

2014

JAPAN POST INSURANCE Annual Report
Year ended March 31, 2014



JAPAN POST INSURANCE

Corporate Brand Mark



Our brand symbol embraces our corporate attitude of “providing quality services to all customers, communities and society for their security and convenience while serving as their most familiar and trusted partner.”

Profile

● Company Name	JAPAN POST INSURANCE Co., Ltd.
● Starting Date of Business	October 1, 2007
● Head Office	3-2, Kasumigaseki 1-chome, Chiyoda-ku, Tokyo 100-8798, Japan TEL +81-3-3504-4411 (Japan Post Group main number)
● President, CEO (Representative Executive Officer)	Masami Ishii
● Number of Employees	6,948 (As of March 31, 2014)
● Main Offices	Regional Headquarters: 13 Branches: 79 Service Centers: 5
● Paid-in Capital	¥500 billion
● Shareholder	JAPAN POST HOLDINGS Co., Ltd.: 100%



JAPAN POST INSURANCE
Co., Ltd.'s Head Office
(Chiyoda-ku, Tokyo, Japan)

Disclaimer:

This report is intended to provide information to the public and is not intended to constitute a solicitation to invest in stock or other marketable securities of Japan Post Insurance Co., Ltd. or its subsidiaries. This report contains forward-looking statements regarding the outlook and targets of Japan Post Insurance or other companies in the Japan Post Group, which are based on the information available when the report was produced or Japan Post Insurance's expectations derived from projections or assumptions made at the time of report development. Please note that these forward-looking statements are subject to a broad range of risks and uncertainties, and actual results may vary materially from the statements contained in this report as a result of a change in the economic conditions or business trends, a revision to laws or regulations, effects of a large-scale disaster, fluctuations in the value of assets owned or harmful rumors or false information. Japan Post Insurance Co., Ltd. undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events. Unless otherwise specified in this annual report, the information herein is as of March 31, 2014. Unless the context indicates otherwise, references in this report to “we,” “us,” “our,” or similar terms are to Japan Post Insurance Co., Ltd.

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Aiming to be the “No. 1 Japanese Insurance Company Selected by Customers”

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

We hereby present to you our Annual Report for the year ended March 31, 2014, which describes our financial results, business performance and various initiatives undertaken during the term under review. Through this report, we hope to bring a better understanding of our operations and ask for your continued support.

Review of the Year Ended March 2014

Looking back at the year ended March 31, 2014, the Japanese economy sustained a moderate recovery on the back of the monetary easing policy of the Bank of Japan and various economic stimulus measures taken by the Japanese government. Although modest in some parts of the world, the global economy also picked up, driven by favorable business conditions mainly in the United States and other developed countries. In Japan, consumer spending remained strong as employment and income conditions improved. There was a rapid rise in demand toward the end of the fiscal year prior to an increase in the consumption tax in April. Looking ahead, the modest recovery trend in Japan is expected to continue despite the impact of demand falling sharply with the introduction of the higher tax rate and effects of economic trends in emerging as well as resource-rich countries.

In the life insurance industry, competition is intensifying due to the need to strengthen sales channels and develop new products in response to the diversification and specifications of customers' demands amid changing lifestyles, an aging population, a declining birthrate and an increasing number of single-person households.

As one initiative taken during the year ended March 31, 2014, we obtained approval under the Postal Service Privatization Act and authorization under the Insurance Business Act for our revised educational endowment insurance products in January 2014. Under the name *Hajime no Kanpo*, we commenced sales

of these products in April 2014 and held a sales promotion campaign. These products are more savings based compared with our conventional products, available for purchase before birth and have greater appeal as an efficient means of accumulating educational funds.

As part of another initiative to enhance our customer service, we have undertaken efforts since the previous fiscal year to verify all claims received after the start of Japan Post Insurance (October 1, 2007) and identify policies that need further notifications of claims. For cases requiring more detailed guidance for customers, we have been providing additional necessary notifications and paying all claims to which policyholders are entitled. Making insurance benefit and other payments that are promised to customers is one of the most important missions of an insurance company. We will continue to seek a higher level of services in the areas of claims payment processing and associated procedures by steadily iterating through the PDCA (plan-do-check-act) cycle.

In July 2013, Japan Post Holdings Co., Ltd., our parent company, and American Family Life Assurance Company of Columbus (Aflac) reached a basic agreement concerning the formation of a business alliance in the field of cancer insurance. Under this agreement, we obtained authorization under the Postal Service Privatization Act and the Insurance Business Act in June 2014 regarding sales of Aflac's cancer insurance products at all of our directly managed sales offices and the provision of training and instruction to post offices handling these products.

Fully leveraging this new business alliance, we will enhance the lineup of products offered by post offices and our directly managed sales offices to achieve better customer service and will simultaneously strive to reinforce our already strong ties with post offices.

In addition, we started broadcasting a new series of corporate TV commercials in February 2014, featuring a young actress as our new corporate face. This new series, entitled "Life is full of dreams," conveys our renewed determination to continue to provide even greater support to our customers, society and local communities.

Amid these circumstances, Japan Post Insurance enhanced its collaboration with Japan Post Co., Ltd. and successfully sold 2,234 thousand individual insurance policies (1.2% increase from the previous fiscal year) for the insured amount of ¥6,559.8 billion (0.7% increase), with both figures reaching the highest levels since privatization.

Looking at financial results, core profit for the year ended March 31, 2014 declined from the previous fiscal year due to the lowering of the standard interest rate (from 1.5% to 1.0%), nonetheless, Japan Post Insurance secured the amount of ¥482.0 billion. Core profit is a basic periodical earnings indicator for life insurance companies. Japan Post Insurance recorded ordinary profit of ¥463.5 billion and net income of ¥63.4 billion.

Meanwhile, the solvency margin ratio, an indicator of the financial soundness of life insurance companies, stood at 1,623.4% (further increasing from 1,467.9% at the previous fiscal year-end). Among liabilities, our internal reserves that combine a contingency reserve and a reserve for price fluctuations amounted to ¥3,203.0 billion (compared with ¥3,206.4 billion at the previous fiscal year-end), thereby continuing to secure a strong financial base.

I would like to express our appreciation again to our customers, who supported the realization of these solid results.

Future Issues

Since we started providing life insurance products in October 2007 after taking over a portion of operations and functions from the then Japan Post, we have been providing simple and easy-to-understand products in small amounts through post offices existing everywhere of the country and our directly managed sales offices nationwide.

As companies in and outside Japan operating in other business fields began to enter the life insurance business, we have observed growing expectations among customers for products and services provided by life insurance companies, and their needs have become increasingly diversified. We

expect that competition within the industry will further intensify.

Under these circumstances, the Japan Post Group announced on February 26, 2014 its new medium-term management plan, "New Japan Post Group Network Creation Plan 2016," which covers the period from the fiscal year ending March 2015 to the fiscal year ending March 2017. This medium-term management plan focuses on implementing the following priority measures.

1. Making investments for future growth

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

While doing so, we will reinforce our IT governance and promote a project to renew or upgrade our backbone systems that underpin our business processing related to life insurance policies. We will also promote reforms of our structure of IT development and management with a view to enhancing the quality and productivity of our IT systems.

2. Strengthening our profit-making capabilities

In order to provide a sense of security for elderly customers through our solicitation activities, we will work to ensure the quality of our product solicitation and bolster the sales capabilities of each sales channel. The agency (post office) sales channel, in particular, accounts for a considerable portion of our new policy sales. We will continue to collaborate with Japan Post, which is now working to form a 20,000-people network of post office external sales personnel, and assist the company in enhancing its sales capabilities by adopting additional measures to train and develop excellent sales staff.

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

Since the launch of revised educational endowment insurance

products in April 2014, we have been accelerating our initiatives to make product revisions primarily by updating our existing products in accordance with the latest customer needs.

Under the business alliance agreement between Japan Post Holdings and Aflac, we also sell Aflac's cancer insurance products at our directly managed sales offices and provide support to post offices selling these products.

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

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

As for asset management, we will promote our policy of matching assets with liabilities and invest in risk assets while adequately controlling these risks. Our goal is to improve our asset portfolio and increase investment income.

While promoting initiatives to incorporate customer feedback in our operations, we will strive to ensure the quality of our product solicitation and achieve thorough compliance, which form the foundation of our operations.

During the fiscal year ending March 2017, which is the final year of the medium-term management plan, we will celebrate the 100th anniversary of our postal life insurance services. Toward this commemorative year, we will steadily implement these key measures while seeking to move onto a growth path.

In Conclusion

As a life insurance company that engages mainly in the life insurance business and the management of postal life insurance on consignment for the Management Organization for Postal Savings and Postal Life Insurance, Japan Post Insurance has continued to carry out its inherited social mission of "providing basic measures of life with simple procedures for the people of Japan," which was the original goal of Postal Life Insurance when it was created in 1916. In doing so, we will strive to strengthen our management foundation through measures that include further enhancing our customer service under the policy of becoming the "No. 1 Japanese insurance company selected by customers," as well as ensuring the quality of our product solicitation and faithfully making claims payments.

As "an integrated lifestyle-support corporate group," and for attaining even greater corporate value, all employees are joining forces with a united spirit to challenge each difficulty and further strengthen our management base.

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

July 2014



Masami Ishii
President, CEO
Representative Executive Officer
JAPAN POST INSURANCE Co., Ltd.

Masami Ishii

Profile (Born on Sep. 4, 1952 in Tokyo)
 March 1976 Graduated from Faculty of Economics, The University of Tokyo
 April 1976 Joined Yasuda Fire & Marine Insurance Co., Ltd. (currently Sompo Japan Insurance Inc.)
 April 2005 Appointed Executive Officer, General Manager of Planning and Marketing Department & General Manager of Group Organization Development Department
 April 2007 Appointed Managing Executive Officer & General Manager of Corporate Sales Planning Department
 June 2010 Appointed Representative Director, Senior Managing Executive Officer & General Manager of 1st Kansai Regional Headquarters
 April 2011 Appointed Representative Director, Vice President and Executive Officer & General Manager of 1st Kansai Regional Headquarters
 June 2012 Appointed President, CEO (Representative Executive Officer) of Japan Post Insurance Co., Ltd. (current position)
 June 2013 Appointed Director of Japan Post Holdings Co., Ltd. (concurrent position)



About Japan Post Insurance

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1. Basic Principles of Management

Since the start of our operations in October 2007, utilizing the combined strength of the Japan Post Group through our integrated operations with Japan Post, our Company is dedicating itself to management tasks such as strengthening our sound manage-

ment base. To that end we have been guided by our management philosophy of aiming to become "Japan's most familiar and trusted insurance company."

2. Management Tasks

As a member of the Japan Post Group, we aim to become the "No. 1 Japanese insurance company selected by customers". In doing so, we will focus on the following management tasks, while keeping in mind that ensuring the quality of our product solicitation and achieving thorough compliance form the foundation of our operations.

1. Strengthen our sound management base

While promoting initiatives to incorporate customer feedback in our operations, we will strive to ensure the quality of our product solicitation and achieve thorough compliance, which form the foundation of our operations.

Through enterprise risk management (ERM), we intend to achieve the optimum balance between maintaining financial soundness and improving capital efficiency (profitability). At the same time, we will work to attain stable and sustainable profit and enhance our corporate value.

2. Establish systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments

We will review all our business processes from the customer's perspective and implement "Comprehensive and Heartfelt Services" at every point of customer contact.

To reinforce our insurance policies management structure and provide high quality services, we will build administrative operations and IT systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments.

3. Strengthen sales capabilities of our sales channels

In order for our solicitation activities to provide a sense of security for elderly customers, we need to ensure the quality of our product solicitation. While doing so, we aim to build a 20,000-people network of post office external sales personnel by making joint efforts with Japan Post to hire, train and develop excellent sales staff.

The Wholesale Divisions in our directly managed sales offices will bolster their sales capabilities by offering our own products and those of other life insurance companies to corporate customers.

Becoming the No. 1 Japanese insurance company selected by customers

Moving onto a growth path and improving corporate value

1

Strengthen our sound management base

2

Establish systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments

3

Strengthen sales capabilities of our sales channels

Launched Sales of *Hajime no Kanpo* Educational Endowment Insurance

Our educational endowment insurance products, originally launched in September 1971 by the then Ministry of Posts and Telecommunications, have been used by a large number of customers. To respond to their diverse, ever-changing needs, we updated these products and commenced sales of *Hajime no Kanpo* (official names: Educational Endowment Insurance (H24) and Educational Endowment Insurance (H24) (without Premium Protection Agreement)) in April 2014.



(1) Revised Point

Responding to customers' main requirement for accumulating funds for children's future education, we have reduced child death benefits and consequently lowered insurance premiums.

(2) Product Features

●Feature 1: Highly savings based

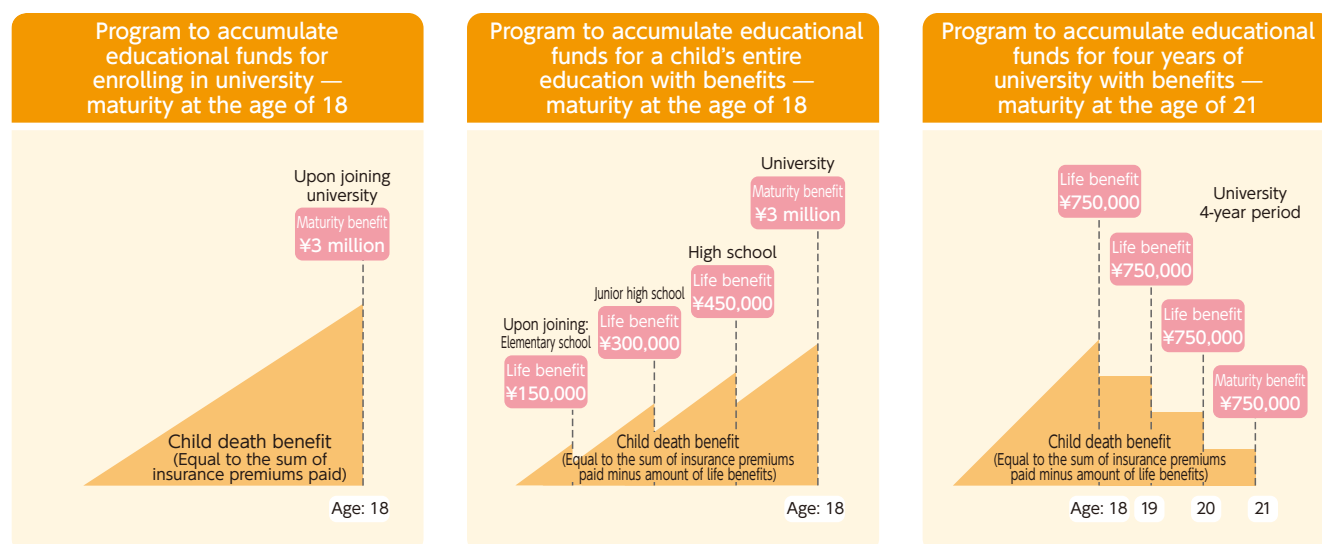
These new products yield higher return (sum of benefits received / sum of premiums paid) compared with our conventional products, enabling customers to efficiently accumulate educational funds.

●Feature 2: Allowing application for insurance before birth

Our educational endowment insurance is available for purchase as early as 140 days prior to the estimated delivery date.

●Feature 3: Three insurance programs to choose from

We offer three programs from which customers can choose the one best suited for the purpose of their respective educational funds.



We will continue to further promote the development of products in order to provide products that are readily available and useful for our customers.

(3) Held “*Hajime no Kanpo* Campaign”

We held the “*Hajime no Kanpo* Campaign” from April 2 through to May 30, 2014 to promote sales of our revised educational endowment insurance, *Hajime no Kanpo*.

During the campaign, we encouraged customers to participate in a quiz and a drawing. Various prizes, including water ovens, fan heaters and other home electric appliances, were given to a total of 50 winners.

For customers who asked for a case design [policy summary] (excluding insurance proposals and annuities) we offered original “baby chick” goods and other items as a giveaway.

In addition, policy holders who asked for a case design (excluding insurance proposals and annuities) were also encouraged to participate in a drawing. A total of 1,500 winners received a gift catalog from which they could choose a desired item.



(4) *Hajime no Kanpo* TV Commercials

Upon the launch of sales of *Hajime no Kanpo* educational endowment insurance, we started broadcasting the 12th series of TV commercials featuring Yoshihiko Inohara as *Kanpo-san* (Mr. *Kanpo*) on March 21, 2014.

In this new “Magic Trick” series, *Kanpo-san* visits a family with a newborn baby and explains our new educational endowment insurance while performing magic tricks. The parents and the baby

enjoy his magic tricks tremendously, watching as a plate showing the illustration of a baby chick appears out of nowhere on the table, which then turns into a big stuffed baby chick.

Through the heartwarming conversation between friendly *Kanpo-san* and the parents wishing to support the baby's future dream, this TV commercial announces the sales of *Hajime no Kanpo* and describes its features in an easy-to-understand manner.

“Comprehensive and Heartfelt Services” (Activities for Following Up on the Contents of Policies)

In October 2010, we rolled out a joint effort with post offices to provide “Comprehensive and Heartfelt Services” to customers across the country at the postal counter and through home visits.

Through these activities, we will endeavor to bring even greater satisfaction and confidence to our customers.



(1) Aim and Intent of “Comprehensive and Heartfelt Services”

These services are designed to enhance our customer services. Activities, which are undertaken at the counter or through home visits, include verifying with policyholders the details of coverage provided by their respective insurance contracts and identifying

any missed claims, as well as explaining procedures for receiving benefits, applying for cashless transactions and using an option that allows a designated third party to request insurance benefits.

(2) Major Activities

● We use leaflets shown on the right as a tool to notify the following to customers

● Procedures for receiving benefits (early notification)

We provide notification in advance to explain to customers the procedures for receiving maturity or living benefits to ensure that they receive payments on the day on which these benefits become payable.

● Additional or missed claims

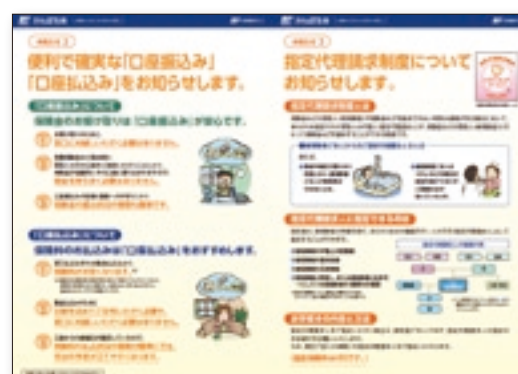
We check to identify any additional benefits, such as hospitalization benefits, other than those filed by policyholders, and when customers hold multiple policies, make sure that they have made every insurance claim to which they are entitled.

● Various services

We notify customers of various services that provide greater convenience to them, including direct deposit of benefits to and payment of premiums from bank accounts as well as an option to designate a third party to request insurance benefits.

● Coverage details

We prepare a life plan sheet (easily comprehensive policy summary) for each customer to help them check the coverage details and assist them in reviewing and revising their insurance coverage.



We have received favorable feedback from our customers for these activities, with many finding these services useful in identifying missed insurance claims and reconfirming their coverage details.

Currently, our home visit activities focus on policyholders who will soon be receiving maturity or living benefits. We plan to ex-

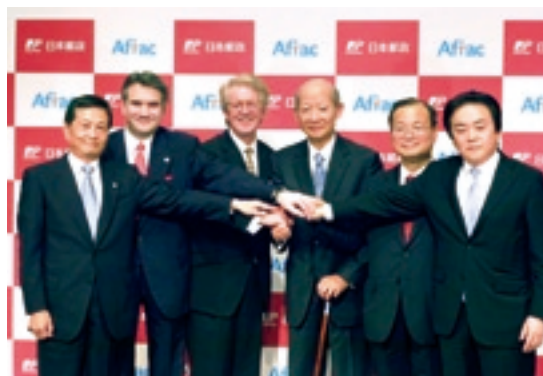
tend the scope of our activities in the future to include other opportunities and other policyholders.

We will continue to provide “Comprehensive and Heartfelt Services” to customers at the counter and through home visits, with a view to bringing even greater satisfaction to them.

Japan Post Holdings and Aflac to Form a Business Alliance

On July 26, 2013, Japan Post Holdings and American Family Life Assurance Company of Columbus (Aflac) reached a basic agreement concerning the formation of a business alliance.

Japan Post Holdings, receiving trust from customers throughout the country via its nationwide network of post offices, and Aflac, a leading company in the field of cancer insurance, have agreed to form an additional alliance to improve customer satisfaction and raise the corporate value of each company by offering higher quality products and services. The formation of this alliance is based on the recognition that further strengthening the existing cooperative relationship between the two companies will serve to maximize synergies in the field of insurance business.



Details of the Business Alliance

1) Increasing the number of post offices of Japan Post Co., Ltd. (Japan Post) handling cancer insurance

Japan Post plans to gradually increase the number of post offices selling Aflac's cancer insurance products from 2,980 (as of March 3, 2014) to eventually 20,000 post offices nationwide.

2) Starting new businesses at Japan Post Insurance in relation with Aflac's cancer insurance products

After obtaining approval from the relevant authorities and concluding an agency agreement with Aflac, the 79 directly managed sales offices (branches) of Japan Post Insurance intends to start selling cancer insurance products of Aflac and provide training and guidance to Japan Post in relation with sales of cancer insurance.

3) Development of insurance products exclusively handled by the Japan Post Group

Through discussion with the Japan Post Group, Aflac will consider the development of cancer insurance products which will be exclusively handled by Japan Post and Japan Post Insurance.

New Business concerning Cancer Insurance

Pursuant to Article 138 (3) of the Postal Service Privatization Act, Japan Post Insurance submitted new business applications to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on April 16, 2014. These applications are related to sales of cancer insurance products of Aflac and the provision of training and guidance on cancer insur-

ance to Japan Post. We received approval of these businesses on June 27, 2014.

We started operation of these businesses in July 2014 and believe they contribute to providing better convenience to customers and ensure the stability of our operations.

3. Business Profile

Business Operations Framework

Japan Post Insurance aims to provide services that meet customers' needs with a high degree of customer satisfaction through an extensive nationwide network of post offices serving as a base for sales of our products and handling related procedures.

(1) Supply Network for Products and Services

Japan Post Insurance uses both agencies (the post offices of our business partner Japan Post and its contracted post offices) and directly managed sales offices (branches of Japan Post Insurance) as its sales channels.

1) Agency sales channel

Japan Post sells insurance services through its post offices, which can be found in every corner of the country. Japan Post makes use of these post offices as a nationwide supply network for simple and easy-to-understand products sold in small amounts using easy procedures, as well as the supply of associated services, primarily targeting households and individuals.

We have set up an agency support organization (Agency Relations Division) in our 79 directly managed sales offices (as of March 31, 2014) to support sales promotion, training and development, and administrative affairs. Furthermore, leveraging our unique strengths, we work with Japan Post in developing insurance products that meet customers' needs, in developing new

markets and service channels, and in upgrading sales processes.

As of March 31, 2014, a total of 20,101 post offices sell our life insurance policies.*

Like post offices, contracted post offices provide customers with our simple and easy-to-understand products and services.

As of March 31, 2014, there are 623 contracted post offices with which Japan Post Insurance has life insurance sales agency agreements.

* Some contracted post offices do not sell insurance services, but will refer prospective customers to a post office that does.

2) Directly managed sales offices

Japan Post Insurance has Wholesale Divisions in its 79 (as of March 31, 2014) directly managed sales offices, which serve all major Japanese cities. These divisions are responsible for selling policies and services primarily to companies and workplaces, mostly at

small-and mid-size companies and other entities. In addition to our own products and services, the divisions also sell products of other life insurance companies to corporate customers.

(2) Bases for Life Insurance Procedures

We use the nationwide network of post offices for a range of common procedures including the collection of premiums and the payment of benefits.

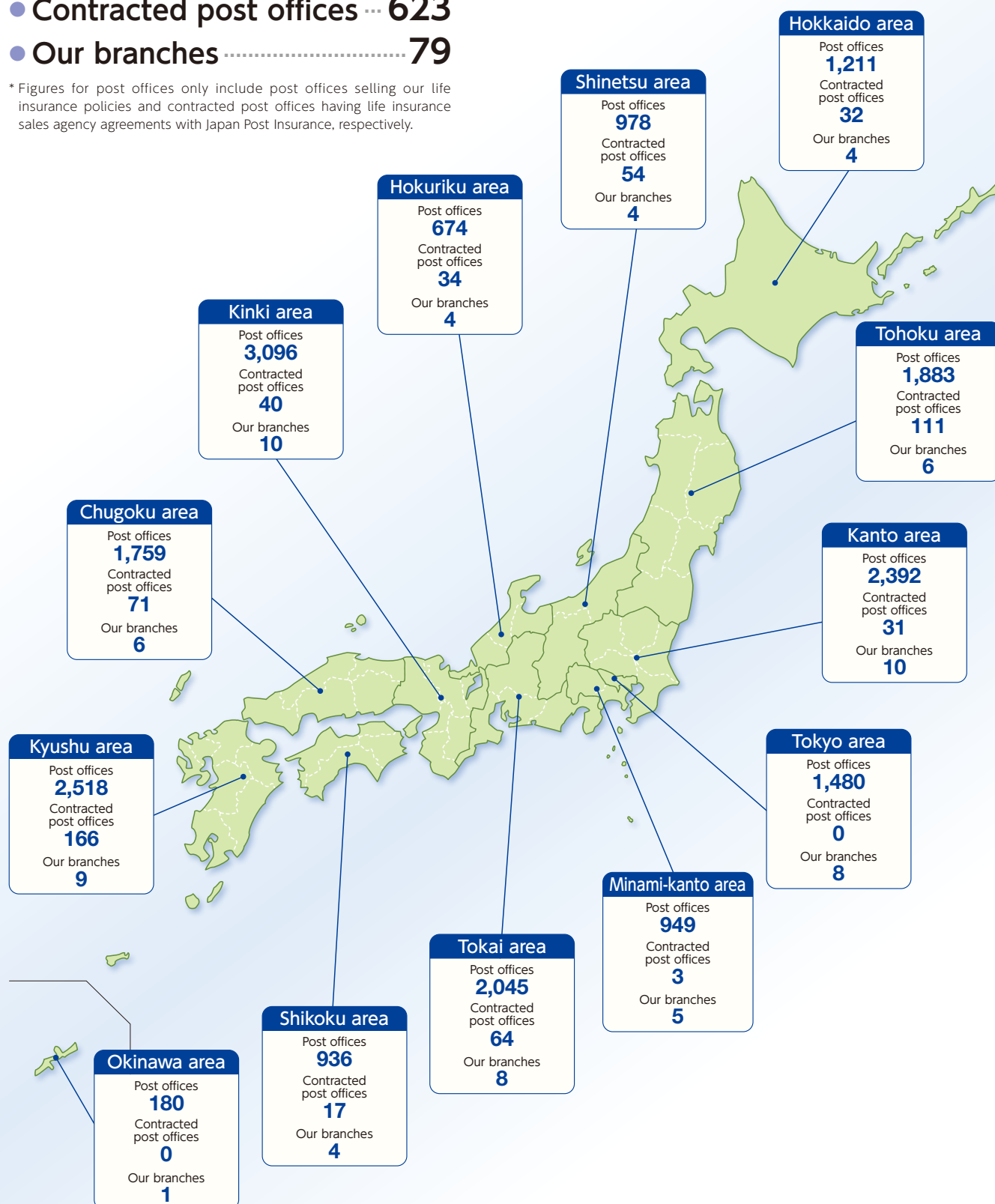
Upon privatization, the administration of postal life insurance policies was transferred to the Management Organization for Postal Savings and Postal Life Insurance, which consigned desig-

nated operations to Japan Post Insurance. We then sub-consigned certain operations to Japan Post, including the collection of premiums and the payment of benefits. This means that customers can access insurance services at post offices just as they did prior to privatization.

Nationwide Post Office Network and Number of Japan Post Insurance Business Bases (As of March 31, 2014)

- Post offices 20,101
- Contracted post offices ... 623
- Our branches 79

* Figures for post offices only include post offices selling our life insurance policies and contracted post offices having life insurance sales agency agreements with Japan Post Insurance, respectively.



Business Initiatives after Privatization

1) Consignment sales of corporate insurance products of other insurance companies and revisions of coverage of hospitalization riders

Japan Post Insurance submitted new business applications to the Commissioner of the Financial Services Agency and the Minister of Internal Affairs and Communications on November 26, 2007 pursuant to paragraphs (1) and (3) of Article 138 of the Postal Service Privatization Act. We received approval for consignment

sales and new hospitalization riders on April 18, 2008.

We believe these business operations contribute to making our services more convenient for customers and stabilizing our operations.

2) Deregulation of investment instruments (including derivatives)

We submitted applications pursuant to Article 138 (2) of the Postal Service Privatization Act to the Commissioner of the Financial Services Agency and the Minister of Internal Affairs and Communications on October 4, 2007, requesting the deregulation of the investment instruments available for its portfolio management. On December 19, 2007, we received permission to begin investing in syndicated loans (participation type), trust beneficiary

rights and certain other assets.

Having completed setting up investment systems for syndicated loans (participation type) and other deregulated portfolio investments, we are now progressively using these investment products with a careful eye to market conditions. Our goals are to diversify risk and improve profitability and other performance factors through the diversification of our investment methods.

3) Approval for revisions of educational endowment insurance

We submitted an application to the Commissioner of the Financial Services Agency and the Minister of Internal Affairs and Communications on September 3, 2012 pursuant to Article 138 (1) of the Postal Service Privatization Act, requesting approval for revisions to our educational endowment insurance products. We received approval subject to conditions on November 30, 2012 and received further approval regarding these conditions

on January 24, 2014.

Compared with our conventional products, revised *Hajime no Kanpo* educational endowment insurance products are more savings based and offer greater efficiency in accumulating funds for children's future education. It is our belief that sales of these products will serve to provide increased convenience for customers and further stabilize our operations.

4. Initiatives Related to Corporate Social Responsibility (CSR) Priority Issues

Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance works to uphold its customers' trust and provide them with peace of mind by actively seeking ways to contribute to society. Our activities in this field are centered on the three strategic pillars of "encouraging social and community contribution," "creating a people-friendly business environment" and "promoting environmental conservation activities."

Encouraging Social and Community Contribution

Among the initiatives to encourage social and community contribution, we have been assisting people in promoting their health through such efforts as the Radio Exercise program, which has a history of 85 years.

(1) Radio Exercise and Japan Post Insurance

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

Japan Post Insurance, which was created as a result of the privatization and split-up of the original Japan Post, has assumed the role of promoting the exercise program, first undertaken by the Ministry of Communications and then by its successors, namely the Ministry of Posts and Telecommunications, Postal Service Agency and Japan Post prior to privatization. We have been

working together with NHK (Japan Broadcasting Corporation) and the non-profit organization (NPO) Japan Radio-taiso Federation for its popularization and promotion.



Poster for the initial Radio Exercise program (1929)



2014 Radio Exercise Attendance Card

Milestones

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

(2) Popularization and Promotion of Radio Exercise Program through Various Events

● Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

As one of our major Radio Exercise events, we hold the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* every summer, aiming to get 10 million people around the country to participate together in Radio Exercise and *Minna no Taiso*. This event is broadcast live nationwide over NHK's Radio 1 and on its General TV channel and is also broadcast through its international broadcasting service to overseas viewers.

In the fiscal year ending March 31, 2015, the 53rd Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") was held on Sunday morning, August 3, 2014, at Kobe Universiade Memorial Stadium in Kobe City, Hyogo Prefecture.

The early start did not deter some 8,000 people from taking part. Radio Exercise fans from around the country were joined on the day by local elementary school students and their parents and teachers.



At the 53rd Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (on August 3, 2014, Kobe City, Hyogo Prefecture)



●Summertime and Special Radio Exercise Tours and *Minna no Taiso* (“Exercise for Everyone”)

We conduct an annual Summertime Radio Exercise Tour and *Minna no Taiso* during the 43-day school summer vacation period from July 20 to August 31, visiting 43 venues around Japan (including one venue for the Festival of 10 Million People’s Radio Exercise and *Minna no Taiso*).

We get great turnouts for every one of these events, as the program has become a tradition during the school summer vacation period in Japan.

In addition, we run a Special Radio Exercise Tour and *Minna no Taiso* every year from April to the end of October (excluding the summer tour period), stopping at about 10 venues across the country mainly on Sundays or public holidays.

These events are broadcast nationwide on NHK’s Radio 1.

Note: Details of the schedule and venues for the Summertime and Special Radio Exercise Tours and *Minna no Taiso* in the fiscal year ending March 31, 2015 are available on our website (<http://www.jp-life-japanpost.jp/> (written in Japanese)). We hope to see you all there.



Summertime Radio Exercise Tour and *Minna no Taiso* event (on July 23, 2013, Echizen City, Fukui Prefecture)



Summertime Radio Exercise Tour and *Minna no Taiso* event (on August 12, 2013, Miyazaki City, Miyazaki Prefecture)

(3) Radio Exercise Sessions at Elementary Schools

With the aim of fostering the sound growth of children through the Radio Exercise program and popularizing and promoting the program further, we dispatch NHK (Japan Broadcasting Corporation) Television and Radio Exercise instructors and assistants to provide Radio Exercise sessions at elementary schools.

During the fiscal year ended March 31, 2014, we held Radio Exercise sessions at 18 elementary schools across the country. Children from each school discovered the joy of physical exercise and using their muscles while having a fun time.



Radio Exercise session (on September 5, 2013 at Osawano Public Elementary School, Toyama City, Toyama Prefecture)

(4) Radio Exercise ☆ Delivery of One Point Lessons

Our Radio Exercise ☆ Delivery of One Point Lessons is a workplace exercise session “delivered” to companies and other organizations, in which Radio Exercise instructors and assistants teach the audience body movements key points and their effects included in the exercise program.

During the fiscal year ended March 31, 2014, we held sessions at 18 companies. Participants learned the right movements in the Radio Exercise program, with many promising to continue to exercise through the appropriate and effective program. Through this service, we are helping people build and improve their health.



Eyecandy Co., Ltd.



Takinodai Denki Kogyo Co., Ltd.

(5) Hosting a Public Talk on People's Health

We held the "Japan Post Insurance Public Talk on People's Health 2014" in Kobe City, Hyogo Prefecture on Saturday, March 1, 2014.

Under the theme of "Keep Your Spirit of Challenge and Tackle the Future," the event started off with a speech by wrestling coach Kazuhito Sakae of Shigakkan University, the wrestling club of which is famous for turning out a number of Olympic gold medalists, and moved on to a talk session on the topic of promoting physical and mental health with Saori Yoshida, a gold medalist in the women's wrestling event at the London 2012 Summer Olympics.



Public Talk on People's Health (on March 1, 2014, Kobe City)

(6) Local Community Contribution Activities by Business and Service Bases

Employees of our business and service bases nationwide volunteer for local community activities such as local cleanup projects and blood donation drives.

[Examples of Our Activities]

●Business and Service Bases' Neighborhood Cleanup Projects

As a voluntary initiative, our business and service bases regularly conduct activities to clean up their respective neighborhoods. These bases also participated in "Clean Up the City" events, working with fellow residents to beautify their neighborhoods. In the year ended March 31, 2014, employees from 68 bases conducted cleanup activities 101 times in total.



Cleanup activities (Sendai Branch, Tohoku Area Headquarters)

●Cooperation for Blood Donation Drives

During the year ended March 31, 2014, a total of 61 business and service bases cooperated in blood donation drives.

●Participation in Volunteer Walks

In the year ended March 31, 2014, employees and their families from 20 business and service bases took part in "Ashinaga P-Walks" in aid of orphaned children.



Cleanup activities (Nara Branch)

●Volunteering in Recycling Activities

In the year ended March 31, 2014, PET bottle caps, used postage stamps and other similar items were collected at 55 business and service bases and donated to social welfare councils and other relevant organizations.



Cleanup activities (Head Office)

Creating a People-Friendly Business Environment

(1) Holding a Child Care Support Event

Wishing to aid child rearing in a fun way and foster the sound growth of children and to support the victims of the Great East Japan Earthquake and recovery of the disaster-stricken areas, we held "Kanpo Kids Smile World® 2013" in the three prefectures of Iwate, Miyagi and Fukushima.

The event provided various programs that are fun for both parents and children. They enjoyed a Radio Exercise session, a stage show by local children and a workshop to make pinwheels, and took home many delightful memories of the day.



At "Kanpo Kids Smile World® 2013"

(2) Opening of Kanpo Healthy Café

Under the theme of promoting health through food, we held a recipe contest jointly with COOKPAD, a Japanese recipe website providing a collection of user-posted recipes. The award-winning recipes were on the food menu at the Kanpo Healthy Café, which opened for a limited four-day period from January 23 to 26, 2014 within the Royal Garden Cafe Aoyama in Kita Aoyama, Tokyo. The event drew much public attention as a new initiative to promote health through food.



Promoting Environmental Conservation Activities

(1) Energy Saving Efforts

As one countermeasure against global warming, we work to reduce carbon dioxide (CO₂) emissions through energy saving efforts at facilities owned by Japan Post Insurance. According to the results of an energy saving diagnosis and other surveys, we constantly renovate facilities and equipment and improve their operations to achieve greater energy savings.

With the aim of facilitating basic energy saving activities company-wide, we have developed a guidebook compiling specific examples of energy saving actions. Every employee takes part in energy saving efforts based on this guidebook to reduce CO₂ emissions and the use of copying paper.

(2) Japan Post Forest Program

The Japan Post Group has operated its Japan Post Forest program since the fiscal year ended March 31, 2009. Under this program, in collaboration with NPOs, local governments and similar organizations, the Japan Post Group allows its nationwide network of post offices to serve as a base for a wide range of activities, from reforestation to environmental education, for nurturing sustainable forests.

As part of the Japan Post Forest program, in cooperation with the NPO *Donguri-no-Kai*, the Group has designated an area in Kimitsu City, Chiba Prefecture, as the Japan Post Forest (*Kururi Donguri-no-Mori*) for its volunteer reforestation and forest-care activities (for hardwood trees).



Activities at the Japan Post Forest (*Kururi Donguri-no-Mori*)
(Kimitsu City, Chiba Prefecture)

Business Overview and Results

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1. Performance Overview for the Year Ended March 31, 2014

During the fiscal year ended March 31, 2014, the Japanese economy continued a moderate recovery supported by the Bank of Japan (BOJ)'s monetary easing and government-implemented economic stimulus measures. Despite some areas of lingering sluggishness, the world economy is sustaining a recovery centering mainly on the United States and other developed nations. In Japan, personal consumption was robust amid an improved employment and income environment, while an impending increase in the consumption tax spurred a last-minute surge in demand through the end of the fiscal year. Looking at the economic outlook going forward, the Japanese economy is expected to sustain a gradual recovery despite the impact of a reactionary decline in demand following the previous surge and the effects of economic trends of emerging and resource-producing nations.

In the life insurance industry, competition among companies is intensifying along with stepped-up efforts to strengthen sales channels and develop products in response to customers' diversifying needs and heightened selectivity, which mirrors such trends as the aging of society with declining birthrates, a growing number of one-person households and evolving lifestyles.

Under these conditions, as a life insurance company that engages mainly in the life insurance business and the management of postal life insurance on consignment for the Management Organization for Postal Savings and Postal Life Insurance, Japan Post Insurance continued to carry out its inherited social mission of "providing basic coverage for the people of Japan with insurance using simple procedures," which was the original goal of Postal Life Insurance when it was created in 1916. At the same time, we strengthened our management foundation through measures that include further enhancing our customer service under our policy of aiming to be the "No. 1 Japanese insurance company selected by customers."

In the fiscal year ended March 31, 2014, Japan Post Insurance's income and expenses were as follows.

Ordinary income amounted to ¥11,233.9 billion (5.1% decrease from the previous fiscal year), consisting of the sum of insurance premiums and the other of ¥5,911.6 billion (8.8% decrease), investment income of ¥1,540.6 billion (1.3% decrease), reversal of policy reserves of ¥3,656.4 billion (2.3% decrease) to provide for payments of insurance claims, etc.

Ordinary expenses amounted to ¥10,770.4 billion (4.7% decrease), consisting of the sum of insurance claims and others of ¥10,160.8 billion (4.8% decrease), investment expenses of ¥18.1 billion (38.6% decrease), operating expenses of ¥513.0 billion (0.0% increase), other ordinary expenses, etc.

Ordinary profit amounted to ¥463.5 billion (12.4% decrease). After subtracting provision for reserve for price fluctuations, provision for reserve for policyholders' dividends, total income taxes from ordinary profit, etc., net income amounted to ¥63.4 billion (30.3% decrease).

Five-Year Summary of Key Business Indicators

(Billions of yen if not indicated specifically)

Years ended March 31	2010	2011	2012	2013	2014
Ordinary income	¥14,591.6	¥13,375.4	¥12,538.6	¥11,834.9	¥11,233.9
Ordinary profit	379.6	422.2	531.3	529.3	463.5
Core profit	427.1	484.4	571.6	570.0	482.0
Net income	70.1	77.2	67.7	91.0	63.4
Capital stock (Number of issued stocks: thousands of shares)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)	500.0 (20,000)
Total assets	100,969.7	96,786.7	93,688.6	90,462.3	87,088.6
Special account	—	—	—	—	—
Policy reserves	93,417.0	89,164.7	85,143.8	81,401.9	77,745.4
Loans	16,260.5	14,547.4	13,929.0	12,691.5	11,020.5
Securities	80,341.5	77,173.0	74,587.1	72,558.1	69,378.9
Solvency margin ratio (%)	1,663.9	1,821.6 (1,153.9)	1,336.1	1,467.9	1,623.4
Number of employees	6,293	6,815	6,741	6,789	6,948
Policy amount in force	13,849.3	19,865.7	25,824.7	31,675.4	37,179.5
Individual insurance	12,343.2	17,642.2	23,043.2	28,480.7	33,735.7
Individual annuities	1,506.1	2,223.6	2,781.5	3,194.6	3,443.9
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes: 1. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance, and the figures have been rounded to the first decimal place.

"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. In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the total amount of solvency margin and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). As a result of this change, the above results for the years ended March 31, 2010 and 2011 have been calculated using a different standard from the results for the years ended March 31, 2012 to 2014.

Moreover, the figure given in brackets for the year ended March 31, 2011 was disclosed during the year ended March 31, 2012 as the figure that would have resulted if the year 2012 calculation standard had been used at the year ended March 31, 2011.

2. Sound Management Indicators

Core Profit

¥482.0 billion

Core profit is a basic periodical earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premiums and other, insurance claims and others, and operating expenses as well as investment-related income and expenses, which consist primarily of interest and dividends income.

Japan Post Insurance's core profit for the year ended March 31, 2014 was ¥482.0 billion.

(Billions of yen)

Years ended March 31	2012	2013	2014
Core income ①	¥12,518.8	¥11,850.7	¥11,240.1
Insurance premiums and other	6,856.4	6,481.7	5,911.6
Investment income (Note 1)	1,541.4	1,500.4	1,458.3
Reversal of policy reserves (Note 2)	4,085.3	3,813.2	3,736.8
Core expenses ②	11,947.2	11,280.7	10,758.0
Insurance claims and others	11,338.4	10,673.0	10,160.8
Provision for policy reserves and others	13.3	9.0	4.6
Investment expenses (Note 1)	3.0	4.7	5.7
Operating expenses	516.0	512.9	513.0
Core profit (①-②) A	571.6	570.0	482.0
Net capital gains B	24.1	30.7	61.7
Other one-time profits C	(64.3)	(71.3)	(80.3)
Ordinary profit A+B+C	¥531.3	¥529.3	¥463.5

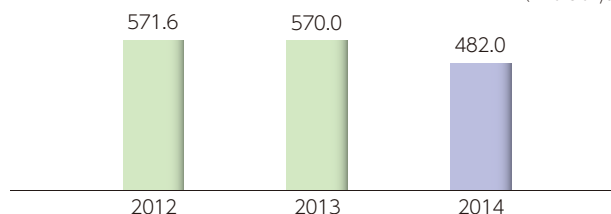
Notes: 1. Excluding the amount regarding net capital gains

2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

Changes in Core Profit

Years ended March 31

(Billions of yen)



Core Profit Breakdown (Three Major Profit Sources)

(Billions of yen)

Years ended March 31	2012	2013	2014
Core profit	¥571.6	¥570.0	¥482.0
Spread	(61.5)	(4.7)	54.2
Mortality and morbidity rate margin	381.9	385.2	290.4
Administrative expense margin	251.2	189.5	137.3

Spread

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. A situation with a negative gap between the assumed return on insurance premium investments and the actual investment return for some policyholders is termed a "negative spread." In fiscal 2013, the "negative spread" was eliminated and a positive spread of ¥54.2 billion was recorded.

The spread is calculated according to the following formula:

$$\text{Spread} = \frac{\text{Investment return on core profit} - \text{average assumed interest rate (during period)}}{\text{general account policy reserves}} \times \text{general account policy reserves}$$

[1.91%]
[1.84%]
¥76,236.5 billion

- The investment return on core profit is the return on general account policy reserves after deducting the provision for accumulated interest on policyholder dividends from general account investment revenue included in core profit.
- The average assumed interest rate (during period) 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 reserves at beginning of period + policy reserves at end of period - assumed interest) × 1/2
- Policy reserves and assumed interest rate are calculated based on the actual cumulative amount.

Solvency Margin Ratio

1,623.4 %

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and other benefits. They also cover exposure to risks that can be predicted under normal conditions within the scope of these policy reserves.

The solvency margin ratio is an indicator by which the regulatory agency determines whether or not an insurance company has the sufficient financial resources for its obligations to pay benefits in the event a normally unforeseeable risk should materialize, such as a major catastrophe or stock market collapse.

If the ratio is less than 200%, the regulatory agency will take prompt corrective action. On the other hand, if the ratio is greater than 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Japan Post Insurance's solvency margin ratio as of March 31, 2014 was 1,623.4%, indicating a high degree of management soundness. We will continue to take the actions needed to maintain adequate financial resources to fulfill our obligations.

(Billions of yen)

As of March 31	2012	2013	2014
Total amount of solvency margin (A)	¥4,791.8	¥5,000.0	¥5,130.0
Capital stock, etc.	1,217.9	1,286.2	1,332.8
Reserve for price fluctuations	458.2	522.8	614.2
Contingency reserve	2,783.7	2,683.6	2,588.7
General allowance for doubtful accounts	0.0	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)	74.4	202.4	238.9
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.1)	(3.3)	(3.4)
Excess of continued Zillmerised reserve	260.4	308.1	358.5
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)	¥717.2	¥681.2	¥632.0
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Underwriting risk R ₁	177.0	172.9	168.4
Underwriting risk of third-sector insurance R ₈	127.5	113.1	99.9
Anticipated yield risk R ₂	237.5	218.5	198.1
Minimum guarantee risk R ₇	—	—	—
Investment risk R ₃	391.2	380.1	355.8
Business management risk R ₄	18.6	17.6	16.4
Solvency margin ratio (A) / (1/2) × (B) × 100	1,336.1%	1,467.9%	1,623.4%

Note: The 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.

Status of Accumulation of Internal Reserves

¥3,203.0 billion

(Total of contingency reserve and reserve for price fluctuations)

Life insurance companies accumulate a contingency reserve and reserve for price fluctuations for the purpose of ensuring the soundness and stability of management in the future. These reserves provide protection against risks associated with changes in the operating environment for the life insurance industry. Such changes include fluctuations in prices of financial assets, the occurrence of a major catastrophe and other events.

As of March 31, 2014, Japan Post Insurance had a contingency reserve of ¥2,588.7 billion and a reserve for price fluctuations of

¥614.2 billion, a total of ¥3,203.0 billion.

Also as of March 31, 2014, Japan Post Insurance made an additional policy reserve to cover the negative spread, which amounted to ¥6,135.3 billion.

(Billions of yen)

As of March 31	2012	2013	2014
Contingency reserve	¥2,783.7	¥2,683.6	¥2,588.7
Limit amount	3,047.9	2,899.4	2,753.1
Reserve for price fluctuations	¥458.2	¥522.8	¥614.2
Limit amount	787.1	775.0	779.6
Total	¥3,241.9	¥3,206.4	¥3,203.0

Real Net Assets

¥9,442.2 billion

Real net assets are calculated by subtracting liabilities, other than the contingency reserve and reserve for price fluctuations and other liabilities with equity characteristics, from total assets measured at market value. The regulatory agency uses real net assets as an indication of an insurance company's financial soundness at the end of a fiscal period. A negative figure may lead to an order to suspend operations or other regulatory actions. (However,

such regulatory action is not generally taken if the amount after subtracting unrealized losses associated with held-to-maturity securities and policy-reserve-matching bonds is positive and liquid assets have been set aside).

As of March 31, 2014, Japan Post Insurance had a sufficient level of ¥9,442.2 billion in real net assets.

(Billions of yen)

As of March 31	2012	2013	2014
Real net assets	¥8,083.6	¥10,107.4	¥9,442.2

Net Unrealized Gains (Losses) on Securities

¥4,534.4 billion

Net unrealized gains and losses on assets reflect the differential between fair market value and book value.

As of March 31, 2014, Japan Post Insurance recorded a net unrealized gain on securities of ¥4,534.4 billion.

We recorded a ¥82.5 billion net unrealized gain on money held in trust and a ¥265.5 billion overall net unrealized gain on available-for-sale securities. Although net unrealized gains on available-for-sale securities are not recorded on the Statements of Income, an amount deducting the tax-effect amount is recorded on the Balance Sheets as "Net unrealized gains (losses) on available-for-sale securities" within net assets.

(Billions of yen)

As of March 31	2012	2013	2014
Net unrealized gains (losses)			
Total	¥3,349.4	¥5,287.2	¥4,534.4
Held-to-maturity securities	2,088.8	3,643.1	3,169.7
Policy-reserve-matching bonds	1,177.7	1,419.1	1,099.1
Available-for-sale securities (before tax effects)	(Note 1) 82.7	(Note 2) 224.9	(Note 3) 265.5
Securities, etc.	82.8	181.6	182.9
Money held in trust	(0.1)	43.3	82.5

Notes: 1. After applying tax-effect accounting, a gain of ¥57.1 billion
 2. After applying tax-effect accounting, a gain of ¥155.7 billion
 3. After applying tax-effect accounting, a gain of ¥184.7 billion

Risk-Monitored Loans

Loans with repayment conditions that are not normal are termed risk-monitored loans. None of Japan Post Insurance's loans fall into this category.

3. Policyholders' Dividends

¥242.1 billion

(Provision for reserve for policyholders' dividends)

Insurance premiums are calculated based on assumed rates concerning future insurance benefit and other payments, investment yield and expenses for policy administration. If these assumed figures exceed actual results, the surplus will be returned to policyholders in the form of dividends ("policyholders' dividends") in accordance with the terms of their respective policies.

For the year ended March 31, 2014, we posted provision for

reserve for policyholders' dividends of ¥242.1 billion.

- For Japan Post Insurance policies, we accounted for provision for reserve for policyholders' dividends of ¥19.3 billion.
- For postal life insurance policies, we posted provision for reserve for policyholders' dividends of ¥222.8 billion under the reinsurance agreement concluded with the Management Organization for Postal Savings and Postal Life Insurance, based on the performance of the segment related to reinsurance. Policyholders' dividends on postal life insurance policies are determined by the Management Organization.

4. Insurance Policies

In the year ended March 31, 2014, Japan Post Insurance sold 2,234 thousand individual insurance policies with an insured amount of ¥6,559.8 billion, and 149 thousand individual annuity policies with an annuity amount of ¥524.1 billion.

As of March 31, 2014, there were 11,668 thousand individual insurance policies, and policies in force totaled ¥33,735.7 billion. There were 1,194 thousand individual annuity policies with an annuity amount of ¥3,443.9 billion.

Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 23,196 thousand life insurance policies with an insured amount of ¥63,358.9 billion and 3,396 thousand annuity policies with an annuity amount of ¥1,250.6 billion.

New Policies

Individual Insurance

New Policies

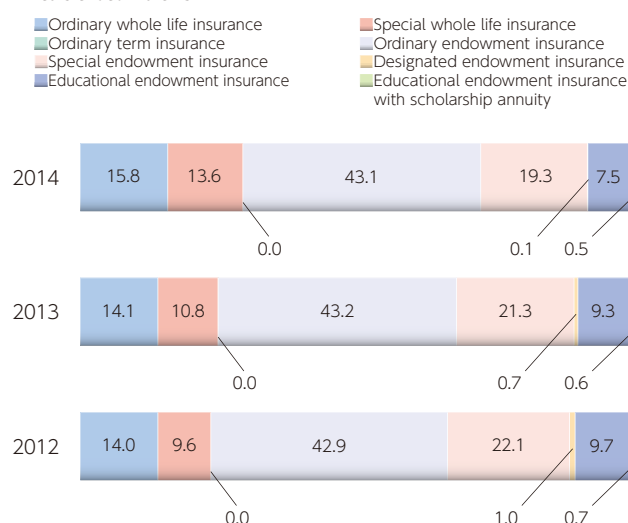
Years ended March 31



Composition of New Policies by Product

Years ended March 31

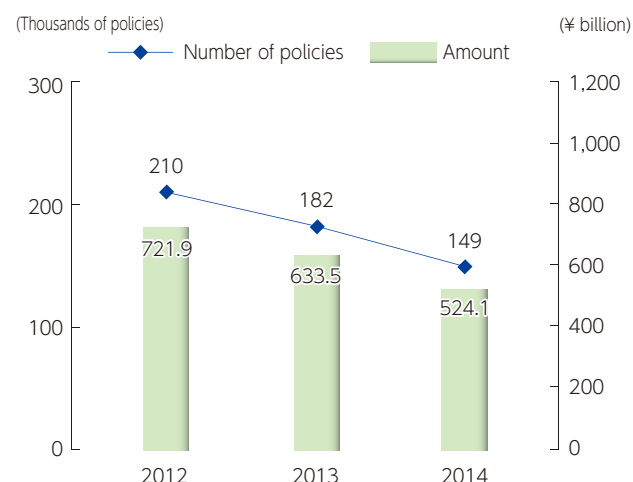
(%)



Individual Annuities

New Policies

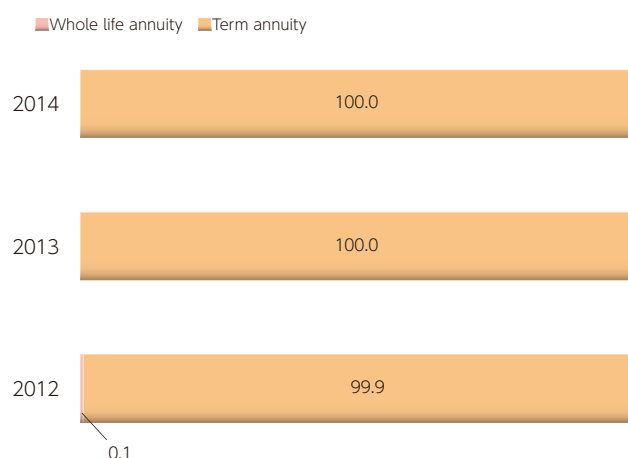
Years ended March 31



Composition of New Policies by Product

Years ended March 31

(%)



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

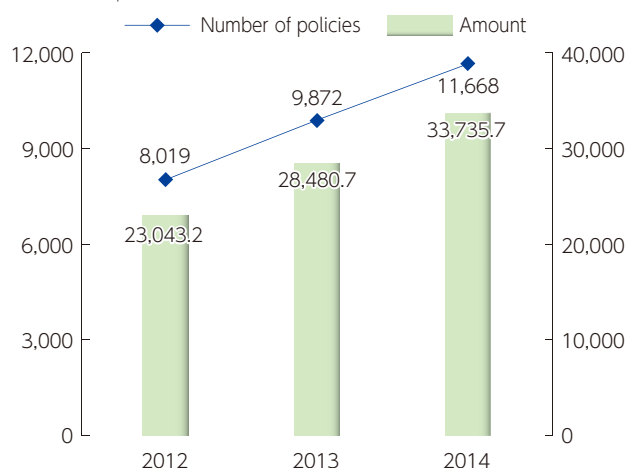
Policies in Force

Individual Insurance

Policies in Force

As of March 31

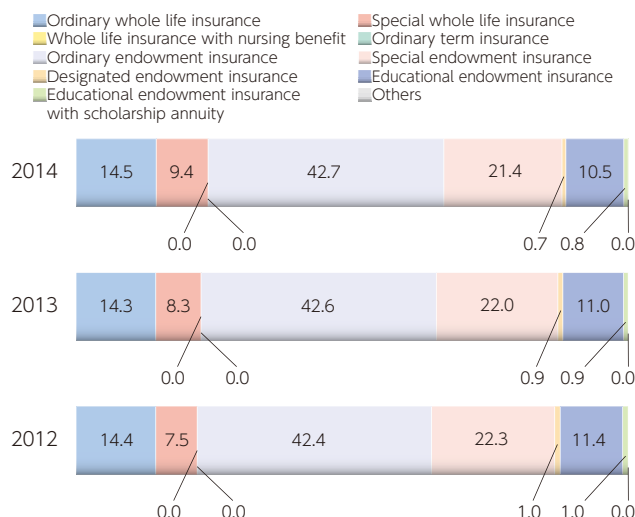
(Thousands of policies)



Composition of Policies in Force by Product

As of March 31

(%)



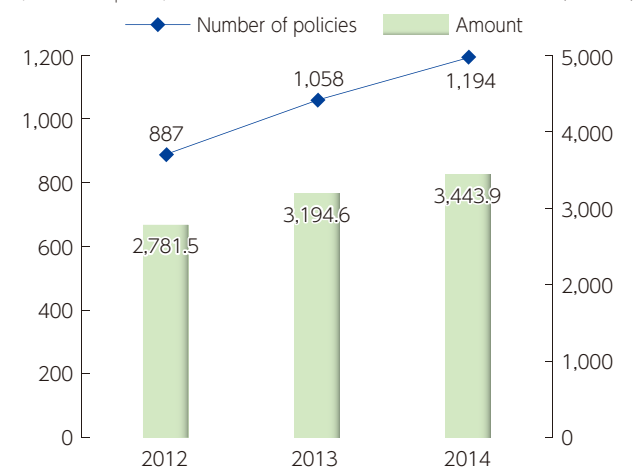
Note: Individual insurance does not include the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance.

Individual Annuities

Policies in Force

As of March 31

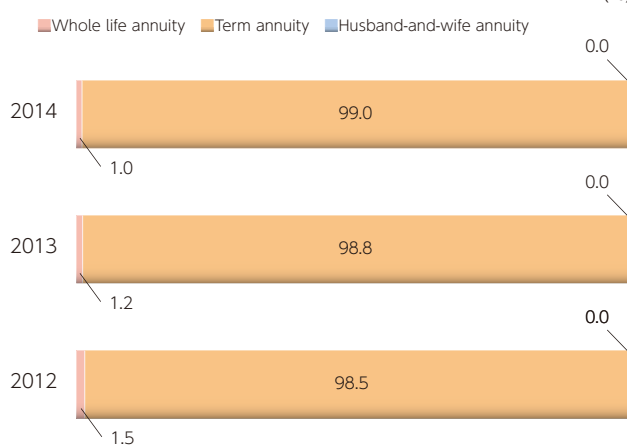
(Thousands of policies)



Composition of Policies in Force by Product

As of March 31

(%)



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. Individual annuities does not include the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance.

Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

As of March 31	2012		2013		2014	
	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount	Number of policies	Insured amount/ Annuity amount
Life insurance	31,016	85,854.2	26,934	73,991.4	23,196	63,358.9
Annuity	4,393	1,628.5	3,878	1,434.6	3,396	1,250.6

Note: These figures are based on standards applied by the Management Organization for Postal Savings and Postal Life Insurance when it calculates published numerical data.

5. Profits and Losses

In the fiscal year ended March 31, 2014, ordinary income was ¥11,233.9 billion, ordinary expenses were ¥10,770.4 billion and ordinary profit was ¥463.5 billion.

After deducting extraordinary losses of the provision for reserve for price fluctuations, etc., of ¥91.3 billion and the provision for reserve for policyholders' dividends of ¥242.1 billion from ordinary profit, income before income taxes and net income were ¥121.3 billion and ¥63.4 billion, respectively.

Key Line Items in the Statement of Income

(Billions of yen)

Years ended March 31	2012	2013	2014
Ordinary income	¥12,538.6	¥11,834.9	¥11,233.9
Insurance premiums and the other 1	6,856.4	6,481.7	5,911.6
Investment income 2	1,631.7	1,560.7	1,540.6
Other ordinary income 3	4,050.3	3,792.3	3,781.6
Ordinary expenses	12,007.2	11,305.5	10,770.4
Insurance claims and others 4	11,338.4	10,673.0	10,160.8
Provision for policy reserves and others 5	13.3	9.0	4.6
Investment expenses 6	63.0	29.5	18.1
Operating expenses 7	516.0	512.9	513.0
Other ordinary expenses 8	76.3	81.1	73.7
Ordinary profit	531.3	529.3	463.5
Extraordinary gains 9	—	0.1	—
Extraordinary losses 10	50.4	67.1	99.9
Provision for reserve for policyholders' dividends 11	271.9	307.4	242.1
Income before income taxes	208.9	154.9	121.3
Total income taxes 12	141.2	63.9	57.9
Net income	¥67.7	¥91.0	¥63.4

* For details, see the Financial Statements beginning on page 51 of this report.

1 Insurance premiums and the other	<p>Insurance premiums and the other is derived from insurance premiums paid by policyholders and represents the majority of life insurance companies' income.</p> <ul style="list-style-type: none"> ● Insurance premiums on the Postal Life Insurance policies under the reinsurance agreements with the Management Organization for Postal Savings and Postal Life Insurance: ¥2,155.3 billion
2 Investment income	<p>Investment income is derived from asset management. In addition to interest and dividends on securities, it also includes gains from money held in trust and gains on sales of securities, etc.</p> <ul style="list-style-type: none"> ● Interest, dividends and other income: ¥1,458.1 billion ● Gains on sales of securities: ¥71.0 billion
3 Other ordinary income	<p>Other ordinary income includes reversals of policy reserves, reversals of reserve for outstanding claims and other ordinary income items.</p> <ul style="list-style-type: none"> ● Reversal of policy reserves: ¥3,656.4 billion ● Reversal of reserve for outstanding claims: ¥115.4 billion
4 Insurance claims and others	<p>Insurance claims and others includes payments made under insurance policies such as insurance claims, annuities, benefits and refunds.</p> <ul style="list-style-type: none"> ● Insurance claims on the Postal Life Insurance policies under the reinsurance agreements with the Management Organization for Postal Savings and Postal Life Insurance: ¥9,477.4 billion
5 Provision for policy reserves and others	<p>Provision for policy reserves and others includes the provision for interest portion on reserve for policyholders' dividends.</p> <ul style="list-style-type: none"> ● Provision for interest portion on reserve for policyholders' dividends: ¥4.6 billion
6 Investment expenses	<p>Investment expenses includes costs incurred in earning investment income. It is itemized further into losses on sales of securities, losses on money held in trust, losses on valuation of securities and provision for allowance for doubtful accounts.</p> <ul style="list-style-type: none"> ● Losses on sales of securities: ¥10.2 billion
7 Operating expenses	<p>Operating expenses includes costs incurred in selling new policies, maintaining policies in force and paying insurance claims.</p> <p>These costs correspond to the selling, general and administrative expenses of regular business companies.</p>
8 Other ordinary expenses	<p>Other ordinary expenses includes taxes and depreciation.</p> <ul style="list-style-type: none"> ● Taxes: ¥38.1 billion ● Depreciation: ¥34.2 billion
9 Extraordinary gains	<p>Extraordinary gains includes unusual or unexpected gains.</p>
10 Extraordinary losses	<p>Extraordinary losses includes unusual or unexpected losses that are not part of the normal business activities of a life insurance company such as losses on disposal of fixed assets and provision for reserve for price fluctuations.</p> <ul style="list-style-type: none"> ● Provision for reserve for price fluctuations: ¥91.3 billion
11 Provision for reserve for policyholders' dividends	<p>Provision for reserve for policyholders' dividends includes the source for dividend payments to insurance policyholders.</p>
12 Total income taxes	<p>Total income taxes includes the sum of income taxes-current and income taxes-deferred.</p>

6. Assets and Liabilities

Compared with the end of March 2013, total assets fell by ¥3,373.7 billion to ¥87,088.6 billion.

Total net assets was ¥1,534.4 billion due to an increase in retained earnings and net unrealized gains on securities.

Key Line Items in Balance Sheet

(Billions of yen)

As of March 31	2012	2013	2014
Total assets	¥93,688.6	¥90,462.3	¥87,088.6
Cash and deposits 1	1,224.9	724.1	1,663.5
Money held in trust 2	242.7	256.8	581.6
Securities	74,587.1	72,558.1	69,378.9
Loans 3	13,929.0	12,691.5	11,020.5
Tangible fixed assets	85.8	85.9	89.3
Intangible fixed assets	102.1	106.9	126.0
Agency accounts receivable 4	115.1	133.9	102.6
Other assets 5	447.7	482.2	374.3
Deferred tax assets 6	369.7	461.5	592.6
Total liabilities and net assets	¥93,688.6	¥90,462.3	¥87,088.6
Total liabilities	¥92,396.5	¥88,997.5	¥85,554.1
Policy reserves and other reserves 7	88,651.0	84,746.0	80,799.9
Other liabilities 8	3,230.0	3,662.9	4,077.4
Reserve for employees' retirement benefits	56.8	58.3	59.3
Reserve for price fluctuations 9	458.2	522.8	614.2
Total net assets	¥1,292.0	¥1,464.7	¥1,534.4
Capital stock	500.0	500.0	500.0
Capital surplus	500.0	500.0	500.0
Retained earnings	234.8	308.9	349.6
Net unrealized gains on available-for-sale securities 10	57.1	155.7	184.7

* For details, see the Financial Statements beginning on page 51 of this report.

1 Cash and deposits	Life insurance companies invest the premiums they receive from their policyholders into securities, loans, etc. They also hold some of their overall assets in cash and deposits to meet insurance claims and other payments.
2 Money held in trust	Money held in trust refers to money that life insurance companies hold in trust bank accounts. These accounts are operated and managed by trust banks as instructed by investment advisor companies, etc.
3 Loans	These are policy loans, industrial and commercial loans and loans to the Management Organization for Postal Savings and Postal Life Insurance. <ul style="list-style-type: none"> ● Loans to Management Organization for Postal Savings and Postal Life Insurance: ¥10,203.0 billion ● Industrial and commercial loans: ¥763.2 billion ● Policy loans: ¥54.2 billion
4 Agency accounts receivable	Life insurance companies enter into agency contracts with agents to sell the companies' insurance products and collect premiums from policyholders. Agency accounts receivable is the total of monetary claims against those agencies. <ul style="list-style-type: none"> ● Funds for the payments of insurance claims and others which are commissioned to Japan Post Co., Ltd.
5 Other assets	These are assets that are not part of any of the other line items and include accounts receivable, accrued income and money on deposit. <ul style="list-style-type: none"> ● Accrued income: ¥195.1 billion
6 Deferred tax assets	Applying deferred tax accounting, Deferred tax assets includes the amount of tax expected to be recovered in future accounting periods. <ul style="list-style-type: none"> ● Deferred tax assets primarily includes deductible temporary differences for policy reserves of ¥485.0 billion and reserve for outstanding claims of ¥53.8 billion
7 Policy reserves and other reserves	Policy reserves and other reserves represents reserves mandated by the Insurance Business Act to cover future insurance claims and other payments. It is composed of a reserve for outstanding claims, policy reserves and a reserve for policyholders' dividends.
8 Other liabilities	These are liabilities that are not part of any of the other line items and include payables under securities lending transactions, accounts payable and accrued expenses. <ul style="list-style-type: none"> ● Payables under securities lending transactions: ¥3,703.1 billion ● Accounts payable: ¥229.9 billion ● Deposits received from Management Organization for Postal Savings and Postal Life Insurance: ¥66.2 billion
9 Reserve for price fluctuations	The purpose of this reserve is to protect against losses caused by fluctuations in the price of assets such as securities that are exposed to significant price declines. This reserve is set aside pursuant to Article 115 of the Insurance Business Act.
10 Net unrealized gains on available-for-sale securities	Net unrealized gains on available-for-sale securities are recorded for securities held by life insurance companies that are classified as available-for-sale securities, which are not classified as trading securities, policy reserve-matching bonds, held-to-maturity bonds or investments in subsidiaries and affiliates. These securities are measured at fair value and the net valuation gains (losses) are recorded on the Balance Sheet after taking the tax effect into consideration.

7. Embedded Value (EV)

¥3,386.8 billion

What is Embedded Value?

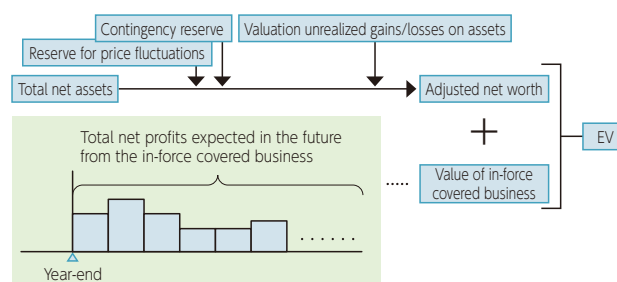
Embedded value (EV) is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the present value of the expected future profits from the in-force covered business.

Since the year ended March 31, 2013, Japan Post Insurance has been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") as additional information supplementary to the financial data provided under the current statutory accounting practices.

Outline of EV



EV as of March 31, 2014

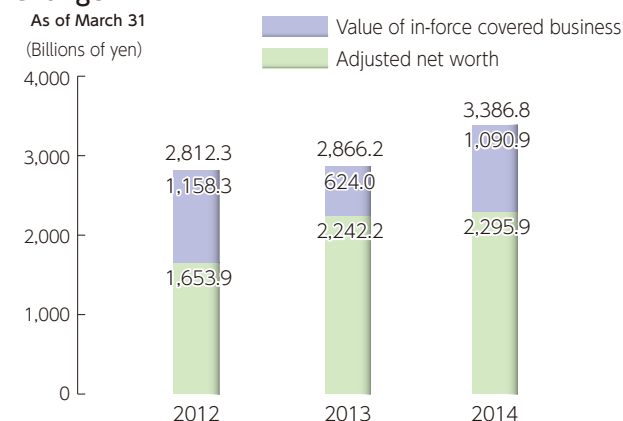
The EV of Japan Post Insurance as of March 31, 2014 was ¥3,386.8 billion, an increase of ¥520.5 billion from March 31, 2013.

Breakdown of EV

(Billions of yen)			
As of March 31	2012	2013	2014
EV	¥2,812.3	¥2,866.2	¥3,386.8
Adjusted net worth	1,653.9	2,242.2	2,295.9
Value of in-force covered business	1,158.3	624.0	1,090.9

Years ended March 31	2012	2013	2014
Value of new business	¥169.2	¥181.6	¥185.1

Change in EV



Adjusted net worth (ANW)	ANW is the sum of total net assets as defined under the statutory accounting practices; unrealized gains/losses on assets attributed to shareholders, not held at market value; and retained earnings, such as contingency reserve and reserve for price fluctuations, which are otherwise classified as liabilities in accordance with the statutory accounting practices.
Value of in-force covered business (VIF)	VIF is the present value of the future profits, as of the base date of calculation, expected from the in-force covered business.
Value of new business	Value of new business is the present value of the future profits, as at the time of sale, expected from the new business obtained during the fiscal year.

Third Party Review

We requested a third party (actuarial firm) with actuarial expertise and knowledge to review the methodology and assumptions used to calculate the EV results and obtained a written opinion verifying the validity. For details of this third party opinion, please refer to our website (http://www.jp-life.japanpost.jp/aboutus/press/2014/abt_prs_id000740.html) (written in Japanese)).

The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from the assumptions, we strongly recommend that the users exercise caution.

8. Asset Management Overview (General Account)

Our Investment Policies

Japan Post Insurance's operations are based on asset-liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and other obligations to policyholders. Our specific fundamental management approach is to match the cash flow required for our liabilities accruing in

the future with the cash flow we receive from yen-denominated interest-bearing assets that have a high level of affinity with the particular characteristics of those liabilities. With this approach our aim is to earn stable profits while mitigating interest volatility risk.

Investment Environment in the Fiscal Year Ended March 31, 2014

During the fiscal year ended March 31, 2014, the world economy remained on a slow-growth track. The economies of the United States and several other developed countries were brisk, but growth of emerging country economies slowed. The Japanese economy continued on a moderate recovery path supported by monetary easing and fiscal stimulus measures under the government's new economic policies. Meanwhile, the U.S. economy picked up at a firm pace under a gradual recovery in employment conditions. In the Eurozone economy, there were visible signs of a pickup, mainly in Germany, although

the economies of such heavily indebted countries as Spain and Italy remained constricted by fiscal austerity policies. The Chinese economy decelerated due to concerns about the nation's financial system and the government's stance of emphasizing the quality of growth.

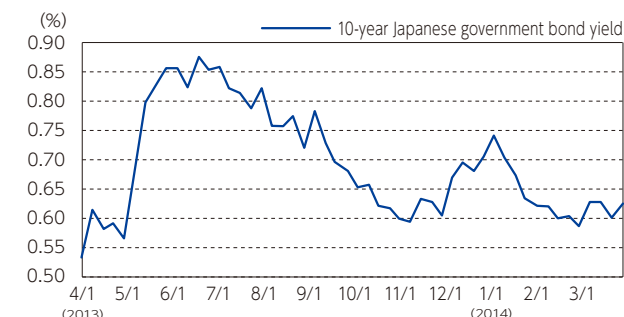
The central banks of developed countries are continuing easy money policies, beginning with the BOJ's quantitative and qualitative monetary easing, although the United States has begun gradually tapering its quantitative easing. Under these economic circumstances, the investment environment was as follows.

(1) Domestic Bond Market

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

After starting at the 0.5% level, the long-term yield in the first half declined temporarily to the 0.3% level in response to the BOJ's April 4 announcement of quantitative and qualitative easing. However, the long-term yield then reversed course and momentarily spiked to the 1.0% range in reaction to short- and medium-term bond selling by Japanese banks and to a rise in U.S. long-term interest rates in response to improving U.S. economic indicators. Subsequently, the BOJ's dialogue with market players and flexible bond-buying operations restored calm in the markets and the yield gradually drifted down to the upper 0.6% range. Entering the second half, the domestic long-term yield moved up to the 0.7% level through the end of the

year due to the impact of a rise in U.S. long-term interest rates and an increase in Japanese equities prices. Following the start of the new year, however, the yield retreated back to the 0.6% level amid tightened supply-demand for JGBs along with the BOJ's JGB purchases.



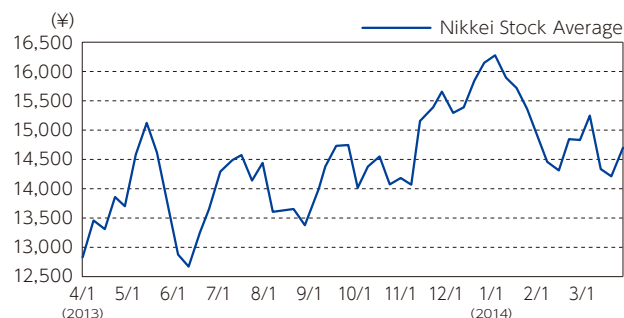
Data source: see page 34

(2) Domestic Stock Market

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

In the first half, the Nikkei Stock Average soared to nearly ¥16,000 from April through mid-May due to a weakening of the yen in reaction to expectations that the new administration would implement economic policies, beginning with quantitative and qualitative easing by the BOJ. In June, the yen strengthened and Nikkei Stock Average temporarily plunged to the lower ¥12,000 range in response to concerns about the start of tapering of quantitative easing in the United States. In the second half, however, while making a series of advances and retreats, the Nikkei Stock Average gradually trended upward to reach the ¥16,000 level in December due to the impact of high U.S. stock prices accompanying the U.S. economic recovery

and favorable corporate earnings in Japan. Entering 2014, rising concerns that frigid weather would cause the U.S. economy to stall and an increase in risk-averse positions along with mounting tensions over the Ukrainian situation sent the Nikkei Stock Average plunging to the ¥14,000 level, where it finished the period.



Data source: see page 34

(3) Foreign Exchange Markets

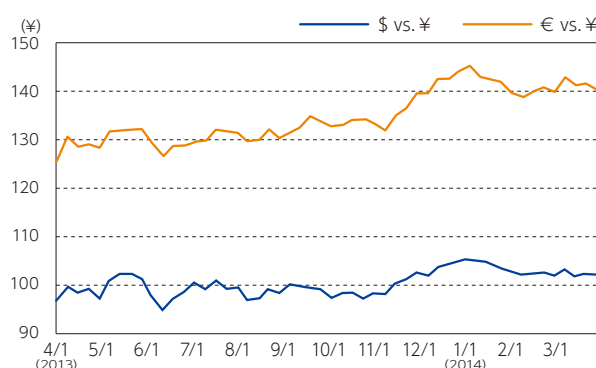
The U.S. dollar/yen exchange rate started the period at the ¥94/US dollar range before the yen weakened to close at the upper ¥102/US dollar level at fiscal year-end.

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

Entering the second half, the yen once again began weakening and reached the ¥105/US dollar level at the end of 2013 in response to firm growth in the U.S. economy and factoring in expectations of a tapering of monetary easing in the United States. From the start of 2014, the yen's weakening paused in response to fears that a cold wave would chill the U.S. economic recovery and to mounting tensions over the situation in the Ukraine, and the yen closed the period in the upper ¥102/US dollar range.

The euro/yen exchange rate began the period at the ¥120/EUR range, with the euro subsequently strengthening in response to a softening of the yen and rising expectations of a pickup in the Eurozone economy as concerns about European sovereign debt

receded. In November, although the European Central Bank (ECB) cut interest rates as medium-range inflationary pressures waned, funds continued flowing into the Eurozone and the euro maintained its upward momentum even after the start of the new year and closed the fiscal year at the upper ¥141/EUR level.



•Data sources: As of March 31, 2014
Nomura Research Institute, Ltd., Bloomberg, Nikkei Inc. and Bank of Tokyo-Mitsubishi UFJ, Ltd.
•Nikkei Stock Average is copyrighted by Nikkei Inc.

Performance Overview

(1) Assets

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

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

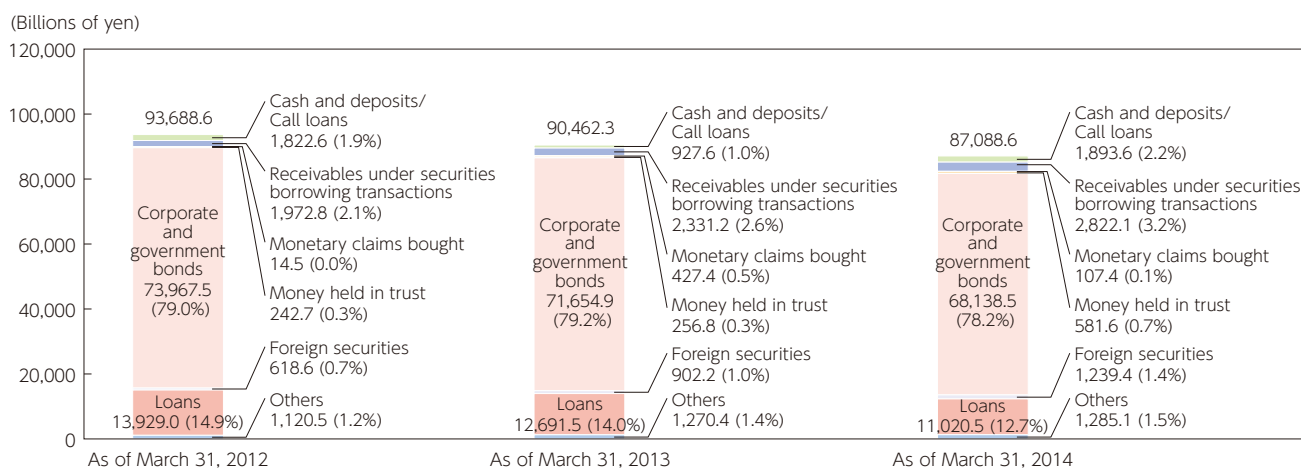
During the fiscal year under review, we made investments in corporate and government bond holdings, primarily of long-term

and super long-term bonds, in view of their value as assets that secure stable income.

Our management of investments of money held in trust centers on domestic equities and others.

Loans receivable include syndicated loans, loans to local governments and policy loans. The loans receivable balance decreased due to the repayment of loans made to the Management Organization for Postal Savings and Postal Life Insurance.

Composition of Assets



(2) Asset Management Yield

Careful investment primarily in yen-denominated interest-bearing assets gave Japan Post Insurance an asset management yield of 1.71%.

Asset Management Yield

Years ended March 31	2012	2013	2014
Yield	1.66%	1.67%	1.71%

Note: Asset management yield includes capital gains and losses, etc (please refer to page 116 of this report).

(3) Holdings of Securitized Financial Instruments and Investments Related to Subprime Loans

Holdings of Securitized Financial Instruments

(Billions of yen)

Item	As of March 31, 2012		As of March 31, 2013		As of March 31, 2014	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	434.1	14.5	450.1	22.9	446.9	20.1

Note: Residential Mortgage-backed Securities (RMBS) are a type of security backed by mortgages.
The RMBS held by Japan Post Insurance are backed by housing loans in Japan.

Investments Related to Subprime Loans

Japan Post Insurance has no investments related to subprime loans.

Operations of Japan Post Insurance

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1. Internal Control Systems

Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the most highly trusted

insurance company. We will establish systems for the execution of our business based on the principle of self-responsibility, and will continue our efforts to enhance our organization and systems.

Outline of Organization and Systems

We have adopted a “company with committees” system, which separates the roles of management supervision and business execution, assigning the former to the Board of Directors and the latter to the Executive Officers, to establish clear responsibility for management of the Company.

Within the organization of the Board of Directors, we have set up three committees, the Nomination Committee, the Audit Committee and the Compensation Committee, to ensure the fairness of the management supervision function to be performed by the Board of Directors. Each committee fulfills the following roles:

- The Nomination Committee determines proposals for General Shareholders' Meetings concerning the appointment and dismissal of Directors.
- The Audit Committee monitors the execution of duties by Directors and Executive Officers; determines resolutions for submission to General Shareholders' Meetings concerning the appointment and dismissal of accounting auditors and other related matters; and approves the compensation for accounting auditors as determined by Directors.
- The Compensation Committee formulates compensation policies for Directors and Executive Officers and determines the detailed compensation for each individual.

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO. The Executive Committee comprises the President, CEO and the Executive Officers in charge of respective business operations. In addition, we set up the following seven specialized committees to serve as an advisory body to the Executive Committee. With regard to such matters delegated to each Executive Officer, cross-sectional issues are discussed by the respective specialized committees.

1 Earnings Management Committee

This Committee deliberates on investment and sales policies and related issues. It also performs appropriate earnings management by monitoring and analyzing such matters as the overall management of Japan Post Insurance's assets and liabilities and status of various earnings.

2 Risk Management Committee

This Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as the implementation of risk management. It also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters.

3 Compliance Committee

This Committee deliberates on management policies concerning compliance, specific compliance operations and response to various issues. It also works to ensure legal compliance and prevent misconduct by monitoring and analyzing such matters as the progress made in the Company's compliance promotion efforts.

4 CS Committee

This Committee promotes improvement of customer convenience and our services to customers by deliberating on improvement efforts based on customer feedback as well as measures designed to raise the level of customer satisfaction.

5 Product Development Committee

This Committee promotes the development of products tailored to customer needs by deliberating on policies for the development of insurance products and examining important matters from a multifaceted perspective.

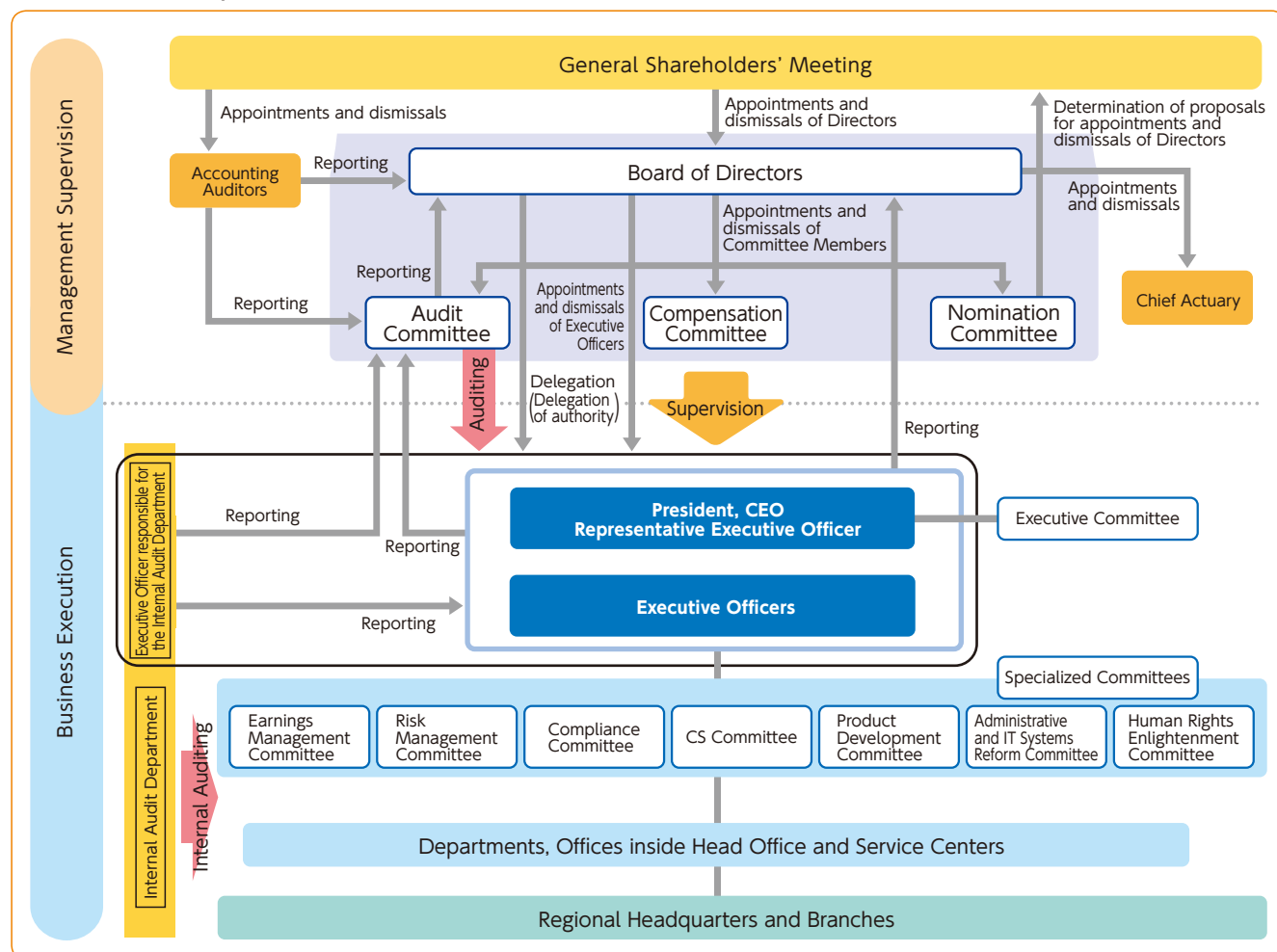
6 Administrative and IT Systems Reform Committee

This Committee discusses basic policies and related matters for system development and promotes the reform of administrative operations and IT systems by monitoring and analyzing such matters as the progress made in each of the Company's major IT projects.

7 Human Rights Enlightenment Committee

This Committee deliberates on basic policies to ensure that employees always act with respect for human rights and examines measures to facilitate human rights enlightenment activities.

Internal Control System



Internal Audit Environment

To contribute to sound and appropriate business operations, we established an Internal Audit Department that is independent of our operational organization. With this measure, we have set up an environment to inspect and assess the Company's internal control environment and the appropriateness and effectiveness of our business execution.

The Internal Audit Department carries out internal audits of various internal and external entities, including individual sections within the Head Office, Service Centers, Regional Headquarters, branches and subsidiaries of Japan Post Insurance as well as through the sales agencies of Japan Post.

Business sections where problems or issues have been identi-

fied in an internal audit must carry out the corrections or improvements that the audit indicates. Follow-up inspections are undertaken to determine the status of those efforts. The Internal Audit Department reports on the results of internal audits as well as other matters to the President, CEO and the Audit Committee.

The Internal Audit Department is also seeking to upgrade the specialized skills required for auditing by enhancing its training programs for internal auditors and encouraging staff to obtain related certification. At the same time, the Department is taking steps to strengthen the Company's internal audit environment through such efforts as securing human resources well versed in each area of the Company's operations.

2. Achieving Thorough Compliance

Japan Post Insurance defines compliance as all its executives and employees comply not only with the laws, regulations and internal rules but also with social standards of behavior and corporate ethics.

To further our goal to become Japan's most familiar and trusted insurance company, we place the highest priority on compliance in the management of our business. To that end, company-wide efforts are undertaken to achieve thorough implementation of compliance.

Compliance Policies

We have established our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the Japan Post Group's Charter of Corporate Conduct and Fundamental Compliance Policy stipulated by Japan Post Holdings Co., Ltd., together with the Fundamental Policy for Establishment of Internal Control Systems stipulated by the Company's Board of Directors. To provide a guide to the laws and regulations and other rules that concern our corporate activities, we have created a Compliance Manual that is distributed to all departments at our Head

Office, branches and other relevant parties. For our executives' and employees' easy reference at any time, we have also produced a Compliance Handbook, which describes the essentials of the Compliance Manual, as well as a Pocket-Size Compliance Card, which contains a summary of our management philosophy and other directives. In addition, we work to undertake thorough implementation of compliance through our Compliance Program, a plan developed annually to lay out specific details for promoting compliance.

Compliance Promotion System

To promote compliance within our organization, we have established the Compliance Committee, headed by the Executive Officer responsible for the Compliance Control Department, and been holding meetings regularly.

The Compliance Committee deliberates on the management policies concerning compliance, specific compliance operations and response to various issues. It also works to achieve thorough implementation of compliance and prevent misconduct by monitoring and analyzing the Company's compliance promotion efforts. Also, the Chief Compliance Officer (CCO) reports on important matters to the Executive Committee, Audit Committee and Board of Directors, and takes responsibility in operating and maintaining our compliance framework. The Compliance Control Department, which has been created to supervise compliance within the Company, plans and coordinates overall compliance-related matters. We have also established Regional Compliance Divisions at 13 locations nationwide, which operate under direct control of our Head Office. Within their respective geographical areas of responsibility, these divisions oversee general compliance planning, coordination, promotion and guidance, and manage response to violations of compliance.

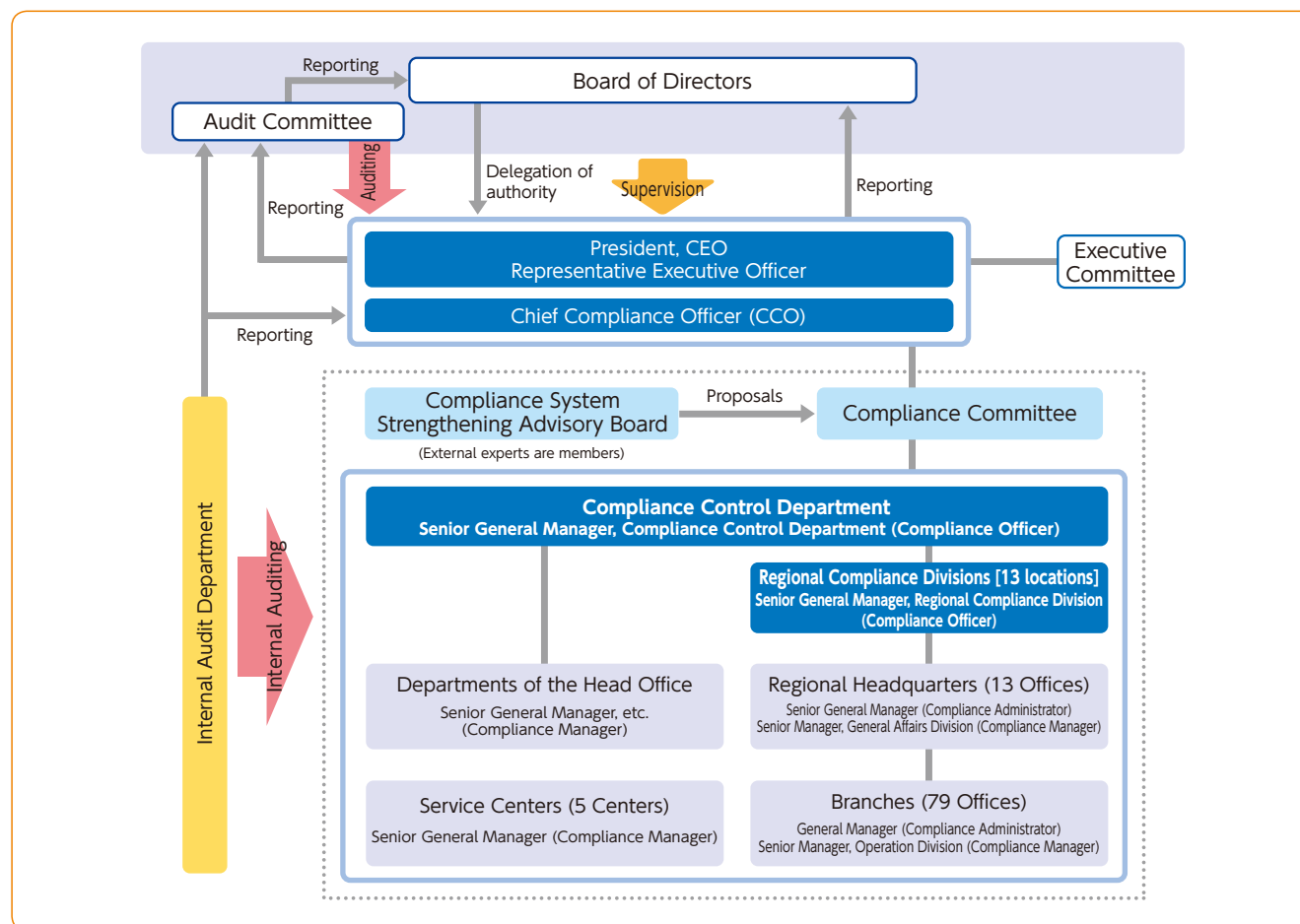
In order to build a system to promote compliance company-

wide, we have appointed the heads of the Compliance Control Department and Regional Compliance Divisions as Compliance Officers. In addition, as the officers responsible for the promotion of compliance, we have appointed a Compliance Manager at our Head Office and Service Centers, as well as Compliance Administrators and Compliance Managers at our Regional Headquarters and branches.

To discuss matters related to the enhancement and reinforcement of the compliance framework of Japan Post Co., Ltd., which serves as our insurance agent, we have set up a liaison meeting, members of which include the CCO. We also provide guidance to post offices and manage their compliance activities through this committee. In addition, we have established a Compliance System Strengthening Advisory Board comprised of external experts and knowledgeable persons. This Board provides neutral and professional appraisals of matters such as the current status of our compliance along with recommendations on the future direction of our compliance efforts. We utilize these appraisals and recommendations to enhance our compliance framework.

The Internal Audit Department conducts internal audits of how we observe the laws and regulations, and checks the adequacy and effectiveness of our compliance promotion system.

Compliance Promotion System



Implementing Compliance Education

Through our Compliance Program, we conduct training courses that include Compliance Administrators and Compliance Managers at our Head Office, branches and other locations. The program covers explanations and instructions regarding the role of persons in charge of compliance, as well as important points to note and other details regarding compliance in our business activities. In order to raise awareness of compliance, we also conduct

training courses via e-learning for all executives and employees.

Within respective sections at our Head Office, branches and other business units, we carry out activities designed to enhance compliance awareness. These activities include the use of business study groups and meetings. We also offer various training programs and compliance-related information to post offices.

3. Management of Conflicts of Interest

Japan Post Group has released the Japan Post Group Conflicts of Interest Management Policy. This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

In line with this Policy, Japan Post Insurance has put in place a system for the proper management of conflicts of interest

transactions, with the Compliance Control Department assuming responsibility for managing and controlling conflicts of interest. To prevent our customers' interests from being unduly harmed, we have committed to engage in appropriate business conduct that complies with laws and regulations, internal rules and ethical standards.

4. Protecting Personal Information

(1) Fundamental Approach to Personal Information

We are fully aware of the seriousness of society's demands for the protection of personal information. We are proceeding with

measures that will provide proper protection for personal information in accordance with relevant laws and standards of behavior.

(2) System of Protection of Personal Information

As our internal control system for providing security for personal data, we have appointed a Chief Personal Information Protection Officer, who exercises overall control for our entire Company's administrative processes pertaining to the protection of personal

information. We also appoint persons undertaking management of these administrative processes in each department. This system enables us to implement the proper protection and handling of personal information.

5. Risk Management System

Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. Amid such circumstances, we need to maintain sound business management now and into the future in order to manage precious funds entrusted to us from customers and ensure payment of the sum insured to secure their living in time of need. In this respect, appropriate risk management has become increasingly important.

In view of such conditions, we address the conduct of effective risk management according to the risk profiles of life insurance business as one of management's highest priorities. Our Basic Risk Management Policy stipulates basic matters concerning our risk management systems and techniques, and we conduct risk management in accordance with this policy. We define and manage risks by category. Furthermore, we manage each risk through comprehensive risk management.

Outline of Risk Management Systems

We have formulated our Basic Risk Management Policy based on the Japan Post Group Basic Risk Management Policy stipulated by Japan Post Holdings and the Fundamental Policy for Establishment of Internal Control Systems defined by the Company's Board of Directors. According to our Basic Risk Management, we work to identify, monitor and manage risks associated with the conduct of our business. We also set up a Risk Management Committee headed by the Chief Risk Officer (CRO), which meets regularly.

The Risk Management Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as the implementation of risk management. This Committee also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters. The CRO reports on important matters to the Executive Committee, Audit Committee and Board of Directors.

Also, the CRO is responsible for operating and upgrading the overall risk management system. The Risk Management Department,

assuming overall control of risk management, verifies the appropriateness of the status of risk management and risk management standards in each risk category, and works to monitor overall risk on a company-wide basis.

Each of the Executive Officers in charge of risk management sections of respective risk categories also takes responsibility in operating and upgrading the system to manage assigned risks. Risk management sections work to manage their assigned risks based on the risk management standards of respective risk categories, while operating a mutual checks and balances system with sections carrying out business operations.

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

In enforcing risk management, we collaborate with risk management sections of Japan Post Holdings.

Comprehensive Risk Management

To ensure our sound corporate management, we implement comprehensive risk management in accordance with the following policies.

- 1) Each risk management section undertakes risk management duly considering risks that the Company may face, based on the risk management standards and by using specified management techniques. The Risk Management Department verifies the appropriateness of these standards and techniques on a regular basis.
- 2) Among the risks mentioned above, we identify those that can be quantified and manage them by checking the balance between the combined risk amount and available capital. Given that there are various techniques available to evaluate the corporate value of life insurance companies, we specifically selected the following two methods.

- Assessment based on economic values*
- Assessment based on current accounting standards

* Assessment based on economic values is carried out in a manner that is consistent with embedded value (EV) results. EV is a corporate value indicator for life insurance companies. For more information on EV, please refer to page 32 or 112 of this report.

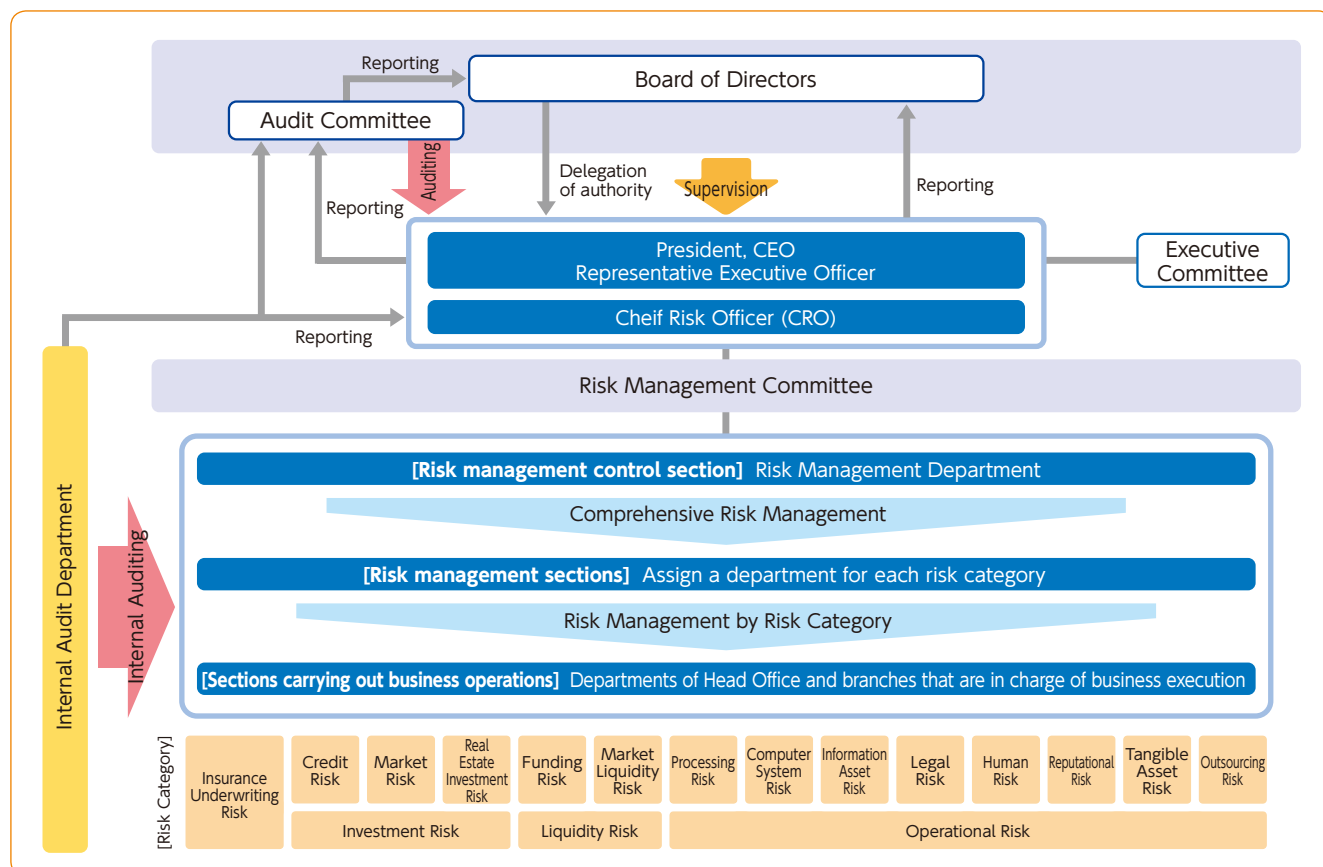
In addition, we are setting up an enterprise risk management (ERM) system, under which we seek to achieve the optimum balance between maintaining financial soundness and improving profitability (capital efficiency) while working to enhance our corporate value in a stable and sustainable manner.

Stress Testing

In order to identify the impacts of extreme market movements, we measure the potential amount of loss by implementing stress tests based on various scenarios such as the largest fluctuations in interest rates, exchange rates and stock prices in the past 10 years. In addition, we also estimate the potential amount of loss resulting from catastrophic risk, which is risk that has a substantial

impact on our financial strength, such as the increase of insurance payments due to a major earthquake or pandemic. The results of stress tests are reported to the Risk Management Committee and Executive Committee on a regular basis, thus contributing to ensuring our sound corporate management.

Risk Management System



Risk Categories and Definitions

Japan Post Insurance classifies and defines risks into the following categories, and has established a management system and rules

in accordance with each risk characteristics. We are taking various steps to refine our risk management.

Risk Category	Definition
Insurance Underwriting Risk	The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors in contrary to the projections made at the time when premiums were set.
Investment Risk	The risk that consists of following credit, market and real estate investment risks.
Credit Risk	The risk of losses arising when the value of assets (including off-balance-sheet assets) decrease or become worthless due to a deterioration in the financial condition of a borrower or counterparty.
Market Risk	The risk of losses arising from fluctuations in the value of assets (including off-balance-sheet assets) due to fluctuations in various market risk factors such as interest rates, securities prices, foreign exchange and other markets. (The associated risks, such as credit risk related with market risk are collectively called "Market-related Risk".) This risk has the following three components;
1) Interest Rate Risk	The risk of losses arising from fluctuations in interest rates. The risk of earning decline or losses arising from interest rates fluctuations when there are mismatches of interest rates or cash-flows between assets and liabilities.
2) Price Volatility Risk	The risk of declines in the price of assets due to fluctuations in the value of securities and other financial instruments.
3) Foreign Exchange Risk	The risk of losses due to differences in foreign exchange rates from initial assumed rates in cases where there is a net surplus of assets or liabilities denominated in foreign currencies.
Real Estate Investment Risk	The risk of losses due to decline in profitability of real estate caused by factors such as the changes of rents, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.
Liquidity Risk	The risk that consists of following funding risk and market liquidity risk.
Funding Risk	The risk of losses due to being forced to sell assets at an extremely lower price than normal as a result of a deterioration in cash management caused by the factors such as a decrease of premium income following the decline of new business caused by factors such as a worsening financial conditions, an increase in payments of termination refund following a large amount of policy cancellations, and cash outflows following a significant natural disaster.
Market Liquidity Risk	The risk of losses due to being forced to conduct transactions at extremely unfavorable prices than normal or being unable to conduct market transactions because of market turmoil.
Operational Risk	The risk of losses due to improper business processing, inappropriate behavior by executives and employees, improper computer system operations, or external events.
Processing Risk	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engaging in unlawful activities.
Computer System Risk	The risk of losses due to system failures or malfunction, system defects and unauthorized use of computers.
Information Asset Risk	The risk of losses due to a loss of information resulting from system failures or inappropriate processing, alteration, unauthorized use or external leakage of information.
Legal Risk	The risk of losses or damages in the form of payment of compensation (including settlements), surcharges or fines accompanying customer and other complaints, lawsuits or administrative actions caused by failing to fully comply with laws, government or ministerial ordinances, announcements, agreements, internal rules, procedures or manuals, etc.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions in terms of personnel management.
Reputational Risk	The risk of direct or indirect losses to the company or any other subsidiaries due to the spread of vague information such as rumors, speculations or reputation with regard to the company or any other subsidiaries, and the spread of misunderstandings, misperceptions or exaggerated interpretations associated with an accident or unlawful acts among policyholders or the mass media, etc.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The operational risk that may occur or increase when the company outsources its operation of insurance firms.

6. Incorporating Customer Feedback in Our Business

Japan Post Insurance recognizes that the “voices of our customers” serve as valuable feedback. We believe that reviewing our services daily based on customer input in order to increase our customers’ satisfaction is fundamental to improving our business.

In addition to developing and improving products and services,

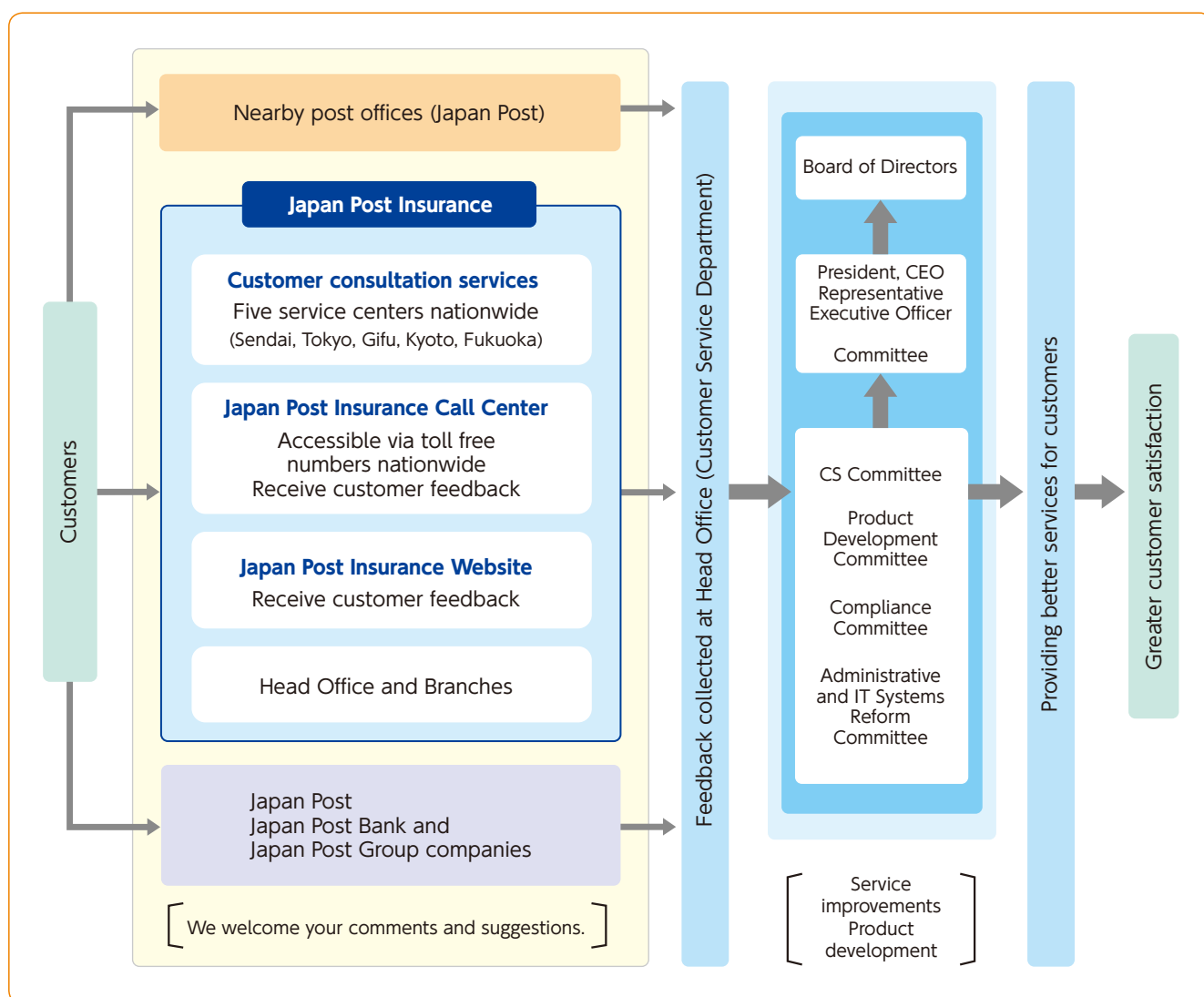
we utilize our customer feedback system to ensure sound and appropriate operations. Our Directors and Executive Officers as well as our employees give careful consideration to and act on the comments and suggestions received from customers.

Using Feedback from Each Customer to Increase Customers’ Satisfaction

Customer feedback is compiled and centrally managed by our Customer Service Department. We analyze the feedback, identify management issues and devise solutions to improve our services

and develop superior products. Through this process, we aim to provide services that bring satisfaction to our customers.

Product and Service Improvements Using Customer Feedback



Number and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2013 to March 31, 2014 was as follows.

Items	April 2013 to March 2014	%
Purchases of insurance policies	49,242	14.9%
Payments of premiums, etc.	25,235	7.6%
Procedures, dividends and other issues following the purchase of a policy	46,487	14.1%
Payments of insurance benefits	146,634	44.4%
Payment certificates	44,937	13.6%
Other issues	17,372	5.3%
Total	329,907	100.0%

Note: Japan Post Insurance defines all expressions of customer dissatisfaction as "complaints."

Customer Satisfaction Survey

We conduct customer satisfaction surveys to seek feedback directly from customers and utilize these customer inputs in providing better insurance services in the future.

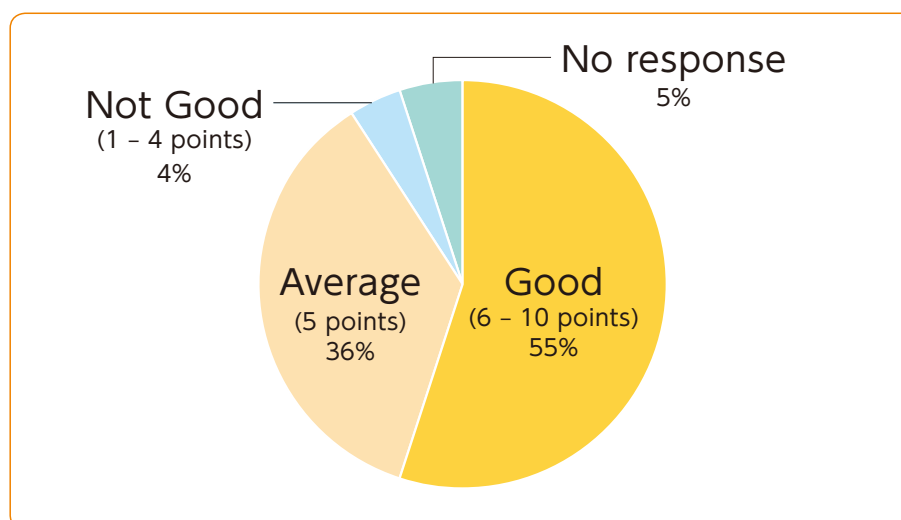
[Overview of Customer Satisfaction Survey Conducted in the Year Ended March 2014]

- Period of survey: November 2013
- Survey targets: Customers who purchased our products for the first time, and those who filed claims for maturity, death, hospitalization and other benefits
- Number of questionnaires sent: 30,000
- Number of questionnaires returned: 7,654

[Survey Results]

The general satisfaction level was rated "Good" (6 to 10 points on a 10-point scale) by approximately 50% of respondents. We will continue to undertake efforts to improve our customer service to receive higher points from more customers.

General Satisfaction Level



Compliments and Positive Comments

During the period from April 1, 2013 to March 31, 2014, we received a total of 16,421 compliments and positive comments from our customers.

<Sample Voices of Our Customers>

- "I am elderly, and the staff was very thorough in explaining details of the product I was purchasing, making sure that I understood everything. I am glad I purchased that product".
- "I received a policy maturity notice three months before the actual maturity date. It is convenient that I can take necessary procedures in advance, and the staff at the counter were very kind. I am pleased with your service".

Examples of Improvements Made through Customer Feedback

Feedback

It is inconvenient that the certificate of premiums payment does not show the total amount of premiums paid during the year.

Improvement

As a general rule, all our premiums payment certificates now show a yearly total. We also made revisions to the statements printed on the back of the certificate to make it easier to understand for customers. (October 2013)

Feedback

Procedures to file claims for maturity benefits are cumbersome. Couldn't you make them simpler?

Improvement

We now allow customers to receive maturity benefits without filing claims by having them specify a bank account to receive maturity benefits upon the purchase of a product. (September 2013)

Feedback

When do you send me a payment slip for the first premium payment? Why can't I have it when I purchase an insurance policy?

Improvement

We have changed our process and now issue the first premium payment slip (for Japan Post Bank branches) with the purchase of an insurance policy. (October 2013)

7. Information Systems to Support Customers

System Development Efforts

Since the start of our operations in October 2007, Japan Post Insurance has been promoting system development in order to reform our administrative operations and IT systems for simply, quickly and accurately performing functions ranging from underwriting to claims payments and to provide better quality services to customers.

With particular emphasis on supporting consulting activities that promote interaction with customers and providing stable services, we fully leverage the network of post offices as a source of safety, reassurance, trust and convenience for customers. To help facilitate these efforts, we started operating a New Policy Processing System in October 2011. This system is designed to support the entire process concerning new policy processing from formulating insurance plans to the conclusion of insurance policies. We are currently working to enhance the system's functional capabilities.

In October 2013, we replaced our mobile terminals used for proposing insurance policies, going through contractual procedures and collecting premiums from policyholders with multi-purpose tablet devices capable of wireless communication. These new devices enable our sales force to propose insurance products in an even more customer-friendly manner and immediately check the status of policies held by customers at their home or other locations outside post offices.

In addition, we will launch a new system service in April 2014 for corporate customers to collect insurance premiums individually by company or organization. Meanwhile, we have started the phased implementation of a Claim Payment Processing System (SATI) designed to improve customer service through simple, quick and accurate payments of insurance benefits.



Initiatives for Next Core Systems Development

Currently, we are undertaking development of backbone systems, as existing systems will enter a renewal or upgrade cycle in January 2017. Our efforts are aimed at improving systems quality and development productivity as well as reducing system-related costs.

We will continue to promote the enhancement of our IT systems that support our efforts to improve customer service, which include implementing business processing that is easier to understand for customers and building a structure to offer meticulous customer support.

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Notes: (1) Figures (except for %) shown in this Annual Report have been truncated, with exceptions as indicated.
 (2) [-] indicates "not applicable," and [0] indicates less than one unit.

1. Preparation of the consolidated and nonconsolidated financial statements

- (1) Japan Post Insurance Co., Ltd. (the "Company") prepares the consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No. 28 of 1976, hereinafter the "Ordinance on Consolidated Financial Statements") except for the classification of assets and liabilities, and income and expenses, which complies with the Ordinance for Enforcement of the Insurance Business Act (the Ordinance of the Ministry of Finance No. 5 of 1996).

Comparative information included in the consolidated financial statements for the current consolidated fiscal year (from April 1, 2013 to March 31, 2014) is prepared in accordance with the Ordinance on Consolidated Financial Statements (before amendments) as prescribed in Article 3, Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance on Partial Revision of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Cabinet Office Ordinance No. 61 of September 21, 2012) except for the classification of assets and liabilities, and income and expenses, which complies with the Ordinance for Enforcement of the Insurance Business Act (before amendments) as prescribed in Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance on Partial Revision of the Ordinance for Enforcement of the Banking Act, etc. (Cabinet Office Ordinance No. 63 of September 27, 2013).

- (2) The Company prepares the nonconsolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of the Ministry of Finance Ordinance No. 59 of 1963, hereinafter the "Ordinance on Financial Statements, etc.") except for the classification of assets and liabilities, and income and expenses, which complies with the Ordinance for Enforcement of the Insurance Business Act (Ordinance of the Ministry of Finance No. 5 of 1996).

Comparative information included in the nonconsolidated financial statements for the current fiscal year (from April 1, 2013 to March 31, 2014) is prepared in accordance with the Ordinance on Financial Statements, etc. (before amendments) as prescribed in Article 2, Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance on Partial Revision of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Cabinet Office Ordinance No. 61 of September 21, 2012) except for the classification of assets and liabilities, and income and expenses, which complies with the Ordinance for Enforcement of the Insurance Business Act (before amendments) as prescribed in Paragraph 2 of the Supplementary Provisions of the Cabinet Office Ordinance on Partial Revision of the Ordinance for Enforcement of the Banking Act, etc. (Cabinet Office Ordinance No. 63 of September 27, 2013).

2. Audit certification

The consolidated financial statements for the consolidated fiscal year (from April 1, 2013 to March 31, 2014) and nonconsolidated financial statements for the fiscal year (from April 1, 2013 to March 31, 2014) are audited by KPMG AZSA LLC pursuant to the provisions in Article 13, Paragraph 2 of the Ordinance for Enforcement of the Japan Post Holdings Co., Ltd., Act.

3. Initiatives to ensure the appropriateness of the consolidated financial statements, etc.

The Company makes efforts to ensure the appropriateness of the consolidated financial statements, etc. The Company is a member of the Financial Accounting Standards Foundation, obtains necessary information, and participates in training courses or seminars held by external organizations in order to understand accounting standards, etc. properly and respond in a timely manner to changes in accounting standards.

The Company also establishes basic policies and manuals in order to prepare appropriate consolidated financial statements, etc.

Consolidated Balance Sheet

(Millions of yen)

As of March 31	2014	2013
Assets		
Cash and deposits	¥ 1,670,837	¥ 726,649
Call loans	230,025	203,452
Receivables under securities borrowing transactions	2,822,188	2,331,286
Monetary claims bought	107,448	427,417
Money held in trust	581,627	256,832
Securities	*1, 2, 7, 9 69,377,991	*1, 2, 7, 9 72,557,197
Loans	*3, 4 11,020,585	*3 12,691,554
Tangible fixed assets	*5 89,453	*5 86,064
Land	40,726	40,728
Buildings	33,353	33,305
Lease assets	1,507	1,394
Construction in progress	1,648	15
Other tangible fixed assets	12,218	10,621
Intangible fixed assets	124,161	105,865
Software	124,130	105,821
Lease assets	12	19
Other intangible fixed assets	18	24
Agency accounts receivable	102,651	133,911
Reinsurance receivables	234	—
Other assets	374,099	482,150
Deferred tax assets	592,532	462,214
Allowance for doubtful accounts	(1,036)	(1,095)
Total assets	¥87,092,800	¥90,463,501

(Millions of yen)

As of March 31	2014		2013	
Liabilities				
Policy reserves and other reserves		¥80,799,941		¥84,746,052
Reserve for outstanding claims	*8	831,690		947,123
Policy reserves	*8,11	77,745,490	*11	81,401,981
Reserve for policyholders' dividends	*6	2,222,759	*6	2,396,947
Reinsurance payables		1,234		191
Other liabilities	*7,12	4,080,744	*7,12	3,661,604
Reserve for possible claim payments		1,881		7,003
Reserve for employees' retirement benefits		—		58,821
Reserve for directors' retirement benefits		—		173
Liability for retirement benefits		56,627		—
Reserve under the special law		614,233		522,872
Reserve for price fluctuations	*11	614,233	*11	522,872
Total liabilities		¥85,554,663		¥88,996,720
Net assets				
Capital stock		¥ 500,000		¥ 500,000
Capital surplus		500,044		500,044
Retained earnings		351,010		310,958
Total shareholders' equity		1,351,054		1,311,002
Net unrealized gains on available-for-sale securities		184,774		155,778
Deferred gains (losses) on derivatives under hedge accounting		11		—
Defined retirement benefit plan		2,296		—
Total accumulated other comprehensive income		187,082		155,778
Total net assets		¥ 1,538,136		¥ 1,466,780
Total liabilities and net assets		¥87,092,800		¥90,463,501

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

1) Consolidated Statement of Income

(Millions of yen)

Years ended March 31		2014	2013
Ordinary income		¥11,234,114	¥11,834,945
Insurance premiums and the other	*3	5,911,643	6,481,772
Investment income		1,540,615	1,560,789
Interest, dividends and other income		1,458,190	1,500,194
Gains from money held in trust		9,736	—
Gains on sales of securities		71,074	60,344
Gains on redemption of securities		54	62
Foreign exchange gains		1,452	—
Other investment income		107	188
Other ordinary income		3,781,854	3,792,383
Reversal of reserve for outstanding claims	*2	115,432	48,611
Reversal of policy reserves	*2	3,656,490	3,741,858
Other ordinary income		9,931	1,912
Ordinary expenses		10,771,365	11,305,998
Insurance claims and others		10,160,877	10,673,000
Insurance claims	*4	9,511,326	10,189,390
Annuity payments		256,746	197,107
Benefits		33,941	26,231
Surrender benefits		220,263	154,965
Other refunds		135,968	105,305
Reinsurance premiums		2,631	—
Provision for policy reserves and others		4,627	9,008
Provision for interest portion on reserve for policyholders' dividends		4,627	9,008
Investment expenses		18,122	29,515
Interest expenses		4,963	3,753
Losses on money held in trust		—	4,108
Losses on sales of securities		10,205	19,665
Losses on redemption of securities		62	78
Losses on derivative financial instruments		2,161	318
Foreign exchange losses		—	672
Provision for allowance for doubtful accounts		8	18
Other investment expenses		721	900
Operating expenses	*1	513,999	513,256
Other ordinary expenses		73,738	81,216
Ordinary profit		462,748	528,946
Extraordinary gains		—	127
Other extraordinary gains		—	127
Extraordinary losses		100,030	67,107
Losses on disposal of fixed assets		8,670	1,958
Provision for reserve under the special law		91,360	64,656
Provision for reserve for price fluctuations		91,360	64,656
Group reorganization expenses		—	491
Provision for reserve for policyholders' dividends	*5	242,146	307,427
Income before income taxes and minority interests		120,571	154,540
Income taxes - current		200,724	199,441
Income taxes - deferred		(142,955)	(135,580)
Total income taxes		57,769	63,861
Income before minority interests		62,802	90,678
Minority interests		—	—
Net income		¥ 62,802	¥ 90,678

2) Consolidated Statement of Comprehensive Income

(Millions of yen)

Years ended March 31	2014	2013
Income before minority interests	¥62,802	¥ 90,678
Other comprehensive income		
Net unrealized gains on available-for-sale securities	28,996	98,627
Deferred gains (losses) on derivatives under hedge accounting	11	—
Total other comprehensive income	*1 29,007	*1 98,627
Total comprehensive income	¥91,810	¥189,305
Total comprehensive income attributable to:		
Owners of the parent	91,810	189,305
Minority interests	—	—

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2014

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	¥500,000	¥500,044	¥310,958	¥1,311,002
Changes during the year				
Dividends			(22,750)	(22,750)
Net income			62,802	62,802
Net changes other than shareholders' equity				
Total changes during the year	—	—	40,052	40,052
Balance at the end of the year	¥500,000	¥500,044	¥351,010	¥1,351,054

	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	¥155,778	¥ —	¥ —
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	28,996	11	2,296
Total changes during the year	28,996	11	2,296
Balance at the end of the year	¥184,774	¥11	¥2,296

For the year ended March 31, 2013

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at the beginning of the year	¥500,000	¥500,044	¥237,213	¥1,237,257
Changes during the year				
Dividends			(16,933)	(16,933)
Net income			90,678	90,678
Net changes other than shareholders' equity				
Total changes during the year	—	—	73,745	73,745
Balance at the end of the year	¥500,000	¥500,044	¥310,958	¥1,311,002

	Accumulated other comprehensive income		
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Defined retirement benefit plan
Balance at the beginning of the year	¥ 57,151	¥—	¥—
Changes during the year			
Dividends			
Net income			
Net changes other than shareholders' equity	98,627		
Total changes during the year	98,627	—	—
Balance at the end of the year	¥155,778	¥—	¥—

Consolidated Statement of Cash Flows

(Millions of yen)

Years ended March 31	2014	2013
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 120,571	¥ 154,540
Depreciation	34,074	34,390
Increase (decrease) in reserve for outstanding claims	(115,432)	(48,611)
Increase (decrease) in policy reserves	(3,656,490)	(3,741,858)
Interest portion on reserve for policyholders' dividends	4,627	9,008
Provision for reserve for policyholders' dividends	242,146	307,427
Increase (decrease) in allowance for doubtful accounts	(59)	16
Increase (decrease) in reserve for possible claim payments	(5,122)	7,003
Increase (decrease) in reserve for directors' retirement benefits	(173)	7
Increase (decrease) in reserve for employees' retirement benefits	—	1,521
Increase (decrease) in liability for retirement benefits	(2,193)	—
Increase (decrease) in reserve for price fluctuations	91,360	64,656
Interest, dividends and other income	(1,458,190)	(1,500,194)
Losses (gains) related to securities	(60,861)	(40,662)
Interest expenses	4,963	3,753
Foreign exchange losses (gains)	(1,452)	672
Losses (gains) related to tangible fixed assets	280	148
Group reorganization expenses	—	491
Decrease (increase) in agency accounts receivables	31,259	(18,725)
Decrease (increase) in reinsurance receivables	(234)	—
Decrease (increase) in other assets (excluding investing and financing activities)	(26,487)	(56,923)
Increase (decrease) in reinsurance payables	1,043	(75)
Increase (decrease) in other liabilities (excluding investing and financing activities)	(11,090)	(20,093)
Others, net	2,263	6,369
Subtotal	(4,805,197)	(4,837,137)
Interest and dividend income received	1,653,556	1,581,800
Interest expenses paid	(4,911)	(3,754)
Policyholders' dividends paid	(420,523)	(430,448)
Others, net	—	(363)
Income taxes paid	(174,063)	(245,738)
Net cash provided by (used in) operating activities	(3,751,139)	(3,935,642)

(Millions of yen)

Years ended March 31	2014	2013
Cash flows from investing activities		
Payments for purchases of call loans	¥(32,758,125)	¥(30,330,152)
Proceeds from redemption of call loans	32,731,552	30,724,414
Payments for purchases of monetary claims bought	(2,746,495)	(2,044,334)
Proceeds from sales and redemption of monetary claims bought	3,066,421	1,632,157
Payments for increase in money held in trust	(290,000)	(10,000)
Proceeds from decrease in money held in trust	13,813	34,951
Payments for purchases of securities	(6,587,951)	(7,800,780)
Proceeds from sales and redemption of securities	9,806,272	9,936,387
Origination of loans	(1,610,231)	(1,802,395)
Proceeds from collection of loans	3,273,164	3,034,426
Net increase (decrease) in receivables/payables under securities borrowing/ lending transactions	97,715	313,935
Others, net	(229,212)	(197,656)
Total of net cash provided by (used in) investment transactions	4,766,922	3,490,954
(Total of net cash provided by (used in) operating activities and investment transactions)	1,015,783	(444,688)
Payments for purchases of tangible fixed assets	(6,052)	(4,629)
Proceeds from sales of tangible fixed assets	9	—
Payments for purchases of intangible fixed assets	(39,808)	(33,868)
Others, net	(2,550)	(659)
Net cash provided by (used in) investing activities	4,718,522	3,451,797
Cash flows from financing activities		
Repayments of lease obligations	(444)	(355)
Dividends paid	(22,750)	(16,933)
Net cash provided by (used in) financing activities	(23,195)	(17,289)
Effect of exchange rate changes on cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	944,187	(501,134)
Cash and cash equivalents at the beginning of the year	726,649	1,227,784
Cash and cash equivalents at the end of the year	*1 ¥ 1,670,837	*1 ¥ 726,649

Notes to the consolidated financial statements

Basis of presentation

(1) The accompanying consolidated financial statements of Japan Post Insurance Co., Ltd. (the "Company") and its subsidiary (collectively, the "Companies") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Basis for preparation of the consolidated financial statements

1. Scope of consolidation

All subsidiaries have been consolidated.

Number of consolidated subsidiaries: One

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

2. Application of the equity method

None

3. Fiscal year end of consolidated subsidiary

The consolidated subsidiary has the same fiscal year end as that of the consolidated financial statements.

4. Significant accounting policies

(1) Valuation methods for significant assets

1) Securities

Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:

(i) Held-to-maturity bonds

Stated at amortized cost (straight-line method), determined by the moving-average method

(ii) Policy-reserve-matching bonds (in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants) Stated at amortized cost (straight-line method), determined by the moving-average method

(iii) Available-for-sale securities

a. Available-for-sale securities with fair value

Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.

b. Available-for-sale securities whose fair value is extremely difficult to measure

• Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments

Valued at the amortized cost (straight-line method), determined by the moving-average method

• Others

Valued at cost determined by the moving-average method

Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

2) Derivatives

Derivatives are reported at fair value.

(2) Depreciation methods for significant depreciable assets

1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the straight-line method.

Estimated useful lives of major assets are as follows:

(i) Buildings, attached improvements and structures

2 to 55 years

(ii) Other tangible fixed assets

2 to 20 years

2) Intangible fixed assets (excluding lease assets)

Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

3) Lease assets

Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

(3) Allowances and reserves

1) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.

For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.

For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

2) Reserve for possible claim payments

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

(4) Accounting treatment for retirement benefits

1) Attribution method for projected retirement benefit obligations
The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

2) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

3) Application of the simplified method for small companies

The consolidated subsidiary applies the simplified method to calculate its retirement benefit obligations and retirement benefit costs.

(5) Calculation method for reserve for price fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

(6) Hedge accounting

1) Hedge accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). Fair value hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

2) Hedging instruments and hedged items

(i) Hedging instruments ... foreign currency forward contracts

Hedged items ... foreign currency-denominated bonds

(ii) Hedging instruments ... interest rate swaps

Hedged items ... loans

3) Hedging policies

Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts and interest rate swaps under special hedge accounting, which demonstrate a high correlation between hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

(7) Scope of cash and cash equivalents

The scope of "Cash and cash equivalents" in the consolidated statement of cash flows is composed of "Cash and bank deposits" in the consolidated balance sheet.

(8) Other significant policies

1) Policy reserves

Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

(i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).

(ii) Reserves for other policies are established based on the net level premium method.

In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.

2) Accounting treatment for consumption taxes

National and local consumption taxes are accounted for using the tax-exclusion method.

3) Consolidated tax payment system

Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

Changes in accounting policies

The Company has applied "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) (excluding the provisions of Paragraph 35) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (excluding the provisions of Paragraph 67) from the year ended March 31, 2014, and the liability for retirement benefits has been changed to be presented as the amount of retirement benefit obligations, net of plan assets. Unrecognized actuarial gain or loss is included in the liability for retirement benefits.

The Company applied the transitional treatment stipulated in Paragraph 37 of ASBJ Statement No. 26, and included the effect of this accounting change in accumulated other comprehensive income as defined retirement benefit plan.

Accordingly, the Company reported a liability of ¥56,627 million for retirement benefits as of March 31, 2014, and accumulated other comprehensive income increased by ¥2,296 million.

Accounting standards not yet applied

For ASBJ Statement No. 26 and ASBJ Guidance No. 25 (collectively, "retirement benefits standards"), the Company will apply the following in accordance with the policy of Japan Post Holdings Co., Ltd., its parent company.

(1) Summary

The retirement benefit standards have 1) revised accounting treatment of unrecognized gains and losses and unrecognized prior service cost, and improved disclosure items, and 2) revised the calculation method of retirement benefit obligations and service cost.

(2) Effective date

The Company will apply 2) from the fiscal year beginning on April 1, 2014.

(3) Effect of the application of the accounting standards

The beginning balance of retained earnings for the fiscal year beginning on April 1, 2014, will decrease by ¥3,533 million due to the application of the retirement benefit standards.

Notes to the Consolidated Balance Sheet

*1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:

(1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2014	2013
Carrying amount	¥17,953,667	¥23,508,816
Fair value	19,052,820	24,927,941

(2) The risk management policy for policy-reserve-matching bonds is as follows:

The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.

- 1) The Postal Life Insurance contracts category
- 2) The Japan Post Insurance contracts (general) category
- 3) The Japan Post Insurance contracts (single premium annuity) category

*2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2014	2013
Carrying amount	¥3,380,035	¥2,815,546

*3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans.

The respective definitions of the loans are as follows:

Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 or 96-1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.

Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.

Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.

Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

*4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2014	2013
Unused commitments related to loans	¥1,250	¥—

*5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2014	2013
Accumulated depreciation	¥63,547	¥62,676

*6. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2014	2013
Balance at the beginning of the year	¥2,396,947	¥2,511,441
Policyholders' dividends paid during the year	420,523	430,448
Increase due to interest accrued during the year	4,627	9,008
Decrease due to purchasing additional annuity benefits	438	481
Provision for reserve for policyholders' dividends	242,146	307,427
Balance at the end of the year	2,222,759	2,396,947

*7. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2014	2013
Securities	¥3,380,035	¥2,815,546

The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2014	2013
Payables under securities lending transactions	¥3,703,176	¥3,114,558

Note: The amount is included in "Other liabilities" in the consolidated balance sheet.

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

*8. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims-ceded") is as follows:

(Millions of yen)

As of March 31	2014	2013
Reserve for outstanding claims-ceded	¥82	¥-

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves-ceded") is as follows:

(Millions of yen)

As of March 31	2014	2013
Policy reserves-ceded	¥183	¥-

*9. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2014	2013
Fair value	¥2,816,810	¥2,330,656

10. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2014	2013
Estimated amount of future contributions	¥18,834	¥14,672

*11. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2014	2013
Policy reserves (excluding contingency reserve)	¥57,879,628	¥64,325,970
Contingency reserve	2,350,030	2,514,762
Reserve for price fluctuations	554,723	480,865

*12. "Other liabilities" in the consolidated balance sheet include "Deposits from the Management Organization". "Deposits from the Management Organization" represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

The carrying amount of "Special deposits from the Management Organization" in the consolidated balance sheet is as follows:

(Millions of yen)

As of March 31	2014	2013
Carrying amount	¥66,221	¥78,877

Notes to Consolidated Statement of Income

*1. The breakdown of operating expenses is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Sales activity expenses	¥190,508	¥196,940
Sales administration expenses	13,847	13,647
General administration expenses	309,643	302,668

*2. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

*3. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2014	2013
Insurance premiums	¥2,155,398	¥2,685,558

*4. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:

(Millions of yen)

Years ended March 31	2014	2013
Insurance claims	¥9,477,426	¥10,165,661

*5. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Provision for reserve for policyholders' dividends	¥222,812	¥281,642

Notes to the Consolidated Statement of Comprehensive Income

*1. Reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

Years ended March 31	2014	2013
Net unrealized gains on available-for-sale securities		
Net unrealized gains during the year	¥ 32,105	¥117,878
Reclassification adjustments	8,502	24,294
Before income tax effect	40,608	142,172
Income tax effect	(11,611)	(43,545)
Net unrealized gains on available-for-sale securities	28,996	98,627
Deferred gains (losses) on derivatives under hedge accounting		
Deferred gains (losses) during the year	16	—
Reclassification adjustments	—	—
Before income tax effect	16	—
Income tax effect	(4)	—
Deferred gains (losses) on derivatives under hedge accounting	11	—
Total other comprehensive income	¥ 29,007	¥ 98,627

Notes to the Consolidated Statement of Changes in Net Assets

(For the year ended March 31, 2014)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
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

None

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	¥1,137.51	March 31, 2013	May 15, 2013

(2) Dividends for which the record date falls within the year ended March 31, 2014, and the effective date falls after March 31, 2014

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2014	Common stock	¥16,808 million	Retained earnings	¥840.43	March 31, 2014	May 15, 2014

(For the year ended March 31, 2013)

1. Class and number of shares issued and treasury stock

(Thousands of shares)

	Number of shares at the beginning of the year	Number of shares increased during the year	Number of shares decreased during the year	Number of shares at the end of the year
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

None

3. Dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends paid	Dividends per share	Record date	Effective date
Board meeting held on May 15, 2012	Common stock	¥16,933 million	¥846.68	March 31, 2012	May 16, 2012

(2) Dividends for which the record date falls within the year ended March 31, 2013, and the effective date falls after March 31, 2013

Resolution	Class of shares	Total amount of dividends paid	Source of dividends	Dividends per share	Record date	Effective date
Board meeting held on May 14, 2013	Common stock	¥22,750 million	Retained earnings	¥1,137.51	March 31, 2013	May 15, 2013

Notes to the Consolidated Statement of Cash Flows

*1. Reconciliation of cash and cash equivalents at the end of the year to the amounts disclosed in the consolidated balance sheet is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Cash and deposits	¥1,670,837	¥726,649
Cash and cash equivalents	1,670,837	726,649

Leases

As lessee

1. Non-ownership transferable finance leases

(1) Lease assets

Lease assets include the following tangible fixed assets: vehicles

(2) Depreciation method

See Note 4. Significant accounting policies (2) Depreciation methods for significant depreciable assets.

2. Operating leases

Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2014	2013
Due within one year	¥448	¥ 957
Due after one year	—	448
Total	¥448	¥1,406

Financial Instruments

1. Qualitative information on financial instruments

(1) Investment policies

In order to maintain sound management and ensure the payments of insurance claims and benefits, the Company engages in cash flow matching between assets and liabilities based on the profile of liabilities using interest-bearing assets denominated in yen. The Company manages investments in local governments and corporate bonds denominated in yen for which it can expect higher returns than from government bonds to improve profitability. The Company is also strengthening its risk management.

The Company uses derivatives as hedging instruments to mitigate foreign exchange risk and interest rate risks, limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes.

(2) Nature and risks associated with financial instruments

Financial assets held by the Company consist primarily of securities and loans, which are managed through asset liability management (ALM). Securities are exposed to credit risk of issuers, and price fluctuation risk and interest rate fluctuation risk. Bonds denominated in foreign currencies are also exposed to foreign exchange fluctuation risk. Loans with floating interest rates are exposed to interest rate fluctuation risk.

Derivatives used by the Company consist primarily of foreign exchange forward and interest rate swap contracts. The Company uses those derivatives as primary hedging instruments to mitigate foreign exchange risk and interest rate risk, limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes. Accordingly, the associated market risks of those derivatives are mitigated and limited.

(3) Risk management

1) Market risk management

(i) Management of price fluctuation risk

The Company has an investment policy to secure stable asset management by investing in interest-bearing assets denominated in yen, mainly government bonds, and price fluctuation risk associated with investments in securities, classified as other than those held-to-maturity or policy-reserve-matching, is limited. The Risk Management Department assesses and monitors price fluctuation risk using the Value at Risk (VaR) method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(ii) Management of foreign exchange risk

The Company primarily invests in interest-bearing assets denominated in yen, and its exposure to foreign exchange risk associated with investments in foreign currency denominated assets is limited. The Risk Management Department assesses and monitors foreign exchange risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee. The Company applies hedge accounting by using foreign exchange forward contracts to hedge foreign exchange risk associated with certain foreign currency denominated bonds in order to mitigate the risk.

(iii) Management of interest rate risk

The Company performs asset management through ALM in order to mitigate interest rate risk. The Risk Management Department assesses and monitors interest rate risk using the VaR method under the internal rules for market risk management and periodically reports the results to the Risk Management Committee.

(iv) Derivative transactions

The Company establishes the rule that the Company limits the use of derivatives to hedging transactions and does not use derivatives for speculation purposes. The Company establishes credit limits for counterparties. The Company selects counterparties with high credit quality, taking into account internal credit rating and other information. The Risk Management Department assesses and monitors price fluctuation risk associated with derivative transactions, and periodically reports the results to the Risk Management Committee.

2) Management of credit risk

The Company assigns an internal credit rating to each counterparty or individual transaction and assesses and monitors credit risk using the VaR method under the internal rules for credit risk management. The Company establishes a credit limit for each corporate group or industry in order to avoid concentration of risk into a particular corporate group or industry.

The Risk Management Department assesses and monitors credit risk. The Investment Risk Monitoring Department monitors each counterparty or individual transaction based on internal credit rating and credit limit. The results of those risk management activities are periodically reported to the Risk Management Committee.

(4) Further notes on fair values of financial instruments

The Company determines fair values based on quoted market price and uses valuation techniques to calculate reasonable value when quoted market price is not available. Fair values may vary depending on inputs used for valuation technique employed.

The contract amount disclosed in the note "(Derivative Transactions)" does not represent market risk of derivative transactions.

2. Fair values of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and the differences between the two are as follows.

The following tables do not include financial instruments whose fair value is extremely difficult to measure (see Note 2).

(As of March 31, 2014)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 1,670,837	¥ 1,670,837	¥ —
Available-for-sale securities (negotiable certificates of deposit)	704,300	704,300	—
(2) Receivables under securities borrowing transactions	2,822,188	2,822,188	—
(3) Monetary claims bought	107,448	107,448	—
Available-for-sale securities	107,448	107,448	—
(4) Money held in trust (*1)	581,627	581,627	—
(5) Securities	69,237,991	73,506,909	4,268,917
Held-to-maturity bonds	45,257,324	48,427,090	3,169,765
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	6,026,999	6,026,999	—
(6) Loans (*2)	11,020,493	11,973,916	953,422
Policy loans	54,271	54,271	—
Industrial and commercial loans	763,206	804,957	41,750
Loans to the Management Organization	10,203,015	11,114,687	911,671
Total assets	¥85,440,588	¥90,662,928	¥5,222,340
Payables under securities lending transactions (*3)	¥ 3,703,176	¥ 3,703,176	¥ —
Total liabilities	¥ 3,703,176	¥ 3,703,176	¥ —
Derivative assets and liabilities (*4)	¥ [15,638]	¥ [15,638]	¥ —
Hedge accounting not applied	—	—	—
Hedge accounting applied	[15,638]	[15,638]	—
Total derivative assets and liabilities	¥ [15,638]	¥ [15,638]	¥ —

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

(*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.

(*3) The amount is included in "Other liabilities" in the consolidated balance sheet.

(*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(As of March 31, 2013)

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 726,649	¥ 726,649	¥ —
Available-for-sale securities (negotiable certificates of deposit)	366,100	366,100	—
(2) Receivables under securities borrowing transactions	2,331,286	2,331,286	—
(3) Monetary claims bought	427,417	427,417	—
Available-for-sale securities	427,417	427,417	—
(4) Money held in trust (*1)	256,832	256,832	—
(5) Securities	72,417,197	77,479,501	5,062,304
Held-to-maturity bonds	43,282,092	46,925,271	3,643,179
Policy-reserve-matching bonds	23,508,816	24,927,941	1,419,124
Available-for-sale securities	5,626,288	5,626,288	—
(6) Loans (*2)	12,691,471	13,753,202	1,061,730
Policy loans	35,924	35,924	—
Industrial and commercial loans	676,709	718,395	41,686
Loans to the Management Organization	11,978,837	12,998,882	1,020,044
Total assets	¥88,850,855	¥94,974,890	¥6,124,034
Payables under securities lending transactions (*3)	¥ 3,114,558	¥ 3,114,558	¥ —
Total liabilities	¥ 3,114,558	¥ 3,114,558	¥ —
Derivative assets and liabilities (*4)	¥ [5,179]	¥ [5,179]	¥ —
Hedge accounting not applied	—	—	—
Hedge accounting applied	[5,179]	[5,179]	—
Total derivative assets and liabilities	¥ [5,179]	¥ [5,179]	¥ —

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

(*2) The amount of allowance for doubtful accounts is deducted from the carrying amount of loan.

(*3) The amount is included in "Other liabilities" in the consolidated balance sheet.

(*4) Derivative assets and liabilities are presented on a net basis. Net derivative liabilities are presented in parentheses.

(Note 1) Fair value measurement methods of financial instruments

• Assets

(1) Cash and deposits

The carrying amount of deposits (including negotiable certificates of deposit) approximates fair value because of their short maturity (less than one year). The carrying amount is deemed as the fair value.

(2) Receivables under securities borrowing transactions

The carrying amount of receivables under securities borrowing transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

(3) Monetary claims bought

The fair value of monetary claims bought accounted for as securities as defined in the Accounting Standard for Financial Instruments (ASBJ Statement No. 10) is measured using the same method as described in "(5) Securities."

(4) Money held in trust

The fair value of stocks is based on quoted market price, and the fair value of mutual funds is based on net asset value.

Note for money held in trust by classification is included in "(Money Held in Trust)."

(5) Securities

The value of bonds is primarily based on prices published by industry associations (e.g., Reference Statistical Prices published by the Japan Securities Dealers Association) or prices quoted by financial institutions.

Note for securities by classification is included in "(Securities)."

(6) Loans

The carrying amount of policy loans (including those for Postal Life Insurance contracts included in the loans to the Management Organization) approximates fair value because of their characteristics (e.g., credit limit is established within the balance of cash surrender value), short-maturity and interest rate conditions. The carrying amount is deemed as the fair value.

The carrying amount of variable rate loans included in industrial and commercial loans approximates the fair value because the future cash flows reflect market interest rate immediately. The carrying amount is deemed as the fair value.

The fair value of fixed-rate loans included in industrial and commercial loans and loans to the Management Organization (excluding policy loans) is based on the price calculated by discounting future cash flows to the present value.

• Liabilities

Payables under securities lending transactions

The carrying amount of payables under securities lending transactions approximates fair value because of the short term until settlement (less than one year). The carrying amount is deemed as the fair value.

• Derivative transactions

See "(Derivative transactions)."

The fair value of interest rate swaps is included as an integral part of loans, which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(Note 2) Financial instruments whose fair value is extremely difficult to measure are as follows:

(Millions of yen)

As of March 31	2014	2013
Unlisted stock	¥140,000	¥140,000

(Note 3) Scheduled redemption of monetary receivables and securities with maturities
(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3- 5 years	5-7 years	7-10 years	Over 10 years
Cash and deposits with maturities	¥ 704,300	¥ –	¥ –	¥ –	¥ –	¥ –
Receivables under securities borrowing transactions	2,822,188	–	–	–	–	–
Monetary claims bought	81,000	–	–	–	–	25,278
Securities	5,158,868	13,016,431	10,964,422	4,600,991	7,342,106	27,378,558
Held-to-maturity bonds	3,614,348	6,028,517	6,155,676	2,353,733	3,782,059	22,847,540
Government and corporate bonds	3,614,348	6,028,517	6,155,676	2,255,733	3,782,059	22,847,540
Government bonds	3,558,100	4,581,900	3,532,400	197,000	659,500	21,574,200
Local government bonds	54,848	741,127	1,833,818	1,827,595	2,310,376	873,590
Corporate bonds	1,400	705,490	789,458	231,138	812,183	399,750
Foreign securities	–	–	–	98,000	–	–
Policy-reserve-matching bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government and corporate bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Government bonds	775,100	4,640,560	3,535,900	1,492,300	2,484,100	3,962,400
Local government bonds	163,575	189,861	50,394	73,312	205,885	66,500
Corporate bonds	75,726	–	18,831	18,180	42,211	27,800
Available-for-sale securities with maturities	530,119	2,157,491	1,203,621	663,465	827,850	474,318
Government and corporate bonds	530,119	2,142,053	1,028,458	577,101	181,220	442,450
Government bonds	3,700	907,400	20,000	–	–	–
Local government bonds	149,842	353,093	257,888	1,000	–	–
Corporate bonds	376,577	881,560	750,570	576,101	181,220	442,450
Foreign securities	–	15,438	175,162	86,364	646,630	31,867
Loans	1,815,014	1,929,903	1,703,875	1,476,998	1,832,300	2,262,035
Total assets	¥10,581,372	¥14,946,334	¥12,668,298	¥6,077,989	¥9,174,407	¥29,665,872

(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3- 5 years	5-7 years	7-10 years	Over 10 years
Cash and deposits with maturities	¥ 366,100	¥ —	¥ —	¥ —	¥ —	¥ —
Receivables under securities borrowing transactions	2,331,286	—	—	—	—	—
Monetary claims bought	407,000	—	—	—	—	19,100
Securities	6,746,399	11,793,345	14,184,001	6,278,982	7,094,943	25,570,928
Held-to-maturity bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,239,688	20,446,710
Government and corporate bonds	1,568,567	6,495,860	6,229,055	3,920,100	4,141,688	20,446,710
Government bonds	1,525,400	6,163,900	3,811,800	1,807,400	517,500	19,500,300
Local government bonds	42,867	128,282	1,456,005	1,750,462	2,706,340	683,960
Corporate bonds	300	203,678	961,250	362,238	917,848	262,450
Foreign securities	—	—	—	—	98,000	—
Policy-reserve-matching bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government and corporate bonds	3,928,886	4,140,814	6,719,247	1,740,472	2,199,166	4,626,000
Government bonds	3,212,200	3,612,160	6,692,800	1,649,800	2,036,900	4,535,200
Local government bonds	487,104	452,928	26,447	72,266	111,155	65,000
Corporate bonds	229,582	75,726	—	18,406	51,111	25,800
Available-for-sale securities with maturities	1,248,945	1,156,670	1,235,698	618,409	656,088	498,218
Government and corporate bonds	1,248,945	1,142,563	1,099,859	562,500	315,200	449,014
Government bonds	843,600	7,400	23,700	—	—	—
Local government bonds	95,564	325,393	270,833	—	—	—
Corporate bonds	309,781	809,770	805,326	562,500	315,200	449,014
Foreign securities	—	14,107	135,838	55,909	340,888	49,203
Loans	2,593,623	1,991,824	1,818,819	1,569,672	1,977,343	2,739,629
Total assets	¥12,444,410	¥13,785,170	¥16,002,820	¥7,848,655	¥9,072,286	¥28,329,658

(Note 4) Scheduled repayment amounts of payables under securities lending transactions

(As of March 31, 2014)

(Millions of yen)

	Within 1 year	1-3 years	3- 5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	¥3,703,176	¥—	¥—	¥—	¥—	¥—
Total liabilities	¥3,703,176	¥—	¥—	¥—	¥—	¥—

(As of March 31, 2013)

(Millions of yen)

	Within 1 year	1-3 years	3- 5 years	5-7 years	7-10 years	Over 10 years
Payables under securities lending transactions	¥3,114,558	¥—	¥—	¥—	¥—	¥—
Total liabilities	¥3,114,558	¥—	¥—	¥—	¥—	¥—

Securities

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

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	¥44,425,542	¥47,595,869	¥3,170,326
	Government bonds	34,001,961	36,656,535	2,654,574
	Local government bonds	7,524,060	7,901,536	377,476
	Corporate bonds	2,899,521	3,037,797	138,276
	Foreign securities	98,000	101,781	3,781
	Foreign government and corporate bonds	98,000	101,781	3,781
	Others	—	—	—
	Subtotal	¥44,523,542	¥47,697,650	¥3,174,107
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	733,781	729,439	(4,342)
	Government bonds	571,260	568,033	(3,226)
	Local government bonds	125,077	124,177	(899)
	Corporate bonds	37,444	37,228	(216)
	Foreign securities	—	—	—
	Foreign government and corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	¥ 733,781	¥ 729,439	¥ (4,342)
Total		¥45,257,324	¥48,427,090	¥3,169,765

(As of March 31, 2013)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	¥43,175,692	¥46,814,680	¥3,638,987
	Government bonds	33,705,976	36,741,696	3,035,720
	Local government bonds	6,767,815	7,204,727	436,911
	Corporate bonds	2,701,900	2,868,256	166,355
	Foreign securities	98,000	102,194	4,194
	Foreign government and corporate bonds	98,000	102,194	4,194
	Others	—	—	—
	Subtotal	¥43,273,692	¥46,916,874	¥3,643,182
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	8,400	8,396	(3)
	Government bonds	—	—	—
	Local government bonds	7,300	7,299	(0)
	Corporate bonds	1,100	1,097	(2)
	Foreign securities	—	—	—
	Foreign government and corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	¥ 8,400	¥ 8,396	¥ (3)
Total		¥43,282,092	¥46,925,271	¥3,643,179

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

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	¥17,610,495	¥18,710,949	¥1,100,453
	Government bonds	16,783,518	17,861,458	1,077,940
	Local government bonds	652,123	670,555	18,431
	Corporate bonds	174,853	178,935	4,081
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	¥17,610,495	¥18,710,949	¥1,100,453
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	343,171	341,870	(1,300)
	Government bonds	233,293	232,257	(1,036)
	Local government bonds	100,614	100,372	(241)
	Corporate bonds	9,263	9,240	(23)
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	¥ 343,171	¥ 341,870	¥ (1,300)
Total		¥17,953,667	¥19,052,820	¥1,099,152

(As of March 31, 2013)

(Millions of yen)

	Type	Carrying amount	Fair value	Difference
Bonds with fair value exceeding carrying amount	Government and corporate bonds	¥23,508,816	¥24,927,941	¥1,419,124
	Government bonds	21,889,807	23,269,193	1,379,385
	Local government bonds	1,217,564	1,249,443	31,878
	Corporate bonds	401,444	409,304	7,860
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	¥23,508,816	¥24,927,941	¥1,419,124
Bonds with fair value not exceeding carrying amount	Government and corporate bonds	—	—	—
	Government bonds	—	—	—
	Local government bonds	—	—	—
	Corporate bonds	—	—	—
	Foreign securities	—	—	—
	Others	—	—	—
	Subtotal	¥ —	¥ —	¥ —
Total		¥23,508,816	¥24,927,941	¥1,419,124

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

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	¥ —	¥ —	¥ —
	Government and corporate bonds	4,554,372	4,654,469	100,097
	Government bonds	797,272	798,847	1,575
	Local government bonds	707,593	709,938	2,345
	Corporate bonds	3,049,507	3,145,683	96,176
	Foreign securities	775,889	866,505	90,616
	Foreign government and corporate bonds	775,889	866,505	90,616
	Others	21,578	22,759	1,181
	Subtotal	¥5,351,840	¥5,543,735	¥191,894
Securities with fair value not exceeding cost	Stocks	—	—	—
	Government and corporate bonds	373,353	371,066	(2,287)
	Government bonds	134,050	134,033	(17)
	Local government bonds	62,013	61,966	(47)
	Corporate bonds	177,289	175,066	(2,223)
	Foreign securities	141,610	134,958	(6,652)
	Foreign government and corporate bonds	141,610	134,958	(6,652)
	Others	789,000	788,988	(11)
	Subtotal	¥1,303,964	¥1,295,013	¥ (8,951)
Total		¥6,655,804	¥6,838,748	¥182,943

Note: "Others" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

(As of March 31, 2013)

(Millions of yen)

	Type	Cost	Carrying amount	Difference
Securities with fair value exceeding cost	Stocks	¥ —	¥ —	¥ —
	Government and corporate bonds	4,632,899	4,749,884	116,985
	Government bonds	874,810	876,825	2,015
	Local government bonds	672,223	675,504	3,280
	Corporate bonds	3,085,865	3,197,554	111,688
	Foreign securities	545,952	618,003	72,051
	Foreign government and corporate bonds	545,952	618,003	72,051
	Others	19,100	20,421	1,321
	Subtotal	¥5,197,951	¥5,388,309	¥190,358
Securities with fair value not exceeding cost	Stocks	—	—	—
	Government and corporate bonds	220,562	212,154	(8,408)
	Government bonds	—	—	—
	Local government bonds	30,335	30,312	(22)
	Corporate bonds	190,226	181,841	(8,385)
	Foreign securities	46,592	46,246	(346)
	Foreign government and corporate bonds	46,592	46,246	(346)
	Others	773,096	773,096	—
	Subtotal	¥1,040,251	¥1,031,496	¥ (8,754)
Total		¥6,238,202	¥6,419,806	¥181,603

Note: "Others" includes financial instruments accounted for as securities in accordance with the Accounting Standards for Financial Instruments (ASBJ Statement No. 10).

4. Policy-reserve-matching bonds sold
(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	¥2,071,972	¥70,967	¥—
Government bonds	1,962,621	68,754	—
Local government bonds	109,350	2,212	—
Total	¥2,071,972	¥70,967	¥—

(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	¥2,060,482	¥60,319	¥—
Government bonds	1,670,332	50,287	—
Local government bonds	261,591	6,809	—
Corporate bonds	128,559	3,223	—
Total	¥2,060,482	¥60,319	¥—

5. Available-for-sale securities sold
(For the year ended March 31, 2014)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	¥ 9,772	¥ 0	¥ 2,948
Corporate bonds	9,772	0	2,948
Foreign securities	91,125	106	7,256
Total	¥100,897	¥107	¥10,205

(For the year ended March 31, 2013)

(Millions of yen)

Type	Sales proceeds	Gains on sales	Losses on sales
Government and corporate bonds	¥46,568	¥25	¥19,665
Corporate bonds	46,568	25	19,665
Total	¥46,568	¥25	¥19,665

Money held in trust

Money held in trust classified as other than trading, held-to-maturity and policy-reserve-matching
(As of March 31, 2014)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	¥499,042	¥581,627	¥82,585	¥86,112	¥3,527
Designated money held in trust	—	—	—	—	—
Total	¥499,042	¥581,627	¥82,585	¥86,112	¥3,527

Note: Impairment losses of ¥131 million were recognized.

Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

(As of March 31, 2013)

(Millions of yen)

	Cost	Carrying amount	Difference	Amount of the excess of carrying amount over cost	Amount of the excess of cost over carrying amount
Specified money held in trust	¥199,581	¥242,899	¥43,317	¥48,265	¥4,947
Designated money held in trust	13,933	13,933	—	—	—
Total	¥213,515	¥256,832	¥43,317	¥48,265	¥4,947

Note: Impairment losses of ¥3,893 million were recognized.

Impairment loss is recognized for stocks managed as assets of money in trust if the average quoted price for the last month immediately prior to the year-end declines by 30% or more.

Derivative transactions

Derivatives to which hedge accounting is applied

1. Currency-related derivatives

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts	Foreign bonds			
	Sold				
	U.S. Dollars		¥270,312	—	¥ (6,817)
	Euros		133,944	—	(8,837)
Total			¥404,257	—	¥(15,655)

Note: Fair value measurement method:

Measurement is based on the future price quotes as of the end of the year.

(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Notional amount/ contract value	Contract amount with term of more than 1 year	Fair value
Fair value hedge	Foreign exchange forward contracts	Foreign bonds			
	Sold				
	U.S. Dollars		¥263,203	—	¥(5,179)

Note: Fair value measurement method:

Measurement is based on the future price quotes as of the end of the year.

2. Interest-related derivatives

(As of March 31, 2014)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
General accounting treatment	Interest rate swaps Receipts fixed, payments floating	Loans	¥ 9,950	¥ 9,950	¥16
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	102,780	85,400	(*2)
Total			¥ —	¥ —	¥16

Notes: (1) Fair value measurement method:

Measurement is determined using the discounted present value technique.

(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

(As of March 31, 2013)

(Millions of yen)

Hedge accounting type	Instrument	Hedged item	Contract amount	Contract amount with term of more than 1 year	Fair value
Special accounting treatment for interest rate swaps	Interest rate swaps Receipts fixed, payments floating	Loans	¥92,980	¥78,380	(*2)

Notes: (1) Fair value measurement method:

Measurement is determined using the discounted present value technique.

(2) The fair value of interest rate swaps is included as an integral part of loans which are designated as hedged items in accordance with the special accounting treatment for interest rate swaps.

Retirement benefits

(For the year ended March 31, 2014)

1. Outline of the retirement benefit plans

The Company and its consolidated subsidiary have an unfunded lump-sum payment retirement plan to cover employees' retirement benefits.

The consolidated subsidiary applies the simplified method to calculate liability for retirement benefits and retirement benefit expenses.

2. Defined benefit plans

(1) Roll forward of retirement benefit obligations

(Millions of yen)

Balance at the beginning of the year	¥54,937
Service cost	3,289
Interest cost	932
Actuarial gain or loss incurred	251
Retirement benefits paid	(3,146)
Others	363
Balance at the end of the year	¥56,627

(2) Reconciliation between retirement benefit obligations and liability for retirement benefits in the consolidated balance sheet

(Millions of yen)

Retirement benefit obligations of unfunded benefit plans	¥56,627
Liability for retirement benefits in the consolidated balance sheet	¥56,627

(3) Breakdown of retirement benefit expenses

(Millions of yen)

Service cost	¥3,289
Interest cost	932
Amortization of unrecognized actuarial gain or loss	(315)
Others	32
Retirement benefit expenses for defined benefit plans	¥3,938

(4) Defined retirement benefit plan

Defined retirement benefit plan before income tax effect as of March 31, 2014, is as follows:

(Millions of yen)

Unrecognized actuarial gain or loss

¥3,317

(5) Assumptions

Significant actuarial assumption for the calculation of retirement benefit obligations as of March 31, 2014, is as follows:

Discount rate

1.7%

(For the year ended March 31, 2013)

1. Outline of retirement benefit plans

The Company has an unfunded lump-sum payment retirement plan.

2. Breakdown of retirement benefit obligations

(Millions of yen)

① Projected benefit obligations	¥(54,937)
② Unrecognized actuarial gain or loss	(3,884)
③ Reserve for employees' retirement benefits (① + ②)	¥(58,821)

Note: The simplified method is applied to calculate the retirement benefit obligations of the consolidated subsidiary.

3. Breakdown of retirement benefit expenses

(Millions of yen)

① Service cost	¥3,249
② Interest cost	914
③ Amortization of unrecognized actuarial gain or loss	(240)
④ Retirement benefit expenses (① + ② + ③)	¥3,923

Note: Retirement benefit expenses of the consolidated subsidiary which applies the simplified method are included in "Service cost".

4. Assumptions

(1) Attribution method of projected retirement benefit obligations

Straight-line method

(2) Discount rate

1.7%

(3) Amortization period for actuarial gain or loss

14 years (Amortization commences in the following year using the straight-line method over the years within the average remaining service years of employees)

Income taxes

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2014	2013
Deferred tax assets		
Policy reserves	¥485,089	¥375,640
Reserve for price fluctuations	106,845	71,826
Reserve for outstanding claims	53,823	53,247
Reserve for employees' retirement benefits	—	18,348
Liability for retirement benefits	17,464	—
Unrealized losses on available-for-sale securities	3,815	4,200
Others	14,313	16,003
Subtotal	681,352	539,267
Valuation allowance	(2,996)	(3,008)
Total deferred tax assets	678,356	536,258
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(84,569)	(73,343)
Others	(1,254)	(700)
Total deferred tax liabilities	(85,823)	(74,044)
Net deferred tax assets	¥592,532	¥462,214

2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2014	2013
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	14.42%	7.17%
Others	0.16%	0.82%
Effective income tax rate	47.91%	41.32%

3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate

Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,223 million yen, and income taxes deferred increased by ¥5,257 million yen for the year ended March 31, 2014.

Segment information

• Segment information

For the years ended March 31, 2013 and 2014

The overview of the reporting segment is omitted because the Company on a consolidated basis did not operate any businesses categorized as segments other than its own core life insurance business in Japan.

• Other related information

For the years ended March 31, 2013 and 2014

1. Information about products and services

Segment information about products and services is omitted because the Companies' operations consist of only one category of products and services.

2. Information about geographical areas

Information about geographical areas is omitted because more than 90% of the Companies' ordinary income and tangible fixed assets derive from its business in Japan.

3. Information about major customers

Information about major customers is omitted because no single customer accounts for 10% or more of the Company's ordinary income.

- Impairment losses of fixed assets by reportable segments

For the years ended March 31, 2013 and 2014

None

- Amortization and remaining balance of goodwill by reportable segments

For the years ended March 31, 2013 and 2014

None

- Gains on negative goodwill by reportable segments

For the years ended March 31, 2013 and 2014

None

Related-party transactions

1. Related-party transactions

Transactions between the Company and related parties

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

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,773 million	Accounts payable	¥242 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Holding Company	Owned Direct 100%	Business management Common directors	Payment of business management fee (Note1)	¥2,697 million	Accounts payable	¥248 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the business management of the parent company.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(2) Affiliates and others

None

(3) Subsidiaries of the parent company and others

(For the year ended March 31, 2014)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥366,248 million	Agency accounts payable	¥35,557 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(For the year ended March 31, 2013)

Type	Name of company	Location	Capital stock	Business	Percentage of owning (owned) voting rights	Nature of relationship with related party	Transaction	Transaction amount	Line of item	Balance at the end of the year
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku, Tokyo	¥100,000 million	Postal service Postal agency	None	Insurance agency Common director	Payment of commission for insurance agency (Note1)	¥377,378 million	Agency accounts payable	¥36,390 million

Conditions of transactions and policies to decide the conditions

Notes: (1) A decision is made on the basis of total cost incurred in relation to the service with insurance agency.

(2) Consumption taxes are not included in the transaction amount, but included in the ending balance.

(4) Directors, major individual shareholders and others

None

2. The parent company and other significant affiliates

(1) Information about the parent company

Japan Post Holdings Co., Ltd. (Unlisted)

(2) Condensed financial information about significant affiliates

None

Per share information

(Yen)

As of/Years ended March 31	2014	2013
Net assets per share	¥76,906.85	¥73,339.05
Net income per share	3,140.11	4,533.93

Notes: 1. Calculation of "Net assets per share" is based on the following figures:

As of March 31	2014	2013
Total net assets (Millions of yen)	¥1,538,136	¥1,466,780
Deductions from total net assets (Millions of yen)	¥ —	¥ —
Net assets attributable to common stocks (Millions of yen)	¥1,538,136	¥1,466,780
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of "Net income per share" is based on the following figures:

Years ended March 31	2014	2013
Net income (Millions of yen)	¥62,802	¥90,678
Net income not attributable to common shareholders (Millions of yen)	¥ —	¥ —
Net income attributable to common shareholders (Millions of yen)	¥62,802	¥90,678
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

Subsequent events

None

Consolidated Supplemental Schedules

Schedule of corporate bonds

None

Schedule of borrowings

(Millions of yen, %)

Type	Balance at the beginning of the year	Balance at the end of the year	Average interest rate	Maturity
Short-term borrowings	¥ —	¥ —	—	—
Long-term borrowings to be repaid within 1 year	—	—	—	—
Lease obligations to be repaid within 1 year	382	403	—	—
Long-term borrowings other than those to be repaid within 1 year	—	—	—	—
Lease obligations other than those to be repaid within 1 year	1,101	1,193	—	April, 2015 to February, 2021
Other interest-bearing borrowings Payables under securities lending transactions to be repaid within 1 year	3,114,558	3,703,176	0.11	—
Total	¥3,116,043	¥3,704,773	—	—

Notes: (1) "Lease obligations" and "Payables under securities lending transactions" are included in "Other liabilities" in the consolidated balance sheet.

(2) Average interest rate for lease obligations is omitted as lease obligations are calculated using the interest-payable-including-method.

(3) The repayment schedule for lease obligations other than those to be repaid within 1 year during the 5 years following March 31, 2014, is as follows:

(Millions of yen)

	1-2 years	2-3 years	3-4 years	4-5 years
Lease obligations	¥349	¥280	¥243	¥169

(4) The average interest rate for payables under securities lending transactions is calculated based on the weighted-average interest rate as of the end of the year.

Schedule of asset retirement obligations

Information is omitted because the amount of asset retirement obligations as of the beginning and ending of the year is less than 1% of total liabilities and net assets.

Others

(Quarterly results for the year ended March 31, 2014)

(Cumulative period)	First quarter	Second quarter	Third quarter	For the year
Ordinary income (Millions of yen)	¥2,764,279	¥5,594,168	¥8,401,625	¥11,234,114
Quarterly income before income taxes and minority interests (Millions of yen)	22,858	37,723	74,625	120,571
Quarterly net income (Millions of yen)	12,356	19,247	40,916	62,802
Quarterly net income per share (Yen)	617.84	962.39	2,045.82	3,140.11

Note: Ordinary income is presented instead of sales of companies in general industries.

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income per share (Yen)	¥617.84	¥344.55	¥1,083.43	¥1,094.30

Nonconsolidated Balance Sheet

(Millions of yen)

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

(Millions of yen)

As of March 31	2014		2013	
Liabilities				
Policy reserves and other reserves		¥80,799,941		¥84,746,052
Reserve for outstanding claims	*10	831,690		947,123
Policy reserves	*10, 13	77,745,490	*13	81,401,981
Reserve for policyholders' dividends	*7	2,222,759	*7	2,396,947
Reinsurance payables		1,234		191
Other liabilities		4,077,493		3,662,976
Payables under securities lending transactions	*9	3,703,176	*9	3,114,558
Income taxes payable		15,804		12,840
Accounts payable		229,922		395,091
Accrued expenses		15,626		14,898
Unearned revenue		4		5
Deposits received		12,172		12,700
Deposits received from the Management Organization	*14	66,221	*14	78,877
Derivatives		15,805		6,417
Lease obligations		1,528		1,401
Asset retirement obligations		15		15
Suspense receipt		16,433		25,798
Other liabilities		781		371
Reserve for possible claim payments		1,881		7,003
Reserve for employees' retirement benefits		59,385		58,331
Reserve for directors' retirement benefits		—		164
Reserve under the special law		614,233		522,872
Reserve for price fluctuations	*13	614,233	*13	522,872
Total liabilities		¥85,554,169		¥88,997,593
Net assets				
Capital stock		¥ 500,000		¥ 500,000
Capital surplus		500,044		500,044
Legal capital surplus		405,044		405,044
Other capital surplus		95,000		95,000
Retained earnings		349,627		308,948
Legal retained earnings		17,222		12,672
Other retained earnings		332,404		296,276
Retained earnings brought forward		332,404		296,276
Total shareholders' equity		1,349,671		1,308,993
Net unrealized gains on available-for-sale securities		184,774		155,778
Deferred gains (losses) on derivatives under hedge accounting		11		—
Total of valuation and translation adjustments		184,785		155,778
Total net assets		¥ 1,534,457		¥ 1,464,771
Total liabilities and net assets		¥87,088,626		¥90,462,364

Nonconsolidated Statement of Income

(Millions of yen)

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

(Millions of yen)

Years ended March 31	2014	2013
Extraordinary gains	¥ —	¥ 127
Other extraordinary gains	—	127
Extraordinary losses	99,999	67,107
Losses on disposal of fixed assets	8,638	1,958
Provision for reserve under the special law	91,360	64,656
Provision for reserve for price fluctuations	91,360	64,656
Group reorganization expenses	—	491
Provision for reserve for policyholders' dividends	*8 242,146	*8 307,427
Income before income taxes	121,361	154,969
Income taxes – current	200,701	199,231
Income taxes – deferred	(142,768)	(135,262)
Total income taxes	57,932	63,968
Net income	¥ 63,428	¥ 91,000

Nonconsolidated Statement of Changes in Net Assets

For the year ended March 31, 2014

(Millions of yen)

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

	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	¥155,778	¥ —
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	28,996	11
Total changes during the year	28,996	11
Balance at the end of the year	¥184,774	¥11

For the year ended March 31, 2013

(Millions of yen)

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

	Valuation and translation adjustments	
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting
Balance at the beginning of the year	¥ 57,151	¥—
Changes during the year		
Dividends		
Net income		
Net changes other than shareholders' equity	98,627	
Total changes during the year	98,627	—
Balance at the end of the year	¥155,778	¥—

Notes to the nonconsolidated financial statements

Basis of presentation

(1) The accompanying nonconsolidated financial statements of Japan Post Insurance Co., Ltd. (the "Company") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the nonconsolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The nonconsolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) Fractional amounts of less than ¥1 million are rounded down, except for per share information. Accordingly, the totals do not necessarily agree with the sum of the individual amounts.

Significant accounting policies

1. Valuation methods for securities

Securities, including cash and deposits, monetary claims bought which are equivalent to securities, and securities managed as assets of money held in trust, are carried as explained below:

(1) Held-to-maturity bonds

Stated at amortized cost (straight-line method), determined by the moving-average method

(2) Policy-reserve-matching bonds (in accordance with Industry Audit Committee Report No. 21 "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching bonds in the Insurance Industry" issued by the Japanese Institute of Certified Public Accountants)

Stated at amortized cost (straight-line method), determined by the moving-average method

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

Stated at cost determined by the moving-average method

(4) Available-for-sale securities

(i) Available-for-sale securities with fair value

Valued at fair value at the end of the fiscal year (for stocks and stock mutual funds, the average quoted price for the last month immediately prior to the end of the fiscal year), with cost determined by the moving-average method.

(ii) Available-for-sale securities whose fair value is extremely difficult to measure

- Government and corporate bonds (including foreign bonds), whose premium or discount represents the interest adjustments

Valued at the amortized cost (straight-line method), determined by the moving-average method

• Others

Valued at cost determined by the moving-average method
Net unrealized gains or losses on available-for-sale securities are presented as a separate component of net assets.

2. Valuation methods of derivative transactions

Derivatives are reported at fair value.

3. Depreciation methods for tangible fixed assets

(1) Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated using the straight-line method.

Estimated useful lives of major assets are as follows:

(i) Buildings, attached improvements and structures

2 to 55 years

(ii) Other tangible fixed assets

2 to 20 years

(2) Intangible fixed assets (excluding lease assets)

Amortization of software for internal use is calculated using the straight-line method over the estimated useful life (generally 5 years).

(3) Lease assets

Depreciation of lease assets with regard to finance leases whose ownership does not transfer to the lessees is computed by the straight-line method assuming zero-salvage value over the lease terms.

4. Allowances and reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is determined based on the internal rules for self-assessment and internal rules for write-offs and provisions. It is calculated based on the historical credit loss experience and estimated uncollectible amounts for specific loans.

For all loans and claims, the relevant department performs an asset quality assessment in accordance with the internal rules for self-assessment, and an independent audit department reviews the results of the assessment. The allowance is provided based on the result of such assessment.

For loans and claims to bankrupt obligors (obligors that have already experienced formal or legal failure, such as bankruptcy and reorganization) and obligors at risk of bankruptcy (obligors that have not yet suffered business failure but are considered highly likely to fail), the unrecoverable amount is calculated by deducting the amount deemed recoverable from collateral and guarantees from the amount of the loans and claims and is directly written off from the amount of the loans and claims. The amounts written off during the years ended March 31, 2013 and 2014, were ¥64 million and ¥138 million, respectively.

(2) Reserve for possible claim payments

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

(3) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits is provided for payments of retirement benefits to employees and is recorded based on the estimated amount of retirement benefit obligations at the end of this fiscal year based on the estimated amount of benefits.

(i) Attribution method for projected retirement benefit obligations

The retirement benefit obligations are determined using the straight-line attribution method to attribute the projected retirement benefit obligations in each period to the end of this fiscal year.

(ii) Amortization of actuarial gain or loss

Actuarial gain or loss is amortized ratably using the straight-line method over a certain period (14 years), within the average remaining service years of the employees at the date when the actuarial gain or loss was incurred, commencing with the following fiscal year.

5. Calculation method for reserve for price fluctuations

A reserve for price fluctuations is calculated in accordance with the provisions of Article 115 of the Insurance Business Act.

6. Hedge accounting

(1) Hedge accounting

Hedging transactions are accounted for in accordance with the "Accounting Standards for Financial Instruments"(ASBJ Statement No. 10). Fair value hedges using foreign currency forward contracts are used to hedge against exchange rate fluctuations of certain foreign currency-denominated bonds. Special hedge accounting for interest rate swaps and the deferral hedge are used for cash flow hedges of certain loans.

(2) Hedging instruments and hedged items

(i) Hedging instruments ... foreign currency forward contracts

Hedged items ... foreign currency-denominated bonds

(ii) Hedging instruments ... interest rate swaps

Hedged items ... loans

(3) Hedging policies

Foreign currency risk of foreign currency-denominated bonds and interest rate risk of loans are hedged within a certain range.

(4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative fluctuations in market quotations or cash flows of hedged items to those of hedging instruments. However, for foreign currency forward contracts and interest rate swaps under special hedge accounting, which demonstrate a high correlation between

hedging instruments and hedged items, the assessment of hedge effectiveness is omitted.

7. Other significant policies

(1) Policy reserves

Policy reserves are established in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are calculated as follows:

(i) Reserves for policies subject to the standard policy reserve rules are calculated based on the methods stipulated by the Commissioner of Financial Services Agency (the Notification of the Minister of Finance No. 48, 1996).

(ii) Reserves for other policies are established based on the net level premium method.

In addition, for 10 years from the fiscal year 2010, additional policy reserves for certain assumed reinsurance from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization") have been provided in accordance with Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. The amounts of the additional provision for policy reserves for the years ended March 31, 2013 and 2014, were ¥171,491 million and ¥175,129 million, respectively.

(2) Accounting treatment for retirement benefits

Accounting for actuarial gain or loss in relation to retirement benefits is different from that for the consolidated financial statements.

(3) Accounting treatment for consumption taxes

National and local consumption taxes are accounted for using the tax-exclusion method.

(4) Consolidated tax payment system

Consolidated tax payment system has been adopted. Japan Post Holdings Co., Ltd. is the parent company of the consolidated tax payment system.

Notes to the Nonconsolidated Balance Sheet

*1. Carrying amount, fair value, and the risk management policy for policy-reserve-matching bonds are as follows:

(1) The carrying amount and the fair value for policy-reserve-matching bonds are as follows:

(Millions of yen)

As of March 31	2014	2013
Carrying amount	¥17,953,667	¥23,508,816
Fair value	19,052,820	24,927,941

(2) The risk management policy for policy-reserve-matching bonds is as follows:

The Company categorizes its insurance contracts into the following subgroups by their characteristics in order to manage interest rate risk of assets and liabilities, and matches the duration of the corresponding policy-reserve-matching bonds with the duration of the policy reserves in the respective subgroups within a certain range. The Company also periodically monitors the duration of the policy-reserve-matching bonds and the policy reserves in the subgroups.

- 1) The Postal Life Insurance contracts category
- 2) The Japan Post Insurance contracts (general) category
- 3) The Japan Post Insurance contracts (single premium annuity) category

*2. The carrying amount of securities lent under lending agreements is as follows:

(Millions of yen)

As of March 31	2014	2013
Carrying amount	¥3,380,035	¥2,815,546

*3. Loans do not include any loans to bankrupt borrowers, delinquent loans, loans past due for three months or more, and restructured loans.

The respective definitions of the loans are as follows:

Loans to bankrupt borrowers are loans, after write-offs, to bankrupt borrowers as defined in Article 96-1-3-1 to 5 or 96-1-4 of the Order for Enforcement of the Corporation Tax Act (No. 97 in 1965) on which accrued interest income is not recognized ("Non-accrual loans") as there is substantial doubt as to the collection of principal and/or interest because of delinquencies in payment of principal and/or interest for a significant period of time or for other reasons.

Delinquent loans represent non-accrual loans other than loans to bankrupt borrowers and loans renegotiated at concessionary terms, which include reduction or deferral of interest in order to assist or support these borrowers in the restructuring of their business.

Loans past due for three months or more represent loans whose principal and/or interest payments have been past due for three months or more, excluding loans to bankrupt borrowers and delinquent loans.

Restructured loans represent loans renegotiated at concessionary terms, including reduction or deferral of interest or principal and waiver of the claims in order to assist or support these borrowers in the restructuring of their business, excluding loans to bankrupt borrowers, delinquent loans, and loans past due for three months or more.

*4. The amount of unused commitments related to loans is as follows:

(Millions of yen)

As of March 31	2014	2013
Unused commitments related to loans	¥1,250	¥—

*5. Accumulated depreciation of tangible fixed assets is as follows:

(Millions of yen)

As of March 31	2014	2013
Accumulated depreciation	¥63,476	¥62,596

6. The total amounts of receivables from and payables to subsidiaries and affiliates are as follows:

(Millions of yen)

As of March 31	2014	2013
Receivables	¥ 345	¥ 341
Payables	121,647	92,456

*7. Changes in the reserve for policyholders' dividends are as follows:

(Millions of yen)

As of March 31	2014	2013
Balance at the beginning of the year	¥2,396,947	¥2,511,441
Policyholders' dividends paid during the year	420,523	430,448
Increase due to interest accrued during the year	4,627	9,008
Decrease due to purchasing additional annuity benefits	438	481
Provision for reserve for policyholders' dividends	242,146	307,427
Balance at the end of the year	2,222,759	2,396,947

*8. Stocks of subsidiaries and affiliates held are as follows:

(Millions of yen)

As of March 31	2014	2013
Stocks of subsidiaries and affiliates	¥984	¥984

*9. Assets pledged as collateral are as follows:

(Millions of yen)

As of March 31	2014	2013
Securities	¥3,380,035	¥2,815,546

The amount of secured liabilities is as follows:

(Millions of yen)

As of March 31	2014	2013
Payables under securities lending transactions	¥3,703,176	¥3,114,558

All of "Securities" above are pledged as collateral for securities lending transactions with cash collateral.

*10. The ceded amount of reserve for outstanding claims, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, as applied pursuant to Article 73, Paragraph 3 of the Ordinance for Enforcement of the Insurance Business Act ("Reserve for outstanding claims–ceded") is as follows:

(Millions of yen)

As of March 31	2014	2013
Reserve for outstanding claims–ceded	¥82	¥–

The ceded amount of policy reserves, which is accounted for in accordance with Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act ("Policy reserves–ceded") is as follows:

(Millions of yen)

As of March 31	2014	2013
Policy reserves–ceded	¥183	¥–

*11. The fair value of securities borrowed under securities borrowing agreements held at the end of the year that can be sold or pledged as collateral at the Company's discretion is as follows:

(Millions of yen)

As of March 31	2014	2013
Fair value	¥2,816,810	¥2,330,656

12. The estimated amount of future contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated in Article 259 of the Insurance Business Act is as follows.

The contributions are accounted for as operating expenses in the year when the contributions are made.

(Millions of yen)

As of March 31	2014	2013
Estimated amount of future contributions	¥18,834	¥14,672

*13. Policy reserves assumed from the Management Organization (excluding contingency reserve) are provided based on the calculation method prescribed by the Company for its premiums and policy reserves in order to exceed the amount calculated for the policy reserves for the Postal Life Insurance designated under the Act on the Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). Also, the Company provides contingency reserve and a reserve for price fluctuations for the reinsurance contracts assumed.

Policy reserves mentioned above (excluding contingency reserve), contingency reserve and the reserve for price fluctuations are as follows:

(Millions of yen)

As of March 31	2014	2013
Policy reserves (excluding contingency reserve)	¥57,879,628	¥64,325,970
Contingency reserve	2,350,030	2,514,762
Reserve for price fluctuations	554,723	480,865

*14. "Deposits from the Management Organization" in the nonconsolidated balance sheet represents the amount equivalent to the reserve for outstanding claims and provision for loss on compensation for damages (related to litigation or conciliation) of the Management Organization. Such deposits were made upon privatization in accordance with the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance and were not paid by March 31, 2014.

Notes to the Nonconsolidated Statement of Income

1. The total income and expenses from transactions with the parent, subsidiaries, affiliates etc. are as follows:

(Millions of yen)

Years ended March 31	2014	2013
Total income	¥ 0	¥ 0
Total expenses	10,448	11,093

*2. The breakdown of gains on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Government bonds and others	¥70,968	¥60,344
Foreign securities	106	—

*3. The breakdown of losses on sales of securities is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Government bonds and others	¥2,948	¥19,665
Foreign securities	7,256	—

*4. Gains or losses from money held in trust for the fiscal years ended March 31, 2013 and 2014, includes losses on valuation of securities amounting to ¥3,893 million and ¥131 million, respectively.

*5. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of the reserve for outstanding claims is ¥82 million for the year ended March 31, 2014. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves is ¥183 million for the year ended March 31, 2014 (those amounts for the year ended March 31, 2013, are nil).

*6. Insurance premiums for reinsurance contracts assumed from the Management Organization included in Insurance premiums and the other are as follows:

(Millions of yen)

Years ended March 31	2014	2013
Insurance premiums	¥2,155,398	¥2,685,558

*7. Insurance claims for reinsurance contracts assumed from the Management Organization included in Insurance claims are as follows:

(Millions of yen)

Years ended March 31	2014	2013
Insurance claims	¥9,477,426	¥10,165,661

*8. Provision for reserve for policyholders' dividends provided on behalf of the Management Organization, which is calculated based on profit or loss from reinsurance contracts assumed under the reinsurance contracts with the Management Organization, is as follows:

(Millions of yen)

Years ended March 31	2014	2013
Provision for reserve for policyholders' dividends	¥222,812	¥281,642

Notes to the Nonconsolidated Statement of Changes in Net Assets

(For the years ended March 31, 2013 and 2014)

Class and number of treasury stock

None

Leases

As lessee

1. Non-ownership transferable finance leases

(1) Lease assets

Lease assets include the following tangible fixed assets: vehicles

(2) Depreciation method

See Note Significant accounting policies 3. Depreciation methods for tangible fixed assets.

2. Operating leases

Future lease payments related to non-cancelable operating leases are as follows:

(Millions of yen)

As of March 31	2014	2013
Due within one year	¥448	¥ 957
Due after one year	—	448
Total	¥448	¥1,406

Securities

The fair value of stocks of subsidiaries and affiliates is not presented because the fair value of these stocks is extremely difficult to measure. The carrying amount of these stocks is as follows:

(Millions of yen)

As of March 31	2014	2013
Stocks of subsidiaries	¥984	¥984

Income taxes

1. Significant components of deferred tax assets and liabilities

(Millions of yen)

As of March 31	2014	2013
Deferred tax assets		
Policy reserves	¥485,089	¥375,640
Reserve for price fluctuations	106,845	71,826
Reserve for outstanding claims	53,823	53,247
Reserve for employees' retirement benefits	18,277	18,166
Unrealized losses on available-for-sale securities	3,815	4,200
Others	13,621	15,479
Subtotal	681,474	538,561
Valuation allowance	(2,991)	(3,003)
Total deferred tax assets	678,482	535,557
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(84,569)	(73,343)
Others	(1,247)	(700)
Total deferred tax liabilities	(85,817)	(74,044)
Net deferred tax assets	¥592,665	¥461,513

2. Reconciliation between the statutory tax rate and effective tax rate

As of March 31	2014	2013
Statutory tax rate	33.33%	33.33%
Effect of change in tax rate for current and subsequent years	14.32%	7.15%
Others	0.09%	0.80%
Effective income tax rate	47.74%	41.28%

3. Adjustment of deferred tax assets and liabilities due to the change of the statutory tax rate

Following the issuance of the Act for Partial Revision of Income Tax Act on March 31, 2014, the Special Corporate Tax for Reconstruction will be abolished for the consolidated fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate applicable to the temporary differences which are expected to be reversed in the fiscal year beginning April 1, 2014, decreased from 33.33% in the previous year to 30.78%. As a result of the change, deferred tax assets (net of deferred tax liabilities) decreased by ¥5,216 million yen, and income taxes deferred increased by ¥5,250 million yen for the year ended March 31, 2014.

Per share information

(Yen)

As of/Years ended March 31	2014	2013
Net assets per share	¥76,722.86	¥73,238.56
Net income per share	3,171.42	4,550.02

Notes: 1. Calculation of "Net assets per share" is based on the following figures:

As of March 31	2014	2013
Total net assets (Millions of yen)	¥1,534,457	¥1,464,771
Deductions from total net assets (Millions of yen)	¥ —	¥ —
Net assets attributable to common stocks (Millions of yen)	¥1,534,457	¥1,464,771
Number of common stocks used for the calculation of net assets per share (Thousands of shares)	20,000	20,000

2. Calculation of "Net income per share" is based on the following figures:

Years ended March 31	2014	2013
Net income (Millions of yen)	¥63,428	¥91,000
Net income not attributable to common shareholders (Millions of yen)	¥ —	¥ —
Net income attributable to common shareholders (Millions of yen)	¥63,428	¥91,000
Average number of common stocks (Thousands of shares)	20,000	20,000

3. Diluted net income per share is not presented because no potential shares exist.

Subsequent events

None

Nonconsolidated Supplemental Schedules

Schedule of operating expenses

(Millions of yen)

Type of operating expenses	Amount
Sales activity expenses	¥190,508
Sales representatives	8,641
Sales agencies	181,867
Selection of policyholders	0
Sales administration expenses	13,847
Management of sales force	7,961
Education and trainings for sales representatives	47
Advertisements	5,838
General administration expenses	308,690
Personnel expenses	43,394
Property expenses	263,659
Donations, sponsorships, and membership fees	390
Obligation expenses	1,636
Total	¥513,046

Notes: (1) "Property expenses" includes expenses for maintenance and management of policies, and those related to information systems.

(2) "Obligation expenses" represents contributions to the Life Insurance Policyholders Protection Corporation of Japan as stipulated Article 259 of the Insurance Business Act.

Schedule of tangible fixed assets and intangible fixed assets

(Millions of yen)

Type of assets	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year	Accumulated depreciation	Depreciation for the period	Balance at the end of the year (Net)
Tangible fixed assets							
Land	¥ —	¥ —	¥—	¥ 40,726	¥ —	¥ —	¥ 40,726
Buildings	—	—	—	49,323	16,036	1,889	33,287
Lease assets	—	—	—	2,432	976	364	1,456
Construction in progress	—	—	—	1,648	—	—	1,648
Other tangible fixed assets	—	—	—	58,668	46,463	3,848	12,204
Total tangible fixed assets	—	—	—	152,799	63,476	6,103	89,322
Intangible fixed assets							
Software	—	—	—	265,048	139,025	28,088	126,022
Other intangible fixed assets	—	—	—	30	12	2	18
Total intangible fixed assets	—	—	—	265,078	139,038	28,091	126,040
Long-term prepaid expenses	239	21	—	260	97	22	162
Deferred assets	—	—	—	—	—	—	—

Notes: (1) "Balance at the beginning of the year," "Increase," and "Decrease" of tangible fixed assets and intangible fixed assets are omitted as those amounts are below 1% of total assets.

(2) Long-term prepaid expenses are included in "Prepaid expenses" in the nonconsolidated balance sheet.

Schedule of provisions and reserves

(Millions of yen)

Type of provisions and reserves	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year	Accumulated depreciation
Allowance for doubtful accounts	¥ 1,095	¥ 1,036	¥ 72	¥1,023	¥ 1,036
General allowance for doubtful accounts	83	91	—	83	91
Specific allowance for doubtful accounts	1,012	944	72	940	944
Reserve for possible claim payments	7,003	—	5,122	—	1,881
Reserve for directors' retirement benefits	164	10	39	135	—
Reserve for price fluctuations	522,872	91,360	—	—	614,233

Notes: (1) Decrease of allowance for doubtful accounts represents the reversal of the allowance in full to renew the reserve.

(2) Decrease of reserve for directors' retirement benefits represents the reversal of the reserve in full due to the abolishment of the retirement benefit plan for directors.

Significant Assets and Liabilities

Significant assets and liabilities as of March 31, 2014, are as follows:

① Cash and deposits

(Millions of yen)

Type	Amount
Cash	¥ 4,258
Deposits	
Transfer deposits	166,161
Ordinary deposits	788,855
Negotiable certificates of deposit	704,300
Other deposits	0
Subtotal	1,659,318
Total	¥1,663,576

② Securities

a. Breakdown of securities

(Millions of yen)

Type	Balance at the beginning of the year	Balance at the end of the year	Net increase/ (decrease)
Government bonds	¥56,472,609	¥52,522,914	¥(3,949,694)
Local government bonds	8,698,497	9,173,780	475,282
Corporate bonds:	6,483,840	6,441,832	(42,007)
Government agency bonds	4,045,633	4,060,169	14,535
Financial institution bonds	—	—	—
Corporate bonds	2,438,206	2,381,663	(56,543)
Stocks	984	984	—
Foreign securities:	902,249	1,239,464	337,214
Foreign stocks	140,000	140,000	—
Other foreign securities	762,249	1,099,464	337,214
Other securities	—	—	—
Total	¥72,558,181	¥69,378,975	¥(3,179,205)

b. Breakdown of stocks by industry

(Millions of yen, %)

Industry category		Carrying amount	Composition rate
Fishery, agriculture, and forestry		¥ —	—
Mining		—	—
Construction		—	—
Manufacturing	Food	—	—
	Textiles and apparel	—	—
	Pulp and paper	—	—
	Chemicals	—	—
	Pharmaceutical	—	—
	Oil and coal products	—	—
	Rubber products	—	—
	Glass and ceramic products	—	—
	Iron and steel	—	—
	Nonferrous metals	—	—
	Metal products	—	—
	Machinery	—	—
	Electric appliances	—	—
	Transportation equipment	—	—
	Precision instruments	—	—
	Other products	—	—
Electric power and gas		—	—
Transport, information and communication	Land transportation	—	—
	Marine transportation	—	—
	Air transportation	—	—
	Warehousing and harbor transportation services	—	—
	Information and communication	984	100.0
Trade	Wholesale trade	—	—
	Retail trade	—	—
Finance and insurance	Banks	—	—
	Securities and commodity futures	—	—
	Insurance	—	—
	Other financial business	—	—
Real estate		—	—
Services		—	—
Total		¥984	100.0

Note: Industry categories above are based on the classifications established by Securities Identification Code Committee.

③ Loans

a. Breakdown of loans

(Millions of yen)

Type	Balance at the beginning of the year	Balance at the end of the year
Policy loans	¥ 35,924	¥ 54,271
Policyholder loans	35,922	54,270
Premium loans	1	0
Industrial and commercial loans	12,655,629	10,966,313
[Loans to nonresidents]	[-]	[-]
Corporate loans	12,202,467	10,462,147
[Loans to domestic corporations]	[12,202,467]	[10,462,147]
Loans to national, international, and government-related organizations	-	-
Loans to local governments and public entities	453,162	504,165
Mortgage loans	-	-
Consumer loans	-	-
Others	-	-
Total	¥ 12,691,554	¥ 11,020,585

Note: Loans to the Management Organization is included in "Corporate loans" because the Management Organization is categorized as "Finance and insurance" in Appendix: The Table of Industrial Sector attached to the survey on loans by industry in the Guide of Financial Statistics Survey Paper, prepared by the Bank of Japan.

b. Breakdown of loans by collateral

(Millions of yen)

Type of loans secured	Balance at the beginning of the year	Balance at the end of the year
Secured loans	¥ 2,000	¥ 1,922
Loans secured by securities	-	-
Loans secured by real estate, movables, and foundation collateral	-	-
Loans secured by receivables	2,000	1,922
Guaranteed loans	15,600	24,600
Unsecured loans	659,192	736,775
Others	11,978,837	10,203,015
Industrial and commercial loans	-	-
Subordinated loans	-	-
Policy loans	35,924	54,271
Total	¥12,691,554	¥11,020,585

Note: Loans to the Management Organization are included in "Other loans."

c. Breakdown of loans by industry

(Millions of yen)

Industry category	Balance at the beginning of the year	Balance at the end of the year	Net increase/ (decrease)
Fishery, agriculture and forestry	¥ —	¥ —	¥ —
Mining, quarrying of stone and gravel	—	—	—
Construction	—	—	—
Manufacturing	75,840	79,040	3,200
Wholesale trade and retail trade	51,699	64,400	12,700
Finance and insurance	22,400	45,100	22,700
Real estate, goods rental and leasing	21,180	18,980	(2,200)
Information and communication	8,000	7,950	(50)
Transport and postal services	41,510	43,662	2,152
Electricity, gas, heat supply, and waterworks	—	—	—
Other services	3,000	—	(3,000)
Others	—	—	—
[Individual mortgage and consumer loans]	[—]	[—]	[—]
Subtotal	¥ 223,629	¥ 259,132	¥ 35,503
Local governments and public entities	453,162	504,165	51,002
Government agencies	—	—	—
Policy loans	35,924	54,271	18,347
Loans to the Management Organization	11,978,837	10,203,015	(1,775,822)
Total	¥12,691,554	¥11,020,585	¥(1,670,968)

④ Policy reserves and other reserves

a. Reserve for outstanding claims

(Millions of yen)

Type	Balance at the beginning of the year	Balance at the end of the year	Net increase/ (decrease)
Reserve for outstanding claims (Note)	¥822,940	¥700,953	¥(121,986)
Individual insurance	10,271	14,379	4,107
Individual annuities	6,918	5,855	(1,063)
Asset-formation insurance/ Asset-formation annuities	5	0	(5)
Others	805,744	680,718	(125,025)
Reserve for claims incurred but not reported	124,182	130,737	6,554
Total	¥947,123	¥831,690	¥(115,432)

Note: The table above excludes the reserve for claims incurred but not reported.

b. Policy reserves

(Millions of yen)

Type	Balance at the beginning of the year	Balance at the end of the year	Net increase/ (decrease)
Policy reserves (Note)	¥78,718,375	¥75,156,691	¥(3,561,683)
Individual insurance	11,358,817	13,988,727	2,629,909
Individual annuities	3,033,367	3,288,109	254,742
Asset-formation insurance/ Asset-formation annuities	219	226	6
Others	64,325,970	57,879,628	(6,446,341)
Contingency reserve	2,683,606	2,588,798	(94,807)
Total	¥81,401,981	¥77,745,490	¥(3,656,490)

Note: Excluding contingency reserve

c. Reserve for policyholders' dividends

(Millions of yen)

Type of product	Balance at the beginning of the year	Balance at the end of the year	Net increase/ (decrease)
Individual insurance	¥ 37,081	¥ 55,117	¥ 18,035
Individual annuities	918	1,317	398
Asset-formation insurance/ Asset-formation annuities	—	—	—
Others	2,358,946	2,166,325	(192,621)
Total	¥2,396,947	¥2,222,759	¥(174,187)

Others

None



Independent Auditor's Report

Mr. Masami Ishii
President, CEO
Representative Executive Officer
JAPAN POST INSURANCE Co., Ltd.

We have audited the accompanying consolidated financial statements of Japan Post Insurance Co., Ltd. and its consolidated subsidiary, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Japan Post Insurance Co., Ltd. and its consolidated subsidiary as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 5, 2014
Tokyo, Japan

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



Independent Auditor's Report

Mr. Masami Ishii
President, CEO
Representative Executive Officer
JAPAN POST INSURANCE Co., Ltd.

We have audited the accompanying nonconsolidated financial statements of Japan Post Insurance Co., Ltd., which comprise the nonconsolidated balance sheets as at March 31, 2014 and 2013, and the nonconsolidated statements of income and the nonconsolidated statements of changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these nonconsolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the nonconsolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the nonconsolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the nonconsolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the nonconsolidated financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the nonconsolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the nonconsolidated financial statements present fairly, in all material respects, the financial position of Japan Post Insurance Co., Ltd. as at March 31, 2014 and 2013, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

August 5, 2014
Tokyo, Japan

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

Main Business Indicators

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %, rounded to the nearest unit)

As of March 31	2014				2013			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	11,668,254	118.2	¥33,735,661	118.5	9,871,863	123.1	¥28,480,738	123.6
Individual annuities	1,194,072	112.9	3,443,863	107.8	1,058,046	119.2	3,194,647	114.9
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—

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

2) New Policies

(Number of policies, millions of yen, %, rounded to the nearest unit)

Years ended March 31	2014					2013				
	Number of policies		Policy amount			Number of policies		Policy amount		
		Rate of increase/decrease		Rate of increase/decrease	Net increase arising from the conversion		Rate of increase/decrease		Rate of increase/decrease	Net increase arising from the conversion
Individual insurance	2,233,907	101.2	¥6,559,804	100.7	—	2,207,801	104.0	¥6,515,865	104.8	—
Individual annuities	148,824	81.8	524,095	82.7	—	181,965	86.6	633,489	87.7	—
Group insurance	—	—	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—	—	—

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

(2) Annualized Premiums

1) Policies in Force

(Millions of yen, %, rounded to the nearest unit)

As of March 31	2014		2013	
		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	¥2,192,231	118.1	¥1,855,653	123.1
Individual annuities	661,403	99.1	667,359	103.6
Total	¥2,853,633	113.1	¥2,523,011	117.2
Medical coverage, living benefits and other	227,461	121.1	187,762	121.3

2) New Policies

(Millions of yen, %, rounded to the nearest unit)

Years ended March 31	2014		2013	
		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	¥439,082	101.7	¥431,676	105.0
Individual annuities	179,879	80.7	222,773	86.2
Total	¥618,960	94.6	¥654,449	97.8
Medical coverage, living benefits and other	49,176	120.4	40,858	102.2

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) New Policies by Product

(Number of policies, millions of yen, rounded to the nearest unit)

Years ended March 31	2014		2013	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	2,233,907	¥6,559,804	2,207,801	¥6,515,865
Ordinary whole life insurance	351,885	1,176,838	310,652	1,071,876
Fixed amount type	98,192	247,766	72,099	183,792
Increased amount type	253,693	929,072	238,553	888,084
Special whole life insurance	304,736	1,002,628	239,282	775,134
Ordinary term insurance	610	1,470	623	1,410
Ordinary endowment insurance	963,201	2,459,957	952,853	2,512,856
Special endowment insurance	432,143	1,724,894	470,661	1,909,092
Designated endowment insurance	2,651	2,874	14,524	14,034
Educational endowment insurance	168,086	178,939	205,419	215,840
Educational endowment insurance with scholarship annuity	10,595	12,204	13,787	15,622
Individual annuities	148,824	¥ 524,095	181,965	¥ 633,489
Term annuity	148,824	524,095	181,965	633,489
Immediate term annuity	40,910	137,232	51,512	170,217
Deferred term annuity	107,914	386,863	130,453	463,272
Asset formation insurance	34	¥ 1	47	¥ 1
Asset formation savings insurance	32	0	45	1
Asset formation housing funding insurance	2	0	2	0
Asset formation annuities	3	¥ 12	1	¥ 4
Asset formation whole life annuities	3	12	1	4

Notes: (1) Figures for asset formation insurance and asset formation annuities are the number of insured persons.

(2) Amounts for individual annuities and asset formation annuities are the annuity resources at the beginning of the payout phase.

(3) Amount for asset formation insurance is the amount of the first premium payment.

(4) Policies in Force by Product

(Number of policies, millions of yen, rounded to the nearest unit)

As of March 31	2014		2013	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	11,668,254	¥33,735,661	9,871,863	¥28,480,738
Ordinary whole life insurance	1,688,020	5,684,651	1,407,956	4,774,946
Fixed amount type	368,198	925,013	279,578	702,319
Increased amount type	1,319,822	4,759,638	1,128,378	4,072,627
Special whole life insurance	1,094,695	3,448,725	817,996	2,539,934
Whole life insurance with nursing benefit	134	401	142	429
Ordinary term insurance	3,492	14,884	3,166	13,300
Ordinary endowment insurance	4,987,377	12,483,848	4,207,555	10,613,954
Special endowment insurance	2,495,667	10,123,843	2,167,451	8,848,350
Designated endowment insurance	77,884	128,732	88,349	130,132
Educational endowment insurance	1,224,533	1,700,681	1,090,786	1,430,498
Educational endowment insurance with scholarship annuity	95,945	147,779	87,921	126,927
Husband-and-wife insurance	80	197	86	211
Whole life insurance with whole life annuity	426	1,917	454	2,054
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3
Individual annuities	1,194,072	¥ 3,443,863	1,058,046	¥ 3,194,647
Whole life annuity	12,279	95,060	12,821	100,156
Immediate whole life annuity	1,041	4,820	1,045	5,105
Deferred whole life annuity	11,233	90,188	11,770	94,978
Whole life annuity with additional nursing annuity	5	52	6	72
Term annuity	1,181,781	3,348,723	1,045,213	3,094,410
Immediate term annuity	358,219	790,194	320,898	765,899
Deferred term annuity	823,562	2,558,528	724,315	2,328,511
Husband-and-wife annuity	12	80	12	81
Immediate husband-and-wife annuity	2	8	2	8
Deferred husband-and-wife annuity	10	73	10	73
Asset formation insurance	258	¥ 217	279	¥ 212
Asset formation savings insurance	247	210	267	198
Asset formation housing funding insurance	11	7	12	14
Asset formation annuities	10	¥ 43	7	¥ 30
Asset formation whole life annuities	10	43	7	30

Notes: (1) Figures for asset formation insurance and asset formation annuities are the number of insured persons.

(2) 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.

(3) Amount for asset formation insurance is the amount of policy reserves.

(5) Embedded Value ("EV")

The Company has been disclosing EV calculated on the basis of the European Embedded Value Principles ("EEV Principles") since the year ended March 31, 2013.

Note: The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing Chief Financial Officers of major European insurance companies, in order to improve consistency and transparency in EV calculation and reporting.

1) EV Results

(Billions of yen)

As of March 31	2014		2013
		Increase (Decrease)	
EV	¥3,386.8	¥520.5	¥2,866.2
Adjusted net worth	2,295.9	53.6	2,242.2
Total net assets on the balance sheet (Note 1)	1,351.0	40.0	1,311.0
Retained earnings in liabilities (Note 2)	298.2	87.4	210.8
General allowance for doubtful accounts	0.0	0.0	0.0
Unrealized gains/losses on securities (Note 3)	1,025.0	(67.3)	1,092.4
Unrealized gains/losses on loans (Note 3)	41.7	0.0	41.6
Unrealized gains/losses on real estate (Note 3)	(3.4)	(0.0)	(3.3)
Unrecognized actuarial differences relating to pension benefit obligations	3.3	(0.5)	3.8
Tax effect on the above	(420.1)	(5.8)	(414.2)
Value of in-force covered business	1,090.9	466.8	624.0
Certainty equivalent present value of future profits	1,381.4	263.7	1,117.6
Time value of financial options and guarantees	(220.3)	137.7	(358.1)
Cost of holding required capital	(0.0)	0.5	(0.5)
Allowance for non-financial risk	(70.0)	64.8	(134.9)
Value of new business	¥ 185.1	¥ 3.5	¥ 181.6
Certainty equivalent present value of future profits	221.2	9.0	212.1
Time value of financial options and guarantees	(29.3)	(5.9)	(23.3)
Cost of holding required capital	(2.2)	0.4	(2.7)
Allowance for non-financial risk	(4.4)	0.0	(4.4)

Notes: (1) The total net assets are the total net assets as on the consolidated balance sheet, excluding the total amount of accumulated other comprehensive income.

(2) Related to the contingency reserve and reserve for price fluctuations, excluding those in respect of the Postal Life Insurance policies.

(3) Excluded those assets in respect of the Postal Life Insurance policies.

2) Movement Analysis

(Billions of yen)

	Adjusted net worth	Value of in-force business	EV
Values as of March 31, 2013	¥2,242.2	¥ 624.0	¥2,866.2
(1) Opening adjustments	(22.7)	—	(22.7)
Values as of March 31, 2013 after adjustment	2,219.4	624.0	2,843.5
(2) Value of new business	—	185.1	185.1
(3) Expected existing business contribution (risk-free rate)	1.2	77.6	78.8
(4) Expected existing business contribution (in excess of risk-free rate)	1.8	12.1	14.0
(5) Expected transfer from value of in-force covered business to adjusted net worth	(11.8)	11.8	—
On in-force at the beginning of the year	30.1	(30.1)	—
On new business	(41.9)	41.9	—
(6) Non-economic experience variances	(16.5)	(2.9)	(19.5)
(7) Non-economic assumption changes	—	57.5	57.5
(8) Economic variances	101.6	125.5	227.1
Values as of March 31, 2014	¥2,295.9	¥1,090.9	¥3,386.8

3) Sensitivities

(Billions of yen)

		EV		Value of New Business	
			Change in EV		Change in value of new business
Base Scenario	March 31, 2014	¥3,386.8	¥ —	¥185.1	¥ —
Sensitivity 1	50bp increase in risk-free rate	3,486.9	100.1	232.7	47.5
Sensitivity 2	50bp decrease in risk-free rate	3,136.2	(250.5)	107.5	(77.6)
Sensitivity 3	10% decrease in equity and real estate value	3,372.6	(14.1)	185.1	—
Sensitivity 4	10% decrease in maintenance expenses	3,473.8	87.0	194.9	9.7
Sensitivity 5	10% decrease in surrender and lapse rates	3,434.4	47.6	195.6	10.4
Sensitivity 6	5% decrease in claim incidence rates for life business	3,468.6	81.8	191.0	5.8
Sensitivity 7	5% decrease in mortality rates for annuity business	3,317.1	(69.6)	185.2	0.0
Sensitivity 8	Change the required capital to statutory minimum	3,386.8	0.0	186.8	1.6
Sensitivity 9	25% increase in implied volatilities of equity and real estate values	3,386.8	0.0	185.1	—
Sensitivity 10	25% increase in implied volatilities of swaptions	3,250.1	(136.6)	171.8	(13.3)

4) Main EV Assumptions

(i) Economic Assumptions

Based on the assets held by the Company, the risk-free rates for use in the certainty equivalent calculation have been determined based on Japanese government bonds as at the valuation date.

The table right shows, for selected terms, the risk-free rates (converted to spot rates) used for the calculation. The Company assumed that the forward rates for terms longer than 30 years were the same as the 30 year forward rate.

Term (Years)	For calculation of the value of in-force covered business		For calculation of the value of new business	
	March 31, 2014	March 31, 2013	September 30, 2013	September 30, 2012
1	0.058%	0.069%	0.089%	0.110%
2	0.072%	0.049%	0.092%	0.104%
3	0.112%	0.076%	0.133%	0.118%
4	0.150%	0.102%	0.175%	0.139%
5	0.174%	0.148%	0.229%	0.209%
10	0.641%	0.557%	0.674%	0.819%
15	1.129%	1.112%	1.257%	1.437%
20	1.679%	1.566%	1.740%	1.794%
25	1.811%	1.631%	1.787%	1.963%
30	1.849%	1.678%	1.839%	2.080%

Source: Analysis of Bloomberg data

(ii) Non-Economic Assumptions

All cash flows (premiums, expenses, benefits and claims, cash surrender value, tax, etc.) are projected applying the best estimate assumptions up to the termination of the policies. Best estimate assumptions are specified by product group, considering recent experience and expected future prospects.

5) Notes on the Use of Results

(i) As the profits arising from the release of the contingency reserve and reserve for price fluctuations related to the Postal Life Insurance policies form a part of the reinsurance dividend paid to the Management Organization, the EV calculations take into consideration the profits net of this reinsurance dividend. Therefore, the contingency reserve and reserve for price fluctuations related to these policies are included in the VIF, rather than the ANW, as it is assumed that these reserves will be released in the future. Assets supporting the Postal Life Insurance policies are valued on a book value basis for the purposes of determining distributable earnings.

(ii) The calculation of EV results involves certain assumptions regarding the future that are subject to risk and uncertainty, many of which are outside the Company's control. Since actual future results might differ materially from the assumptions used in the EV calculation, the users are strongly advised to be cautious.

(iii) The Company requested an independent actuarial firm to review the assumptions and the calculation of the Company's EV results and obtained a written opinion verifying the validity. For further details of this written opinion and the Company's EV, please refer to the Company's website (http://www.jp-life.japanpost.jp/aboutus/press/2014/abt_prs_id000740.html (written in Japanese)).

Indicators Related to Asset Management (General Account)

(1) Portfolio Trends

Asset Structure, Increase/Decrease in Assets

(Millions of yen, %)

As of March 31	2014			2013		
	Amount	Ratio	Increase/decrease	Amount	Ratio	Increase/decrease
Cash, deposits and call loans	¥ 1,893,601	2.2	¥ 965,968	¥ 927,633	1.0	¥ (895,005)
Receivables under resale agreements	—	—	—	—	—	—
Receivables under securities borrowing transactions	2,822,188	3.2	490,901	2,331,286	2.6	358,398
Monetary claims bought	107,448	0.1	(319,969)	427,417	0.5	412,826
Trading account securities	—	—	—	—	—	—
Money held in trust	581,627	0.7	324,795	256,832	0.3	14,085
Securities	69,378,975	79.7	(3,179,205)	72,558,181	80.2	(2,028,979)
Corporate and government bonds	68,138,527	78.2	(3,516,419)	71,654,947	79.2	(2,312,624)
Domestic stocks	984	0.0	—	984	0.0	—
Foreign securities	1,239,464	1.4	337,214	902,249	1.0	283,644
Foreign corporate and government bonds	1,099,464	1.3	337,214	762,249	0.8	283,644
Foreign stocks and other securities	140,000	0.2	—	140,000	0.2	—
Other securities	—	—	—	—	—	—
Loans	11,020,585	12.7	(1,670,968)	12,691,554	14.0	(1,237,486)
Policy loans	54,271	0.1	18,347	35,924	0.0	14,930
Industrial and commercial loans	763,298	0.9	86,506	676,792	0.7	98,189
Loans to Management Organization for Postal Savings and Postal Life Insurance	10,203,015	11.7	(1,775,822)	11,978,837	13.2	(1,350,606)
Real estate	75,662	0.1	1,657	74,004	0.1	(34)
Investment property	—	—	—	—	—	—
Deferred tax assets	592,665	0.7	131,151	461,513	0.5	91,717
Other	616,907	0.7	(118,129)	735,036	0.8	58,185
Allowance for doubtful accounts	(1,036)	(0.0)	59	(1,095)	(0.0)	(16)
Total	¥87,088,626	100.0	¥(3,373,737)	¥90,462,364	100.0	¥(3,226,307)
Foreign currency-denominated assets	1,128,780	1.3	469,826	658,954	0.7	278,349

Notes: (1) "Loans to Management Organization for Postal Savings and Postal Life Insurance" includes lending to the Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account).

(2) "Real estate" is booked as the sum total of land, buildings and construction in progress.

(2) Yield

(%)		
Years ended March 31	2014	2013
Cash, deposits and call loans	0.05	0.06
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	0.34	0.58
Trading account securities	—	—
Money held in trust	3.04	(1.82)
Securities	1.71	1.66
Corporate and government bonds	1.71	1.65
Domestic stocks	—	—
Foreign securities	1.95	2.63
Loans	2.31	2.36
Industrial and commercial loans	1.58	1.66
Real estate	—	—
General account total	1.71	1.67
Overseas loans and investments	1.98	2.63

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.

(3) Average Balance on Primary Assets

(Millions of yen)		
Years ended March 31	2014	2013
Cash, deposits and call loans	¥ 508,225	¥ 658,462
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	169,426	74,485
Trading account securities	—	—
Money held in trust	322,995	215,557
Securities	72,303,279	74,166,743
Corporate and government bonds	71,275,552	73,500,300
Domestic stocks	984	984
Foreign securities	1,026,743	665,459
Loans	11,817,657	12,974,961
Industrial and commercial loans	723,681	615,843
Real estate	74,029	74,077
General account total	¥89,156,089	¥91,845,541
Overseas loans and investments	1,086,882	665,658

Notes: (1) General account total includes assets related securities trust.

(2) "Real estate" is booked as the sum total of land, buildings and construction in progress.

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

(4) Investment Income

(Millions of yen)

Years ended March 31	2014	2013
Interest and dividends income	¥1,458,190	¥1,500,194
Gains on trading account securities	—	—
Gains on money held in trust	9,736	—
Gains on trading securities	—	—
Gains on sales of securities	71,074	60,344
Gains on redemption of securities	54	62
Gains on derivatives	—	—
Foreign exchange gains	1,452	—
Reversal of allowance for doubtful accounts	—	—
Other investment income	107	188
Total	¥1,540,615	¥1,560,789

(5) Investment Expenses

(Millions of yen)

Years ended March 31	2014	2013
Interest expenses	¥ 4,963	¥ 3,753
Losses on trading account securities	—	—
Losses on money held in trust	—	4,108
Losses on trading securities	—	—
Losses on sales of securities	10,205	19,665
Losses on valuation of securities	—	—
Losses on redemption of securities	62	78
Losses on derivatives	2,161	318
Foreign exchange losses	—	672
Provision for allowance for doubtful accounts	8	18
Write-off loans	—	—
Depreciation of real estate for lease and other assets	—	—
Other investment expenses	721	900
Total	¥18,122	¥29,515

(6) Interest, Dividends and Other Income

(Millions of yen)

Years ended March 31	2014	2013
Interest on bank deposits	¥ 465	¥ 419
Interest and dividends on securities	1,180,339	1,188,796
Interest on corporate and government bonds	1,152,433	1,170,328
Domestic stock dividends	—	—
Interest and dividends on foreign securities	27,906	18,468
Interest on loans	12,478	10,949
Interest on loans to Management Organization for Postal Savings and Postal Life Insurance	260,797	295,861
Rent on real estate	—	—
Net, including other income	¥1,458,190	¥1,500,194

(7) Gains on Sales of Securities

(Millions of yen)

Years ended March 31	2014	2013
Japanese government bonds and other bonds	¥70,968	¥60,344
Domestic stocks and other securities	—	—
Foreign securities	106	—
Net, including other gains on sales of securities	¥71,074	¥60,344

(8) Losses on Sales of Securities

(Millions of yen)

Years ended March 31	2014	2013
Japanese government bonds and other bonds	¥ 2,948	¥19,665
Domestic stocks and other securities	—	—
Foreign securities	7,256	—
Net, including other losses on sales of securities	¥10,205	¥19,665

(9) Losses on Valuation of Securities

Not applicable as of March 31, 2014 and 2013

(10) Proprietary Trading Securities

Not applicable as of March 31, 2014 and 2013

(11) Proceeds on Sales of Proprietary Trading Securities

Not applicable for the years ended March 31, 2014 and 2013

(12) Securities Composition

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
Corporate and government bonds	¥68,138,527	98.2	¥71,654,947	98.8
Japanese government bonds	52,522,914	75.7	56,472,609	77.8
Japanese local government bonds	9,173,780	13.2	8,698,497	12.0
Japanese corporate bonds	6,441,832	9.3	6,483,840	8.9
Public entity bonds	4,060,169	5.9	4,045,633	5.6
Domestic stocks	984	0.0	984	0.0
Foreign securities	1,239,464	1.8	902,249	1.2
Foreign corporate and government bonds	1,099,464	1.6	762,249	1.1
Foreign stocks and other securities	140,000	0.2	140,000	0.2
Other securities	—	—	—	—
Total	¥69,378,975	100.0	¥72,558,181	100.0

(13) Securities by Maturity Date

(Millions of yen)

	Due 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 (including no fixed maturity)	Total
As of March 31, 2014	¥5,947,902	¥13,047,132	¥11,038,215	¥4,695,520	¥7,426,365	¥28,035,587	¥70,190,724
Securities	5,162,602	13,047,132	11,038,215	4,695,520	7,426,365	28,009,139	69,378,975
Japanese government bonds	4,337,884	10,137,211	7,114,491	1,730,372	3,211,422	25,991,532	52,522,914
Japanese local government bonds	369,133	1,290,360	2,150,133	1,904,499	2,516,451	943,201	9,173,780
Japanese corporate bonds	455,584	1,603,752	1,589,107	858,753	1,042,779	891,855	6,441,832
Stocks	—	—	—	—	—	984	984
Foreign securities	—	15,807	184,483	201,894	655,712	181,565	1,239,464
Foreign corporate and government bonds	—	15,807	184,483	201,894	655,712	41,565	1,099,464
Foreign stocks and other securities	—	—	—	—	—	140,000	140,000
Other securities	—	—	—	—	—	—	—
Monetary claims bought	81,000	—	—	—	—	26,448	107,448
Certificates of deposit	704,300	—	—	—	—	—	704,300
Other	—	—	—	—	—	—	—
As of March 31, 2013	¥7,523,644	¥11,817,236	¥14,280,235	¥6,359,372	¥7,228,014	¥26,143,195	¥73,351,699
Securities	6,750,548	11,817,236	14,280,235	6,359,372	7,228,014	26,122,773	72,558,181
Japanese government bonds	5,582,505	9,785,970	10,568,400	3,487,004	2,648,226	24,400,501	56,472,609
Japanese local government bonds	626,107	912,700	1,764,410	1,826,063	2,818,917	750,297	8,698,497
Japanese corporate bonds	541,935	1,103,853	1,799,211	978,909	1,298,529	761,401	6,483,840
Stocks	—	—	—	—	—	984	984
Foreign securities	—	14,712	148,211	67,395	462,341	209,589	902,249
Foreign corporate and government bonds	—	14,712	148,211	67,395	462,341	69,589	762,249
Foreign stocks and other securities	—	—	—	—	—	140,000	140,000
Other securities	—	—	—	—	—	—	—
Monetary claims bought	406,996	—	—	—	—	20,421	427,417
Certificates of deposit	366,100	—	—	—	—	—	366,100
Other	—	—	—	—	—	—	—

Note: Includes the handling of securities based on Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No.10).

(14) Bond Term-End Balance Yield

(%)		
As of March 31	2014	2013
Corporate and government bonds	1.63	1.63
Foreign corporate and government bonds	2.38	2.33

(15) Breakdown of Local Government Bonds by Region

(Millions of yen)		
As of March 31	2014	2013
Hokkaido	¥ 219,140	¥ 218,333
Tohoku	75,457	53,720
Kanto	2,195,188	2,240,564
Chubu	962,679	870,232
Kinki	898,265	822,283
Chugoku	254,851	219,483
Shikoku	77,991	68,089
Kyushu	614,000	504,404
Other	3,876,204	3,701,384
Total	¥9,173,780	¥8,698,497

Note: "Other" indicates the balance of joint issuance market public placed local government bonds.

(16) Loans by Contractual Maturity Date

(Millions of yen)							
	Due 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 (including no fixed maturity)	Total
Total industrial and commercial loans as of March 31, 2014	¥1,071,617	¥2,619,145	¥1,704,473	¥1,476,533	¥1,832,874	¥2,261,669	¥10,966,313
Variable rate loans	17,380	42,150	24,550	7,500	11,150	10,000	112,730
Fixed rate loans	1,054,237	2,576,995	1,679,923	1,469,033	1,821,724	2,251,669	10,853,583
Total industrial and commercial loans as of March 31, 2013	¥1,743,867	¥2,805,791	¥1,818,900	¥1,569,749	¥1,977,444	¥2,739,876	¥12,655,629
Variable rate loans	14,599	40,080	25,750	4,650	2,900	5,000	92,979
Fixed rate loans	1,729,267	2,765,711	1,793,150	1,565,099	1,974,544	2,734,876	12,562,650

Notes: (1) "Fixed rate loans" includes loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account).

(2) Among the loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

(17) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

As of March 31		2014		2013	
			Ratio		Ratio
Large companies	Number of borrowers	41	93.2	37	92.5
	Amount of loans	¥ 243,210	2.3	¥ 216,629	1.8
Medium-sized companies	Number of borrowers	—	—	—	—
	Amount of loans	¥ —	—	¥ —	—
Small companies	Number of borrowers	3	6.8	3	7.5
	Amount of loans	¥10,218,937	97.7	¥11,985,837	98.2
Total loans to domestic companies	Number of borrowers	44	100.0	40	100.0
	Amount of loans	¥10,462,147	100.0	¥12,202,467	100.0

Notes: (1) Loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account) are classified as "small and medium-sized companies" by "Corporate Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, Bank of Japan.

(2) Classifications are defined as shown below.

(3) Number of borrowers indicates the number of borrowers identified by name and is not the number of loans.

Industry type	1. All industries (excluding 2-4)		2. Retail and restaurant		3. Service		4. Wholesale	
Large companies	More than 300 employees	Paid-in capital over ¥1 billion	More than 50 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.1 billion and ¥1 billion
Small companies	Paid-in capital under ¥0.3 billion or fewer than 300 employees		Paid-in capital under ¥0.05 billion or fewer than 50 employees		Paid-in capital under ¥0.05 billion or fewer than 100 employees		Paid-in capital under ¥0.1 billion or fewer than 100 employees	

(18) Breakdown of Loans by Industry

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
Domestic	¥10,966,313	100.0	¥12,655,629	100.0
Manufacturing	79,040	0.7	75,840	0.6
Foods	8,800	0.1	8,800	0.1
Textiles and apparel	2,000	0.0	2,000	0.0
Wood, wood products	—	—	—	—
Pulp and paper	11,950	0.1	4,400	0.0
Printing	5,000	0.0	5,000	0.0
Chemicals	10,150	0.1	8,650	0.1
Oil and coal products	4,650	0.0	3,000	0.0
Ceramics, soil and stone	7,000	0.1	7,000	0.1
Iron and steel	8,000	0.1	15,500	0.1
Nonferrous metals	—	—	—	—
Metal products	—	—	—	—
General purpose, production and industrial machinery	1,490	0.0	1,490	0.0
Electric appliances	15,000	0.1	15,000	0.1
Transportation equipment	5,000	0.0	5,000	0.0
Other manufacturing products	—	—	—	—
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	—	—	—	—
Construction	—	—	—	—
Electric power, gas, heat supply and waterworks	—	—	—	—
Information and communications	7,950	0.1	8,000	0.1
Transportation and postal	43,662	0.4	41,510	0.3
Wholesale trade	64,400	0.6	51,699	0.4
Retail trade	—	—	—	—
Financing and insurance	10,248,115	93.5	12,001,237	94.8
Real estate	18,980	0.2	21,180	0.2
Rental	—	—	—	—
Academic research, specialist and technology services	—	—	3,000	0.0
Lodging	—	—	—	—
Restaurant	—	—	—	—
Lifestyle related services, amusement	—	—	—	—
Education and learning support	—	—	—	—
Medical and welfare	—	—	—	—
Other services	—	—	—	—
Local organizations and public entities	504,165	4.6	453,162	3.6
Individuals (residential/consumption/local taxes/other)	—	—	—	—
Overseas	¥ —	—	¥ —	—
Governments and public entities	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry	—	—	—	—
Total industrial and commercial loans	¥10,966,313	100.0	¥12,655,629	100.0

Notes: (1) Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).

(2) Loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type of "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, Bank of Japan.

(19) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
Capital investments	¥ 419,032	3.8	¥ 363,745	2.9
Operations	10,547,281	96.2	12,291,883	97.1
Total	¥10,966,313	100.0	¥12,655,629	100.0

Note: Loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account) are classified as "operations."

(20) Breakdown of Loans by Region

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
Hokkaido	¥ —	—	¥ —	—
Tohoku	32,217	0.3	33,153	0.3
Kanto	10,536,982	96.1	12,276,699	97.0
Chubu	135,290	1.2	117,097	0.9
Kinki	165,455	1.5	128,842	1.0
Chugoku	16,642	0.2	17,349	0.1
Shikoku	8,812	0.1	9,406	0.1
Kyushu	70,912	0.6	73,082	0.6
Total	¥10,966,313	100.0	¥12,655,629	100.0

Notes: (1) Loans to individuals, non-residents and for insurance policies are not included.

(2) Regional classification depends on the location of the borrower's headquarters.

(3) Loans to Management Organization for Postal Savings and Postal Life Insurance (Postal Life Insurance Account) are classified under "Kanto," as the organization is located in Tokyo.

(21) Tangible Fixed Assets

1) Tangible Fixed Assets

(Millions of yen, %)

	Balance at beginning of current period	Increase in current period	Decrease in current period	Depreciation in current period	Balance at end of current period	Accumulated depreciation	Accumulated depreciation percentage
Year ended March 31, 2014	¥85,968	¥11,863	¥2,405	¥6,103	¥89,322	¥63,476	—
(Includes rentals and other real estate)	—	—	—	—	—	—	—
Land	40,726	—	—	—	40,726	—	—
Buildings, net	33,262	1,967	52	1,889	33,287	16,036	32.5
Lease assets, net	1,335	513	27	364	1,456	976	40.2
Construction in progress	15	3,792	2,159	—	1,648	—	—
Other, net	10,628	5,589	164	3,848	12,204	46,463	79.2
Year ended March 31, 2013	¥85,832	¥ 7,710	¥2,104	¥5,470	¥85,968	¥62,596	—
(Includes rentals and other real estate)	—	—	—	—	—	—	—
Land	40,726	—	—	—	40,726	—	—
Buildings, net	33,302	1,799	40	1,798	33,262	14,177	29.9
Lease assets, net	1,063	581	9	300	1,335	723	35.2
Construction in progress	10	1,977	1,972	—	15	—	—
Other, net	10,730	3,350	81	3,371	10,628	47,695	81.8

2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

As of March 31	2014	2013
Value of real estate holdings	¥75,662	¥74,004
For business operations	75,662	74,004
For lease	—	—
Number of buildings held for leasing	—	—

Note: "Value of real estate holdings" is booked as the sum total of land, buildings (including facilities and structures) and construction in progress.

(22) Gain on Disposal of Fixed Assets

Not applicable for the years ended March 31, 2014 and 2013

(23) Loss on Disposal of Fixed Assets

(Millions of yen)

Years ended March 31	2014	2013
Tangible fixed assets	¥ 248	¥ 148
Land	—	—
Buildings	57	56
Lease assets	27	9
Other assets	163	81
Intangible fixed assets	8,389	1,809
Other	—	1
Total	¥8,638	¥1,958
Includes rentals and other real estate	—	—

Note: "Buildings" is booked as the sum total of buildings, facilities and structures.

(24) Depreciation on Real Estate, Movables and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2014 and 2013

(25) Overseas Loans and Investments

1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2014		2013	
		Amount	Ratio	Amount	Ratio
Foreign currency-denominated assets	Foreign corporate and government bonds	¥1,068,324	76.2	¥654,060	72.1
	Foreign stocks	60,455	4.3	4,893	0.5
	Cash and cash equivalents	—	—	—	—
	Subtotal	1,128,780	80.5	658,954	72.6
Foreign currency-denominated assets with fixed yen value	Foreign corporate and government bonds	—	—	—	—
	Cash and cash equivalents	—	—	—	—
	Subtotal	—	—	—	—
Yen denominated assets	Loans to non-residents	—	—	—	—
	Foreign corporate and government bonds and other assets	273,801	19.5	248,188	27.4
	Subtotal	273,801	19.5	248,188	27.4
Net overseas loans and investments		¥1,402,581	100.0	¥907,143	100.0

Note: "Foreign currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.

2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

	Foreign securities		Corporate and government bonds		Stocks and other securities		Loans to non-residents	
	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio
As of March 31, 2014	¥1,402,581	100.0	¥1,099,464	100.0	¥303,117	100.0	¥—	—
North America	854,523	60.9	799,786	72.7	54,737	18.1	—	—
Europe	190,897	13.6	185,178	16.8	5,718	1.9	—	—
Oceania	16,499	1.2	16,499	1.5	—	—	—	—
Asia	—	—	—	—	—	—	—	—
Central and South America	242,661	17.3	—	—	242,661	80.1	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	98,000	7.0	98,000	8.9	—	—	—	—
As of March 31, 2013	¥ 907,143	100.0	¥ 762,249	100.0	¥144,893	100.0	¥—	—
North America	642,636	70.8	638,189	83.7	4,447	3.1	—	—
Europe	26,506	2.9	26,060	3.4	446	0.3	—	—
Oceania	—	—	—	—	—	—	—	—
Asia	—	—	—	—	—	—	—	—
Central and South America	140,000	15.4	—	—	140,000	96.6	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	98,000	10.8	98,000	12.9	—	—	—	—

3) Composition of Foreign Currency-Denominated Assets by Currency

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
U.S. dollar	¥ 955,973	84.7	¥642,530	97.5
Euro	148,185	13.1	—	—
British pound	23,409	2.1	16,317	2.5
Canadian dollar	1,211	0.1	105	0.0
Total	¥1,128,780	100.0	¥658,954	100.0

(26) Yield on Overseas Loans and Investments

(%)

Years ended March 31	2014	2013
Yield on overseas loans and investments	1.98	2.63

(27) Summary of New Public-Sector Investment Underwriting and Loans

(Millions of yen)

Years ended March 31		2014	2013
Public bonds	Japanese government bonds	¥ —	¥ —
	Japanese local government bonds	—	—
	Public entity bonds	25	37
	Subtotal	25	37
Loans	Government organizations	—	—
	Public entities	68,886	57,814
	Subtotal	68,886	57,814
Total		¥68,912	¥57,852

(28) Loan Interest Rates

Not applicable for the years ended March 31, 2014 and 2013

(29) Schedule of Other Assets

(Millions of yen)

		Acquisition cost	Increase in the year	Decrease in the year	Accumulated depreciation	Balance at the end of the year
Year ended March 31, 2014	Other assets	¥2,886	¥9,134	¥8,912	¥ —	¥3,108
	Total	¥2,886	¥9,134	¥8,912	¥ —	¥3,108
Year ended March 31, 2013	Other assets	¥1,742	¥6,721	¥5,576	¥ —	¥2,886
	Total	¥1,742	¥6,721	¥5,576	¥ —	¥2,886

Market Value Information of Securities (General Account)

(1) Market Value of Securities

1) Net Valuation Gain/Loss of Trading Securities

Japan Post Insurance does not hold securities for trading as of March 31, 2014 and 2013.

2) Market Value Information of Securities (with market value, other than trading securities)

(Millions of yen)

As of March 31		2014					2013				
		Book value	Market value	Gain/loss			Book value	Market value	Gain/loss		
				Gain	Loss				Gain	Loss	
Held-to-maturity bonds		¥45,257,324	¥48,427,090	¥3,169,765	¥3,174,107	¥ 4,342	¥43,282,092	¥46,925,271	¥3,643,179	¥3,643,182	¥ 3
Policy-reserve-matching bonds		17,953,667	19,052,820	1,099,152	1,100,453	1,300	23,508,816	24,927,941	1,419,124	1,419,124	—
Equities of subsidiaries and affiliated companies		—	—	—	—	—	—	—	—	—	—
Available-for-sale securities		7,148,598	7,414,127	265,529	278,007	12,478	6,425,208	6,650,129	224,920	238,623	13,702
Corporate and government bonds		4,927,726	5,025,535	97,809	100,097	2,287	4,853,462	4,962,038	108,576	116,985	8,408
Domestic stocks		337,777	412,261	74,484	78,011	3,527	182,009	225,429	43,419	48,265	4,845
Foreign securities		1,072,516	1,164,581	92,065	98,718	6,652	597,540	669,143	71,602	72,051	448
Foreign corporate and government bonds		917,500	1,001,464	83,964	90,616	6,652	592,544	664,249	71,705	72,051	346
Foreign stocks and other securities		155,016	163,117	8,101	8,101	—	4,996	4,893	(102)	—	102
Other securities		—	—	—	—	—	—	—	—	—	—
Monetary claims bought		106,278	107,448	1,170	1,181	11	426,096	427,417	1,321	1,321	—
Certificates of deposit		704,300	704,300	—	—	—	366,100	366,100	—	—	—
Other		—	—	—	—	—	—	—	—	—	—
Total		¥70,359,590	¥74,894,037	¥4,534,446	¥4,552,568	¥18,121	¥73,216,117	¥78,503,342	¥5,287,224	¥5,300,930	¥13,705
Corporate and government bonds		68,040,718	72,403,664	4,362,946	4,370,876	7,930	71,546,370	76,713,056	5,166,685	5,175,097	8,411
Domestic stocks		337,777	412,261	74,484	78,011	3,527	182,009	225,429	43,419	48,265	4,845
Foreign securities		1,170,516	1,266,362	95,846	102,499	6,652	695,540	771,337	75,797	76,246	448
Foreign corporate and government bonds		1,015,500	1,103,245	87,745	94,397	6,652	690,544	766,444	75,899	76,246	346
Foreign stocks		155,016	163,117	8,101	8,101	—	4,996	4,893	(102)	—	102
Other securities		—	—	—	—	—	—	—	—	—	—
Monetary claims bought		106,278	107,448	1,170	1,181	11	426,096	427,417	1,321	1,321	—
Certificates of deposit		704,300	704,300	—	—	—	366,100	366,100	—	—	—
Other		—	—	—	—	—	—	—	—	—	—

Notes: (1) This table includes the handling of securities under the Financial Instruments and Exchange Law.

(2) This table includes money held in trust other than trading securities and its book value is ¥492,793 million with a gain of ¥82,585 million as of March 31, 2014 and ¥187,005 million with a gain of ¥43,317 million as of March 31, 2013.

The book values for securities that are considered difficult to determine the market value are as follows.

(Millions of yen)

As of March 31	2014	2013
Held-to-maturity bonds	¥ —	¥ —
Unlisted foreign bonds	—	—
Others	—	—
Policy-reserve-matching bonds	—	—
Equities of subsidiaries and affiliated companies	984	984
Available-for-sale securities	140,000	140,000
Unlisted domestic stocks (excluding OTC traded equities)	—	—
Unlisted foreign stocks (excluding OTC traded equities)	140,000	140,000
Unlisted foreign bonds	—	—
Others	—	—
Total	¥140,984	¥140,984

(2) Data on Market Value of Money Held in Trust

(Millions of yen)

As of March 31	2014			2013		
	Carrying amount	Market value	Net unrealized gain/loss	Carrying amount	Market value	Net unrealized gain/loss
			Gain			Gain
			Loss			Loss
Money held in trust	¥581,627	¥581,627	¥ —	¥256,832	¥256,832	¥ —

1) Money Held in Trust for Trading Purposes

Japan Post Insurance does not hold money held in trust for trading purposes as of March 31, 2014 and 2013.

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

(Millions of yen)

As of March 31	2014					2013				
	Book value	Market value	Gain/Loss			Book value	Market value	Gain/Loss		
			Gain	Loss				Gain	Loss	
Assets held-to-maturity in trust	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Assets held for reserves in trust	—	—	—	—	—	—	—	—	—	—
Other money held in trust	499,042	581,627	82,585	86,112	3,527	213,515	256,832	43,317	48,265	4,947
Domestic stock fund	342,583	417,067	74,484	78,011	3,527	189,553	232,973	43,419	48,265	4,845
Foreign stock fund	55,742	60,755	5,013	5,013	—	10,028	9,926	(102)	—	102
Foreign bond fund	100,716	103,804	3,087	3,087	—	—	—	—	—	—
Real estate fund	—	—	—	—	—	13,933	13,933	—	—	—

3) Balances of Securities in Money Held in Trust

(Millions of yen)

	Due 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 (including no fixed maturity)	Total
As of March 31, 2014							
Domestic stock						412,261	¥575,379
Foreign securities						163,117	
Foreign corporate and government bonds						—	
Foreign stocks						163,117	
As of March 31, 2013							
Domestic stock						225,429	¥230,323
Foreign securities						4,893	
Foreign corporate and government bonds						—	
Foreign stocks						4,893	

4) Currency Composition of Money Held in Trust

(Millions of yen, %)

As of March 31	2014		2013	
	Amount	Ratio	Amount	Ratio
Japanese yen	¥412,261	71.7	¥225,429	97.9
U.S. dollar	156,187	27.1	4,341	1.9
Euro	—	—	—	—
Others	6,930	1.2	552	0.2
Total	¥575,379	100.0	¥230,323	100.0

Note: Excluding cash and deposits

5) Industry Composition of Japanese Stocks of Money Held in Trust

(Millions of yen, %)

As of March 31	2014			2013		
	Market value	Ratio	Ratio of TOPIX	Market value	Ratio	Ratio of TOPIX
Fishery, agriculture and forestry	¥ 308	0.1	0.1	¥ 182	0.1	0.1
Mining	1,973	0.5	0.5	1,275	0.6	0.6
Construction	10,616	2.6	2.5	5,401	2.4	2.3
Manufacturing						
Foods	15,978	3.9	3.9	9,343	4.1	4.2
Textiles and apparel	2,979	0.7	0.7	1,797	0.8	0.8
Pulp and paper	1,236	0.3	0.3	625	0.3	0.3
Chemicals	22,226	5.4	5.4	12,672	5.6	5.6
Pharmaceuticals	19,132	4.6	4.6	11,639	5.2	5.2
Oil and coal products	2,502	0.6	0.6	1,647	0.7	0.7
Rubber products	3,837	0.9	0.9	2,194	1.0	1.0
Glass and ceramic products	4,196	1.0	1.0	1,991	0.9	0.9
Iron and steel	6,612	1.6	1.6	3,731	1.7	1.6
Nonferrous metals	4,170	1.0	1.0	2,312	1.0	1.0
Metal products	2,874	0.7	0.7	1,474	0.7	0.7
Machinery	21,365	5.2	5.2	11,430	5.1	5.1
Electric appliances	52,032	12.6	12.7	25,986	11.5	11.4
Transportation equipment	48,147	11.7	11.8	25,632	11.4	11.1
Precision instruments	5,903	1.4	1.4	2,850	1.3	1.3
Other products	5,974	1.4	1.5	3,080	1.4	1.4
Electric power and gas	9,206	2.2	2.2	4,765	2.1	2.3
Transportation, information and communications						
Land transportation	15,514	3.8	3.8	9,834	4.4	4.4
Marine transportation	1,528	0.4	0.4	786	0.3	0.3
Air transportation	2,124	0.5	0.5	1,231	0.5	0.5
Warehousing and port transportation services	932	0.2	0.2	630	0.3	0.3
Information and communications	30,676	7.4	7.3	13,440	6.0	6.1
Trade and services						
Wholesale trade	19,273	4.7	4.6	11,343	5.0	4.9
Retail trade	17,244	4.2	4.3	9,432	4.2	4.4
Finance and insurance						
Banking	38,556	9.4	9.4	24,476	10.9	10.8
Securities and trading	6,951	1.7	1.7	3,681	1.6	1.6
Insurance	9,045	2.2	2.2	5,233	2.3	2.3
Other financial services	5,343	1.3	1.3	2,482	1.1	1.2
Real estate	13,723	3.3	3.3	8,006	3.6	3.6
Services	10,070	2.4	2.4	4,815	2.1	2.2
Total	¥412,261	100.0	100.0	¥225,429	100.0	100.0

(3) Combined Market Value of Derivative Transactions (with or without hedge accounting)

(i) Breakdown of gains and losses (breakdown of hedge accounting applied and not applied portions)

(Millions of yen)

	Interest rate related	Currency related	Stocks related	Bonds related	Others	Total
As of March 31, 2014	¥326	¥(15,655)	¥ –	¥ –	¥ –	¥(15,328)
Portion with hedge accounting applied	326	(15,655)	–	–	–	(15,328)
Portion with hedge accounting not applied	–	–	–	–	–	–
As of March 31, 2013	¥509	¥ (5,179)	¥ –	¥ –	¥ –	¥ (4,670)
Portion with hedge accounting applied	509	(5,179)	–	–	–	(4,670)
Portion with hedge accounting not applied	–	–	–	–	–	–

Notes: (1) Of the hedge accounting applied as of March 31, 2014, the portion with hedge accounting (the fair value hedge method) applied for net loss (currency related ¥15,655 million) is accrued in the statement of income.

(2) Of the hedge accounting applied as of March 31, 2013, the portion with hedge accounting (the fair value hedge method) applied for net loss (currency related ¥5,179 million) is accrued in the statement of income.

(ii) Interest rate related

(Millions of yen)

Note: The market value (current price) of swap transactions is indicated in the Net gain/loss column.

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

(Millions of yen, %)

Category	Due 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	Total
As of March 31, 2014	¥17,380	¥42,150	¥24,550	¥7,500	¥11,150	¥10,000	¥112,730
Fixed receipt Swap notational principal	17,380	42,150	24,550	7,500	11,150	10,000	112,730
Average fixed interest receipt	0.82	0.53	0.39	0.55	0.93	1.05	0.63
Average variable interest payment	0.36	0.23	0.20	0.26	0.28	0.28	0.25
As of March 31, 2013	¥14,600	¥40,080	¥25,750	¥4,650	¥ 2,900	¥ 5,000	¥ 92,980
Fixed receipt Swap notational principal	14,600	40,080	25,750	4,650	2,900	5,000	92,980
Average fixed interest receipt	1.00	0.67	0.44	0.64	0.96	0.99	0.68
Average variable interest payment	0.60	0.34	0.28	0.40	0.50	0.36	0.37

(iii) Currency related

(Millions of yen)

Category	As of March 31	2014				2013			
	Type	Contract amount, etc.		Market value	Net gain/loss	Contract amount, etc.		Market value	Net gain/loss
			Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts								
	Sold	¥404,257	¥ –	¥(15,655)	¥(15,655)	¥263,203	¥ –	¥(5,179)	¥(5,179)
	U.S. dollar	270,312	–	(6,817)	(6,817)	263,203	–	(5,179)	(5,179)
	Euro	133,944	–	(8,837)	(8,837)	–	–	–	–
	Purchased	–	–	–	–	–	–	–	–
Total					¥(15,655)				¥(5,179)

Notes: (1) Future quotation for the exchange rate at the end of the fiscal year is used.

(2) The net gain/loss is described for the exchange contract market value.

(iv) Stocks related

There were no such outstanding balances as of March 31, 2014 and 2013.

(v) Bonds related

There were no such outstanding balances as of March 31, 2014 and 2013.

(vi) Others

There were no such outstanding balances as of March 31, 2014 and 2013.

Indicators for special accounts

None

1. History

Japan Post Insurance Co., Ltd. was established as Kanpo Co., Ltd. on September 1, 2006 under the Postal Service Privatization Act enacted in October 2005. During the period up to September 30, 2007, the Company prepared to launch operations as a life insurance company. Following a change in its trade name to Japan Post Insurance Co., Ltd. on October 1, 2007, the Company

took over a portion of the business and functions of Japan Post. Japan Post Insurance currently engages in the life insurance business and postal life insurance management business under commission from the Management Organization for Postal Savings and Postal Life Insurance.

September 2006	Kanpo Co., Ltd. established
October 2007	Japan Post Group established Coinciding with the start of life insurance operations, trade name changed to Japan Post Insurance Co., Ltd. Started postal life insurance management business under commission from the Management Organization for Postal Savings and Postal Life Insurance
December 2007	Approval for new business obtained (liberalization of investment products)
February 2008	Partial alliance with Nippon Life Insurance Company concluded
April 2008	Expanded the scope of financial institutions that can use accounts for making payments for insurance premiums New business activities approved (commissioned sales of insurance products for companies, revision of hospitalization riders)
June 2008	Commissioned sales of life insurance products for companies
July 2008	A new hospitalization rider, <i>Sono hi kara</i> , launched Offering of an option that allows a designated third party to request insurance benefits begun Expanded subscription age limits for ordinary endowment insurance
October 2008	Coverage of the amount equivalent to the cost of acquiring medical certificates started
April 2009	Transfers of various payments including insurance premiums via the introduction of mobile settlement terminals commenced Scope of coverage of the amount equivalent to the cost of acquiring medical certificates expanded
July 2009	Branches established in all prefectures in line with the establishment of the Nara Branch and Wakayama Branch
October 2010	Introduction of New Policy Processing System commenced
October 2011	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (JPSOL) became a subsidiary
October 2013	Introduction of mobile tablet terminals commenced
January 2014	Approval for revisions of educational endowment insurance obtained
April 2014	An educational endowment insurance, <i>Hajime no Kanpo</i> , launched
June 2014	Approval for handling sales of Aflac cancer insurance
July 2014	Commenced handling sales of Aflac cancer insurance

[Reference]

■ History of Postal Life Insurance

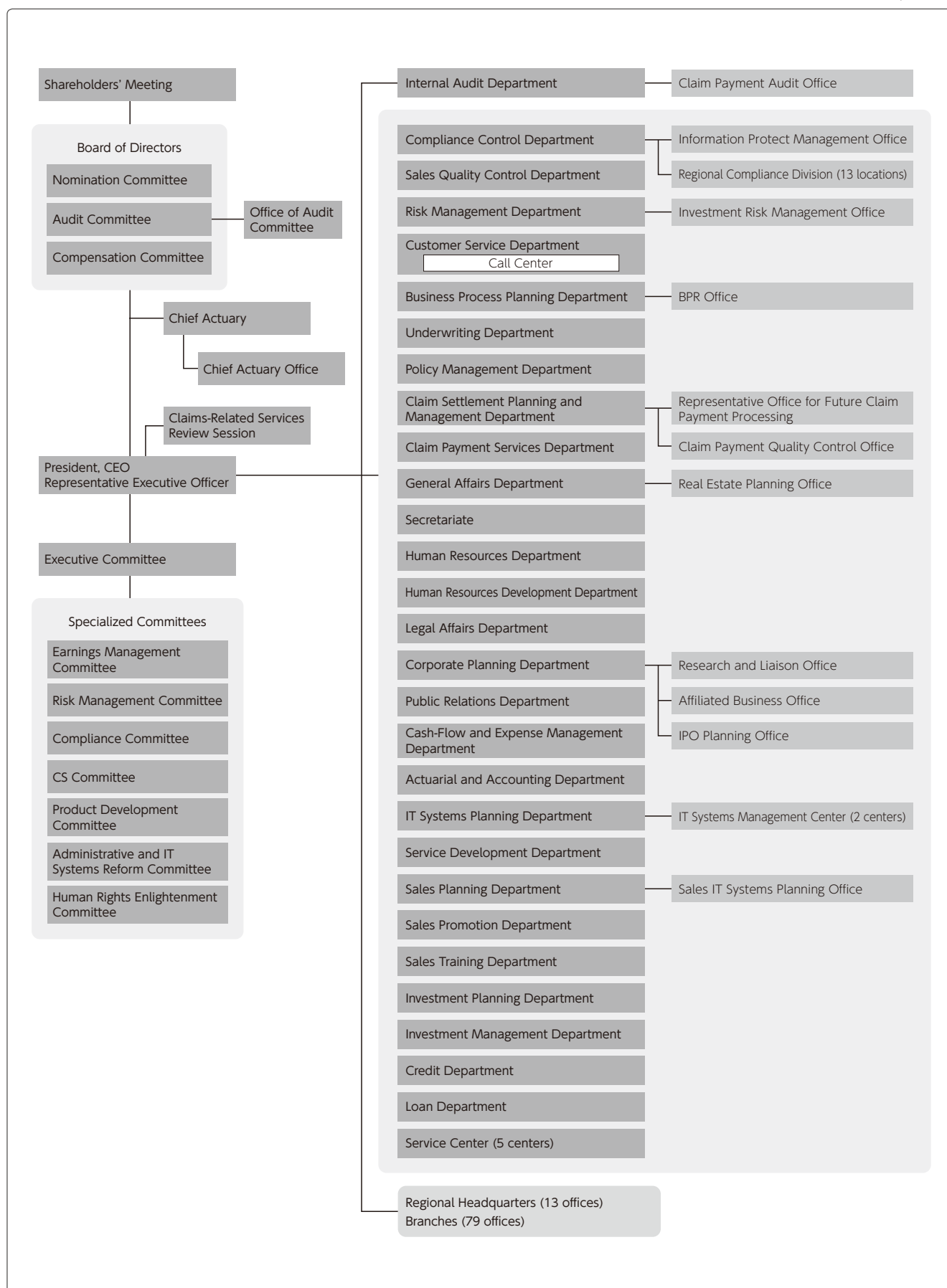
October 1916	Postal life insurance business founded
October 1926	Postal annuity business founded
June 1949	The Ministry of Posts and Telecommunications established
January 2001	Postal Services Agency created as part of realignment of government ministries
April 2003	Japan Post established

2. Major Businesses

- (1) Life insurance business
- (2) Agency or administration services for other insurance companies (including foreign insurance companies) and other financial services companies and loan guarantees and other businesses supplemental to previously mentioned businesses
- (3) Trading of Japanese government bonds, local government bonds and government-guaranteed bonds; accepting subscriptions for local government bonds, corporate bonds and other bonds; commissioned management and other businesses provided for under the Insurance Business Act; and other life insurance businesses not covered by the Insurance Business Act but legally permissible
- (4) Management of postal life insurance policies commissioned by the Management Organization for Postal Savings and Postal Life Insurance
- (5) Other business supplemental or related to previously mentioned businesses

3. Organization Chart

(As of July 1, 2014)



4. Trends in Paid-in Capital

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

5. Total Number of Stocks

Total number of issuable stocks	80,000,000
Total number of issued stocks	20,000,000
Current period shareholder	one entity

6. Condition of Stocks

1) Types of stocks issued

Issued stocks	Type	Number of issued stocks	Contents
	Common stock	20,000,000	—

2) Major shareholder

Name	Investments in Japan Post Insurance Co., Ltd.		Investments by major shareholders in Japan Post Insurance Co., Ltd.	
	Number of stocks held	Ratio of number of stocks held	Number of stocks held	Ratio of number of stocks held
Japan Post Holdings Co., Ltd.	20,000,000	100%	—	—

7. Shareholder

Name	Address of main place of business or sales	Paid-in capital or investment	Business outline	Date of establishment	Percentage of owned shares included in the total number of shares
Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Management of the Japan Post Group	January 23, 2006	100%

8. Directors and Executive Officers

(As of July 1, 2014)

1) Directors

President, CEO	Masami Ishii	
Deputy President	Toshihisa Minakata	
Director (Outside)	Masaharu Hino	Attorney-at-law
Director (Outside)	Taizo Nishimuro	President & CEO, Japan Post Holdings Co., Ltd.
Director (Outside)	Fumiaki Furuya	Chairman, NIPPON SHUPPAN HANBAI INC.
Director (Outside)	Kiyomi Saito	CEO, JBond Totan Securities Co., Ltd.
Director (Outside)	Shin Yoshidome	Senior Adviser, Daiwa Institute of Research Business Innovation Ltd.
Director (Outside)	Shinji Hattori	Chairman & Group CEO, Seiko Holdings Corporation

Note: Six directors (Masaharu Hino, Taizo Nishimuro, Fumiaki Furuya, Kiyomi Saito, Shin Yoshidome and Shinji Hattori) are Outside Directors as specified in Article 2, Item 15 of the Corporate Law.

2) Executive Officers

In charge of respective departments		
President, CEO	Masami Ishii	
Representative Executive Officer		
Deputy President	Toshihisa Minakata	Secretariate and Corporate Planning Department
Representative Executive Officer		
Deputy President	Shoji Awakura	Customer Service Department, Sales Promotion Department, Sales Training Department and Regional Headquarters
Executive Officer		
Senior Managing Executive Officer	Kiyoshi Ido	IT Systems Planning Department
Executive Officer		
Senior Managing Executive Officer	Akira Anzai	Internal Audit Department
Executive Officer		
Senior Managing Executive Officer	Kazuhide Kinugawa	Sales Quality Control Department, General Affairs Department, Human Resources Department, Human Resources Development Department and Sales Training Department
Executive Officer		
Senior Managing Executive Officer	Masaaki Horigane	Actuarial and Accounting Department, Claim Settlement Planning and Management Department, Claim Payment Services Department and Service Center
Executive Officer		
Managing Executive Officer	Kiyotaka Fujimoto	Investment Planning Department, Investment Management Department and Loan Department
Executive Officer		
Managing Executive Officer	Yoshito Horiie	Business Process Planning Department, Underwriting Department, Policy Management Department and Service Center
Executive Officer		
Managing Executive Officer	Mitsuhiko Uehira	Service Development Department and Sales Planning Department
Executive Officer		
Managing Executive Officer	Tetsuya Senda	Corporate Planning Department, Public Relations Department and Cash-Flow and Expense Management Department
Executive Officer		
Managing Executive Officer	Yasuhiro Sadayuki	Compliance Control Department, Risk Management Department and Legal Affairs Department
Executive Officer		
Executive Officer	Masanori Sato	Credit Department and Senior General Manager, Affiliated Business Office
Executive Officer	Tomoaki Nara	Senior General Manager, Investment Planning Department
Executive Officer	Yoshihiko Ido	Senior General Manager, Sales Promotion Department
Executive Officer	Shinji Ando	Senior General Manager, Compliance Control Department
Executive Officer		
Executive Officer	Hiroyuki Kutomi	Senior General Manager, Kyoto Service Center and Representative Office for Future Claim Payment Processing
Executive Officer		
Executive Officer	Nobuyasu Kato	Senior General Manager, Claim Settlement Planning and Management Department
Executive Officer		
Executive Officer	Yasutaka Nishikawa	Senior General Manager, Kinki Regional Headquarters
Executive Officer	Osamu Kubo	Senior General Manager, Tokyo Regional Headquarters
Executive Officer	Yasuaki Hironaka	
Executive Officer	Hiromichi Udagawa	Senior General Manager, Kanto Regional Headquarters
Executive Officer	Hiroshi Nagaso	Senior General Manager, Tokai Regional Headquarters
Executive Officer		
Executive Officer	Hisao Nishikawa	Senior General Manager, Chugoku Regional Headquarters and General Manager, Hiroshima Branch
Executive Officer		
Executive Officer	Masato Kawagoe	Senior General Manager, Kyushu Regional Headquarters
Executive Officer	Yasumi Suzukawa	Senior General Manager, Claim Payment Services Department

Annual Report 2014

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