

Consolidated Balance Sheets

March 31, 2015 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
ASSETS:			
Cash and deposits (Notes 3 and 24)	¥ 2,213,786	¥ 1,670,837	\$ 18,422
Call loans	445,428	230,025	3,707
Receivables under securities borrowing transactions (Note 24)	2,720,856	2,822,188	22,642
Monetary claims bought (Note 24)	449,068	107,448	3,737
Money held in trust (Notes 4 and 24)	1,434,943	581,627	11,941
Securities (Notes 4, 5 and 24)	66,276,260	69,377,991	551,521
Loans (Notes 6 and 24)	9,977,345	11,020,585	83,027
Tangible fixed assets (Note 7):			
Land	68,350	40,726	569
Buildings	34,237	33,353	285
Leased assets	2,009	1,507	17
Construction in progress	9,759	1,648	81
Other tangible fixed assets	17,433	12,218	145
Total tangible fixed assets	131,790	89,453	1,097
Intangible fixed assets:			
Software	155,045	124,130	1,290
Leased assets	5	12	0
Other intangible fixed assets	16	18	0
Total intangible fixed assets	155,067	124,161	1,290
Agency accounts receivable	95,023	102,651	791
Reinsurance receivables	630	234	5
Other assets	468,700	374,099	3,900
Deferred tax assets (Note 15)	547,053	592,532	4,552
Reserve for possible loan losses	(943)	(1,036)	(8)
Total assets	¥ 84,915,012	¥ 87,092,800	\$ 706,624

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
LIABILITIES:			
Policy reserves and others			
Reserve for outstanding claims (Note 8)	¥ 718,156	¥ 831,690	\$ 5,976
Policy reserves (Notes 8 and 13)	75,112,601	77,745,490	625,053
Reserve for policyholder dividends (Note 10)	2,074,919	2,222,759	17,267
Total policy reserves and others	77,905,677	80,799,941	648,296
Reinsurance payables	2,017	1,234	17
Other liabilities (Notes 5, 11, 14 and 24)	4,261,065	4,080,744	35,459
Reserve for possible claim payments	—	1,881	—
Liability for retirement benefits (Note 12)	58,356	56,627	486
Reserve for price fluctuations (Note 13)	712,167	614,233	5,926
Total liabilities	¥ 82,939,284	¥ 85,554,663	\$ 690,183
NET ASSETS (Note 16):			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,161
Capital surplus	500,044	500,044	4,161
Retained earnings	411,992	351,010	3,428
Total shareholders' equity	1,412,036	1,351,054	11,750
Net unrealized gains (losses) on available-for-sale securities	558,033	184,774	4,644
Net deferred gains (losses) on hedges	22	11	0
Accumulated adjustments for retirement benefits	5,635	2,296	47
Total accumulated other comprehensive income	563,691	187,082	4,691
Total net assets	¥ 1,975,727	¥ 1,538,136	\$ 16,441
Total liabilities and net assets	¥ 84,915,012	¥ 87,092,800	\$ 706,624

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2015 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
ORDINARY INCOME:			
Insurance premiums and others (Note 19)	¥ 5,956,716	¥ 5,911,643	\$ 49,569
Investment income:			
Interest and dividend income	1,365,796	1,458,190	11,366
Gains on money held in trust	32,762	9,736	273
Gains on sales of securities	61,908	71,074	515
Gains on redemption of securities	36	54	0
Gains on foreign exchanges	12	1,452	0
Reversal of reserve for possible loan losses	14	—	0
Other investment income	215	107	2
Total investment income	1,460,745	1,540,615	12,156
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 18)	113,534	115,432	945
Reversal of policy reserves (Note 18)	2,632,889	3,656,490	21,910
Other ordinary income	5,354	9,931	45
Total other ordinary income	2,751,779	3,781,854	22,899
Total ordinary income	10,169,241	11,234,114	84,624
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 20)	8,253,973	9,511,326	68,686
Annuity payments	304,096	256,746	2,531
Benefits	41,538	33,941	346
Surrender benefits	291,290	220,263	2,424
Other refunds	162,462	135,968	1,352
Reinsurance premiums	6,188	2,631	51
Total insurance claims and other	9,059,549	10,160,877	75,389
Provision for interest on policyholder dividends	1,497	4,627	12
Investment expenses:			
Interest expenses	4,298	4,963	36
Losses on sales of securities	4,963	10,205	41
Losses on redemption of securities	44	62	0
Losses on derivative financial instruments	773	2,161	6
Provision for reserve for possible loan losses	—	8	—
Other investment expenses	915	721	8
Total investment expenses	10,994	18,122	91
Operating expenses (Note 17)	513,159	513,999	4,270
Other ordinary expenses	91,415	73,738	761
Total ordinary expenses	9,676,616	10,771,365	80,524
Ordinary profit	492,625	462,748	4,099

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
EXTRAORDINARY GAINS	–	–	–
EXTRAORDINARY LOSSES (Note 21)	99,366	100,030	827
Provision for reserve for policyholder dividends (Note 22)	200,722	242,146	1,670
Income before income taxes	192,536	120,571	1,602
Income taxes (Note 15):			
Current	208,365	200,724	1,734
Deferred	(97,152)	(142,955)	(808)
Total income taxes	111,213	57,769	925
Net income	¥ 81,323	¥ 62,802	\$ 677

	Yen		U.S. Dollars
	2015	2014	2015
Per share of common stock (Note 29):			
Basic net income	¥ 135.54	¥ 104.67	\$ 1.13
Diluted net income	–	–	–

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2015 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
Net income	¥ 81,323	¥ 62,802	\$ 677
Other comprehensive income (Note 23)			
Net unrealized gains (losses) on available-for-sale securities	373,258	28,996	3,106
Net deferred gains (losses) on hedges	11	11	0
Adjustments for retirement benefits	3,339	–	28
Total other comprehensive income	376,609	29,007	3,134
Comprehensive income	¥ 457,932	¥ 91,810	\$ 3,811
Total comprehensive income attributable to:			
Japan Post Insurance	¥ 457,932	¥ 91,810	\$ 3,811

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2015 and 2014

	Millions of Yen			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, APRIL 1, 2013	¥ 500,000	¥ 500,044	¥ 310,958	¥ 1,311,002
Changes in the fiscal year:				
Cash dividends			(22,750)	(22,750)
Net income			62,802	62,802
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	40,052	40,052
BALANCE, MARCH 31, 2014	500,000	500,044	351,010	1,351,054
Cumulative effects of changes in accounting policies			(3,533)	(3,533)
RESTATED BALANCE, APRIL 1, 2014	500,000	500,044	347,477	1,347,521
Changes in the fiscal year:				
Cash dividends			(16,808)	(16,808)
Net income			81,323	81,323
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	64,514	64,514
BALANCE, MARCH 31, 2015	¥ 500,000	¥ 500,044	¥ 411,992	¥ 1,412,036

	Millions of Yen				
	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
BALANCE, APRIL 1, 2013	¥ 155,778	¥ —	¥ —	¥ 155,778	¥ 1,466,780
Changes in the fiscal year:					
Cash dividends					(22,750)
Net income					62,802
Net changes in items other than shareholders' equity in the fiscal year	28,996	11	2,296	31,303	31,303
Net changes in the fiscal year	28,996	11	2,296	31,303	71,355
BALANCE, MARCH 31, 2014	184,774	11	2,296	187,082	1,538,136
Cumulative effects of changes in accounting policies					(3,533)
RESTATED BALANCE, APRIL 1, 2014	184,774	11	2,296	187,082	1,534,603
Changes in the fiscal year:					
Cash dividends					(16,808)
Net income					81,323
Net changes in items other than shareholders' equity in the fiscal year	373,258	11	3,339	376,609	376,609
Net changes in the fiscal year	373,258	11	3,339	376,609	441,123
BALANCE, MARCH 31, 2015	¥ 558,033	¥ 22	¥ 5,635	¥ 563,691	¥ 1,975,727

	Millions of U.S. Dollars (Note 1)			
	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, MARCH 31, 2014	\$ 4,161	\$ 4,161	\$ 2,921	\$ 11,243
Cumulative effects of changes in accounting policies			(29)	(29)
RESTATED BALANCE, APRIL 1, 2014	4,161	4,161	2,892	11,213
Changes in the fiscal year:				
Cash dividends			(140)	(140)
Net income			677	677
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	–	–	537	537
BALANCE, MARCH 31, 2015	\$ 4,161	\$ 4,161	\$ 3,428	\$ 11,750

	Millions of U.S. Dollars (Note 1)				
	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
BALANCE, MARCH 31, 2014	\$ 1,538	\$ 0	\$ 19	\$ 1,557	\$ 12,800
Cumulative effects of changes in accounting policies					(29)
RESTATED BALANCE, APRIL 1, 2014	1,538	0	19	1,557	12,770
Changes in the fiscal year:					
Cash dividends					(140)
Net income					677
Net changes in items other than shareholders' equity in the fiscal year	3,106	0	28	3,134	3,134
Net changes in the fiscal year	3,106	0	28	3,134	3,671
BALANCE, MARCH 31, 2015	\$ 4,644	\$ 0	\$ 47	\$ 4,691	\$ 16,441

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31, 2015 and 2014

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 192,536	¥ 120,571	\$ 1,602
Depreciation and amortization	35,224	34,074	293
Net change in reserve for outstanding claims	(113,534)	(115,432)	(945)
Net change in policy reserves	(2,632,889)	(3,656,490)	(21,910)
Provision for interest on policyholder dividends	1,497	4,627	12
Provision for reserve for policyholder dividends	200,722	242,146	1,670
Net change in reserve for possible loan losses	(92)	(59)	(1)
Net change in reserve for possible claim payments	(1,881)	(5,122)	(16)
Net change in reserve for directors' retirement benefits	—	(173)	—
Net change in liability for retirement benefits	(3,375)	(2,193)	(28)
Net change in reserve for price fluctuations	97,934	91,360	815
Interest and dividend income (accrual basis)	(1,365,796)	(1,458,190)	(11,366)
Net (gains) losses on securities	(56,937)	(60,861)	(474)
Interest expenses (accrual basis)	4,298	4,963	36
Net (gains) losses on foreign exchanges	(12)	(1,452)	(0)
Net (gains) losses on tangible fixed assets	1,310	280	11
Net change in agency accounts receivable	7,628	31,259	63
Net change in reinsurance receivables	(396)	(234)	(3)
Net change in other assets (excluding those related to investing activities and financing activities)	(86,519)	(26,487)	(720)
Net change in reinsurance payables	782	1,043	7
Net change in other liabilities (excluding those related to investing activities and financing activities)	(8,926)	(11,090)	(74)
Other, net	(28,995)	2,263	(241)
Subtotal	(3,757,421)	(4,805,197)	(31,268)
Interest and dividend received (cash basis)	1,438,805	1,653,556	11,973
Interest paid (cash basis)	(4,311)	(4,911)	(36)
Policyholder dividends paid	(349,687)	(420,523)	(2,910)
Income taxes paid	(215,874)	(174,063)	(1,796)
Net cash used in operating activities	¥ (2,888,489)	¥ (3,751,139)	\$ (24,037)

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2015	2014	2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (33,053,228)	¥ (32,758,125)	\$ (275,054)
Proceeds from redemption of call loans	32,837,825	32,731,552	273,261
Net change in receivables under securities borrowing transactions	101,332	(490,901)	843
Purchases of monetary claims bought	(3,417,540)	(2,746,495)	(28,439)
Proceeds from sale and redemption of monetary claims bought	3,131,989	3,066,421	26,063
Purchases of money held in trust	(550,000)	(290,000)	(4,577)
Proceeds from sale of money held in trust	–	13,813	–
Purchases of securities	(3,849,529)	(6,587,951)	(32,034)
Proceeds from sale and redemption of securities	7,196,095	9,806,272	59,883
Payments for loans	(1,354,547)	(1,610,231)	(11,272)
Proceeds from collection of loans	2,397,748	3,273,164	19,953
Net change in payables under securities lending transactions	(44,684)	588,617	(372)
Other, net	144,115	(229,212)	1,199
Total of net cash provided by investment transactions	3,539,576	4,766,922	29,455
Total of net cash provided by operating activities and investment transactions	651,086	1,015,783	5,418
Purchases of tangible fixed assets	(28,399)	(6,052)	(236)
Purchases of intangible fixed assets	(56,722)	(39,808)	(472)
Other, net	(5,692)	(2,540)	(47)
Net cash provided by investing activities	3,448,761	4,718,522	28,699
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease obligations	(514)	(444)	(4)
Dividends paid	(16,808)	(22,750)	(140)
Net cash used in financing activities	(17,322)	(23,195)	(144)
Net change in cash and cash equivalents	542,949	944,187	4,518
Effect of exchange rate changes on cash and cash equivalents	–	–	–
Cash and cash equivalents at the beginning of the year	1,670,837	726,649	13,904
Cash and cash equivalents at the end of the year (Note 3)	¥ 2,213,786	¥ 1,670,837	\$ 18,422

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. (the "Company"), have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of consolidated financial statements, Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Intercompany balances and transactions have been eliminated.

In preparing these consolidated financial statements, certain reclassifications have been made to the consolidated financial statements in order to present them in a form which is more familiar to readers outside Japan.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share information. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.17 to U.S. \$1, the approximate rate of exchange as of March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority-owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements for all periods presented include the accounts of the Company and a subsidiary, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (collectively, the "Group"). There are no non-consolidated subsidiaries and no affiliates.

2) Fiscal year-end date of the consolidated subsidiary

The fiscal year-end date of the consolidated subsidiary is the same as the consolidated balance sheet date.

(2) Securities

Securities including cash and deposits and monetary claims bought which are equivalent to securities, and securities invested in money held in trust, are recorded based on the following:

1) Held-to-maturity bonds

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

2) Policy-reserve-matching bonds

In accordance with "Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry" (Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

3) Available-for-sale securities

A) Available-for-sale securities, at fair value

Available-for-sale securities, at fair value are carried at their fiscal year-end market price, of which average market prices during the final month of the fiscal year is used to value stocks and stock mutual funds. Cost of securities sold is calculated using the moving-average method.

B) Available-for-sale securities for which fair values are deemed extremely difficult to determine

Government and corporate bonds (including foreign bonds) without market price whose premium or discount represents the interest adjustments are carried at amortized cost (the straight-line method) using the moving-average method. Other securities are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in net assets.

(3) Derivative Transactions

All derivative transactions are valued at fair value.

(4) Hedge Accounting

1) Methods for hedge accounting

The Group applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds, and the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standards for Financial Instruments" (Accounting Standard Board of Japan ("ASBJ") Statement No. 10). Exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

2) Hedging instruments and hedged items

- (i) Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds
- (ii) Hedging instrument: Interest rate swaps
Hedged item: Loans

3) Hedging policies

Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.

(5) Depreciation

1) Tangible fixed assets (excluding leased assets)

Depreciation of tangible fixed assets is computed using the straight-line method based on the following useful lives:

Buildings: 2-55 years

Other tangible fixed assets: 2-20 years

2) Intangible fixed assets (excluding leased assets)

The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years using the straight-line method.

3) Leased assets

The Group leases vehicles under finance lease arrangements that do not transfer the ownership of leased property to the lessee.

Finance lease transactions that do not transfer ownership are depreciated to a residual value of zero using the straight-line method over the lease term.

(6) Reserve for Possible Loan Losses

Reserve for possible loan losses is provided pursuant to the Company's standards for self-assessment of asset quality, and general allowance is provided using a rate based on historical collectability experience. In addition, specific allowances, which are determined based on individual collectability of accounts, are also recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy, civil rehabilitation, or considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2015 and 2014 were ¥294 million (\$2 million) and ¥138 million, respectively.

(7) Policy Reserves

Policy reserves are reserves provided in accordance with

Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

1) Reserves for contracts subject to the standard policy reserves are computed in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for other contracts are computed based on the net level premium method.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the "Management Organization"), which is an independent administrative institution. As a result, the amounts of provision for policy reserves for the years ended March 31, 2015 and 2014 were ¥176,491 million (\$1,469 million) and ¥175,129 million, respectively.

The Management Organization was established in October 2007 for the purpose of supporting the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited by and Postal Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately, and to fulfill the relevant liabilities without fail.

The Company has entered into reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management Organization.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from Japan Post Corporation, the Company has lent loans to the Management Organization under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(8) Reserve for Possible Claim Payments

Reserve for possible claim payments is provided for additional payments of possible claims based on historical experience as a result of further review of closed insurance claim cases in order to ensure that certain insurance claims that were available to the policyholders are paid.

(9) Retirement Benefits

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

Actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees

from the fiscal year following the respective fiscal year in which the difference is incurred.

Prior service cost is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service lives for employees in the fiscal year of incurrence.

The consolidated subsidiary adopts the simplified method in calculating its liability for retirement benefits and retirement benefit costs. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligation.

(Additional information)

Effective from April 1, 2015, the Company has revised its retirement allowance regulations and its lump-sum severance indemnity plan has been changed from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥5,174 million (\$43 million) was recognized for the year ended March 31, 2015.

(10) Reserve for Price Fluctuations

Reserve for price fluctuations in security investments is computed based on Article 115 of the Insurance Business Act.

(11) Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

(12) Consolidated Statement of Cash Flows

Cash and cash equivalents consists of "Cash and deposits" in the consolidated balance sheets.

(13) Consumption Taxes

All figures are net of consumption taxes.

(14) Consolidated Tax Payment System

The Group adopts the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

As the Company will cease to be a wholly-owned subsidiary of Japan Post Holdings Co., Ltd. due to the listing of the Company's stock on November 4, 2015, the Company is scheduled to withdraw from the said consolidated tax payment system.

(15) Changes in Accounting Policies

For the Year Ended March 31, 2015

Effective from the year ended March 31, 2015, with respect to the application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; hereinafter referred to as the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015; hereinafter referred to as the "Guidance on Retirement Benefits"), the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits. Accordingly, the Company has revised the calculation methods for retirement benefit obligations and service cost and changed the method of attributing expected benefit to each fiscal year from the straight-line basis to the benefit formula basis. In addition, the method for determining

the discount rate has been changed from the method using a discount rate based on the number of years which approximates the estimated average remaining service lives for employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts in the respective estimated payment periods.

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

As a result, liability for retirement benefits increased by ¥5,104 million (\$42 million) and retained earnings decreased by ¥3,533 million (\$29 million) at the beginning of the year ended March 31, 2015.

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

In addition, the effects of this change on per share data are described in Note 29 "PER SHARE DATA."

For the Year Ended March 31, 2014

Effective from the end of the year ended March 31, 2014, the Company has adopted the Retirement Benefits Accounting Standard and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) excluding provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits, whereby the retirement benefit obligations including unrecognized actuarial differences is recorded as a liability for retirement benefits.

Since the Retirement Benefits Accounting Standard and Guidance on Accounting Standard for Retirement Benefits are being applied transitionally as provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, the effects of such changes are recognized as accumulated adjustments for retirement benefits in accumulated other comprehensive income.

As a result, liability for retirement benefits of ¥56,627 million was recognized at the end of the year ended March 31, 2014. In addition, accumulated other comprehensive income increased by ¥2,296 million.

The effects of this change on per share data are described in Note 29 "PER SHARE DATA."

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2015 and 2014 and cash and deposits in the consolidated balance sheets as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Cash and deposits	¥ 2,213,786	¥ 1,670,837	\$ 18,422
Cash and cash equivalents at the end of the year	¥ 2,213,786	¥ 1,670,837	\$ 18,422

4. SECURITIES

(1) Securities

Securities as of March 31, 2015 and 2014 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Japanese government bonds	¥ 48,086,445	¥ 52,522,914	\$ 400,153
Japanese local government bonds	9,555,857	9,173,780	79,519
Japanese corporate bonds	6,652,464	6,441,832	55,359
Foreign bonds	1,961,492	1,099,464	16,323
Other	20,000	140,000	166
Total	¥ 66,276,260	¥ 69,377,991	\$ 551,521

Securities lent under lending agreements in the amount of ¥3,211,916 million (\$26,728 million) and ¥3,380,035 million were included in "Securities" in the consolidated balance sheets as of March 31, 2015 and 2014, respectively.

The Group has the right to sell or pledge securities borrowed under borrowing agreements. The fair value of such securities held in hand were ¥2,701,601 million (\$22,481 million) and ¥2,816,810 million as of March 31, 2015 and 2014, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Consolidated balance sheet amount	¥ 15,493,208	¥ 17,953,667	\$ 128,927
Fair value	16,668,447	19,052,820	138,707

The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The Company categorizes its insurance products into sub-groups below based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts the management policy where the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

- Postal Life Insurance Contracts
- Japan Post Insurance life insurance contracts (general)
- Japan Post Insurance life insurance contracts (lump-sum payment annuity)

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds

1) Held-to-maturity bonds

(Millions of yen)

March 31	2015				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 43,597,559	¥ 48,130,781	¥ 4,533,222	¥ 4,533,761	¥ (539)
Japanese government bonds	32,497,522	36,429,888	3,932,365	3,932,365	–
Japanese local government bonds	8,075,403	8,518,604	443,201	443,725	(523)
Japanese corporate bonds	3,024,633	3,182,288	157,655	157,670	(15)
Foreign securities	98,000	101,894	3,894	3,894	–
Other	–	–	–	–	–
Total	¥ 43,695,559	¥ 48,232,675	¥ 4,537,116	¥ 4,537,655	¥ (539)

(Millions of yen)

March 31	2014				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 45,159,324	¥ 48,325,308	¥ 3,165,984	¥ 3,170,326	¥ (4,342)
Japanese government bonds	34,573,221	37,224,568	2,651,347	2,654,574	(3,226)
Japanese local government bonds	7,649,137	8,025,714	376,576	377,476	(899)
Japanese corporate bonds	2,936,965	3,075,025	138,060	138,276	(216)
Foreign securities	98,000	101,781	3,781	3,781	–
Other	–	–	–	–	–
Total	¥ 45,257,324	¥ 48,427,090	¥ 3,169,765	¥ 3,174,107	¥ (4,342)

(Millions of U.S. Dollars)

March 31	2015				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 362,799	\$ 400,522	\$ 37,723	\$ 37,728	\$ (4)
Japanese government bonds	270,430	303,153	32,723	32,723	–
Japanese local government bonds	67,200	70,888	3,688	3,692	(4)
Japanese corporate bonds	25,170	26,482	1,312	1,312	(0)
Foreign securities	816	848	32	32	–
Other	–	–	–	–	–
Total	\$ 363,615	\$ 401,370	\$ 37,756	\$ 37,760	\$ (4)

2) Policy-reserve-matching bonds

(Millions of yen)

March 31	2015				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 15,493,208	¥ 16,668,447	¥ 1,175,238	¥ 1,175,453	¥ (214)
Japanese government bonds	14,660,267	15,804,449	1,144,181	1,144,212	(31)
Japanese local government bonds	699,889	724,154	24,264	24,444	(179)
Japanese corporate bonds	133,050	139,843	6,792	6,797	(4)
Foreign securities	–	–	–	–	–
Other	–	–	–	–	–
Total	¥ 15,493,208	¥ 16,668,447	¥ 1,175,238	¥ 1,175,453	¥ (214)

(Millions of yen)

March 31	2014				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 17,953,667	¥ 19,052,820	¥ 1,099,152	¥ 1,100,453	¥ (1,300)
Japanese government bonds	17,016,812	18,093,716	1,076,904	1,077,940	(1,036)
Japanese local government bonds	752,737	770,927	18,189	18,431	(241)
Japanese corporate bonds	184,117	188,175	4,058	4,081	(23)
Foreign securities	—	—	—	—	—
Other	—	—	—	—	—
Total	¥ 17,953,667	¥ 19,052,820	¥ 1,099,152	¥ 1,100,453	¥ (1,300)

(Millions of U.S. Dollars)

March 31	2015				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 128,927	\$ 138,707	\$ 9,780	\$ 9,782	\$ (2)
Japanese government bonds	121,996	131,517	9,521	9,522	(0)
Japanese local government bonds	5,824	6,026	202	203	(1)
Japanese corporate bonds	1,107	1,164	57	57	(0)
Foreign securities	—	—	—	—	—
Other	—	—	—	—	—
Total	\$ 128,927	\$ 138,707	\$ 9,780	\$ 9,782	\$ (2)

3) Available-for-sale securities

(Millions of yen)

March 31	2015				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	5,203,999	5,105,394	98,605	99,163	(558)
Japanese government bonds	928,655	927,484	1,170	1,171	(0)
Japanese local government bonds	780,564	778,754	1,809	1,998	(189)
Japanese corporate bonds	3,494,780	3,399,155	95,624	95,992	(367)
Foreign securities	1,863,492	1,537,712	325,779	326,126	(346)
Foreign bonds	1,863,492	1,537,712	325,779	326,126	(346)
Other	1,744,068	1,741,973	2,095	2,095	—
Total	¥ 8,811,560	¥ 8,385,080	¥ 426,480	¥ 427,384	¥ (904)

(Millions of yen)

March 31	2014				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds	5,025,535	4,927,726	97,809	100,097	(2,287)
Japanese government bonds	932,881	931,322	1,558	1,575	(17)
Japanese local government bonds	771,904	769,606	2,297	2,345	(47)
Japanese corporate bonds	3,320,750	3,226,796	93,953	96,176	(2,223)
Foreign securities	1,001,464	917,500	83,964	90,616	(6,652)
Foreign bonds	1,001,464	917,500	83,964	90,616	(6,652)
Other	811,748	810,578	1,170	1,181	(11)
Total	¥ 6,838,748	¥ 6,655,804	¥ 182,943	¥ 191,894	¥ (8,951)

(Millions of U.S. Dollars)

March 31	2015				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds	43,305	42,485	821	825	(5)
Japanese government bonds	7,728	7,718	10	10	(0)
Japanese local government bonds	6,495	6,480	15	17	(2)
Japanese corporate bonds	29,082	28,286	796	799	(3)
Foreign securities	15,507	12,796	2,711	2,714	(3)
Foreign bonds	15,507	12,796	2,711	2,714	(3)
Other	14,513	14,496	17	17	-
Total	\$ 73,326	\$ 69,777	\$ 3,549	\$ 3,556	\$ (8)

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

4) Policy-reserve-matching bonds sold for the years ended March 31, 2015 and 2014

(Millions of yen)

March 31	2015		
	Sales	Gains	Losses
Bonds	¥ 1,717,375	¥ 56,869	¥ -
Japanese government bonds	1,717,375	56,869	-
Japanese local government bonds	-	-	-
Total	¥ 1,717,375	¥ 56,869	¥ -

(Millions of yen)

March 31	2014		
	Sales	Gains	Losses
Bonds	¥ 2,071,972	¥ 70,967	¥ -
Japanese government bonds	1,962,621	68,754	-
Japanese local government bonds	109,350	2,212	-
Total	¥ 2,071,972	¥ 70,967	¥ -

(Millions of U.S. Dollars)

March 31	2015		
	Sales	Gains	Losses
Bonds	\$ 14,291	\$ 473	\$ –
Japanese government bonds	14,291	473	–
Japanese local government bonds	–	–	–
Total	\$ 14,291	\$ 473	\$ –

5) Available-for-sale securities sold for the years ended March 31, 2015 and 2014

(Millions of yen)

March 31	2015		
	Sales	Gains	Losses
Bonds	¥ –	¥ –	¥ –
Japanese corporate bonds	–	–	–
Foreign securities	158,468	5,038	(4,963)
Total	¥ 158,468	¥ 5,038	¥ (4,963)

(Millions of yen)

March 31	2014		
	Sales	Gains	Losses
Bonds	¥ 9,772	¥ 0	¥ (2,948)
Japanese corporate bonds	9,772	0	(2,948)
Foreign securities	91,125	106	(7,256)
Total	¥ 100,897	¥ 107	¥ (10,205)

(Millions of U.S. Dollars)

March 31	2015		
	Sales	Gains	Losses
Bonds	\$ –	\$ –	\$ –
Japanese corporate bonds	–	–	–
Foreign securities	1,319	42	(41)
Total	\$ 1,319	\$ 42	\$ (41)

(4) Money Held in Trust

Money Held in Trust Classified as Other than Trading, Held-to-Maturity and Policy-Reserve-Matching

(Millions of yen)

March 31	2015				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Specified money held in trust	¥ 1,434,943	¥ 1,079,701	¥ 355,241	¥ 357,085	¥ (1,844)

(Millions of yen)

March 31	2014				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Specified money held in trust	¥ 581,627	¥ 499,042	¥ 82,585	¥ 86,112	¥ (3,527)

(Millions of U.S. Dollars)

March 31	2015				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Specified money held in trust	\$ 11,941	\$ 8,985	\$ 2,956	\$ 2,971	\$ (15)

Note: The Group recognized losses on valuation of ¥442 million (\$4 million) and ¥131 million for the years ended March 31, 2015 and 2014, respectively. Losses on valuation are recognized for stocks invested in money held in trust if their average market prices during the final month of the fiscal year decline by 30% or more of the cost.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2015 and 2014 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Assets pledged as collateral:			
Securities	¥ 3,211,916	¥ 3,380,035	\$ 26,728
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	3,658,492	3,703,176	30,444

Note: Payables under securities lending transactions are included in "Other liabilities" in the consolidated balance sheets.

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

6. LOANS

There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, and restructured loans as of March 31, 2015 and 2014. Definitions for each of the respective loans are as follows:

Bankrupt loans refers to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Enforcement Ordinance of the Corporation Tax Act (Ordinance No. 97 in 1965). Interest accruals of such loans are suspended since the principal or interest on such loans is unlikely to be collected due to delinquency in payments for them for a considerable period of time or other reasons.

Non-interest accrual loans are those loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their business.

Past due loans for three months or more are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date, excluding those classified as bankrupt loans and non-accrual loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as bankrupt loans, non-interest accrual loans, and past due loans for three months or more.

The amounts of unused commitments as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Amount of unused commitments	¥ 1,250	¥ 1,250	\$ 10

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Accumulated depreciation	¥ 63,635	¥ 63,547	\$ 530

8. REINSURANCE

Reserve for outstanding claims for reinsured parts defined in Article 71, Paragraph 1 of the Enforcement Regulations of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Regulations (hereinafter referred to as "reserve for outstanding claims-ceded"), as of March 31, 2015 and 2014 was as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Reserve for outstanding claims-ceded	¥ 285	¥ 82	\$ 2

Policy reserves provided for reinsured portion defined in Article 71, Paragraph 1 of the said Regulations (hereinafter referred to as "policy reserves-ceded") as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Policy reserves-ceded	¥ 314	¥ 183	\$ 3

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥22,829 million (\$190 million) and ¥18,834 million, as of March 31, 2015 and 2014, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Balance at the beginning of the year	¥ 2,222,759	¥ 2,396,947	\$ 18,497
Policyholder dividends paid	(349,687)	(420,523)	(2,910)
Interest accrual	1,497	4,627	12
Reduction due to the acquisition of additional annuity	(372)	(438)	(3)
Provision for reserve for policyholder dividends	200,722	242,146	1,670
Balance at the end of the year	¥ 2,074,919	¥ 2,222,759	\$ 17,267

11. LEASE OBLIGATIONS AND OTHER INTEREST-BEARING DEBT

Lease obligations and other interest-bearing debt as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2015	2014	2015	2015	
Lease obligations	¥ 2,154	¥ 1,596	\$ 18	—	March 2022
Other interest-bearing debt:					
Payables under securities lending transactions	3,658,492	3,703,176	30,444	0.10%	—
Total	¥ 3,660,646	¥ 3,704,773	\$ 30,462	—	—

Notes: 1. Lease obligations and payables under securities lending transactions are included in "Other liabilities" in the consolidated balance sheets.
 2. The average interest rate of lease obligations is not presented above because interest is included in the total amount of lease payments.
 3. The interest rates of payables under securities lending transactions are calculated using the weighted-average method based on the balance at the fiscal year-end.
 4. Payables under securities lending transactions are scheduled to be settled within one year.

The repayment schedule on lease obligations as of March 31, 2015 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 506	\$ 4
Due after 1 year through 2 years	439	4
Due after 2 years through 3 years	399	3
Due after 3 years through 4 years	318	3
Due after 4 years through 5 years	258	2
Due after 5 years	232	2
Total	¥ 2,154	\$ 18

12. RETIREMENT BENEFITS

For the Years Ended March 31, 2015 and 2014

(1) Outline of Retirement Benefits

The Group has lump-sum severance indemnity plans which are an unfunded defined benefit plan to provide for employees' retirement benefits.

The consolidated subsidiary adopts the simplified method in calculating its liability for retirement benefits and retirement benefit costs.

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

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Balance at the beginning of the year	¥ 56,627	¥ 54,937	\$ 471
Cumulative effects of changes in accounting policies	5,104	—	42
Restated balance at the beginning of the year	61,731	54,937	514
Service cost	3,639	3,289	30
Interest cost	428	932	4
Actuarial differences	242	251	2
Benefits paid	(2,483)	(3,146)	(21)
Prior service cost	(5,174)	—	(43)
Other	(26)	363	(0)
Balance at the end of the year	¥ 58,356	¥ 56,627	\$ 486

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

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Unfunded retirement benefit obligations	¥ 58,356	¥ 56,627	\$ 486
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 58,356	¥ 56,627	\$ 486

3) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Service cost	¥ 3,639	¥ 3,289	\$ 30
Interest cost	428	932	4
Amortization of actuarial differences	(297)	(315)	(2)
Amortization of prior service cost	(30)	—	(0)
Other	69	32	1
Retirement benefit expenses of defined benefit plans	¥ 3,808	¥ 3,938	\$ 32

4) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 5,143	¥ —	\$ 43
Actuarial differences	(540)	—	(4)
Total	¥ 4,603	¥ —	\$ 38

5) Accumulated adjustments for retirement benefits (before tax effect)

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 5,143	¥ —	\$ 43
Unrecognized actuarial differences	2,777	3,317	23
Total	¥ 7,920	¥ 3,317	\$ 66

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	2015	2014
Discount rate	0.7%	1.7%

13. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance Policy Reserves in accordance with the Act on Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuations are provided for the category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Policy reserves (excluding contingency reserve)	¥ 52,156,724	¥ 57,879,628	\$ 434,024
Contingency reserve	2,182,885	2,350,030	18,165
Reserve for price fluctuations	626,849	554,723	5,216

14. DEPOSITS FROM THE MANAGEMENT ORGANIZATION

"Other liabilities" in the consolidated balance sheets include deposits from the Management Organization. Deposits from the Management Organization refers to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance.

Deposits from the Management Organization as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Deposits from the Management Organization	¥ 59,058	¥ 66,221	\$ 491

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Policy reserves	¥ 559,683	¥ 485,089	\$ 4,657
Reserve for price fluctuations	134,860	106,845	1,122
Reserve for outstanding claims	49,850	53,823	415
Liability for retirement benefits	16,875	17,464	140
Unrealized losses on available-for-sale securities	769	3,815	6
Other	15,020	14,313	125
Subtotal	777,060	681,352	6,466
Valuation allowance	(2,948)	(2,996)	(25)
Total deferred tax assets	774,111	678,356	6,442
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(224,458)	(84,569)	(1,868)
Other	(2,599)	(1,254)	(22)
Total deferred tax liabilities	(227,057)	(85,823)	(1,889)
Net deferred tax assets (liabilities)	¥ 547,053	¥ 592,532	\$ 4,552

The Company and its domestic subsidiary are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 30.78% for the year ended March 31, 2015, and 33.33% for the year ended March 31, 2014.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the years ended March 31, 2015 and 2014 was as follows:

Years ended March 31	2015	2014
Statutory tax rate	30.78%	33.33%
Reduction in net deferred tax assets resulting from tax rate changes	26.85	4.36
Effect of difference between tax rate for the current fiscal year and those for the following and subsequent fiscal years	–	10.06
Other	0.13	0.16
Effective income tax rate	57.76%	47.91%

During the year ended March 31, 2015, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) was promulgated on March 31, 2015 and, as a result, the statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 30.78% to 28.85% from the year beginning on or after April 1, 2015. Due to this tax rate change, deferred tax assets and deferred tax liabilities decreased by ¥51,919 million (\$432 million) and ¥15,200 million (\$126 million), respectively, and deferred income taxes increased by ¥51,694 million (\$430 million) for the year ended March 31, 2015.

16. NET ASSETS

(1) Type and Number of Shares Issued

Year ended March 31, 2015	Thousands of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000

Year ended March 31, 2014	Thousands of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Shares issued:				
Common stock	20,000	–	–	20,000
Total	20,000	–	–	20,000

(2) Information on Dividends

1) Dividends paid

Dividend paid for the year ended March 31, 2015

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 14, 2014	Common stock	¥ 16,808	\$ 140	¥ 840.43	\$ 6.99	March 31, 2014	May 15, 2014

Dividend paid for the year ended March 31, 2014

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2013	Common stock	¥ 22,750	¥ 1,137.51	March 31, 2013	May 15, 2013

2) Dividends whose effective date falls after the end of the fiscal year

Dividends whose effective date falls after the end of the year ended March 31, 2015

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 13, 2015	Common stock	¥ 24,527	\$ 204	Retained earnings	¥ 1,226.38	\$ 10.21	March 31, 2015	May 14, 2015

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2015 and 2014 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Sales activity expenses	¥ 182,243	¥ 190,508	\$ 1,517
Sales administration expenses	17,147	13,847	143
General administration expenses	313,767	309,643	2,611
Total	¥ 513,159	¥ 513,999	\$ 4,270

18. REVERSAL OF RESERVE FOR OUTSTANDING CLAIMS AND REVERSAL OF POLICY RESERVES

The amounts of provision for reserve for outstanding claims-ceded that are added to the calculation of reversal of reserve for outstanding claims for the years ended March 31, 2015 and 2014 were ¥203 million (\$2 million) and ¥82 million, respectively. The amounts of provision for policy reserve-ceded that are added to the calculation of reversal of policy reserves for the years ended March 31, 2015 and 2014 were ¥130 million (\$1 million) and ¥183 million, respectively.

19. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Insurance premiums	¥ 1,697,140	¥ 2,155,398	\$ 14,123

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Insurance claims	¥ 8,208,198	¥ 9,477,426	\$ 68,305

21. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2015 and 2014 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Losses on sales and disposal of fixed assets	¥ 1,432	¥ 8,670	\$ 12
Provision for reserve for price fluctuations	97,934	91,360	815
Total	¥ 99,366	¥ 100,030	\$ 827

22. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Provision for reserve for policyholder dividends	¥ 190,363	¥ 222,812	\$ 1,584

23. OTHER COMPREHENSIVE INCOME

The amount reclassified and tax effect amounts related to other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 524,140	¥ 32,105	\$ 4,362
Reclassification adjustments	(7,947)	8,502	(66)
Before tax effect adjustments	516,192	40,608	4,296
Tax effect	(142,934)	(11,611)	(1,189)
Net unrealized gains (losses) on available-for-sale securities	373,258	28,996	3,106
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	15	16	0
Reclassification adjustments	–	–	–
Before tax effect adjustments	15	16	0
Tax effect	(4)	(4)	(0)
Net deferred gains (losses) on hedges	11	11	0
Adjustments for retirement benefits:			
Amount arising during the fiscal year	4,932	–	41
Reclassification adjustments	(328)	–	(3)
Before tax effect adjustments	4,603	–	38
Tax effect	(1,263)	–	(11)
Adjustments for retirement benefits	3,339	–	28
Total other comprehensive income	¥ 376,609	¥ 29,007	\$ 3,134

24. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Company promotes cash flows matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which yield is expected to be relatively higher than that of Japanese government bonds, as well as in risk assets including foreign bonds and stocks from the perspective of improving profitability as well as to strengthen the risk management system.

Derivative transactions are identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk to our investment assets, and these are not used for speculative purposes.

(2) Features and Risks of Financial Instruments

Financial assets owned by the Company consist mainly of securities and loans, and are managed by using an asset liability management (ALM) framework. Such securities are exposed to the credit risk of their issuing bodies, and market price fluctuation risk and interest rate risk. In addition, foreign-currency-denominated bonds are exposed to the foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to the interest rate risk.

Derivative transactions which the Company uses are mainly foreign exchange contracts and interest rate swaps. These are used for the purpose of hedging interest rate risk and foreign exchange fluctuation risk limited to the purpose of hedging and is not meant for speculative purposes. The market-related risk of derivative transactions are therefore reduced and limited.

(3) Risk Management Framework for Financial Instruments

1) Management of market risk

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

The risk control supervisory department measures

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

2) Management of credit risk

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

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

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

(4) Additional Notes Concerning the Fair Value of Financial Instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those whose market prices are not readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions may lead to changes in pricing.

The contract amounts of derivative transactions in Note 25 "DERIVATIVE TRANSACTIONS" do not indicate the market risk related to derivative transactions.

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2015 and 2014 were as follows. Financial instruments for which fair values are extremely difficult to determine are not included in the table below.

(Millions of yen)

March 31	2015		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and deposits	¥ 2,213,786	¥ 2,213,786	¥ –
Available-for-sale securities (negotiable certificates of deposit)	1,295,000	1,295,000	–
2) Receivables under securities borrowing transactions	2,720,856	2,720,856	–
3) Monetary claims bought	449,068	449,068	–
Available-for-sale securities	449,068	449,068	–
4) Money held in trust ¹	1,434,943	1,434,943	–
5) Securities	66,256,260	71,968,615	5,712,355
Held-to-maturity bonds	43,695,559	48,232,675	4,537,116
Policy-reserve-matching bonds	15,493,208	16,668,447	1,175,238
Available-for-sale securities	7,067,492	7,067,492	–
6) Loans ²	9,977,267	10,905,033	927,765
Policy loans	74,097	74,097	–
Industrial and commercial loans	806,181	862,878	56,697
Loans to the Management Organization	9,096,988	9,968,057	871,068
Total assets	¥ 83,052,183	¥ 89,692,304	¥ 6,640,121
Payables under securities lending transactions ³	¥ 3,658,492	¥ 3,658,492	¥ –
Total liabilities	¥ 3,658,492	¥ 3,658,492	¥ –
Derivative transactions ⁴			
Hedge accounting not applied	¥ –	¥ –	¥ –
Hedge accounting applied	526	526	–
Total derivative transactions	¥ 526	¥ 526	¥ –

(Millions of yen)

March 31	2014		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
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 transactions ⁴			
Hedge accounting not applied	¥ –	¥ –	¥ –
Hedge accounting applied	(15,638)	(15,638)	–
Total derivative transactions	¥ (15,638)	¥ (15,638)	¥ –

(Millions of U.S. Dollars)

March 31	2015		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and deposits	\$ 18,422	\$ 18,422	\$ –
Available-for-sale securities (negotiable certificates of deposit)	10,776	10,776	–
2) Receivables under securities borrowing transactions	22,642	22,642	–
3) Monetary claims bought	3,737	3,737	–
Available-for-sale securities	3,737	3,737	–
4) Money held in trust ¹	11,941	11,941	–
5) Securities	551,354	598,890	47,536
Held-to-maturity bonds	363,615	401,370	37,756
Policy-reserve-matching bonds	128,927	138,707	9,780
Available-for-sale securities	58,812	58,812	–
6) Loans ²	83,026	90,747	7,720
Policy loans	617	617	–
Industrial and commercial loans	6,709	7,180	472
Loans to the Management Organization	75,701	82,950	7,249
Total assets	\$ 691,122	\$ 746,378	\$ 55,256
Payables under securities lending transactions ³	\$ 30,444	\$ 30,444	\$ –
Total liabilities	\$ 30,444	\$ 30,444	\$ –
Derivative transactions ⁴			
Hedge accounting not applied	\$ –	\$ –	\$ –
Hedge accounting applied	4	4	–
Total derivative transactions	\$ 4	\$ 4	\$ –

Notes: 1. Money held in trust classified as other than trading, held-to-maturities and policy-reserve-matching.

2. Reserve for possible loan losses corresponding to loans has been deducted.

3. Included in "Other liabilities" in the consolidated balance sheets.

4. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

Calculation methods for fair values of financial instruments are as follows:

Assets

1) Cash and deposits

Deposits (including negotiable certificates of deposit) mature within a short-term (one year), and their fair value approximates book value.

2) Receivables under securities borrowing transactions

These are settled within a short-term (one year), and their fair value approximates book value.

3) Monetary claims bought

The fair value of monetary claims bought accounted for as securities in the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) is calculated in a similar manner to the method described in 5) "Securities" below.

4) Money held in trust

The fair value of money held in trust is based on the price quoted by the exchange for shares and net asset value for mutual funds.

Money held in trust are provided in Note 4 (4) "Money Held in Trust" in accordance with the purpose of the holdings.

5) Securities

The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or price offered by the financial institutions.

Securities are described in Note 4 "SECURITIES" in accordance with the purpose of keeping in possession.

6) Loans

For policy loans and those included in loans to the Management Organization of Postal Life Insurance Contracts, book values are used as fair values because amounts are limited to the values of corresponding cash surrender value and their fair value approximates book value considering their short maturities and interest conditions.

For industrial and commercial loans with floating interest rates, whose future cash flows follow market interest rates, their fair value approximates book value.

For industrial and commercial loans with fixed interest rates or loans to the Management Organization (excluding policy loans), fair value is based on a net discounted present value of future cash flows.

Liabilities

Payables under securities lending transactions

These are settled within a short-term (one year) and their fair value approximates book value.

Derivatives

Notes on the fair value of derivatives are presented in Note 25 "DERIVATIVE TRANSACTIONS." Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Unlisted stocks	¥ 20,000	¥ 140,000	\$ 166

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

Redemption schedule of major monetary claims and securities with maturities were as follows:

(Millions of yen)

March 31	2015					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	¥ 1,295,000	¥ –	¥ –	¥ –	¥ –	¥ –
Receivables under securities borrowing transactions	2,720,856	–	–	–	–	–
Monetary claims bought	419,000	–	–	–	–	27,989
Securities	6,316,178	12,045,027	6,973,989	5,145,309	6,726,354	28,181,276
Held-to-maturity bonds	2,881,511	6,230,609	3,953,665	2,991,726	3,290,329	23,854,900
Bonds	2,881,511	6,230,609	3,953,665	2,893,726	3,290,329	23,854,900
Japanese government bonds	2,605,800	3,811,800	1,818,900	338,500	907,300	22,527,900
Japanese local government bonds	73,433	1,456,508	1,762,530	2,060,555	1,788,557	926,550
Japanese corporate bonds	202,278	962,301	372,235	494,671	594,472	400,450
Foreign securities	–	–	–	98,000	–	–
Policy-reserve-matching bonds	1,911,429	4,288,547	1,762,786	1,444,146	2,168,753	3,809,900
Bonds	1,911,429	4,288,547	1,762,786	1,444,146	2,168,753	3,809,900
Japanese government bonds	1,729,360	4,262,100	1,653,400	1,355,800	1,845,000	3,711,700
Japanese local government bonds	182,069	26,447	86,149	64,313	267,014	70,400
Japanese corporate bonds	–	–	23,237	24,033	56,739	27,800
Available-for-sale securities with maturities	1,523,237	1,525,870	1,257,537	709,435	1,267,272	516,476
Bonds	1,523,237	1,325,876	1,116,982	364,370	270,500	482,937
Japanese government bonds	903,700	23,700	–	–	–	–
Japanese local government bonds	179,444	319,722	273,313	450	–	–
Japanese corporate bonds	440,093	982,454	843,669	363,920	270,500	482,937
Foreign securities	–	199,993	140,555	345,065	996,772	33,539
Loans	1,678,018	1,819,669	1,598,350	1,389,573	1,657,299	1,834,335
Total assets	¥ 12,429,053	¥ 13,864,696	¥ 8,572,339	¥ 6,534,883	¥ 8,383,654	¥ 30,043,601

(Millions of yen)

March 31	2014					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	¥ 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
Bonds	3,614,348	6,028,517	6,155,676	2,255,733	3,782,059	22,847,540
Japanese government bonds	3,558,100	4,581,900	3,532,400	197,000	659,500	21,574,200
Japanese local government bonds	54,848	741,127	1,833,818	1,827,595	2,310,376	873,590
Japanese 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
Bonds	1,014,401	4,830,421	3,605,125	1,583,792	2,732,196	4,056,700
Japanese government bonds	775,100	4,640,560	3,535,900	1,492,300	2,484,100	3,962,400
Japanese local government bonds	163,575	189,861	50,394	73,312	205,885	66,500
Japanese 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
Bonds	530,119	2,142,053	1,028,458	577,101	181,220	442,450
Japanese government bonds	3,700	907,400	20,000	–	–	–
Japanese local government bonds	149,842	353,093	257,888	1,000	–	–
Japanese 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

(Millions of U.S. Dollars)

March 31	2015					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Cash and deposits with maturities	\$ 10,776	\$ –	\$ –	\$ –	\$ –	\$ –
Receivables under securities borrowing transactions	22,642	–	–	–	–	–
Monetary claims bought	3,487	–	–	–	–	233
Securities	52,560	100,233	58,034	42,817	55,974	234,512
Held-to-maturity bonds	23,979	51,848	32,901	24,896	27,381	198,510
Bonds	23,979	51,848	32,901	24,080	27,381	198,510
Japanese government bonds	21,684	31,720	15,136	2,817	7,550	187,467
Japanese local government bonds	611	12,120	14,667	17,147	14,884	7,710
Japanese corporate bonds	1,683	8,008	3,098	4,116	4,947	3,332
Foreign securities	–	–	–	816	–	–
Policy-reserve-matching bonds	15,906	35,687	14,669	12,018	18,047	31,704
Bonds	15,906	35,687	14,669	12,018	18,047	31,704
Japanese government bonds	14,391	35,467	13,759	11,282	15,353	30,887
Japanese local government bonds	1,515	220	717	535	2,222	586
Japanese corporate bonds	–	–	193	200	472	231
Available-for-sale securities with maturities	12,676	12,698	10,465	5,904	10,546	4,298
Bonds	12,676	11,033	9,295	3,032	2,251	4,019
Japanese government bonds	7,520	197	–	–	–	–
Japanese local government bonds	1,493	2,661	2,274	4	–	–
Japanese corporate bonds	3,662	8,176	7,021	3,028	2,251	4,019
Foreign securities	–	1,664	1,170	2,871	8,295	279
Loans	13,964	15,142	13,301	11,563	13,791	15,265
Total assets	\$ 103,429	\$ 115,376	\$ 71,335	\$ 54,380	\$ 69,765	\$ 250,009

Redemption schedule of payables under securities lending transactions were as follows:

(Millions of yen)

March 31	2015					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Payables under securities lending transactions	¥ 3,658,492	¥ –	¥ –	¥ –	¥ –	¥ –

(Millions of yen)

March 31	2014					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Payables under securities lending transactions	¥ 3,703,176	¥ –	¥ –	¥ –	¥ –	¥ –

(Millions of U.S. Dollars)

March 31	2015					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Payables under securities lending transactions	\$ 30,444	\$ –	\$ –	\$ –	\$ –	\$ –

25. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

There were no derivative transactions to which the hedge accounting method has not been applied as of March 31, 2015 and 2014.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied

1) Currency-related derivatives

(Millions of yen)

March 31			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		¥ 172,008	¥ –	¥ (12,843)
	Euros		191,112	–	13,337
		Total	¥ 363,120	¥ –	¥ 493

(Millions of yen)

March 31			2014		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		¥ 270,312	¥ –	¥ (6,817)
	Euros		133,944	–	(8,837)
		Total	¥ 404,257	¥ –	¥ (15,655)

(Millions of U.S. Dollars)

March 31			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold				
	U.S. dollars		\$ 1,431	\$ –	\$ (107)
	Euros		1,590	–	111
		Total	\$ 3,022	\$ –	\$ 4

Note: Fair value is calculated using forward foreign exchange rates at the fiscal year-end.

2) Interest rate-related derivatives

(Millions of yen)

March 31			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		¥ 13,750	¥ 13,750	¥ 32
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		88,200	65,500	– ²
		Total			¥ 32

(Millions of yen)

March 31			2014		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	¥ 9,950	¥ 9,950	¥ 16
Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	102,780	85,400	— ²
		Total			¥ 16

(Millions of U.S. Dollars)

March 31			2015		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	\$ 114	\$ 114	\$ 0
Exceptional treatment for interest rate swaps	Interest rate swaps: Receivable fixed rate / Payable floating rate	Loans	734	545	— ²
		Total			\$ 0

Notes: 1. Fair value is calculated using discounted present value.

2. Interest rate swap amounts measured by the exceptional treatment for interest rate swaps are disclosed with the loans that are subject to the hedge. Therefore such fair value is included in the fair value of the relevant loans.

26. LEASE TRANSACTIONS

Operating Leases

As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Due within 1 year	¥ 687	¥ 448	\$ 6
Due after 1 year	424	—	4
Total	¥ 1,112	¥ 448	\$ 9

27. SEGMENT INFORMATION

(1) Segment Information

The Group has only one segment, namely, the life insurance business in Japan.

(2) Supplemental Information

1) Information by product and service

The Group's products and services are placed under one category for the years ended March 31, 2015 and 2014.

2) Information by geographic region

Ordinary income in Japan exceeded 90% of ordinary income in the consolidated statements of income and the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the years ended March 31, 2015 and 2014.

3) Information by major customer

No customer accounted for 10% or more of ordinary income in the consolidated statements of income for the years ended March 31, 2015 and 2014.

28. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2015 and 2014 were as follows:

2015										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku Tokyo	¥3,500,000 million (\$29,125 million)	Holding company	Directly owned 100%	Business management Interlocking officers	Payments for business management fees ¹	¥3,030 million (\$25 million)	Accounts payable-other	¥272 million (\$2 million)
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku Tokyo	¥400,000 million (\$3,329 million)	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥359,536 million (\$2,992 million)	Agency accounts payable	¥37,087 million (\$309 million)

2014										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Chiyoda-ku Tokyo	¥3,500,000 million	Holding company	Directly owned 100%	Business management Interlocking officers	Payments for business management fees ¹	¥2,773 million	Accounts payable-other	¥242 million
Subsidiary of parent company	Japan Post Co., Ltd.	Chiyoda-ku Tokyo	¥100,000 million	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥366,248 million	Agency accounts payable	¥35,557 million

Notes: 1. The Company, Japan Post Holdings Co., Ltd., Japan Post Bank Co., Ltd. and other group companies bear an amount corresponding to the degree of the benefit from services provided of operating expenses of corporate staff departments of Japan Post Holdings Co., Ltd. multiplied by a fixed profit rate.

2. The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and insurance premiums of each contract by commission rates set for each class of insurance, and commission of maintenance and collection calculated by multiplying unit prices set for outsourcing services, such as collection of insurance premiums and payments for insurance money, by the volume of work.

3. Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Parent Company

Japan Post Holdings Co., Ltd. (unlisted company)

29. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2015	2014	2015
Net assets per share	¥ 3,292.88	¥ 2,563.56	\$ 27.40

Years ended March 31	Yen		U.S. Dollars
	2015	2014	2015
Net income per share	¥ 135.54	¥ 104.67	\$ 1.13

Notes: 1. Diluted net income per share is not presented for the years ended March 31, 2015 and 2014 as potential common stock did not exist.

2. Net income per share is calculated based on the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net income	¥ 81,323	¥ 62,802	\$ 677
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 81,323	¥ 62,802	\$ 677

Years ended March 31	Thousands of shares	
	2015	2014
Average number of common stock during the fiscal year	600,000	600,000

3. Net assets per share is calculated based on the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2015	2014	2015
Net assets	¥ 1,975,727	¥ 1,538,136	\$ 16,441
Amount deducted from net assets	–	–	–
Net assets attributable to common stock at the fiscal year-end	¥ 1,975,727	¥ 1,538,136	\$ 16,441

March 31	Thousands of shares	
	2015	2014
Number of common stock at the fiscal year-end used for the calculation of net assets per share	600,000	600,000

4. Changes in Accounting Policies

Effective from the year ended March 31, 2015, with respect to the application of the Retirement Benefits Accounting Standard and Guidance on Retirement Benefits, the Company has adopted provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits, and has made transitional provisions in accordance with Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share decreased by ¥5.89 (\$0.05) at the beginning of the year ended March 31, 2015.

The effect of this change on net income per share for the year ended March 31, 2015 was immaterial.

Effective from the year ended March 31, 2014, the Company has adopted the Retirement Benefits Accounting Standard and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) excluding provisions stated in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, and has made transitional provisions in accordance with Paragraph 37 of the Retirement Benefits Accounting Standard.

As a result, net assets per share increased by ¥3.83 as of March 31, 2014.

5. The Company implemented a 30:1 stock split effective August 1, 2015, and net assets per share and net income per share as of and for the years ended March 31, 2015 and 2014 have been calculated assuming the stock split was implemented on April 1, 2013.

30. SUBSEQUENT EVENTS

Stock Splits

The Company implemented a 30:1 stock split effective August 1, 2015 for common stock held by common stockholders in the final stockholders registry as of the record date of July 31, 2015 in order to increase stock liquidity and its investor base. As a result, the number of common stock increased by 580,000,000 shares.

The effect of the stock split on per share data is described in Note 29 "PER SHARE DATA."

Independent Auditor's Report



Independent Auditor's Report

To the Board of Directors of JAPAN POST INSURANCE Co., Ltd.:

We have audited the accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary, which comprise the consolidated balance sheets as at March 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary as at March 31, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

December 3, 2015
Tokyo, Japan

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