

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	*3 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	*4 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	*1 513,256
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	*5 307,427
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:

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:

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:

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:

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:

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:

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