Business Overview and Results

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)

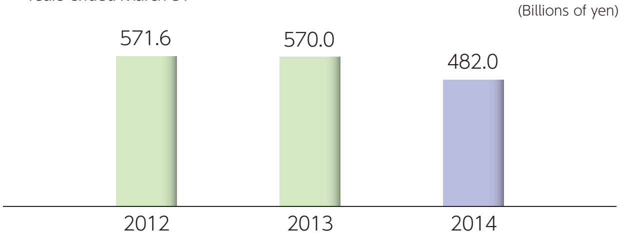
Years ended March 31	2012	2013	2014
Core income ①	¥12,518.8	¥11,850.7	¥11,240.1
Insurance premiums and other	6,856.4	6,481.7	5,911.6
Investment income (Note 1)	1,541.4	1,500.4	1,458.3
Reversal of policy reserves (Note 2)	4,085.3	3,813.2	3,736.8
Core expenses ②	11,947.2	11,280.7	10,758.0
Insurance claims 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:

Spread =
[investment return on core profit − average assumed interest rate (during period)] × 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) $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	¥717.2	¥681.2	¥632.0
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 $\frac{(A)}{(1/2)\times(B)}\times 100$	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.

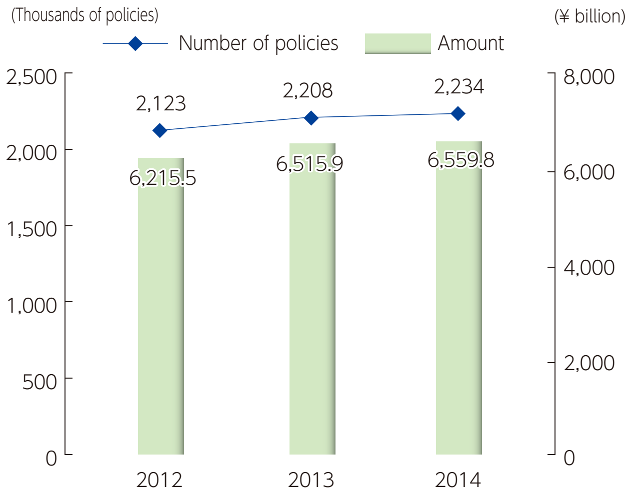
Regarding the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance, policies reinsured by Japan Post Insurance amounted to 23,196 thousand life insurance policies with an insured amount of ¥63,358.9 billion and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

New Policies

Individual Insurance

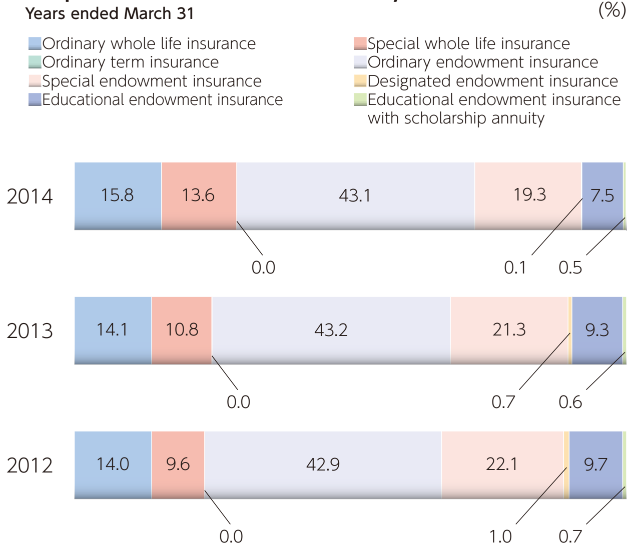
New Policies

Years ended March 31



Composition of New Policies by Product

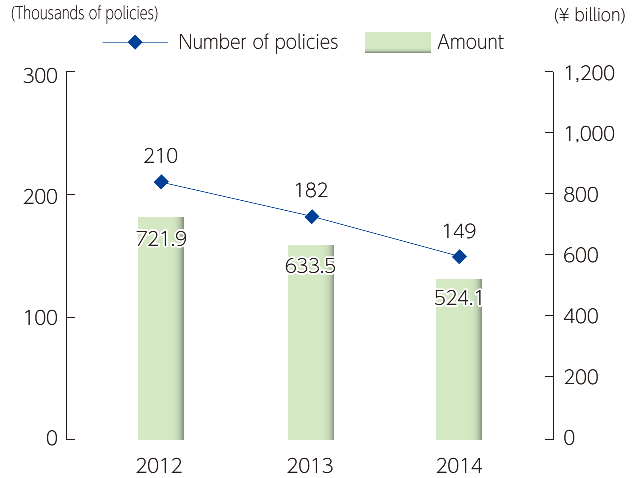
Years ended March 31



Individual Annuities

New Policies

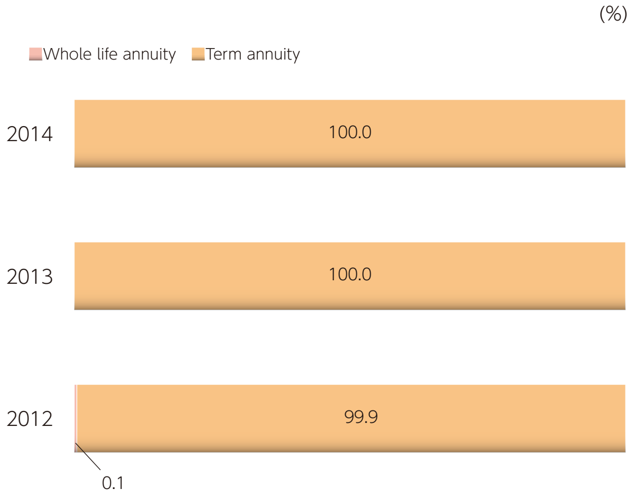
Years ended March 31



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

Composition of New Policies by Product

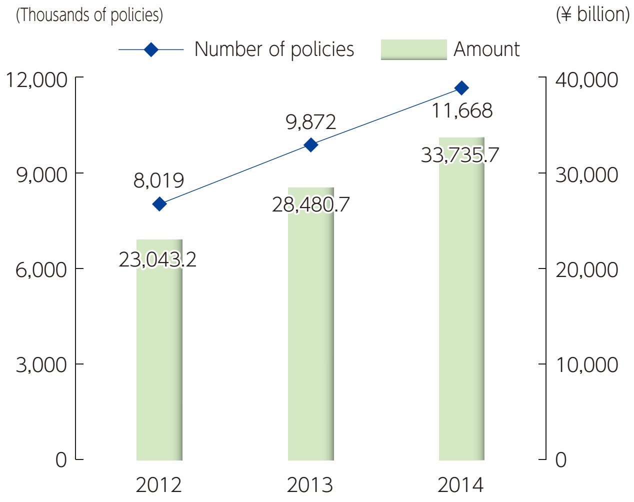
Years ended March 31



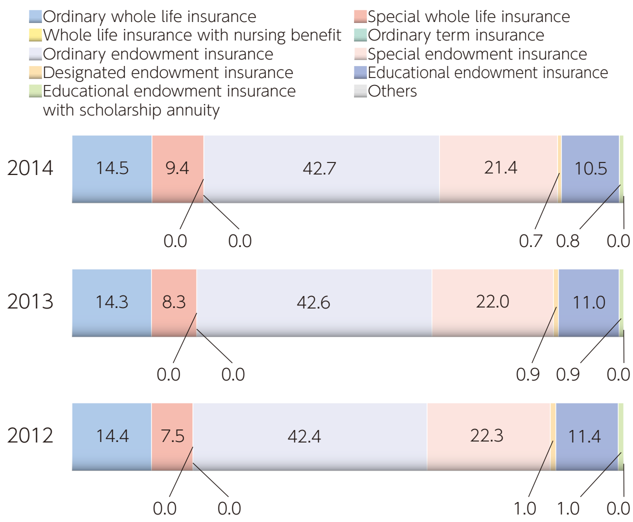
Policies in Force

Individual Insurance

Policies in Force
As of March 31



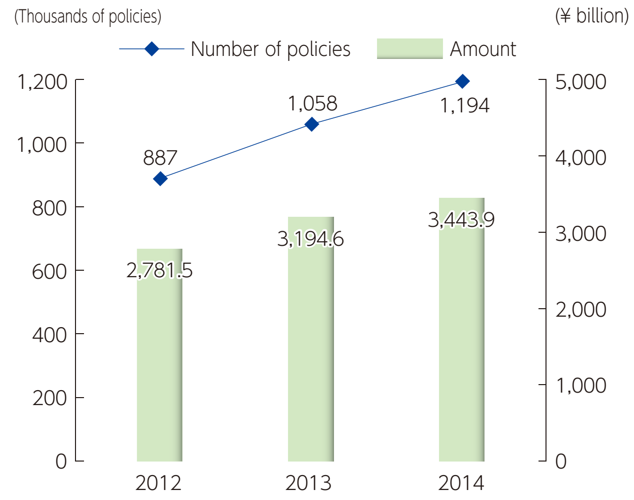
Composition of Policies in Force by Product
As of March 31



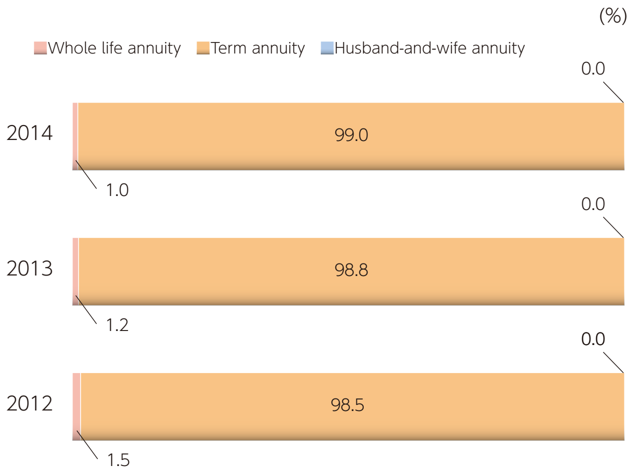
Note: Individual insurance does not include the postal life insurance policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance.

Individual Annuities

Policies in Force
As of March 31



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	Insurance premiums and the other is derived from insurance premiums paid by policyholders and represents the majority of life insurance companies' income. ● 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	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. ● Interest, dividends and other income: ¥1,458.1 billion ● Gains on sales of securities: ¥71.0 billion
3 Other ordinary income	Other ordinary income includes reversals of policy reserves, reversals of reserve for outstanding claims and other ordinary income items. ● Reversal of policy reserves: ¥3,656.4 billion ● Reversal of reserve for outstanding claims: ¥115.4 billion
4 Insurance claims and others	Insurance claims and others includes payments made under insurance policies such as insurance claims, annuities, benefits and refunds. ● 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	Provision for policy reserves and others includes the provision for interest portion on reserve for policyholders' dividends. ● Provision for interest portion on reserve for policyholders' dividends: ¥4.6 billion
6 Investment expenses	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. ● Losses on sales of securities: ¥10.2 billion
7 Operating expenses	Operating expenses includes costs incurred in selling new policies, maintaining policies in force and paying insurance claims. These costs correspond to the selling, general and administrative expenses of regular business companies.
8 Other ordinary expenses	Other ordinary expenses includes taxes and depreciation. ● Taxes: ¥38.1 billion ● Depreciation: ¥34.2 billion
9 Extraordinary gains	Extraordinary gains includes unusual or unexpected gains.
10 Extraordinary losses	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. ● Provision for reserve for price fluctuations: ¥91.3 billion
11 Provision for reserve for policyholders' dividends	Provision for reserve for policyholders' dividends includes the source for dividend payments to insurance policyholders.
12 Total income taxes	Total income taxes includes the sum of income taxes-current and income taxes-deferred.

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. ● 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. ● 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. ● 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. ● 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. ● 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?

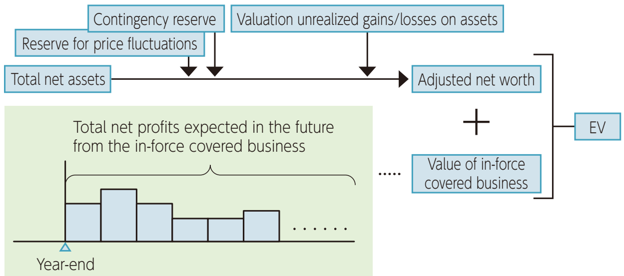
Embedded value (EV) is one of the corporate value indicators for life insurance companies.

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.

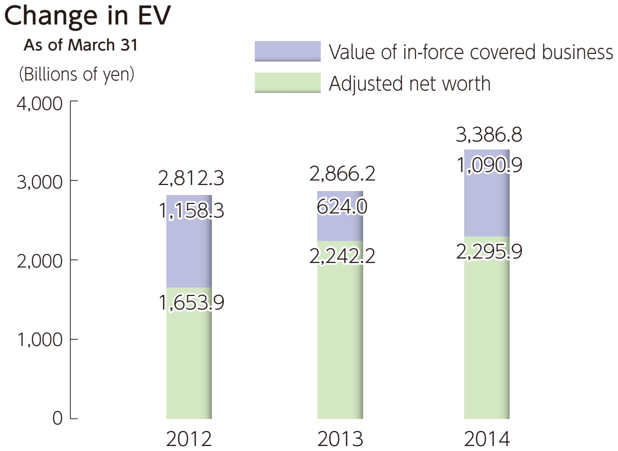
Breakdown of EV

(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

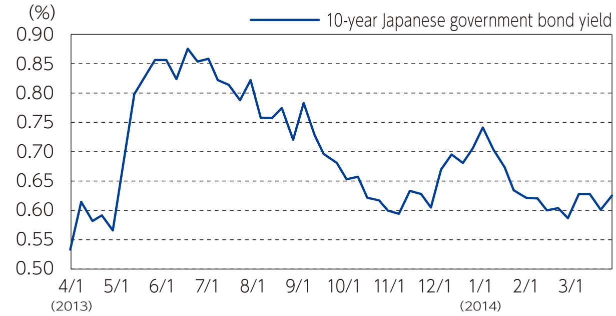
During the fiscal year ended March 31, 2014, the world economy remained on a slow-growth track. The economies of the United States and several other developed countries were brisk, but growth of emerging country economies slowed. The Japanese economy continued on a moderate recovery path supported by 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.

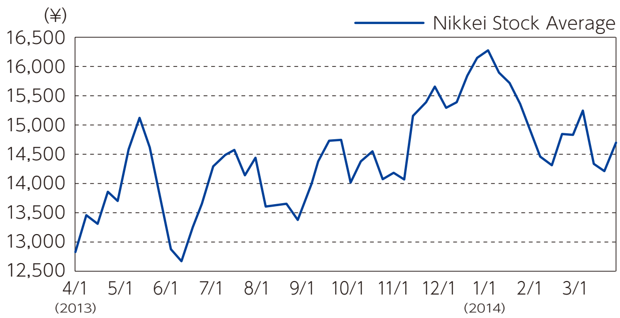


Data source: see page 34

(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

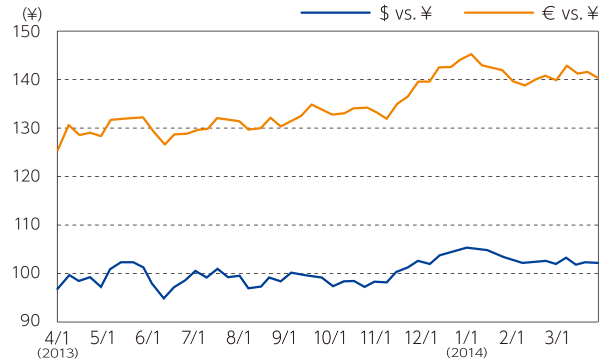
(3) Foreign Exchange Markets

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.

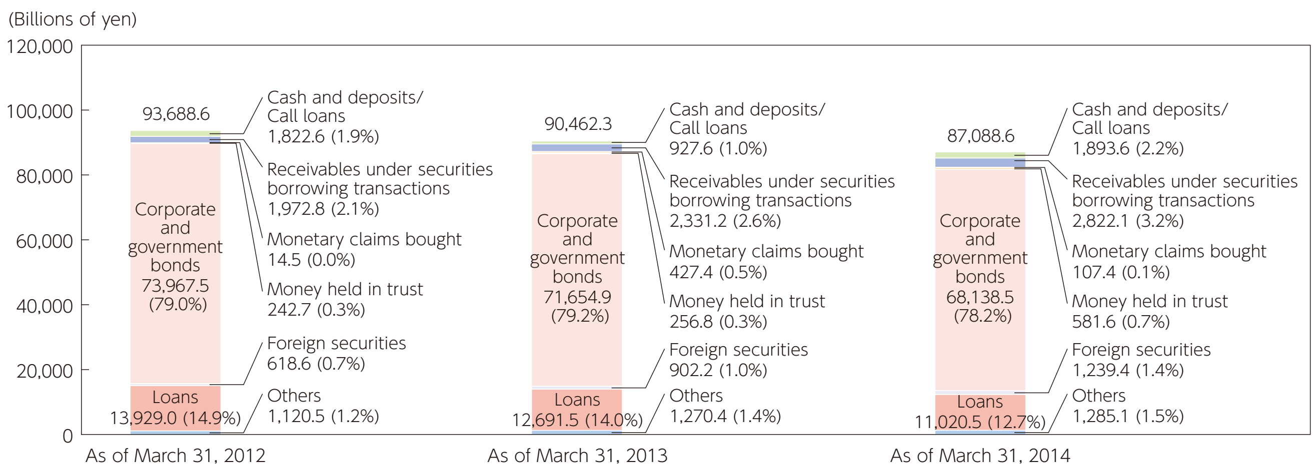
In terms of investment, we continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income.

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.