 2,397,748 |
| Net change in payables under securities lending transactions | | 588,617 | (44,684) |
| Other, net | | (229,212) | 144,115 |
| Total of net cash provided by investment transactions | | 4,766,922 | 3,539,576 |
| Total of net cash provided by operating activities and investment transactions | | 1,015,783 | 651,086 |
| Purchases of tangible fixed assets | | (6,052) | (28,399) |
| Purchases of intangible fixed assets | | (39,808) | (56,722) |
| Other, net | | (2,540) | (5,692) |
| Net cash provided by investing activities | | 4,718,522 | 3,448,761 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of lease obligations | | (444) | (514) |
| Dividends paid | | (22,750) | (16,808) |
| Net cash used in financing activities | | (23,195) | (17,322) |
| Effect of exchange rate changes on cash and cash equivalents | | - | - |
| Net change in cash and cash equivalents | | 944,187 | 542,949 |
| Cash and cash equivalents at the beginning of the fiscal year | | 726,649 | 1,670,837 |
| Cash and cash equivalents at the end of the fiscal year | | 1,670,837 | 2,213,786 |

(6) Unaudited Consolidated Statements of Changes in Net Assets

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 in 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 in the fiscal year | 28,996 | 11 | 2,296 |
| Balance at the end of the fiscal year | 184,774 | 11 | 2,296 |

Fiscal year ended March 31, 2015 (From April 1, 2014 to March 31, 2015)

(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 | 351,010 | 1,351,054 |
| Cumulative effects of changes in accounting policies | | | (3,533) | (3,533) |
| Restated balance | 500,000 | 500,044 | 347,477 | 1,347,521 |
| Changes in the fiscal year | | | | |
| Cash dividends | | | (16,808) | (16,808) |
| Net income | | | 81,323 | 81,323 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | |
| Net changes in the fiscal year | - | - | 64,514 | 64,514 |
| Balance at the end of the fiscal year | 500,000 | 500,044 | 411,992 | 1,412,036 |

| | 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 | 184,774 | 11 | 2,296 |
| Cumulative effects of changes in accounting policies | | | |
| Restated balance | 184,774 | 11 | 2,296 |
| Changes in the fiscal year | | | |
| Cash dividends | | | |
| Net income | | | |
| Net changes in items other than shareholders' equity in the fiscal year | 373,258 | 11 | 3,339 |
| Net changes in the fiscal year | 373,258 | 11 | 3,339 |
| Balance at the end of the fiscal year | 558,033 | 22 | 5,635 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2015

(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 Sheet)

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.
 - (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: 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

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, 2015 was ¥294 million.

(5) Accounting Treatment for Retirement Benefits

1) Method for Attributing Expected Benefits to Periods

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

2) Method for Recognizing Actuarial Differences and Prior Service Cost

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.

(Additional information)

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥5,174 million was recognized for the fiscal year ended March 31, 2015.

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") 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" (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, 2015 was ¥176,491 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 the fiscal year ended March 31, 2015, with respect to the application of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the “Guidance on Retirement Benefits”), the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and service cost and changed the method of attributing expected benefit to each fiscal year from the straight-line basis to the benefit formula basis. In addition, the method for determining the discount rate has been changed from the method using a discount rate based on the number of years which approximates the estimated average remaining service lives for employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts in the respective estimated payment periods.

In accordance with the transitional application provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of changes of the calculation methods for retirement benefit obligations and service cost are recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, liability for retirement benefits increased by ¥5,104 million and retained earnings decreased by ¥3,533 million at the beginning of the fiscal year ended March 31, 2015. The effect of these changes on ordinary profit and income before income taxes for the fiscal year ended March 31, 2015 was immaterial.

3. Changes in Presentation

(Consolidated statements of cash flows)

“Net change in receivables under securities borrowing transactions” and “net change in payables under securities lending transactions,” which were included in “net change in receivables under securities borrowing transactions and payables under securities lending transactions” under “cash flows from investing activities” in the previous fiscal year, are separately presented from the current fiscal year due to an increase in materiality.

4. 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

Market risk is the risk of losses resulting from fluctuation in the value of assets and liabilities held including off-balance sheet assets due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stock prices, and is categorized into interest rate risk and market price fluctuation risk. Interest rate risk is the risk of losses resulting from deterioration in corporate value due to a decrease in the value of interest-bearing assets denominated in yen and insurance liabilities, which arises from fluctuations in yen interest rates where mismatch exists between interest rates and maturities of interest-bearing assets denominated in yen and insurance liabilities. Market price fluctuation risk is the market risk other than interest risk. The Company manages interest rate risk as well as market price fluctuation risk, which is categorized by aggregating credit risk and real estate investment risk, by setting a reference value and managing the risks so that each risk quantity does not exceed it.

The risk control supervisory department measures the quantity of market risk, credit risk, and real estate investment risk using value at risk (VaR), and reports to the risk management committee regularly.

(ii) Management of credit risk

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

In order to control investment and lending to borrowers with high credit risk, the Company manages its investment and lending by prescribing credit eligibility rules based on internal rating. Moreover, to prevent concentration of credit risk on a particular borrower, group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

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

4) Additional notes concerning the fair value of financial instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those 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, 2015 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 | 2,213,786 | 2,213,786 | - |
| Available-for-sale securities (negotiable certificates of deposit) | 1,295,000 | 1,295,000 | - |
| 2) Receivables under securities borrowing transactions | 2,720,856 | 2,720,856 | - |
| 3) Monetary claims bought | 449,068 | 449,068 | - |
| Available-for-sale securities | 449,068 | 449,068 | - |
| 4) Money held in trust (*1) | 1,434,943 | 1,434,943 | - |
| 5) Securities | 66,256,260 | 71,968,615 | 5,712,355 |
| Held-to-maturity bonds | 43,695,559 | 48,232,675 | 4,537,116 |
| Policy-reserve-matching bonds | 15,493,208 | 16,668,447 | 1,175,238 |
| Available-for-sale securities | 7,067,492 | 7,067,492 | - |
| 6) Loans (*2) | 9,977,267 | 10,905,033 | 927,765 |
| Policy loans | 74,097 | 74,097 | - |
| Industrial and commercial loans | 806,181 | 862,878 | 56,697 |
| Loans to the Management Organization | 9,096,988 | 9,968,057 | 871,068 |
| Total assets | 83,052,183 | 89,692,304 | 6,640,121 |
| Payables under securities lending transactions(*3) | 3,658,492 | 3,658,492 | - |
| Total liabilities | 3,658,492 | 3,658,492 | - |
| Derivative transactions (*4) | | | |
| Hedge accounting not applied | - | - | - |
| Hedge accounting applied | 526 | 526 | - |
| Total derivative transactions | 526 | 526 | - |

(*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 (*) | 20,000 |

(*) The above instruments are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.

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 | 1,295,000 | - | - | - | - | - |
| Receivables under securities borrowing transactions | 2,720,856 | - | - | - | - | - |
| Monetary claims bought | 419,000 | - | - | - | - | 27,989 |
| Securities | 6,316,178 | 12,045,027 | 6,973,989 | 5,145,309 | 6,726,354 | 28,181,276 |
| Held-to-maturity bonds | 2,881,511 | 6,230,609 | 3,953,665 | 2,991,726 | 3,290,329 | 23,854,900 |
| Policy-reserve-matching bonds | 1,911,429 | 4,288,547 | 1,762,786 | 1,444,146 | 2,168,753 | 3,809,900 |
| Available-for-sale securities with maturities | 1,523,237 | 1,525,870 | 1,257,537 | 709,435 | 1,267,272 | 516,476 |
| Loans | 1,678,018 | 1,819,669 | 1,598,350 | 1,389,573 | 1,657,299 | 1,834,335 |
| Total | 12,429,053 | 13,864,696 | 8,572,339 | 6,534,883 | 8,383,654 | 30,043,601 |

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 | 3,658,492 | - | - | - | - | - |

(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 | 43,526,994 | 48,060,756 | 4,533,761 |
| | Japanese government bonds | 32,497,522 | 36,429,888 | 3,932,365 |
| | Japanese local government bonds | 8,010,537 | 8,454,263 | 443,725 |
| | Japanese corporate bonds | 3,018,933 | 3,176,604 | 157,670 |
| | Foreign securities | 98,000 | 101,894 | 3,894 |
| | Other | - | - | - |
| | Subtotal | 43,624,994 | 48,162,650 | 4,537,655 |
| Those for which fair value does not exceed the consolidated balance sheet amount | Bonds | 70,564 | 70,025 | (539) |
| | Japanese government bonds | - | - | - |
| | Japanese local government bonds | 64,865 | 64,341 | (523) |
| | Japanese corporate bonds | 5,699 | 5,683 | (15) |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 70,564 | 70,025 | (539) |
| Total | | 43,695,559 | 48,232,675 | 4,537,116 |

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 | 15,462,719 | 16,638,173 | 1,175,453 |
| | Japanese government bonds | 14,655,817 | 15,800,030 | 1,144,212 |
| | Japanese local government bonds | 674,853 | 699,297 | 24,444 |
| | Japanese corporate bonds | 132,049 | 138,846 | 6,797 |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 15,462,719 | 16,638,173 | 1,175,453 |
| Those for which fair value does not exceed the consolidated balance sheet amount | Bonds | 30,488 | 30,273 | (214) |
| | Japanese government bonds | 4,450 | 4,419 | (31) |
| | Japanese local government bonds | 25,036 | 24,857 | (179) |
| | Japanese corporate bonds | 1,001 | 997 | (4) |
| | Foreign securities | - | - | - |
| | Other | - | - | - |
| | Subtotal | 30,488 | 30,273 | (214) |
| Total | | 15,493,208 | 16,668,447 | 1,175,238 |

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 | 4,868,151 | 4,768,988 | 99,163 |
| | Japanese government bonds | 828,655 | 827,483 | 1,171 |
| | Japanese local government bonds | 681,442 | 679,443 | 1,998 |
| | Japanese corporate bonds | 3,358,053 | 3,262,061 | 95,992 |
| | Foreign securities | 1,781,819 | 1,455,693 | 326,126 |
| | Foreign bonds | 1,781,819 | 1,455,693 | 326,126 |
| | Other (*) | 30,084 | 27,989 | 2,095 |
| | Subtotal | 6,680,055 | 6,252,670 | 427,384 |
| Those for which the consolidated balance sheet amount does not exceed cost | Stocks | - | - | - |
| | Bonds | 335,848 | 336,406 | (558) |
| | Japanese government bonds | 100,000 | 100,000 | (0) |
| | Japanese local government bonds | 99,121 | 99,311 | (189) |
| | Japanese corporate bonds | 136,726 | 137,094 | (367) |
| | Foreign securities | 81,673 | 82,019 | (346) |
| | Foreign bonds | 81,673 | 82,019 | (346) |
| | Other (*) | 1,713,983 | 1,713,983 | - |
| | Subtotal | 2,131,505 | 2,132,410 | (904) |
| Total | 8,811,560 | 8,385,080 | 426,480 | |

(*) "Other" includes 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, 2014 to March 31, 2015)

(Millions of yen)

| | Sales | Gains | Losses |
|---------------------------|-----------|--------|--------|
| Bonds | 1,717,375 | 56,869 | - |
| Japanese government bonds | 1,717,375 | 56,869 | - |

5) Available-for-sales Securities Sold during the Fiscal Year (From April 1, 2014 to March 31, 2015)

(Millions of yen)

| | Sales | Gains | Losses |
|--------------------|---------|-------|--------|
| Foreign securities | 158,468 | 5,038 | 4,963 |

(4) Money Held in Trust

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

(Millions of yen)

| Consolidated balance sheet amount | Cost | Difference | Difference | |
|---|-----------|------------|---|---|
| | | | Those for which the consolidated balance sheet amount exceeds cost | Those for which the consolidated balance sheet amount does not exceed cost |
| 1,434,943 | 1,079,701 | 355,241 | 357,085 | 1,844 |

(*) The Group recognized losses on valuation of ¥442 million for the fiscal year ended March 31, 2015.

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 | | 172,008 | - | (12,843) |
| | Euros | | 191,112 | - | 13,337 |
| Total | | | 363,120 | - | 493 |

(*) 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 | 13,750 | 13,750 | 32 |
| Exceptional treatment for interest rate swaps | Interest rate swaps Receivable fixed rate / Payable floating rate | Loans | 88,200 | 65,500 | (*2) |
| Total | | | - | - | 32 |

(*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.

5. The consolidated balance sheet amount, fair value and the outline of 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 ¥15,493,208 million and ¥16,668,447 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)
6. Securities lent under lending agreements in the amount of ¥3,211,916 million were included in “Securities” in the consolidated balance sheets as of March 31, 2015.
7. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, and restructured loans as of March 31, 2015. Definitions for each of the respective loans are as follows:
 Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the 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.
8. The amount of unused commitments as of March 31, 2015 was ¥1,250 million.
9. Accumulated depreciation for tangible fixed assets as of March 31, 2015 was ¥63,635 million.
10. Total deferred tax assets and total deferred tax liabilities were ¥777,060 million and ¥227,057 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥2,948 million.
 Significant components of deferred tax assets include ¥559,683 million of policy reserves, ¥134,860 million of reserve for price fluctuations, ¥49,850 million of reserve for outstanding claims, ¥16,875 million of liability for retirement benefits, and ¥769 million of unrealized losses on available-for-sale securities.
 Significant components of deferred tax liabilities include ¥224,458 million of unrealized gains on available-for-sale securities.
11. The statutory tax rate for the fiscal year ended March 31, 2015 was 30.78%. 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 changes.
12. During the fiscal year ended March 31, 2015, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015 and, as a result, the statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 30.78% to 28.85% from the fiscal year beginning on or after April 1, 2015. Due to this tax rate change, deferred tax assets and deferred tax liabilities decreased by ¥51,919 million and ¥15,200 million, respectively, and deferred income taxes increased by ¥51,694 million for the fiscal year ended March 31, 2015.

13. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2015 were as follows:

| | |
|---|--------------------|
| a. Balance at the beginning of the fiscal year | ¥2,222,759 million |
| b. Policyholder dividends paid | ¥349,687 million |
| c. Interest accrual | ¥1,497 million |
| d. Reduction due to the acquisition of additional annuity | ¥372 million |
| e. Provision for reserve for policyholder dividends | ¥200,722 million |
| f. Balance at the end of the fiscal year | ¥2,074,919 million |

14. Assets pledged as collateral consisted of the following:

Securities ¥3,211,916 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,658,492 million

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

15. 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, 2015 was ¥285 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, 2015 was ¥314 million.

16. Net assets per share were ¥98,786.39.

17. The Group has the right to sell or pledge securities borrowed under borrowing agreements. The fair value of such securities held in hand was ¥2,701,601 million as of March 31, 2015.

18. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥22,829 million as of March 31, 2015 pursuant to Article 259 of the Insurance Business Act. This obligation is recognized as operating expenses when it is made.

19. 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. Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

| | (Millions of yen) |
|--|-------------------|
| Balance at the beginning of the fiscal year | 56,627 |
| Cumulative effects of changes in accounting policies | 5,104 |
| Restated balance at the beginning of the fiscal year | <u>61,731</u> |
| Service cost | 3,639 |
| Interest cost | 428 |
| Actuarial differences | 242 |
| Benefits paid | (2,483) |
| Prior service cost | (5,174) |
| Other | (26) |
| Balance at the end of the fiscal year | <u>58,356</u> |

(Note) Prior service cost incurred as a result of the change of the lump-sum severance indemnity plans to a point system as of April 1, 2015.

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

| | (Millions of yen) |
|--|-------------------|
| Unfunded retirement benefit obligations | <u>58,356</u> |
| Liability for retirement benefits recorded on the consolidated balance sheet | <u>58,356</u> |

3) Retirement benefit costs

| | (Millions of yen) |
|--|-------------------|
| Service cost | 3,639 |
| Interest cost | 428 |
| Amortization of actuarial differences | (297) |
| Amortization of prior service cost | (30) |
| Other | 69 |
| Retirement benefit expenses of defined benefit plans | <u>3,808</u> |

4) Adjustments for retirement benefits

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

| | (Millions of yen) |
|-----------------------|-------------------|
| Prior service cost | 5,143 |
| Actuarial differences | (540) |
| Total | <u>4,603</u> |

5) Accumulated adjustments for retirement benefits

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

| | (Millions of yen) |
|------------------------------------|-------------------|
| Unrecognized prior service cost | 5,143 |
| Unrecognized actuarial differences | 2,777 |
| Total | <u>7,920</u> |

6) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2015 were as follows:

| | |
|---------------|------|
| Discount rate | 0.7% |
|---------------|------|

20. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥52,156,724 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 ¥2,182,885 million and ¥626,849 million, respectively, for the category of reinsurance.
21. "Other liabilities" in the consolidated balance sheet includes ¥59,058 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 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, 2015 was ¥203 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, 2015 was ¥130 million.
2. Net income per share was ¥4,066.16.
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, 2015 were ¥1,697,140 million.
4. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the fiscal year ended March 31, 2015 were ¥8,208,198 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 ¥190,363 million for the fiscal year ended March 31, 2015.

(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 | 524,140 |
| Reclassification adjustments | (7,947) |
| Before tax effect adjustments | 516,192 |
| Tax effect | (142,934) |
| Net unrealized gains (losses) on available-for-sale securities | 373,258 |
| Net deferred gains (losses) on hedges: | |
| Amount arising during the fiscal year | 15 |
| Reclassification adjustments | - |
| Before tax effect adjustments | 15 |
| Tax effect | (4) |
| Net deferred gains (losses) on hedges | 11 |
| Adjustments for retirement benefits: | |
| Amount arising during the fiscal year | 4,932 |
| Reclassification adjustments | (328) |
| Before tax effect adjustments | 4,603 |
| Tax effect | (1,263) |
| Adjustments for retirement benefits | 3,339 |
| Total other comprehensive income | 376,609 |

(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, 2015 was as follows:

| | |
|---------------------------|--------------------|
| Cash and deposits | ¥2,213,786 million |
| Cash and cash equivalents | ¥2,213,786 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, 2014 | Increase | Decrease | March 31, 2015 |
|----------------|---------------|----------|----------|----------------|
| Shares issued | | | | |
| Common stock | 20,000 | - | - | 20,000 |
| Total | 20,000 | - | - | 20,000 |
| Treasury stock | | | | |
| Common stock | - | - | - | - |
| Total | - | - | - | - |

2. 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, 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.

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2015:

The following resolution was adopted at the Board of Directors' meeting held on May 13, 2015:

Dividends on common stock

- | | |
|---------------------|-----------------|
| a. Total amount | ¥24,527 million |
| b. Per share amount | ¥1,226.38 |
| c. Effective date | May 14, 2015 |

The record date for the dividends was March 31, 2015 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 | 2014 | 2015 |
|---|-----------|-----------|
| Total amount of solvency margin (A) | 5,134,732 | 5,706,126 |
| Capital stock, etc. | 1,334,246 | 1,387,508 |
| Reserve for price fluctuations | 614,233 | 712,167 |
| Contingency reserve | 2,588,798 | 2,498,711 |
| Catastrophe loss reserve | - | - |
| General reserve for possible loan losses | 91 | 77 |
| Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%) | 238,976 | 703,549 |
| Net unrealized gains (losses) on real estate × 85% (if negative, × 100%) | (3,465) | (10,077) |
| Sum of unrecognized actuarial differences and unrecognized prior service cost | 3,317 | 7,920 |
| Excess of continued Zillmerised reserve | 358,533 | 406,267 |
| 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) | 631,890 | 694,064 |
| $\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ | | |
| Insurance risk R ₁ | 168,426 | 163,796 |
| General Insurance risk R ₅ | - | - |
| Catastrophe risk R ₆ | - | - |
| Underwriting risk of third-sector insurance R ₈ | 99,913 | 88,568 |
| Small amount, short-term insurance risk R ₉ | - | - |
| Anticipated yield risk R ₂ | 198,138 | 184,450 |
| Minimum guarantee risk R ₇ | - | - |
| Investment risk R ₃ | 355,728 | 443,176 |
| Business management risk R ₄ | 16,444 | 17,599 |
| Solvency margin ratio | | |
| $\frac{(A)}{(1/2 \times (B))} \times 100$ | 1,625.1% | 1,644.2% |

(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.

(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-related investments as of March 31, 2015.

(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-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 | 486.7 | 24.0 | - |

(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.