

Business Overview and Results

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Performance Overview for the Year Ended March 31, 2015

During the fiscal year ended March 31, 2015, in the first half the Japanese economy weakened, mainly in personal consumption, due to a reactionary decrease in demand following a previous surge prior to the consumption tax rate increase. In the second half, however, the economy picked up moderately owing to the Bank of Japan's (BOJ) monetary easing and the impact of falling crude oil prices. Despite some areas of weakness, the world economy is achieving a modest recovery centering mainly on the United States, while Japan's exports are also trending upward.

On the other hand, the rate of increase in the Consumer Price Index (CPI) showed a downward tendency due to the diminishing effects of a weaker yen and to the impact of falling crude oil prices.

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, 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, 2015, income and expenses were as follows.

Ordinary income amounted to ¥10,169.2 billion (9.5% decrease from the previous fiscal year), consisting of the sum of insurance premiums and others of ¥5,956.7 billion (0.8% increase), investment income of ¥1,460.7 billion (5.2% decrease) and reversal of policy reserves of ¥2,632.8 billion (28.0% decrease) to provide for payments of insurance claims, etc.

Ordinary expenses amounted to ¥9,676.6 billion (10.2% decrease), consisting of the sum of insurance claims and others of ¥9,059.5 billion (10.8% decrease), investment expenses of ¥10.9 billion (39.3% decrease), operating expenses of ¥513.1 billion (0.2% decrease) and other ordinary expenses, etc.

Ordinary profit amounted to ¥492.6 billion (6.5% increase). After subtracting provision for reserve for price fluctuations, provision for reserve for policyholder dividends, total income taxes from ordinary profit, etc., net income amounted to ¥81.3 billion (29.5% increase).

Five-Year Summary of Key Business Indicators

(Billions of yen if not indicated specifically)

As of/For the years ended March 31	2011	2012	2013	2014	2015
Ordinary income	¥13,375.4	¥12,538.6	¥11,834.9	¥11,234.1	¥10,169.2
Ordinary profit	422.2	531.2	528.9	462.7	492.6
Core profit (non-consolidated)	484.4	571.6	570.0	482.0	515.4
Net income	77.2	70.0	90.6	62.8	81.3
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	96,786.7	93,690.8	90,463.5	87,092.8	84,915.0
Separate account	–	–	–	–	–
Policy reserves	89,164.7	85,143.8	81,401.9	77,745.4	75,112.6
Loans	14,547.4	13,929.0	12,691.5	11,020.5	9,977.3
Securities	77,173.0	74,586.1	72,557.1	69,377.9	66,276.2
Solvency margin ratio (%)	1,821.6 (1,153.9)	1,337.0	1,468.8	1,625.1	1,644.2
Number of employees (non-consolidated)	6,815	6,741	6,789	6,948	7,153
Policy amount in force	19,865.7	25,824.7	31,675.3	37,179.5	42,774.9
Individual insurance	17,642.1	23,043.1	28,480.7	33,735.6	39,159.0
Individual annuities	2,223.5	2,781.5	3,194.6	3,443.8	3,615.9
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.

Figures for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) amount of policy reserves for the annuity after payments have commenced.

Starting from the fiscal year under review, figures for policy amount in force (including those for previous fiscal years) are truncated instead of being rounded.

2. We had no consolidated financial statements for the year ended March 31, 2011, as our only consolidated subsidiary, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd., became our consolidated subsidiary in October 2011. Accordingly, all the figures in this 2011 column are on a non-consolidated basis.

3. The calculation standard for the solvency margin ratio was amended between the years ended March 31, 2011 and 2012. The figure given in brackets for the year ended March 31, 2011 is calculated using the calculation standard in effect as of March 31, 2012.

Sound Management Indicators

Core Profit

¥515.4 billion

(Non-consolidated Core Profit)

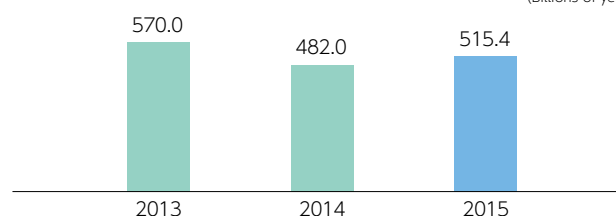
Core profit is a basic periodical earnings indicator for life insurance companies. Core profit is determined by insurance-related income and expenses such as insurance premiums and others, insurance claims and others and operating expenses, as well as investment-related income and expenses, which consist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

Our core profit for the year ended March 31, 2015 was ¥515.4 billion.

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	2013	2014	2015
Core profit	¥570.0	¥482.0	¥515.4
Spread	(4.7)	54.2	66.9
Mortality and morbidity rate margin	385.2	290.4	342.0
Administrative expense margin	189.5	137.3	106.3

(Billions of yen)			
Years ended March 31	2013	2014	2015
Core income ①	¥11,850.7	¥11,240.1	¥10,185.7
Insurance premiums and others	6,481.7	5,911.6	5,956.7
Investment income (Note 1)	1,500.4	1,458.3	1,366.0
Reversal of policy reserves (Note 2)	3,813.2	3,736.8	2,719.2
Core expenses ②	11,280.7	10,758.0	9,670.3
Insurance claims and others	10,673.0	10,160.8	9,059.5
Provision for policy reserves and others	9.0	4.6	1.4
Investment expenses (Note 1)	4.7	5.7	5.2
Operating expenses	512.9	513.0	512.4
Core profit (①-②) A	570.0	482.0	515.4
Net capital gains B	30.7	61.7	64.1
Other one-time profits C	(71.3)	(80.3)	(86.4)
Ordinary profit A+B+C	¥529.3	¥463.5	¥493.1

Notes: 1. Excluding the amount regarding net capital gains
2. Excluding the amount regarding other one-time profits (reversal of contingency reserve and others)

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 the year ended March 31, 2014, the "negative spread" was eliminated. A positive spread for the year ended March 31, 2015 was ¥66.9 billion.

The spread is calculated according to the following formula:

$$\text{Spread} = [\text{investment return on core profit} - \text{average assumed rates of return}] \times \text{general account policy reserves}$$

[1.89%]
[1.80%]
¥73,226.7 billion

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

Solvency Margin Ratio

1,644.2%

Life insurance companies accumulate policy reserves to provide for anticipated payment of insurance claims and others. 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 or equal to 200%, it indicates that the insurance company has satisfied one of the standards for sound management.

Our consolidated solvency margin ratio as of March 31, 2015 was 1,644.2%, 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	2013	2014	2015
Total amount of solvency margin (A)	¥5,002.0	¥5,134.7	¥5,706.1
Capital stock, etc.	1,288.2	1,334.2	1,387.5
Reserve for price fluctuations	522.8	614.2	712.1
Contingency reserve	2,683.6	2,588.7	2,498.7
Catastrophe loss reserve	—	—	—
General reserve for possible loan losses	0.0	0.0	0.0
Net unrealized gains (losses) on available-for-sale securities (before taxes) × 90% (if negative, × 100%)	202.4	238.9	703.5
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(3.3)	(3.4)	(10.0)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes) ⁽²⁾	—	3.3	7.9
Excess of continued Zillmerised reserve	308.1	358.5	406.2
Capital raised through debt financing	—	—	—
Amounts within "excess of continued Zillmerised reserve" and "capital raised through debt financing" not calculated into the margin	—	—	—
Deductions	—	—	—
Other	—	—	—
Total amount of risk (B)	681.0	631.8	694.0
$\sqrt{(R_1^2 + R_5^2 + R_8 + R_9)^2 + (R_2 + R_3 + R_7)^2} + R_1 + R_6$			
Insurance risk R ₁	172.9	168.4	163.7
General insurance risk R ₅	—	—	—
Catastrophe risk R ₆	—	—	—
Underwriting risk of third-sector insurance R ₈	113.1	99.9	88.5
Small amount and short-term insurance risk R ₉	—	—	—
Anticipated yield risk R ₂	218.5	198.1	184.4
Minimum guarantee risk R ₇	—	—	—
Investment risk R ₃	379.9	355.7	443.1
Business management risk R ₄	17.6	16.4	17.5
Solvency margin ratio (A) / ((1/2) × (B)) × 100	1,468.8%	1,625.1%	1,644.2%

Notes: 1 These figures are calculated based on the provisions set forth in the public notification issued by the FSA in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

2 The figures as of March 31, 2014 and 2015 include "Sum of unrecognized actuarial differences and unrecognized prior service cost," while the figures as of March 31, 2013 do not include it.

Status of Accumulation of Internal Reserves

¥3,210.8 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, 2015, we had a contingency reserve of ¥2,498.7

billion and a reserve for price fluctuations of ¥712.1 billion, a total of ¥3,210.8 billion.

Also as of March 31, 2015, we made an additional policy reserve to cover the negative spread and others, which amounted to ¥6,067.0 billion.

(Billions of yen)

As of March 31	2013	2014	2015
Total	¥3,206.4	¥3,203.0	¥3,210.8
Contingency reserve	2,683.6	2,588.7	2,498.7
Reserve for price fluctuations	522.8	614.2	712.1

Real Net Assets

¥11,521.1 billion

"Real net assets" is 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, 2015, we had a sufficient level of ¥11,521.1 billion in our consolidated real net assets.

(Billions of yen)

As of March 31	2013	2014	2015
Real net assets	¥10,109.4	¥9,446.9	¥11,521.1

Net Unrealized Gains (Losses) on Securities

¥6,494.0 billion

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

As of March 31, 2015, Japan Post Insurance recorded a net unrealized gain on securities of ¥6,494.0 billion.

We recorded a ¥355.2 billion net unrealized gain on money held in trust and a ¥781.7 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	2013	2014	2015
Net unrealized gains (losses)			
Total	¥5,287.2	¥4,534.4	¥6,494.0
Held-to-maturity securities	3,643.1	3,169.7	4,537.1
Policy-reserve-matching bonds	1,419.1	1,099.1	1,175.2
Available-for-sale securities (before tax effects)	(Note 1) 224.9	(Note 2) 265.5	(Note 3) 781.7
Money held in trust	43.3	82.5	355.2

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

2. After applying tax-effect accounting, a gain of ¥184.7 billion

3. After applying tax-effect accounting, a gain of ¥558.0 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.

Policyholder Dividends

¥200.7 billion

(Provision for reserve for policyholder dividends)

Insurance premiums are calculated based on assumed mortality rates, assumed rates of return and projected expenses for policy administration. If these assumed figures exceed actual mortality rates or administration expenses, or if the actual investment returns exceed assumed rates of return, the surplus will be returned to policyholders in the form of dividends ("policyholder dividends") in accordance with the terms of their respective policies.

For the year ended March 31, 2015, we posted provision for reserve for policyholder dividends of ¥200.7 billion.

- For Japan Post Insurance Policies, we accounted for provision for reserve for policyholder dividends of ¥10.3 billion.
- For Postal Life Insurance Policies, we posted provision for reserve for policyholder dividends of ¥190.3 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. Policyholder dividends on Postal Life Insurance Policies are determined by the Management Organization.

Insurance Policies

During the year ended March 31, 2015, Japan Post Insurance sold 2,381 thousand individual insurance policies with a total policy amount of ¥7,002.5 billion and 137 thousand individual annuity policies with a total policy amount of ¥493.5 billion.

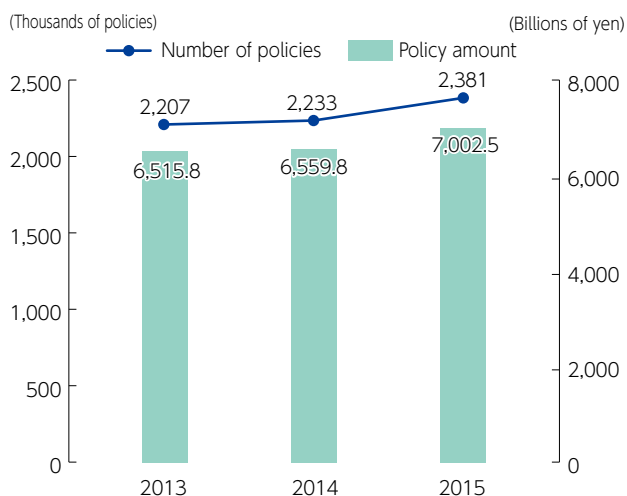
As of March 31, 2015, we had 13,539 thousand individual insurance policies in force with a total policy amount of ¥39,159.0 billion and 1,318 thousand individual annuity policies in force with a total policy amount of ¥3,615.9 billion.

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 19,950 thousand insurance policies with an insured amount of ¥54,322.4 billion and 2,951 thousand annuity policies with an annuity amount of ¥1,077.9 billion.

New Policies

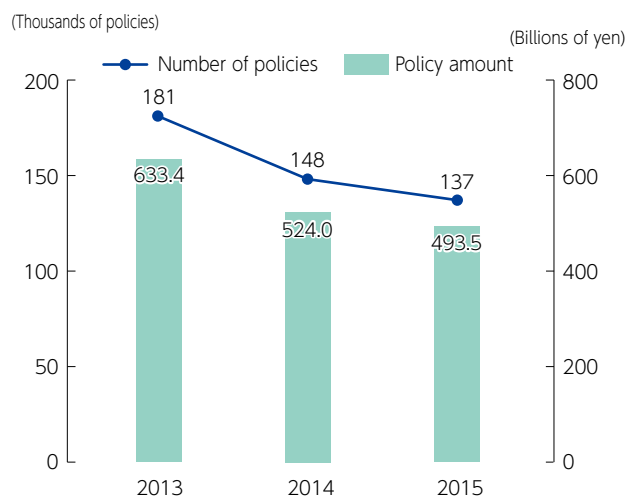
Individual Insurance

For the years ended March 31



Individual Annuities

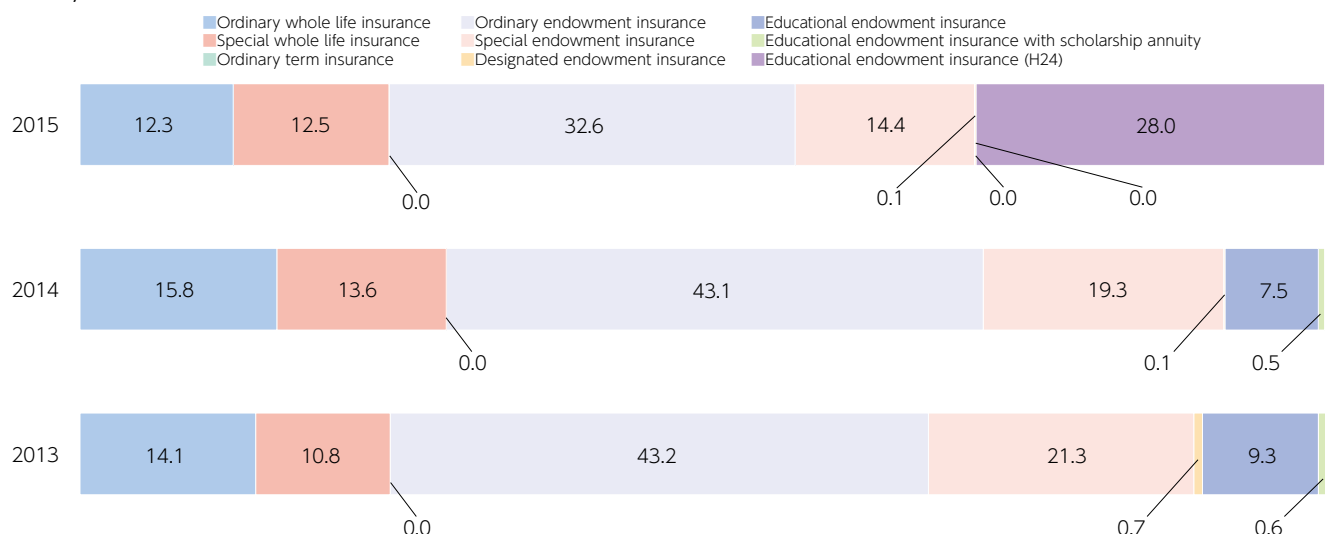
For the years ended March 31



Notes: 1. Policy amounts for individual annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.
2. Starting from the fiscal year under review, the number of policies and policy amounts (including those for previous fiscal years) are truncated instead of being rounded.

Composition of Individual Insurance by Product

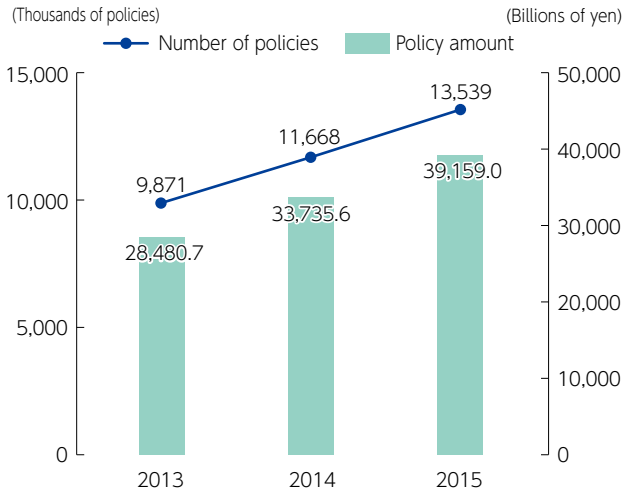
For the years ended March 31



Policies in Force

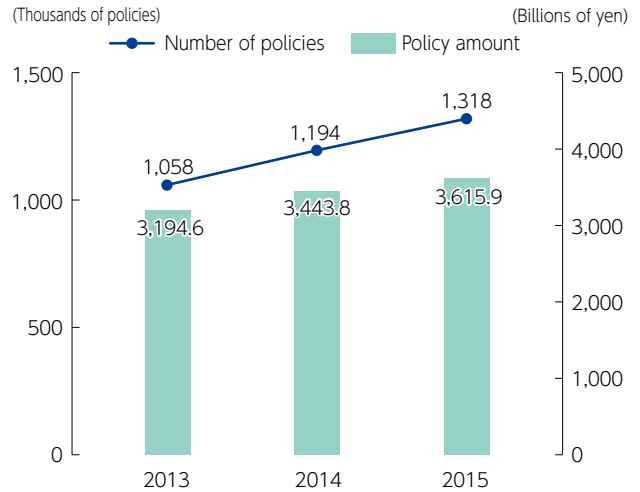
Individual Insurance

As of March 31



Individual Annuities

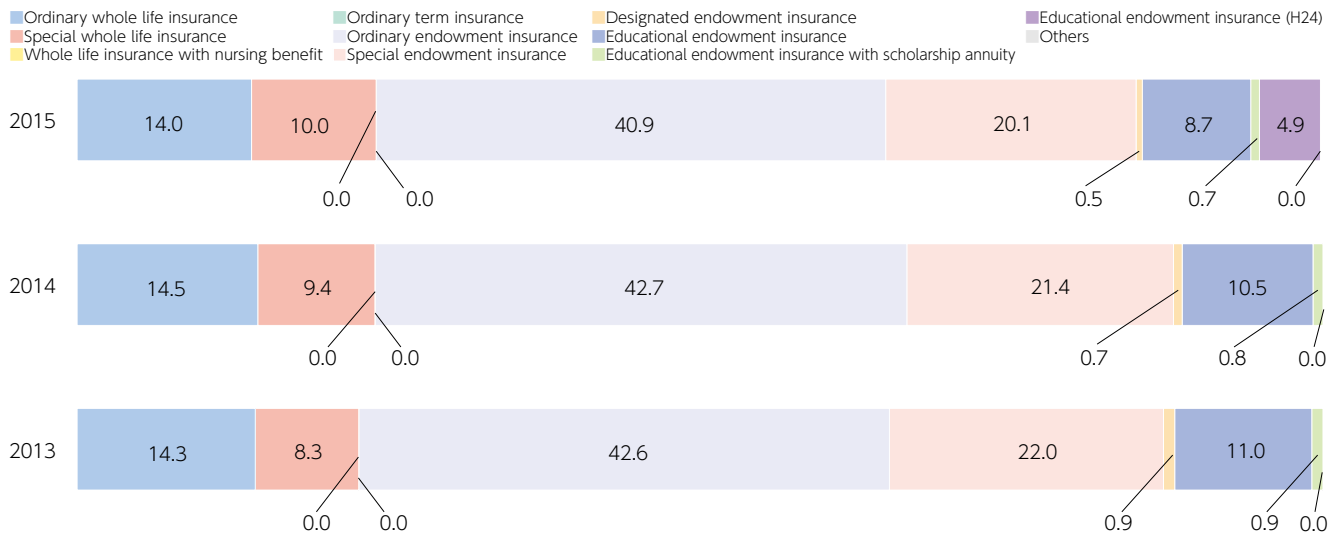
As of March 31



Notes: 1. Individual insurance and individual annuities do not include the Postal Life Insurance Policies received from the Management Organization for Postal Savings and Postal Life Insurance in the form of reinsurance.
 2. Policy amounts for individual annuities are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) amount of policy reserves for the annuity after payments have commenced.
 3. Starting from the fiscal year under review, the number of policies and policy amounts (including those for previous fiscal years) are truncated instead of being rounded.

Composition of Individual Insurance by Product

As of March 31



Reference: Reinsured Postal Life Insurance Policies

(Thousands of policies, billions of yen)

As of March 31	2013		2014		2015	
	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount	Number of policies	Insured amount/Annuity amount
Insurance	26,934	73,991.4	23,196	63,358.9	19,950	54,322.4
Annuities	3,878	1,434.6	3,396	1,250.6	2,951	1,077.9

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.

Profits and Losses

In the fiscal year ended March 31, 2015, ordinary income was ¥10,169.2 billion, ordinary expenses were ¥9,676.6 billion and ordinary profit was ¥492.6 billion. After deducting extraordinary losses of the provision for reserve for price fluctuations of ¥97.9 billion, etc., and the provision for reserve for policyholder dividends of ¥200.7 billion from ordinary profit, income before income taxes and net income were ¥192.5 billion and ¥81.3 billion, respectively.

Key Line Items in the Statements of Income

(Billions of yen)

Years ended March 31	2013	2014	2015
Ordinary income	¥11,834.9	¥11,234.1	¥10,169.2
Insurance premiums and others	6,481.7	5,911.6	5,956.7
Investment income	1,560.7	1,540.6	1,460.7
Other ordinary income	3,792.3	3,781.8	2,751.7
Ordinary expenses	11,305.5	10,771.3	9,676.6
Insurance claims and others	10,673.0	10,160.8	9,059.5
Provision for interest on policyholder dividends	9.0	4.6	1.4
Investment expenses	29.5	18.1	10.9
Operating expenses	513.2	513.9	513.1
Other ordinary expenses	81.2	73.7	91.4
Ordinary profit	528.9	462.7	492.6
Extraordinary gains	0.1	—	—
Extraordinary losses	67.1	100.0	99.3
Provision for reserve for policyholder dividends	307.4	242.1	200.7
Income before income taxes	154.5	120.5	192.5
Total income taxes	63.8	57.7	111.2
Net income	¥90.6	¥62.8	¥81.3

* For details, see the Financial Statements beginning on page 60 of this report.

Assets and Liabilities

Compared with the end of March 2014, total assets fell by ¥2,177.7 billion to ¥84,915.0 billion.

Total net assets was ¥1,975.7 billion due to an increase in retained earnings and net unrealized gains on available-for-sale securities.

Key Line Items in the Balance Sheets

(Billions of yen)

As of March 31	2013	2014	2015
Total assets	¥90,462.3	¥87,092.8	¥84,915.0
Cash and deposits	726.6	1,670.8	2,213.7
Money held in trust	256.8	581.6	1,434.9
Securities	72,557.1	69,377.9	66,276.2
Loans	12,691.5	11,020.5	9,977.3
Tangible fixed assets	86.0	89.4	131.7
Intangible fixed assets	105.8	124.1	155.0
Agency accounts receivable	133.9	102.6	95.0
Other assets	482.1	374.0	468.7
Deferred tax assets	462.2	592.5	547.0
Total liabilities and net assets	¥90,463.5	¥87,092.8	¥84,915.0
Total liabilities	¥88,996.7	¥85,554.6	¥82,939.2
Policy reserves and others	84,746.0	80,799.9	77,905.6
Other liabilities	3,661.6	4,080.7	4,261.0
Liability for retirement benefits	58.8	56.6	58.3
Reserve for price fluctuations	522.8	614.2	712.1
Total net assets	¥1,466.7	¥1,538.1	¥1,975.7
Capital stock	500.0	500.0	500.0
Capital surplus	500.0	500.0	500.0
Retained earnings	310.9	351.0	411.9
Net unrealized gains on available-for-sale securities	155.7	184.7	558.0

* For details, see the Financial Statements beginning on page 60 of this report.

Embedded Value (EV)

¥3,501.3 billion

What is Embedded Value?

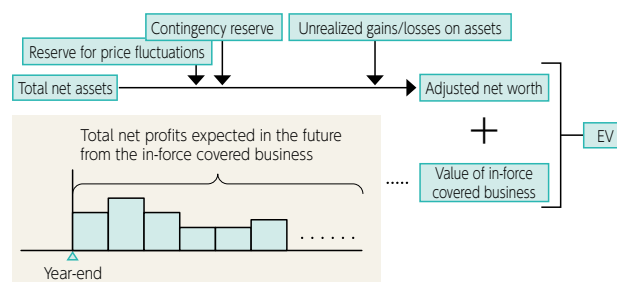
Embedded value (EV) is one of the corporate value indicators for life insurance companies.

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



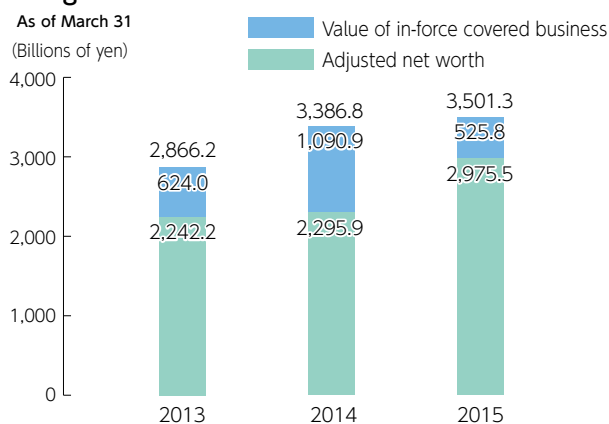
EV as of March 31, 2015

The EV of Japan Post Insurance as of March 31, 2015 was ¥3,501.3 billion, an increase of ¥114.5 billion from March 31, 2014.

Breakdown of EV

		(Billions of yen)		
As of March 31		2013	2014	2015
EV		¥2,866.2	¥3,386.8	¥3,501.3
Adjusted net worth		2,242.2	2,295.9	2,975.5
Value of in-force covered business		624.0	1,090.9	525.8
Years ended March 31		2013	2014	2015
Value of new business		¥181.6	¥185.1	¥134.2

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, etc.
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/en/index.html>).

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.

Asset Management Overview (General Account)

Investment Policies

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

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

Investment Environment in the Fiscal Year Ended March 31, 2015

Although the U.S. economy was brisk, the world economy once again managed only weak growth as the economies of Japan, Europe as well as emerging countries recorded slower growth. The U.S. economy rebounded at a steady pace under a gradual recovery in employment conditions. In the Japanese economy, domestic demand such as private consumption and housing residential investment declined in the wake of a consumption tax rate increase in April, while a subsequent pickup in the economy was also sluggish. In the European economy, the pace of recovery was weak due to ongoing softness in the economies

of several countries where structural reforms have lagged and to deteriorating conditions in the Ukraine. The Chinese economy is continuing to slow amid the implementation of structural reforms aimed transforming to a personal consumption-driven economy.

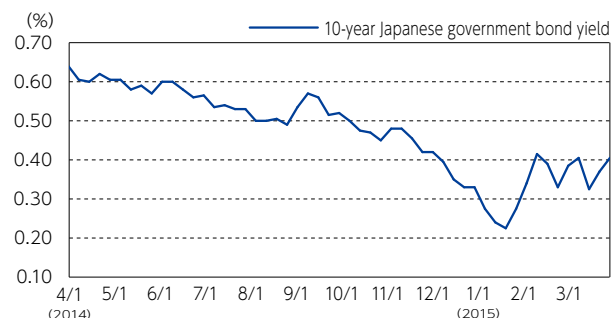
The BOJ, European Central Bank (ECB) and other central banks of developed countries acted to strengthen easy money policies. However, the United States moved in the opposite direction as Japan and Europe by ending quantitative easing policies and preparing for an increase in interest rates. Under these economic circumstances, the investment environment was as follows.

Domestic Bond Market

The yield on 10-year Japanese government bonds (JGBs) started the period at the 0.6% level and declined to the 0.4% level at the end of the period.

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

range due to a halt in the decline in crude oil prices and a rise in U.S. interest rates spurred by favorable U.S. employment statistics. Subsequently, the yield seesawed within a range between the 0.3% level and the 0.4% level amid debate concerning the timing for the start of interest rate increases in the United States.

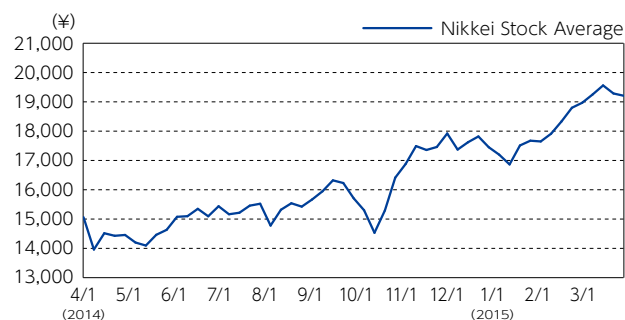


Data source: Bloomberg

Domestic Stock Market

The Nikkei Stock Average began the period at the ¥14,000 level and despite some wide fluctuations during the period climbed to the ¥19,000 level at the end of the fiscal year.

In the first half, the Nikkei Stock Average briefly slid under the ¥14,000 level in April in reaction to the BOJ's deferral of additional monetary easing measures. Despite some volatile swings, the Nikkei Stock Average subsequently trended moderately and rose to the ¥16,000 level in September on expectations of a change in the Government Pension Investment Fund's (GPIF) investment policy and high U.S. stock prices propelled by a rebound in the U.S. economy. Entering the second half, the Nikkei Stock Average briefly retreated to the ¥14,000 level upon growing concerns over



Data source: ©Nikkei Inc.

the domestic economy and the advancing appreciation of the yen. However, the Nikkei Stock Average then soared and climbed to the ¥17,000 level at year-end following the BOJ's decision in October to adopt additional monetary easing measures and the announcement of a change in the GPIF's Base Portfolio. After

Foreign Exchange Markets

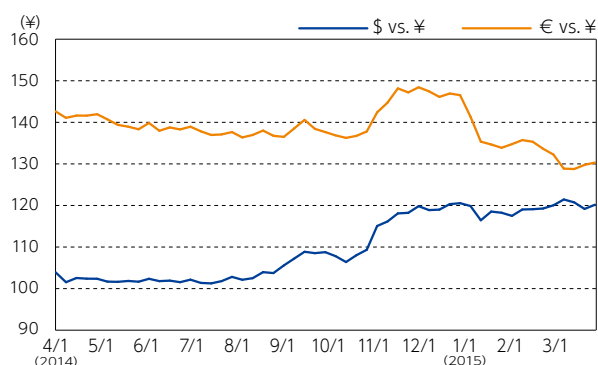
The U.S. dollar/yen exchange rate began the period at the ¥103/U.S. dollar level before the yen weakened to the lower ¥120/U.S. dollar level at fiscal year-end. In the first half, the yen trended stably at around ¥102/U.S. dollar up from April to July. From August onward, however, the yen continued to weaken sharply owing to the global-wide strengthening of the dollar spurred by the robust U.S. economic recovery, and the yen hit the ¥109/U.S. dollar level at the end of September. Entering the second half, although at one point the yen strengthened to the ¥105/U.S. dollar level on concerns of a slowing U.S. economy due to a strong dollar, the yen once again began weakening against the U.S. dollar in response to the BOJ's decision in October to adopt additional monetary easing measures, and the yen temporarily reached the ¥121/U.S. dollar level in December. From the start of the new year, the yen trended within a range between the ¥116/U.S. dollar level to the ¥121/U.S. dollar level, influenced by the debate on the timing of the Federal Reserve's first rate hike.

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

In the first half, the euro almost consistently weakened on concerns of a slowdown in the Euro zone economy and a decline

the start of the new year as well, the Nikkei Stock Average rose in response to the halt to the decline in crude oil prices and mounting expectations of a recovery in domestic demand, and reached the ¥19,000 level at the end of the fiscal year.

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



Data source: Nomura Research Institute, Ltd.

Performance Overview

Assets

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

In terms of investment, we continued to invest primarily in yen-denominated interest-bearing assets that provide stable interest income. We also invested in risk assets, such as foreign securities and stocks, while enforcing adequate risk management.

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.

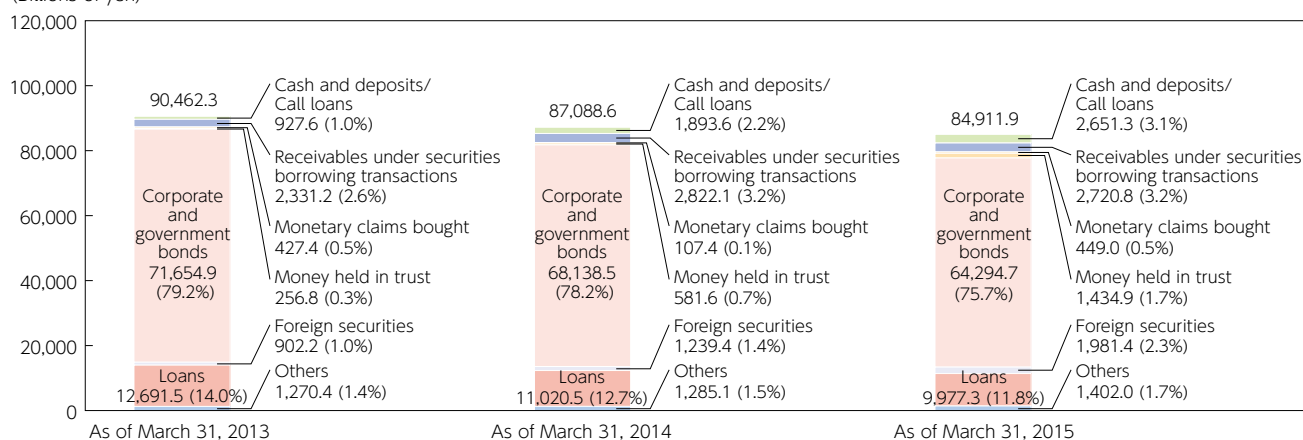
As for foreign securities, our investments focused on government bonds issued by foreign governments.

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

Loans receivables include syndicated loans, loans to local governments and policy loans.

Composition of Assets

(Billions of yen)



Asset Management Yield

Years ended March 31	2013	2014	2015
Yield	1.67%	1.71%	1.70%

Note: Asset management yield includes capital gains and losses, etc.

Holdings of Securitized Financial Instruments and Investments Related to Subprime Loans

Holdings of Securitized Financial Instruments

(Billions of yen)

Item	As of March 31, 2013		As of March 31, 2014		As of March 31, 2015	
	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)	Market value	Unrealized gain (loss)
RMBS	450.1	22.9	446.9	20.1	486.7	24.0

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.