Data Compilation

Financial Data

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Note: Figures have been truncated without rounding.

1. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Consolidated ordinary income	17,468,947	16,661,440	15,849,185	15,240,126	14,258,842
Consolidated net ordinary income	956,917	1,176,860	1,225,094	1,103,603	1,115,823
Consolidated net income	418,929	468,907	562,753	479,071	482,682
Consolidated comprehensive income	410,132	973,067	1,551,771	717,123	2,212,035
Consolidated net assets	9,999,952	10,935,358	12,448,197	13,388,650	15,301,561
Consolidated total assets	292,933,013	292,126,555	292,892,975	292,246,440	295,849,794
Consolidated capital adequacy ratio (domestic standard)	61.30%	57.70%	57.38%	49.23%	40.40%
Consolidated solvency margin ratio	—	1,592.5%	1,804.8%	1,791.8%	1,621.1%

Notes:
1. The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006). From the fiscal year ended March 31, 2014, the Company has adopted a domestic standard based on Basel III.
2. The consolidated solvency margin ratio is calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

Japan Post Holdings Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Operating income	305,878	287,633	265,304	272,988	251,919
Net operating income	140,752	133,264	121,207	146,002	147,187
Net ordinary income	143,466	135,773	125,666	147,837	149,298
Net income	153,622	151,404	145,228	155,090	131,181
Net assets	8,382,804	8,496,547	8,602,843	8,719,384	8,744,456
Total assets	9,648,973	9,747,186	9,711,170	9,740,129	9,107,178

Japan Post Co., Ltd. (Non-consolidated) (Note)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Operating income	1,256,349	1,208,447	2,054,124	2,773,958	2,819,144
Net operating income	49,548	33,417	91,219	46,999	10,650
Net ordinary income	58,260	42,745	100,299	52,532	22,010
Net income	30,661	18,826	83,012	32,911	15,423
Net assets	289,538	300,700	543,076	560,972	978,711
Total assets	3,249,823	3,120,978	4,806,509	4,801,764	5,441,962

Note:
On October 1, 2012, Japan Post Network Co., Ltd. merged with Japan Post Service Co., Ltd. and the name of the merged entity was changed to Japan Post Co., Ltd. Therefore, figures for Japan Post Network Co., Ltd. are listed for fiscal year 2012 and prior fiscal years. For fiscal 2013, the combined figures for Japan Post Network during the period (April-September 2012) prior to the merger and for Japan Post Co., Ltd. during the period (October 2012-March 2013) following the merger between Japan Post Network Co., Ltd. and Japan Post Service Co., Ltd. are listed.

[Postal and logistics business segment] (Note)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Operating income	1,779,870	1,764,861	1,754,426	1,777,635	1,823,902
Net operating income	(103,473)	(22,354)	37,405	9,454	(10,319)

Note:
As for the term prior to the merger, the figures for Japan Post Service Co., Ltd. are listed, and after the merger, the figures for the postal and logistics business segment are listed.

[Post office business segment] (Note)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Operating income	1,256,349	1,208,447	1,187,938	1,183,528	1,184,044
Net operating income	49,548	33,417	27,216	37,545	20,969

Note:
As for the term prior to the merger, the figures for Japan Post Network Co., Ltd. are listed, and after the merger, the figures for the post office business segment are listed.

Japan Post Bank Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Ordinary income	2,205,344	2,234,596	2,125,888	2,076,397	2,078,179
Net ordinary income	526,550	576,215	593,535	565,095	569,489
Net income	316,329	334,850	373,948	354,664	369,434
Net assets	9,093,634	9,818,162	10,997,558	11,464,524	11,630,212
Total assets	193,443,350	195,819,898	199,840,681	202,512,882	208,179,309
Capital adequacy ratio (non-consolidated domestic standard)	74.82%	68.39%	66.04%	56.81%	38.42%

Note:
Capital adequacy ratio (non-consolidated, domestic standard) is calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency of Japan, 2006). The Bank has applied Japanese domestic Basel III capital adequacy standards since the year ended March 2014.

Japan Post Insurance Co., Ltd. (Non-consolidated)

(Millions of yen)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Ordinary income	13,375,468	12,538,618	11,834,920	11,233,925	10,169,236
Net ordinary income	422,207	531,388	529,375	463,506	493,169
Net income	77,276	67,734	91,000	63,428	81,758
Net assets	1,207,690	1,292,077	1,464,771	1,534,457	1,969,143
Total assets	96,786,765	93,688,672	90,462,364	87,088,626	84,911,946
Solvency margin ratio	1,821.6% (1,153.9%)	1,336.1%	1,467.9%	1,623.4%	1,641.4%

Note:
In accordance with Cabinet Office Ordinance No. 23 of 2010 and Financial Services Agency Public Notice No. 48 of 2010, part of the calculation standard for the total amount of solvency margin and the total amount of risk has been changed (tightening of margin calculations, tightening and refining of risk measurements, etc.). As a result of this change, the above results for the fiscal 2011 has been calculated using a different standard from the results for fiscal 2012 to fiscal 2015.
Moreover, the figure given in brackets for the fiscal 2011 is calculated by the fiscal 2012 standard.

2. JAPAN POST GROUP COMPANIES —CONSOLIDATED FINANCIAL DATA

The consolidated balance sheets as of March 31, 2015 and 2014 and the consolidated statements of income and changes in net assets for the years then ended ("consolidated financial statements") of Japan Post Group Companies were audited by KPMG AZSA LLC in accordance with Article 396, Paragraph 1 of the Companies Act of Japan.
(The following are translations into English of the audited financial statements in Japanese.)

CONSOLIDATED BALANCE SHEETS MARCH 31, 2015 AND 2014

(Millions of yen)

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
ASSETS:		
Cash and due from banks (Notes 3, 5 and 20)	¥ 36,406,491	¥ 21,994,452
Call loans (Note 20)	2,406,954	2,073,594
Receivables under securities borrowing transactions (Note 20)	11,094,941	10,034,958
Monetary claims bought (Note 20)	571,100	169,721
Trading account securities (Note 20)	104	278
Money held in trust (Notes 4 and 20)	4,926,581	3,500,631
Securities (Notes 4, 5 and 20)	222,593,945	235,623,120
Loans (Notes 6 and 20)	12,761,331	14,096,911
Foreign exchanges	49,332	30,659
Other assets (Note 5)	1,296,577	1,083,760
Tangible fixed assets (Note 7)		
Buildings	1,025,981	1,036,110
Land	1,513,334	1,445,909
Construction in progress	61,211	27,838
Other tangible fixed assets	189,769	155,384
Total tangible fixed assets	2,790,296	2,665,243
Intangible fixed assets		
Software	287,246	253,935
Other intangible fixed assets	16,607	16,623
Total intangible fixed assets	303,854	270,559
Asset for retirement benefits (Note 13)	10,653	—
Deferred tax assets (Note 15)	547,743	592,844
Customers' liabilities for acceptances and guarantees	95,000	115,000
Reserve for possible loan losses	(5,113)	(5,295)
Total assets	**¥ 295,849,794**	**¥ 292,246,440**

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
LIABILITIES:		
Deposits (Notes 5 and 20)	¥ 175,697,196	¥ 175,291,979
Policy reserves and others		
Reserve for outstanding claims (Note 8)	718,156	831,690
Policy reserve (Notes 8 and 14)	75,112,601	77,745,490
Reserve for policyholder dividends (Note 10)	2,074,919	2,222,759
Total policy reserves and others	77,905,677	80,799,941
Payables under securities lending transactions (Notes 5 and 20)	17,228,691	14,370,767
Foreign exchanges	266	249
Other liabilities (Notes 11 and 12)	5,091,074	3,678,082
Reserve for bonuses	93,528	93,649
Liability for retirement benefits (Note 13)	2,269,094	2,884,827
Reserve for price fluctuations (Note 14)	712,167	614,233
Deferred tax liabilities (Note 15)	1,455,537	1,009,058
Acceptances and guarantees (Note 5)	95,000	115,000
Total liabilities	**¥ 280,548,232**	**¥ 278,857,789**
NET ASSETS (Note 16):		
Capital stock	¥ 3,500,000	¥ 3,500,000
Capital surplus	4,503,856	4,503,856
Retained earnings	3,149,937	2,967,703
Total shareholders' equity	11,153,793	10,971,559
Net unrealized gains (losses) on available-for-sale securities	4,389,261	2,750,463
Net deferred gains (losses) on hedges	(666,430)	(596,892)
Foreign currency translation adjustments	160	66
Accumulated adjustments for retirement benefits	422,048	261,879
Total accumulated other comprehensive income	4,145,039	2,415,517
Non-controlling interests	2,728	1,573
Total net assets	**15,301,561**	**13,388,650**
Total liabilities and net assets	**¥ 295,849,794**	**¥ 292,246,440**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2015 AND 2014

(Millions of yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
INCOME:		
Postal business income	¥ 1,806,955	¥ 1,761,145
Banking business income	2,077,038	2,075,516
Life insurance business income	10,168,044	11,233,998
Other income (Note 17)	216,244	171,276
Total income	**14,268,281**	**15,241,937**
EXPENSES:		
Operating expenses	10,634,972	11,640,717
Personnel expenses	2,319,195	2,300,355
Depreciation and amortization	180,580	175,682
Other expenses (Note 18)	353,213	384,715
Total expense	**13,487,962**	**14,501,470**
Income before income taxes	**780,319**	**740,466**
Income taxes (Note 15):		
Current	376,289	381,825
Deferred	(78,484)	(120,582)
Total income taxes	**297,805**	**261,242**
Net income	**482,514**	**479,224**
Net income (loss) attributable to non-controlling interests	(168)	152
Net income attributable to Japan Post Holdings	**¥ 482,682**	**¥ 479,071**

(yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
Per share of common stock (Note 27):		
Basic net income	¥ 107.26	¥ 106.46
Diluted net income	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2015 AND 2014

(Millions of yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
Net Income	**¥ 482,514**	**¥ 479,224**
Other comprehensive income (Note 19)		
Net unrealized gains (losses) on available-for-sale securities	1,638,786	457,899
Net deferred gains (losses) on hedges	(69,537)	(220,069)
Foreign currency translation adjustments	94	66
Adjustments for retirement benefits	160,168	—
Share of other comprehensive income of affiliates	9	2
Total other comprehensive income	1,729,521	237,899
Comprehensive income	**¥ 2,212,035**	**¥ 717,123**
Total comprehensive income attributable to:		
Japan Post Holdings	¥ 2,212,205	¥ 716,970
Non-controlling interests	(169)	152

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2015 AND 2014

2014 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, APRIL 1, 2013	¥ 3,500,000	¥ 4,503,856	¥ 2,527,181	¥ 10,531,037
Changes in the fiscal year:				
Cash dividends			(38,350)	(38,350)
Net income attributable to Japan Post Holdings			479,071	479,071
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	440,521	440,521
BALANCE, MARCH 31, 2014	¥ 3,500,000	¥ 4,503,856	¥ 2,967,703	¥ 10,971,559

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
BALANCE, APRIL 1, 2013	¥ 2,292,561	¥ (376,823)	¥ —	¥ —	¥ 1,915,738	¥ 1,421	¥ 12,448,197
Changes in the fiscal year:							
Cash dividends							(38,550)
Net income attributable to Japan Post Holdings							479,071
Net changes in items other than shareholders' equity in the fiscal year	457,902	(220,069)	66	261,879	499,778	152	499,931
Net changes in the fiscal year	457,902	(220,069)	66	261,879	499,778	152	940,452
BALANCE, MARCH 31, 2014	¥ 2,750,463	¥ (596,892)	¥ 66	¥ 261,879	¥ 2,415,517	¥ 1,573	¥ 13,388,650

2015 (From April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
BALANCE, APRIL 1, 2014	¥ 3,500,000	¥ 4,503,856	¥ 2,967,703	¥ 10,971,559
Cumulative effects of changes in accounting policies			(256,948)	(256,948)
RESTATED BALANCE, APRIL 1, 2014	3,500,000	4,503,856	2,710,754	10,714,611
Changes in the fiscal year:				
Cash dividends			(43,500)	(43,500)
Net income attributable to Japan Post Holdings			482,682	482,682
Net changes in items other than shareholders' equity in the fiscal year				
Net changes in the fiscal year	—	—	439,182	439,182
BALANCE, MARCH 31, 2015	¥ 3,500,000	¥ 4,503,856	¥ 3,149,937	¥ 11,153,793

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income		
BALANCE, APRIL 1, 2014	¥ 2,750,463	¥ (596,892)	¥ 66	¥ 261,879	¥ 2,415,517	¥ 1,573	¥ 13,388,650
Cumulative effects of changes in accounting policies							(256,948)
RESTATED BALANCE, APRIL 1, 2014	2,750,463	(596,892)	66	261,879	2,415,517	1,573	13,131,701
Changes in the fiscal year:							
Cash dividends							(43,500)
Net income attributable to Japan Post Holdings							482,682
Net changes in items other than shareholders' equity in the fiscal year	1,638,797	(69,537)	94	160,168	1,729,522	1,154	1,730,677
Net changes in the fiscal year	1,638,797	(69,537)	94	160,168	1,729,522	1,154	2,169,859
BALANCE, MARCH 31, 2015	¥ 4,389,261	¥ (666,430)	¥ 160	¥ 422,048	¥ 4,145,039	¥ 2,728	¥ 15,301,561

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2015 AND 2014

(Millions of yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before income taxes	¥ 780,319	¥ 740,466
Income taxes paid	(405,633)	(394,466)
Policyholder dividends paid	(349,687)	(420,523)
Depreciation and amortization	180,580	175,682
Losses on impairment of fixed assets	5,390	13,655
Equity in (earnings) losses of affiliates	561	(12)
Gains on negative goodwill	(2,680)	—
Net change in reserve for outstanding claims	(113,534)	(115,432)
Net change in policy reserves	(2,632,889)	(3,656,490)
Provision for interest on policyholder dividends	1,497	4,627
Provision for reserve for policyholder dividends	200,722	242,146
Net change in reserve for possible loan losses	(579)	(1,470)
Net change in reserve for bonuses	(187)	(2,367)
Net change in asset and liability for retirement benefits	(250,106)	(374,374)
Contribution of retirement benefit trust	(639,944)	—
Net change in reserve for price fluctuations	97,934	91,360
Interest income (accrual basis)	(1,893,273)	(1,827,610)
Interest expenses (accrual basis)	356,061	361,245
Net (gains) losses on securities	(52,405)	(66,359)
Net (gains) losses on money held in trust	(75,914)	(113,593)
Net (gains) losses on foreign exchanges	(520,124)	(281,267)
Net (gains) losses on sales and disposal of fixed assets	1,601	13,354
Net change in loans	291,104	890,310
Net change in deposits	405,236	434,761
Net change in negotiable certificates of deposit	(90,000)	20,000
Net change in call loans	(177,681)	(9,577)
Net change in receivables under securities borrowing transactions	(1,161,315)	928,763
Net change in payables under securities lending transactions	2,902,607	1,224,351
Net change in foreign exchanges (assets)	(18,672)	(27,608)
Net change in foreign exchanges (liabilities)	16	(23)
Interest received (cash basis)	2,060,574	2,012,796
Interest paid (cash basis)	(211,511)	(205,712)
Other, net	107,375	362,197
Total adjustments	(1,984,875)	(721,634)
Net cash provided by (used in) operating activities	**¥ (1,204,555)**	**¥ 18,831**

See the accompanying notes to consolidated financial statements.

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of call loans	¥ (33,053,228)	¥ (32,758,125)
Proceeds from redemption of call loans	32,837,825	32,731,552
Purchases of monetary claims bought	(3,417,540)	(2,746,495)
Proceeds from sale and redemption of monetary claims bought	3,131,989	3,066,421
Net change in receivables under securities borrowing transactions	101,332	(490,901)
Net change in payables under securities lending transactions	(44,684)	588,617
Purchases of securities	(29,457,673)	(41,594,073)
Proceeds from sale of securities	4,069,483	4,029,294
Proceeds from redemption of securities	41,071,899	46,827,862
Purchases of money held in trust	(710,000)	(459,900)
Proceeds from sale of money held in trust	145,159	564,939
Payments for loans	(1,354,617)	(1,610,723)
Proceeds from collection of loans	2,397,830	3,273,670
Purchases of tangible fixed assets	(183,547)	(76,047)
Proceeds from sale of tangible fixed assets	12,165	1,437
Purchases of intangible fixed assets	(97,719)	(84,912)
Purchases of stocks of subsidiaries and affiliates	(1,768)	(63)
Proceeds from purchases of stocks of subsidiaries resulting in change in scope of consolidation	1,420	—
Other, net	73,450	(82,362)
Net cash provided by investing activities	**15,521,777**	**11,180,189**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	6,100	4,050
Repayment of borrowings	(3,610)	(4,489)
Dividends paid	(43,500)	(38,550)
Dividends paid to non-controlling interests	(28)	—
Other, net	(1,062)	(1,415)
Net cash used in financing activities	**(42,101)**	**(40,405)**
Effect of exchange rate changes on cash and cash equivalents	**587**	**661**
Net change in cash and cash equivalents	**14,275,707**	**11,159,277**
Cash and cash equivalents at the beginning of the year	**21,529,671**	**10,370,394**
Cash and cash equivalents at the end of the year (Note 3)	**¥ 35,805,379**	**¥ 21,529,671**

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Japan Post Holdings 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 the Banking Law, 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.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically 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.

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 as of and for the years ended March 31, 2015 and 2014 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 23 (16 in 2014) consolidated subsidiaries. Principal consolidated subsidiaries are Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.

During the year ended March 31, 2015, Japan Post Delivery Co., Ltd. and 3 other companies were included in the scope of the consolidation due to the establishment of the company. In addition, Japan Post Office Support Co., Ltd. and 2 other companies were included in the scope of the consolidation due to the acquisition of their stock.

During the year ended March 31, 2014, Japan Post International Logistics Co., Ltd. was included in the scope of consolidation due to the establishment of the company.

B) Non-consolidated subsidiaries

The Company has 3 (2 in 2014) non-consolidated subsidiaries, namely, Tokyo Beiyu Co., Ltd., Japan Post Maintenance Co., Ltd., and Daito Setsubi Kogyo Co., Ltd. for the year ended March 31, 2015 and Tokyo Beiyu Co., Ltd. and Nittei Butsuryu Gijutsu Co., Ltd. for the year ended March 31, 2014, respectively.

These companies are excluded from the scope of consolidation because their assets, net income (loss), retained earnings, accumulated other comprehensive income and others are immaterial.

2) Application of the equity method

A) Non-consolidated subsidiaries accounted for by the equity method

There were no non-consolidated subsidiaries accounted for by the equity method for all periods presented.

B) Affiliates accounted for by the equity method

The Company has 5 (3 in 2014) affiliates accounted for by the equity method, namely, JA Foods-Oita Co., Ltd., Ringbell Co., Ltd., Saison Asset Management Co., Ltd., SDP Center Co., Ltd. and ATM Japan Business Service, Ltd. for the year ended March 31, 2015, JA Foods-Oita Co., Ltd., SDP Center Co., Ltd. and ATM Japan Business Service, Ltd. for the year ended March 31, 2014, respectively.

During the year ended March 31, 2015, Ringbell Co., Ltd., and Saison Asset Management Co., Ltd. became affiliates accounted for by the equity method due to the acquisition of their stock.

During the year ended March 31, 2014, JA Foods-Oita Co., Ltd. became an affiliate accounted for by the equity method due to the acquisition of its stock by a subsidiary of the Company.

C) Non-consolidated subsidiaries that are not accounted for by the equity method

The Company has 3 (2 in 2014) non-consolidated subsidiaries that are not accounted for by the equity method, namely, Tokyo Beiyu Co., Ltd., Japan Post Maintenance Co., Ltd., and Daito Setsubi Kogyo Co., Ltd. for the year ended March 31, 2015 and Tokyo Beiyu Co., Ltd. and Nittei Butsuryu Gijutsu Co., Ltd. for the year ended March 31, 2014.

These companies are excluded from the scope of the equity method because their net income (loss), retained earnings, accumulated other comprehensive income and others are immaterial, and the exclusion of these companies from the scope of companies accounted for by the equity method does not hinder a reasonable understanding of the Group's financial position and results of operations.

D) Affiliates that are not accounted for by the equity method

There were no affiliates not accounted for by the equity method for all periods presented.

3) Fiscal year-end dates of consolidated subsidiaries

A) The fiscal year-end dates of consolidated subsidiaries are as follows:

Years ended March 31	2015	2014
December 31	1 company	1 company
March 31	22 companies	15 companies

B) The subsidiary with a fiscal year-end date of December 31 is consolidated using the financial statements as of and for the year ended December 31.

Appropriate adjustments were made for material transactions during the period between its fiscal year-end date and the consolidated fiscal year-end date.

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

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.

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.

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost and the cost of these securities sold is calculated using the moving-average method.

Available-for-sale securities 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. Available-for-sale securities with no available market prices are carried at cost using the moving-average method or amortized cost (the straight-line method) as it is extremely difficult to determine fair value for these securities. Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange), net of income taxes, are included in net assets, after deducting the amount that is reflected in the fiscal year's earnings by applying fair value hedge accounting.

Securities included in money held in trust are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading and held-to-maturity, net of income taxes, are included in net assets.

(4) Derivative Transactions

All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks

The Company and its consolidated subsidiaries apply deferred hedge accounting to account for transactions they enter into to hedge interest rate risks on financial assets and liabilities.

As for portfolio hedges on groups of large-volume, small value monetary debts, the Company applies deferred hedge accounting stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

For portfolio hedges on groups of large volume, small-value monetary debts, the effectiveness of hedges that offset market fluctuations are assessed by identifying hedged deposits and the corresponding hedging instruments such as interest rate swaps that are grouped into each prescribed residual time maturity period.

The Company and its consolidated subsidiaries design its hedges such that the nature of the hedged items and hedging instruments are highly correlated to ensure that the hedges are highly effective. This design is consistent with the requirements for the exceptional treatment, under which eligible interest rate swap contracts are accounted for on an accrual basis. In addition, the Company and its consolidated subsidiaries apply the exceptional treatment for certain interest swap contracts that meet the criteria for the exceptional accrual method for interest rate swaps.

2) Hedge accounting for foreign exchange risks
The Company and its consolidated subsidiaries apply deferred hedge accounting, fair value hedges, or the accounting method translating foreign currency receivables at forward rates to reduce its exposure to foreign exchange rates for the net unrealized gains (losses) on available-for-sale securities.

In order to hedge risks arising from volatility of exchange rates for securities denominated in foreign currencies, the Company and its subsidiaries apply portfolio hedges, on the conditions that the hedged foreign securities are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged foreign securities denominated in the same foreign currencies.

For individual hedges, the Company designs its hedges such that the nature of the hedged items and hedging instruments are highly correlated to ensure that the hedges are highly effective.

(6) Depreciation

1) Tangible fixed assets (excluding leased assets)
Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:
Buildings: 2-50 years
Others: 2-75 years

2) Intangible fixed assets (excluding leased assets)
Amortization of intangible fixed assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years.

3) Leased assets
The Group leases mainly tangible fixed assets excluding land and buildings and software under finance lease arrangements that do not transfer the ownership of leased property to the lessee.

Finance lease transactions that do not transfer ownership, which are recorded in tangible fixed assets and intangible fixed assets, are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term.

(7) Amortization of Goodwill
Goodwill is amortized for a period up to 5 years. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses

1) For reserve for possible loan losses of the Company and its consolidated subsidiaries other than Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., allowance is provided for general accounts receivable using a rate determined based on past bad debt experience. In addition, a reserve is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

2) Reserve for possible loan losses of Japan Post Bank Co., Ltd. is provided for in accordance with the write-off and provision standards as described below:

In accordance with "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" JICPA, Special Committee for Audits of Banks, etc., Report No. 4), loans to normal borrowers and borrowers with collectability risks are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.

For loans to borrowers with collectability risks, an allowance is provided for based on an amount net of amounts expected to be collected through disposal of collateral or through execution of guarantees, and the amount considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided for based on an amount net of amounts expected to be collected through disposal of collateral or through execution of guarantees.

All loans are assessed initially by the marketing and other departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the marketing and other departments, reviews these self-assessments. The above allowances are made based on the result of this assessment.

3) Reserve for possible loan losses of Japan Post Insurance Co., Ltd. is provided pursuant to its standards for self-assessment of asset quality, and general allowance is provided using a rate determined by past bad debt experience. In addition, specific allowances, which are determined after reviewing individual collectability of accounts, are 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 allowances are made based on the result of this assessment.

(9) Policy Reserves
Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Policy reserves are recognized based on the following methodology:

1) Reserves for contracts subject to the standard policy reserve 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 the 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, ¥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 contracts 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, 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.

(10) Reserve for Bonuses
A reserve for the employee bonus payments is provided based on the amount expected to be incurred at the end of the fiscal year based on the projected obligations as of the end of the fiscal year.

(11) Retirement Benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.

Prior service cost is amortized using the straight-line method over a fixed period (8-14 years) within the estimated average remaining service period for employees in the fiscal year in which the difference is incurred.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (8-14 years) within the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

Effective from April 1, 2015, the Company and its principal consolidated subsidiaries have revised their retirement programs and their lump-sum severance indemnity plans from a final salary formula to a point system. As a result, projected benefit obligation decreased and prior service cost of ¥184,859 million is recognized for the year ended March 31, 2015.

2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 of those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of asset or liability for retirement benefits. The Company has established retirement benefit trusts for the above pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference incurred.

The prior service cost is amortized using the straight-line method over a fixed period (10 years) within the estimated average remaining payment periods of eligible personnel as incurred.

Effective from August 1, 2013, the pension benefits for the service period until December 1958 have been reduced pursuant to the "Act for Partial Amendment of Employees' Pension Insurance Act and others due to the Unification of Employees' Pension Plans, etc." (Act No. 63 of 2012). In conjunction with this change, prior service cost in the amount of ¥117,175 million has been recognized due to reduction in retirement benefit obligations, and this prior service cost is amortized using the straight-line method over a fixed period (10 years) within the eligible persons' average remaining payment period.

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of liability for retirement benefits. The Company has established retirement benefit trusts for the above mutual aid pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (5 years) within the estimated average remaining payment periods for eligible personnel from the fiscal year after the difference is incurred.

At the meeting of the Board of Directors held on September 22, 2014, the Company resolved to establish retirement benefit trusts for share of public service pension and share of another public service pension for the purpose of improving financial soundness of retirement benefits. Based on the resolution, cash and due from banks of ¥639,944 million were contributed on January 29, 2015.

(12) 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.

(13) Reserve for Price Fluctuations

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

(14) Statement of Cash Flows

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "cash and due from banks").

(15) Consumption Taxes

All figures are net of consumption taxes.

(16) Consolidated Tax Payment System

The Company and certain consolidated subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

(17) 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" (Accounting Standard Board of Japan ("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 by 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 ¥263,412 million while retained earnings decreased by ¥256,948 million at the beginning of the year ended March 31, 2015. In addition, income before income taxes for the year ended March 31, 2015 increased by ¥10,561 million.

The effects of this change on per share data are described in Note 26 "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 Accounting Standard for Retirement Benefits, whereby the amount after deducting pension assets from retirement benefit obligations is recorded as 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, unrecognized actuarial differences and unrecognized prior service cost after tax effect adjustment are recognized as accumulated adjustments for retirement benefits in accumulated other comprehensive income.

As a result, liability for retirement benefits of ¥2,884,827 million was recognized at the end of the year ended March 31, 2014. In addition, deferred tax assets decreased by ¥1,020 million while deferred tax liabilities and accumulated other comprehensive income increased by ¥2,548 million and ¥261,879 million, respectively.

The effects of this change on per share data are described in Note 26 "PER SHARE DATA."

(18) New Accounting Pronouncements

Business Combinations and Other Pronouncements

Accounting Standard for Business Combinations (ASBJ Statement No. 21, revised on September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, revised on September 13, 2013), Accounting Standard for Business Divestitures (ASBJ Statement No. 7, revised on September 13, 2013), Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, revised on September 13, 2013), Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, revised on September 13, 2013) and Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, revised on September 13, 2013) were issued as new accounting pronouncements.

These accounting standards have been revised mainly in relation to (i) the accounting treatment for changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary, (ii) the corresponding accounting for acquisition-related costs, and (iii) provisional accounting treatments.

The Company intends to apply the revised accounting standards from the beginning of the year commencing on April 1, 2015, and is currently evaluating the effects of this application.

3. CASH AND CASH EQUIVALENTS

The reconciliation of cash and cash equivalents as of March 31, 2015 and 2014 and cash and due from banks in the consolidated balance sheets as of March 31, 2015 and 2014 is as follows:

Millions of Yen

March 31	2015	2014
Cash and due from banks	¥36,406,491	¥21,994,452
Negotiable certificates of deposit included in cash and due from banks of the banking subsidiary	(705,000)	(615,000)
Negotiable certificates of deposit included in securities	105,160	151,000
Deposits with maturities of more than three months	(912)	(781)
Negotiable certificates of deposit with maturities of more than three months	(360)	—
Cash and cash equivalents at the end of the year	¥35,805,379	¥21,529,671

4. SECURITIES

(1) Securities

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

Millions of Yen

March 31	2015	2014
Stocks	¥ 28,336	¥ 22,374
Japanese government bonds[1]	154,868,356	178,928,806
Japanese local government bonds	15,080,974	14,724,159
Japanese corporate bonds	17,635,511	17,825,975
Other	34,980,766	24,121,802
Total	¥ 222,593,945	¥ 235,623,120

Notes:

1. Secured loan securities for which borrowers have the right to sell or pledge in the amount of ¥301,181 million and ¥100,660 million were included in Japanese government bonds in securities as of March 31, 2015 and 2014, respectively.

Unsecured borrowed securities and securities borrowed with cash collateral for which the Group has the right to sell or pledge amounted to ¥11,078,662 million and ¥10,031,422 million as of March 31, 2015 and 2014, respectively.

2. The above includes investments in non-consolidated subsidiaries and affiliates of ¥2,283 million, ¥1,067 million and 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:

Millions of Yen

March 31	2015	2014
Consolidated balance sheet amount	¥15,493,208	¥17,953,667
Fair value	16,668,447	19,052,820

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

The insurance subsidiary categorizes their insurance products into the 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

The amounts shown in the following tables include trading account securities, negotiable certificates of deposit included in cash and due from banks, and monetary claims bought, in addition to securities.

1) Held-to-maturity bonds

Millions of Yen

March 31	2015				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 93,418,463	¥ 99,419,865	¥ 6,001,402	¥ 6,001,402	¥ —
Japanese local government bonds	8,820,050	9,275,993	455,942	456,466	(523)
Japanese corporate bonds	7,711,889	8,004,022	292,133	292,183	(49)
Other	234,597	291,352	56,754	56,754	—
Total	¥ 110,185,001	¥ 116,991,234	¥ 6,806,232	¥ 6,806,806	¥ (573)

Millions of Yen

March 31	2014				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 117,547,318	¥ 122,484,558	¥ 4,937,240	¥ 4,940,548	¥ (3,308)
Japanese local government bonds	8,834,843	9,239,380	404,536	405,436	(899)
Japanese corporate bonds	8,229,686	8,527,891	298,204	298,458	(253)
Other	263,235	329,613	66,378	66,378	—
Total	¥ 134,875,084	¥ 140,581,444	¥ 5,706,359	¥ 5,710,821	¥ (4,461)

2) Policy-reserve-matching bonds

Millions of Yen

March 31	2015				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
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)
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	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
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)
Total	¥ 17,953,667	¥ 19,052,820	¥ 1,099,152	¥ 1,100,453	¥ (1,300)

3) Available-for-sale securities

Millions of Yen

March 31	2015				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 24,177	¥ 14,553	¥ 9,623	¥ 9,623	¥ —
Bonds	62,141,229	60,403,565	1,737,664	1,743,222	(5,558)
Japanese government bonds	46,789,624	45,406,419	1,383,204	1,384,984	(1,779)
Japanese local government bonds	5,561,033	5,440,252	120,780	121,534	(753)
Japanese short-term corporate bonds	226,986	226,986	—	—	—
Japanese corporate bonds	9,563,584	9,329,906	233,678	236,703	(3,025)
Other	37,297,269	33,531,867	3,765,402	3,810,374	(44,971)
Total	¥ 99,462,677	¥ 93,949,986	¥ 5,512,690	¥ 5,563,220	¥ (50,530)

Millions of Yen

March 31	2014				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 21,222	¥ 17,214	¥ 4,007	¥ 4,085	¥ (78)
Bonds	58,913,425	57,389,023	1,524,402	1,536,830	(12,428)
Japanese government bonds	44,364,675	43,188,152	1,176,523	1,176,674	(150)
Japanese local government bonds	5,136,578	5,014,369	122,209	122,621	(411)
Japanese short-term corporate bonds	333,979	333,979	—	—	—
Japanese corporate bonds	9,078,191	8,852,521	225,669	237,535	(11,865)
Other	25,207,588	22,891,752	2,315,836	2,328,001	(12,164)
Total	¥ 84,142,236	¥ 80,297,989	¥ 3,844,246	¥ 3,868,917	¥ (24,671)

4) Held-to-maturity bonds sold for the years ended March 31, 2015 and 2014
There were no held-to-maturity bonds sold for the year ended March 31, 2015 and 2014.

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

Millions of Yen

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

Millions of Yen

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

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

Millions of Yen

March 31	2015		
	Sales	Gains	Losses
Stocks	¥ 4,484	¥ 1,793	¥ —
Bonds	1,947,642	287	(5,393)
Japanese government bonds	1,945,276	287	(4,855)
Japanese corporate bonds	2,365	—	(538)
Other	411,885	6,295	(5,050)
Total	¥ 2,364,012	¥ 8,376	¥ (10,444)

Millions of Yen

March 31	2014		
	Sales	Gains	Losses
Stocks	¥ 2,983	¥ 1,226	¥ (7)
Bonds	1,582,285	8,974	(11,344)
Japanese government bonds	1,560,117	8,484	(8,277)
Japanese corporate bonds	22,168	489	(3,066)
Other	369,797	340	(13,592)
Total	¥ 1,955,066	¥ 10,541	¥ (24,944)

(4) Money Held in Trust

Money Held in Trust Classified as Other than Trading and Held-to-Maturity

Millions of Yen

March 31	2015				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading and held-to-maturity	¥ 4,926,581	¥ 3,400,444	¥ 1,526,137	¥ 1,530,218	¥ (4,081)

Millions of Yen

March 31	2014				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading and held-to-maturity	¥ 3,500,631	¥ 2,762,362	¥ 738,268	¥ 747,393	¥ (9,124)

5. ASSETS PLEDGED AS COLLATERAL

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

Millions of Yen

March 31	2015	2014
Assets pledged as collateral:		
Securities	¥ 37,335,206	¥ 38,315,526
Liabilities corresponding to assets pledged as collateral:		
Deposits	22,088,270	26,038,039
Payables under securities lending transactions	17,228,691	14,370,767
Acceptances and guarantees	95,000	115,000

In addition to the above, the following assets are pledged as collateral for overdraft transactions with the Bank of Japan, exchange settlements, derivative transactions and other transactions, deposits for variation margins of future market transactions, and other purposes as of March 31, 2015 and 2014:

Millions of Yen

March 31	2015	2014
Assets pledged as collateral:		
Securities	¥ 4,907,981	¥ 5,960,168
Cash and due from banks	30	30
Other assets	129	129

6. LOANS

There were no insolvent loans, non-accrual loans, past due loans (3 months or more), and restructured loans as of March 31, 2015 and 2014.

Commitment line contracts on overdrafts and loans are agreements under which the banking subsidiary has obligations to lend to customers up to a prescribed amount based on the conditions established in the contracts. The amounts of unused commitments and the amounts of unused commitments whose original contract terms are within 1 year or unconditionally cancelable at any time as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Amount of unused commitments	¥ —	¥ 2,735
Of which, original contract terms are within 1 year or unconditionally cancelable at any time	—	—

Since many of these contracts are expected to expire without being drawn down, the total amount of unused commitments does not necessarily represent actual future cash requirements. These contracts include clauses which allow the banking subsidiary to decline customer requests for disbursement or reduce the contract amounts in the event that financial conditions change, the banking subsidiary needs to secure claims, or other events occur, as necessary. In addition, the banking subsidiary may request the customers to pledge assets such as properties and securities as collateral upon signing of the contracts, and take necessary measures such as monitoring the customers' financial positions in accordance with the banking subsidiary's internal procedures, revising contracts when such need arises and securing claims after the contracts are made.

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

Millions of Yen

March 31	2015	2014
Amount of unused commitments	¥ 1,250	¥ 1,250

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

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

Millions of Yen

March 31	2015	2014
Accumulated depreciation	¥ 957,443	¥ 910,337

(2) Deferred Gains on Tangible Fixed Assets Not Recognized for Tax Purposes

Deferred gains on tangible fixed assets not recognized for tax purposes as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Deferred gains on tangible fixed assets not recognized for tax purpoes	¥ 62,252	¥ 62,214
Of which, recognized during the fiscal year	6,119	55,799

(3) Real Estate for Rent

The Company and certain consolidated subsidiaries own land and commercial buildings for rental purposes in Tokyo and other areas.

Millions of Yen

Years ended March 31	2015	2014
Net rental income[1]	¥ 3,178	¥ 2,567
Net gains (losses) on sales[2]	3,811	303
Losses on impairment[3]	3,747	3,788
Other losses	156	293

Notes:
1. Majority of rental income is recorded under other income, and majority of rental expenses are recorded under depreciation for the years ended March 31, 2015 and 2014.
2. Net gains on sales are recorded under other income, and net losses on sales are recorded under operating expenses and other expenses.
3. Losses on impairment are recorded under other expenses.

The consolidated balance sheet amount, net change during the year and fair value of real estate for rental purposes were as follows:

Millions of Yen

Years ended March 31	2015	2014
Consolidated balance sheet amount		
Balance at the beginning of the year	¥ 398,234	¥ 399,541
Net change during the year	13,808	(1,306)
Balance at the end of the year	¥ 412,043	¥ 398,234
Fair value at the end of the year	¥ 409,655	¥ 365,358

Notes:
1. The consolidated balance sheet amount represents acquisition costs less accumulated depreciation and accumulated losses on impairment.
2. The fair value is calculated primarily based on the real estate appraisal standard.
3. Real estate under construction such as commercial buildings is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amounts as of March 31, 2015 and 2014 were ¥70,683 million and ¥62,534 million, respectively.

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 were ¥285 million and ¥82 million as of March 31, 2015 and 2014, respectively.

Policy reserves provided for reinsured parts defined in Article 71, Paragraph 1 of the Regulations were ¥314 million and ¥183 million as of March 31, 2015 and 2014, respectively.

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 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:

Millions of Yen

Years ended March 31	2015	2014
Balance at the beginning of the year	¥ 2,222,759	¥ 2,396,947
Policyholder dividends paid	(349,687)	(420,523)
Interest accrual	1,497	4,627
Reduction due to the acquisition of additional annuity	(372)	(438)
Provision for reserve for policyholder dividends	200,722	242,146
Balance at the end of the year	¥ 2,074,919	¥ 2,222,759

11. BORROWINGS AND LEASE OBLIGATIONS

Borrowings and lease obligations as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen		Average interest rate	Due
	2015	2014	2015	2015
Borrowings	¥ 3,415	¥ 925	0.38%	April 2015 - September 2019
Lease obligations	4,212	3,643	—	April 2015 - August 2024

Notes:
1. The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
2. In certain consolidated subsidiaries, the average interest rate of lease obligations is not presented above because interest included in the total amount of lease payments is allocated to each period using the straight-line method.
3. Borrowings and lease obligations are included in other liabilities in the accompanying consolidated balance sheets.

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

March 31	Millions of Yen
Within 1 year	¥ 3,220
Due after 1 year through 2 years	70
Due after 2 years through 3 years	70
Due after 3 years through 4 years	45
Due after 4 years through 5 years	10
Thereafter	—
Total	¥ 3,415

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

March 31	Millions of Yen
Within 1 year	¥ 918
Due after 1 year through 2 years	796
Due after 2 years through 3 years	748
Due after 3 years through 4 years	647
Due after 4 years through 5 years	511
Thereafter	590
Total	¥ 4,212

12. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

The Group recorded asset retirement obligations with respect to asbestos removal costs during demolition of the Company's and subsidiaries' buildings, and restoration costs based on the real estate contracts of their business locations, company-owned housing and others.

The Group's network, comprised mainly of post offices, is required under the Postal Services Privatization Act to be maintained without fail from the perspective of public services provision. Therefore, restoration costs based on the real estate contracts related to facilities essential to the said network maintenance are recorded as asset retirement obligations only when their settlements are clearly expected due to reasons such as planned contract termination.

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 1 and 40 years and applying discount rates ranging from 0.0% to 2.3%.

(3) Changes in Asset Retirement Obligations

Millions of Yen

Years ended March 31	2015	2014
Balance at the beginning of the year	¥ 9,895	¥ 4,895
Obligations incurred due to acquisition of tangible fixed assets	—	101
Time progress adjustments	45	57
Obligations settled	(485)	(312)
Other	1,152	5,153
Balance at the end of the year	¥ 10,608	¥ 9,895

13. RETIREMENT BENEFITS

For the Years Ended March 31, 2015 and 2014

(1) Outline of Retirement Benefits

The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations. The charges concerning share of public service pension and share of another public service pension (as defined in Note 2(11)) are included in the Company's retirement benefit obligations.

Effective from April 1, 2015, the Company and its principal consolidated subsidiaries have revised their retirement programs and their lump-sum severance indemnity plans have been changed from a final salary formula to a point system. In addition, the Company contributed ¥639,944 million from cash and due from banks on January 29, 2015 and established retirement benefit trusts for the charges concerning share of public service pension and share of another public service pension for the purpose of improving financial condition of retirement benefits.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Millions of Yen

Years ended March 31	2015	2014
Balance at the beginning of the year	¥ 2,895,530	¥ 3,113,194
Cumulative effects of changes in accounting policies	263,412	—
Restated balance at the beginning of the year	3,158,943	3,113,194
Service cost	127,742	111,364
Interest cost	19,243	51,105
Actuarial differences	(10,552)	(15,368)
Benefits paid	(213,843)	(247,589)
Prior service cost	(184,859)	(117,175)
Other	247	—
Balance at the end of the year	¥ 2,896,921	¥ 2,895,530

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

2) Changes in plan assets

Millions of Yen

Years ended March 31	2015	2014
Balance at the beginning of the year	¥ 10,702	¥ 10,669
Expected return on plan assets	449	220
Actuarial differences	(336)	437
Contributions paid by the employer	640,910	1,267
Benefits paid	(13,244)	(1,891)
Balance at the end of the year	¥ 638,481	¥ 10,702

Note: The Company contributed ¥639,944 million from cash and due from banks on January 29, 2015 and has established retirement benefit trusts.

3) Balance of retirement benefit obligations, plan assets and liability (asset) for retirement benefits

Millions of Yen

March 31	2015	2014
Funded retirement benefit obligations	¥ 628,054	¥ 11,905
Share of public service pension	616,162	—
Share of another public service pension	1,257	—
Corporate pension plan	10,634	11,905
Plan assets	(638,481)	(10,702)
Share of public service pension	(626,576)	—
Share of another public service pension	(1,030)	—
Corporate pension plan	(10,874)	(10,702)
	(10,426)	1,202
Unfunded retirement benefit obligations	2,268,867	2,883,624
Lump-sum severance indemnity	2,268,867	2,251,384
Share of public service pension	—	630,724
Share of another public service pension	—	1,515
Net liability (asset) for retirement benefits	¥ 2,258,440	¥ 2,884,827
Liability for retirement benefits	¥ 2,269,094	¥ 2,884,827
Asset for retirement benefits	(10,653)	—
Net liability (asset) for retirement benefits	¥ 2,258,440	¥ 2,884,827

4) Retirement benefit costs

Millions of Yen

Years ended March 31	2015	2014
Service cost	¥ 127,742	¥ 111,364
Interest cost	19,243	51,105
Expected return on plan assets	(449)	(220)
Amortization of actuarial differences	(17,192)	(15,904)
Amortization of prior service cost	(13,309)	(8,304)
Other	335	29
Total	¥ 116,370	¥ 138,069

5) Adjustments for retirement benefits (before tax effect)

Millions of Yen

Years ended March 31	2015	2014
Prior service cost	¥ 171,549	¥ —
Actuarial differences	(6,976)	—
Total	¥ 164,572	¥ —

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

Millions of Yen

March 31	2015	2014
Unrecognized prior service cost	¥ 282,212	¥ 110,663
Unrecognized actuarial differences	147,808	154,785
Total	¥ 430,021	¥ 265,448

7) Plan assets

March 31	2015	2014
Bonds	71%	52%
Stocks	0	21
Cash and deposits	—	1
Loans	28	—
Other	0	26
Total	100%	100%

Note: Total plan assets is comprised 98% of retirement benefit trusts, which were set up for share of public service pension and share of another public service pension for the year ended March 31, 2015.

Current and target asset allocations, historical and expected returns on various categories of plan assets have been taken into consideration in determining the long-term expected rate of return.

8) 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	0.2% - 0.7%	0.6% - 1.7%
Long-term expected rate of return on plan assets	0.1% - 2.0%	2.0%

14. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance, are provided at amounts calculated based on the statement of calculation procedures for the insurance subsidiary'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 fluctuation are provided for the category of insurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations provided for the category of reinsurance as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Policy reserves (excluding contingency reserve)	¥ 52,156,724	¥ 57,879,628
Contingency reserve	2,182,885	2,350,030
Reserve for price fluctuations	626,849	554,723

15. DEFERRED TAX ASSETS AND LIABILITIES

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

Millions of Yen

March 31	2015	2014
Deferred tax assets:		
Liability for retirement benefits	¥ 933,407	¥ 1,025,771
Policy reserves	559,683	485,089
Reserve for outstanding claims	49,850	53,823
Reserve for bonuses	30,856	33,250
Reserve for price fluctuations	134,860	106,845
Deferred losses on hedges	317,483	330,528
Other	146,810	163,924
Subtotal	2,172,952	2,199,234
Valuation allowance	(998,131)	(1,090,571)
Total deferred tax assets	1,174,820	1,108,662
Deferred tax liabilities:		
Unrealized gains on available-for-sale securities	(2,058,998)	(1,505,332)
Other	(23,616)	(19,545)
Total deferred tax liabilities	(2,082,614)	(1,524,877)
Net deferred tax assets (liabilities)	¥ (907,793)	¥ (416,214)

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in aggregate, would result in an effective statutory tax rate of approximately 35.6% for the year ended March 31, 2015, and 38.0% 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	35.6%	38.0%
Permanent non-taxable differences (e.g. non-taxable dividend income)	(0.8)	(0.6)
Changes in valuation allowance	(3.3)	(5.1)
Reduction in deferred tax assets resulting from tax rate changes	7.5	1.0
Effect of difference between tax rate for the current fiscal year and those for the following and subsequent fiscal years	—	1.6
Other	(0.8)	0.4
Effective income tax rate	38.2%	35.3%

During the year ended March 31, 2015, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9 of 2015) and Act for Partial Amendment of the Local Tax Act, etc. (Act No. 2 of 2015) were promulgated on March 31, 2015 and, as a result, income tax rate, etc. was reduced effective from the year beginning on or after April 1, 2015. As a result, deferred tax assets and liabilities decreased by ¥36,609 million and ¥146,543 million, respectively. In addition, net unrealized gains (losses) on available-for-sale securities increased by ¥199,825 million and net deferred gains (losses) on hedges decreased by ¥32,199 million, and deferred income taxes increased by ¥58,418 million.

During the year ended March 31, 2014, the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Special Reconstruction Corporation Tax was abolished effective from the year beginning on or after April 1, 2014. As a result, deferred tax assets and liabilities decreased by ¥5,233 million and ¥2,927 million, respectively, and deferred income taxes increased by ¥7,354 million.

16. NET ASSETS

(1) Type and Number of Shares Issued

Thousands of shares

Year ended March 31, 2015	2015			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	150,000	—	—	150,000

Thousands of shares

Year ended March 31, 2014	2014			
	April 1, 2013	Increase	Decrease	March 31, 2014
Shares issued:				
Common stock	150,000	—	—	150,000

(2) Information on Dividends

Dividends from retained earnings require approval from the Minister of Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd.

1) Dividends paid

Dividend paid for the year ended March 31, 2015

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2014	Common stock	¥ 43,500	¥ 290.00	March 31, 2014	June 25, 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 22, 2013	Common stock	¥ 38,550	¥ 257.00	March 31, 2013	June 20, 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)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2015	Common stock	¥ 50,100	Retained earnings	¥ 334.00	March 31, 2015	June 26, 2015

17. OTHER INCOME

Other income for the years ended March 31, 2015 and 2014 consisted of the following:

Millions of Yen

Years ended March 31	2015	2014
Gains on sales of fixed assets	¥ 4,316	¥ 371
Gains on negative goodwill	2,680	—
Compensation for transfer	474	495
Gains on liquidation of subsidiaries and affiliates	—	—
Compensation income	369	932
Reversal of accounts payable	1,567	—
Other	206,836	169,477
Total	¥ 216,244	¥ 171,276

18. OTHER EXPENSES

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

Millions of Yen

Years ended March 31	2015	2014
Losses on sales and disposal of fixed assets	¥ 6,061	¥ 13,706
Losses on impairment of fixed assets	5,390	13,655
Provision for reserve for price fluctuations	97,934	91,360
Group restructuring expenses	—	—
Post office refurbishment expenses[1]	22,071	974
Provision for reserve for policyholder dividends[2]	200,722	242,146
Other	21,031	22,871
Total	¥ 353,213	¥ 384,715

Notes:

1. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives.
2. Provision for reserve for policyholder dividends, which is provided for Management Organization for Postal Savings and Postal Life Insurance based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with Management Organization for Postal Savings and Postal Life Insurance, was ¥190,363 million, ¥222,812 million for the years ended March 31, 2015 and 2014, respectively.

19. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

Millions of Yen

Years ended March 31	2015	2014
Net unrealized gains (losses) on available-for-sale securities:		
Amount arising during the fiscal year	¥ 2,431,516	¥ 813,880
Reclassification adjustments	(236,039)	(114,528)
Before tax effect adjustments	2,195,476	699,352
Tax effect	(556,689)	(241,453)
Net unrealized gains (losses) on available-for-sale securities	1,638,786	457,899
Net deferred gains (losses) on hedges:		
Amount arising during the fiscal year	(369,756)	(494,241)
Reclassification adjustments	321,616	156,509
Adjustments of assets' acquisition costs	(5,985)	(4,199)
Before tax effect adjustments	(54,125)	(341,931)
Tax effect	(15,411)	121,862
Net deferred gains (losses) on hedges	(69,537)	(220,069)
Foreign currency translation adjustments:		
Amount arising during the fiscal year	94	66
Adjustments for retirement benefits:		
Amount arising during the fiscal year	195,074	—
Reclassification adjustments	(30,501)	—
Before tax effect adjustments	164,572	—
Tax effect	(4,404)	—
Adjustments for retirement benefits	160,168	—
Share of other comprehensive income of affiliates:		
Amount arising during the fiscal year	9	2
Total other comprehensive income	¥ 1,729,521	¥ 237,899

20. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Group is required to manage financial assets and liabilities owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. in order to avoid volatility due to future interest rate risk and foreign exchange risk, since these assets and liabilities are generally subject to changes in value due to fluctuations in interest.

For this purpose, both companies endeavor to properly manage income and risk by using an asset liability management (ALM) framework, under which the companies enter into derivative transactions such as interest rate swaps and foreign exchange futures.

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

(2) Features and Risks of Financial Instruments

In the Group, financial assets owned by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. consist mainly of securities such as domestic and overseas securities, in particular Japanese government bonds, loans, stock investments through money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate risk, and market price fluctuation risk.

From an ALM viewpoint, interest rate swaps are used as a means of hedging future price volatility risk and interest rate risk of securities, loans, fixed term deposits, and others in interest rate-related transactions. For currency-related transactions, currency swaps and foreign exchange contracts are used as a means of hedging foreign exchange risk in connection with the translation of foreign currency-denominated assets held by Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. and related yen translation amounts of redemption of principal and interest.

In hedging risk using derivative transactions, the Group applies hedge accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial accounting.

(3) Risk Management Framework for Financial Instruments

The Group has a basic policy for group risk management whereby basic principles regarding risk management as well as basic matters for which compliance is mandatory for risk management including risk categories to be managed by Group companies are prescribed, and risk management is carried out on a group basis.

The current status of Group company risk management is periodically reported to the management meeting in which the Group's risk management policies and risk management systems are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses value at risk (VaR), a measure of the maximum expected loss that could occur due to events with a certain probability, and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each company's equity capital.

1) Credit risk management

Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. use the VaR method to quantify credit risk exposure, in accordance with the respective rules of the companies on credit risk management. Moreover, to control credit concentration risk, the companies provide credit limits and other criteria for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Management of market risk

A) Banking subsidiary

The banking subsidiary invests in domestic and foreign bonds and stocks and others based on the policy of ALM as a banking operation, and these are affected by fluctuations in interest rates, foreign exchange, stock price and others. Therefore the banking subsidiary quantitatively measures market risk using VaR, which is a statistical method, based on its market risk management regulations, and monitors and manages risk by setting limits for market risk and loss so that market risk is within an appropriate amount of capital allocation, as determined by taking into account corporate financial strength such as equity capital.

The major financial instruments affected by fluctuations in risk variables (interest rates, foreign exchange, and stock prices) related to major market risks are call loans, monetary claims bought, money held in trust, securities, loans, deposits, and derivative transactions.

The banking subsidiary uses the historical simulation method (holding period — 240 business days (equivalent to 1 year); one-sided confidence interval — 99%; and observation period — 1,200 business days (equivalent to 5 years)). An internal model is used for measurement for liabilities. The amount of the market risk (estimated loss) as a whole was ¥1,866,712 million and ¥2,692,520 million as of March 31, 2015 and 2014, respectively. The VaR calculates the market risk quantity at a fixed probability calculated statistically based on past market fluctuations, and accordingly, it may not be able to capture the risk under certain abnormal market fluctuations. In order to provide for such risk, sensitivity testing is implemented using various scenarios.

Matters related to the design and operation of market risk management systems, and implementation of market risk management are reported and discussed regularly at the risk management committee, ALM committee, and management meeting.

In addition, taking into account features of assets with mainly market operation (Japanese government bonds) and liabilities with mainly fixed amount of postal savings, and recognizing the importance of interest rate risk sufficiently, the banking subsidiary implements interest rate risk management using a multifaceted approach, whereby profit or loss simulations are carried out based on various scenarios using ALM, and risks are managed.

The policy of ALM is discussed and determined at the management meeting, and the status of the implementation is reported to the ALM committee and management meeting.

With respect to derivative transactions, the banking subsidiary has created separate departments for the execution of transactions, assessment of hedge effectiveness, and administration, and has established an internal checks and balances function, in accordance with its derivative transaction regulations.

B) Insurance subsidiary

The insurance subsidiary categorizes market risk into interest rate risk and market price fluctuation risk in managing market risk. The insurance subsidiary manages interest rate risk by promoting cash flow matching of interest-bearing assets and liabilities denominated in yen and other measures. For market price fluctuation risk, risk of foreign bonds, stocks, and others is managed by setting a reference value (market price fluctuation risk is categorized by aggregating credit risk and real estate investment risk) 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 VaR, and reports to the risk management committee regularly.

3) Management of liquidity risk related to fund raising activities

The banking subsidiary and insurance subsidiary manage liquidity risk related to fund raising activities through the establishment of indexes of fund raising, etc. in accordance with their respective rules.

(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. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions may lead to changes in pricing.

(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 are as follows. Privately held shares and others 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 due from banks	¥ 36,406,491	¥ 36,406,491	¥ —
2) Call loans	2,406,954	2,406,954	—
3) Receivables under securities borrowing transactions	11,094,941	11,094,941	—
4) Monetary claims bought	571,100	571,100	—
5) Trading account securities			
Trading securities	104	104	—
6) Money held in trust	4,926,581	4,926,581	—
7) Securities			
Held-to-maturity bonds	110,185,001	116,943,661	6,758,660
Policy-reserve-matching bonds	15,493,208	16,668,447	1,175,238
Available-for-sale securities	96,891,576	96,891,576	—
8) Loans	12,761,331		
Reserve for possible loan losses[1]	(200)		
	12,761,130	13,767,761	1,006,630
Total assets	¥ 290,737,091	¥ 299,677,620	¥ 8,940,529
1) Deposits	175,697,196	176,219,929	522,733
2) Payables under securities lending transactions	17,228,691	17,228,691	—
Total liabilities	¥ 192,925,887	¥ 193,448,620	¥ 522,733
Derivative transactions[2]			
Hedge accounting not applied	¥ 500	¥ 500	¥ —
Hedge accounting applied	(961,309)	(961,309)	—
Total derivative transactions	¥ (960,809)	¥ (960,809)	¥ —

Millions of Yen

March 31	2014		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 21,994,452	¥ 21,994,452	¥ —
2) Call loans	2,073,594	2,073,594	—
3) Receivables under securities borrowing transactions	10,034,958	10,034,958	—
4) Monetary claims bought	169,721	169,721	—
5) Trading account securities			
Trading securities	278	278	—
6) Money held in trust	3,500,631	3,500,631	—
7) Securities			
Held-to-maturity bonds	134,875,084	140,527,456	5,652,372
Policy-reserve-matching bonds	17,953,667	19,052,820	1,099,152
Available-for-sale securities	82,653,215	82,653,215	—
8) Loans	14,096,911		
Reserve for possible loan losses[1]	(208)		
	14,096,702	15,138,720	1,042,017
Total assets	¥ 287,352,306	¥ 295,145,848	¥ 7,793,542
1) Deposits	175,291,979	175,946,708	654,728
2) Payables under securities lending transactions	14,370,767	14,370,767	—
Total liabilities	¥ 189,662,747	¥ 190,317,476	¥ 654,728
Derivative transactions[2]			
Hedge accounting not applied	¥ 141	¥ 141	¥ —
Hedge accounting applied	(1,001,481)	(1,001,481)	—
Total derivative transactions	¥ (1,001,339)	¥ (1,001,339)	¥ —

Notes:
1. General reserve for possible loan losses corresponding to loans has been deducted.
2. Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward exchange contracts which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged loans and securities. Therefore, their fair values are included in the relevant loans and securities.

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

Assets

1) Cash and due from banks
For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.
2) Call loans and 3) Receivables under securities borrowing transactions
These are settled within a short-term (one year), and their fair value approximates book value, which is therefore used as fair value.
4) Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
5) Trading account securities
The purchase price of the Bank of Japan serves as fair value.
6) Money held in trust
The fair value of securities invested in money held in trust, which is solely entrusted for security trading purposes, is based on the price quoted by the exchange for shares and on the price quoted by the exchange, price of over-the-counter transactions, or prices rationally calculated mutatis mutandis on the basis of market quotations for bonds.
Notes to money held in trust are provided in Note 4 (4) "Money Held in Trust" in accordance with the purpose of the holdings.
7) Securities
The fair value of securities are based on the price quoted by the exchange, price of over-the-counter transactions, or prices rationally calculated mutatis mutandis on the basis of market quotations.
Notes on securities by categories based on holding purposes are presented in Note 4 "SECURITIES."
8) Loans
For loans with variable interest rates, which follow market interest rates only over the short-term, fair value is close to book value unless the obligor's credit standing does not significantly differ after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is based on a net present value of discounted future cash flows.
For loans where amounts are limited to the values of corresponding collateral and which have no fixed date of repayments, book values are used as fair values, because their fair value approximates book value considering the loan terms and conditions.

Liabilities

1) Deposits
For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits. For fixed-term deposits, fair value is based on the net present value of discounted future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.
2) Payables under securities lending transactions
Payables under securities lending transactions are settled within a short-term (one year) and their fair value approximates book value. Accordingly, book value is used as fair value.

Derivatives

Derivatives consist of interest rate-related transactions (interest rate swaps) and currency-related transactions (exchange contracts, currency swaps and currency options). Fair value is based on the price quoted by the exchange or values obtained from net present value calculations.

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets (7) Securities" under information concerning fair values of financial instruments.

Millions of Yen

March 31	2015	2014
Unlisted stocks	¥ 24,158	¥ 141,152
Total	¥ 24,158	¥ 141,152

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 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
Due from banks	¥ 35,387,648	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	2,406,954	—	—	—	—	—
Receivables under securities borrowing transactions	11,094,941	—	—	—	—	—
Monetary claims bought	419,007	24,768	47,139	15,113	5,224	56,624
Securities	31,116,002	54,167,918	33,030,767	25,554,115	29,957,931	31,390,906
Held-to-maturity bonds	17,313,507	27,145,011	14,840,900	12,022,926	14,488,099	23,854,900
Japanese government bonds	15,595,800	22,606,740	11,170,045	9,369,700	11,637,400	22,527,900
Japanese local government bonds	477,285	1,797,792	1,762,530	2,060,555	1,788,557	926,550
Japanese corporate bonds	1,200,568	2,676,167	1,875,892	494,671	1,062,142	400,450
Other	39,853	64,311	32,433	98,000	—	—
Policy-reserve-matching 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	11,891,065	22,734,359	16,427,080	12,087,041	13,301,078	3,726,106
Japanese government bonds	7,032,518	13,963,878	5,829,696	7,068,912	9,492,924	1,887,000
Japanese local government bonds	777,112	1,042,155	1,787,231	1,232,179	510,673	31,608
Japanese short-term corporate bonds	227,000	—	—	—	—	—
Japanese corporate bonds	1,257,525	2,063,884	2,767,354	1,031,755	566,700	1,604,945
Other	2,596,909	5,664,441	6,042,797	2,754,194	2,730,780	202,553
Loans	2,384,422	2,538,616	2,204,470	1,698,606	1,950,641	1,980,256
Total	¥ 82,808,976	¥ 56,731,303	¥ 35,282,376	¥ 27,267,835	¥ 31,913,797	¥ 33,427,788

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
Due from banks	¥ 20,935,334	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	2,073,594	—	—	—	—	—
Receivables under securities borrowing transactions	10,034,958	—	—	—	—	—
Monetary claims bought	81,063	1,378	13,761	10,000	7,000	54,400
Securities	39,360,521	55,843,874	36,307,817	24,341,200	38,320,312	30,266,476
Held-to-maturity bonds	27,338,868	33,550,436	19,485,905	9,829,264	21,284,129	22,847,540
Japanese government bonds	25,846,800	29,870,340	14,895,445	7,138,500	17,693,900	21,574,200
Japanese local government bonds	496,522	1,441,641	1,878,440	1,827,595	2,310,376	873,590
Japanese corporate bonds	966,909	2,166,769	2,679,542	732,736	1,279,853	399,750
Other	28,637	71,686	32,478	130,433	—	—
Policy-reserve-matching 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	11,007,251	17,463,015	13,216,786	12,928,143	14,303,986	3,362,236
Japanese government bonds	6,852,740	9,834,080	5,086,566	7,779,879	11,697,389	1,788,000
Japanese local government bonds	510,063	1,112,685	1,239,611	1,545,805	514,243	33,706
Japanese short-term corporate bonds	334,000	—	—	—	—	—
Japanese corporate bonds	1,326,122	1,998,408	2,119,191	1,425,378	440,520	1,508,662
Other	1,984,325	4,517,841	4,771,416	2,177,080	1,651,834	31,867
Loans	2,579,870	2,801,100	2,183,133	1,899,461	2,136,635	2,492,467
Total	¥ 75,065,341	¥ 58,646,353	¥ 38,504,713	¥ 26,250,661	¥ 40,463,948	¥ 32,813,344

Redemption schedule of deposits and 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
Deposits	¥ 72,843,879	¥ 25,572,162	¥ 20,968,406	¥ 28,693,665	¥ 27,619,083	¥ —
Payables under securities lending transactions	17,228,691	—	—	—	—	—
Total	¥ 90,072,570	¥ 25,572,162	¥ 20,968,406	¥ 28,693,665	¥ 27,619,083	¥ —

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
Deposits	¥ 74,709,231	¥ 11,218,546	¥ 32,951,793	¥ 22,382,440	¥ 34,029,968	¥ —
Payables under securities lending transactions	14,370,767	—	—	—	—	—
Total	¥ 89,079,998	¥ 11,218,546	¥ 32,951,793	¥ 22,382,440	¥ 34,029,968	¥ —

Note: Demand deposits are included in “Within 1 year.”

21. DERIVATIVE TRANSACTIONS

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

The following tables set forth the contract amount or the amount equivalent to the principal, fair value, and valuation gains (losses) at the end of the fiscal year by transaction type, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

Currency-Related Derivatives

Millions of Yen

March 31	2015			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 7,230	¥ —	¥ (16)	¥ (16)
Bought	120,403	—	516	516
Total			¥ 500	¥ 500

Millions of Yen

March 31	2014			
	Contract amount		Fair value	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Bought	¥ 10,267	¥ —	¥ 141	¥ 141
Total			¥ 141	¥ 141

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value or other methods.

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

The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

Millions of Yen

March 31	Type of derivative	Major hedged item	2015		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value
Deferral hedge method	Interest rate swaps:	Securities Loans			
	Receivable fixed rate / Payable floating rate		¥ 13,750	¥ 13,750	¥ 32
	Receivable floating rate / Payable fixed rate		2,940,067	2,940,067	(295,168)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		88,200	65,500	—[3]
Total					¥ (295,135)

Millions of Yen

March 31	Type of derivative	Major hedged item	2014		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value
Deferral hedge method	Interest rate swaps:	Securities Loans			
	Receivable fixed rate / Payable floating rate		¥ 9,950	¥ 9,950	¥ 16
	Receivable floating rate / Payable fixed rate		2,913,747	2,913,747	(201,753)
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate / Payable floating rate		102,780	85,400	—[3]
Total					¥ (201,737)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value of over-the-counter transactions is calculated using discounted present value, option pricing models and other methods.
3. 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 in Note 20 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

Millions of Yen

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2015 Contract amount	2015 Contract amount due after 1 year	2015 Fair value
Deferral hedge method	Currency swaps	Securities	¥ 2,913,732	¥ 2,118,969	¥ (676,266)
	Forward foreign exchange	Foreign currency-denominated transactions	340,621	80,937	(50,157)
	Currency options		413,350	—	6,130
Allocation method	Currency swaps	Securities	59,220	59,220	
	Forward foreign exchange		82,388	39,121	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	1,916,428	—	54,120
Total					¥ (666,173)

Millions of Yen

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2014 Contract amount	2014 Contract amount due after 1 year	2014 Fair value
Deferral hedge method	Currency swaps	Securities	¥ 2,721,308	¥ 2,175,135	¥ (718,218)
	Forward foreign exchange		244,301	153,648	(62,151)
Allocation method	Currency swaps	Securities	59,220	59,220	
	Forward foreign exchange		115,726	82,388	—[3]
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	1,518,394	—	(19,374)
Total					¥ (799,744)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value is calculated using discounted present value and other methods.
3. Forward foreign exchange amounts measured by the allocation method are disclosed with the available-for-sale securities that are subject to the hedge. Therefore such fair value is included in the fair value of the relevant available-for-sale securities in Note 20 “FINANCIAL INSTRUMENTS.”

22. CONTRACTS
Future payments under system service contracts, which are compound contracts combining hardware, software, communication services, and maintenance, as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Due within 1 year	¥ 3,928	¥ 4,332
Due after 1 year	3,439	6,742

23. LEASE TRANSACTIONS
Operating Leases
(1) As lessee
Future lease payments under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Due within 1 year	¥ 846	¥ 967
Due after 1 year	860	96
Total	¥ 1,706	¥ 1,064

(2) As lessor
Future lease receivables under non-cancelable operating leases as of March 31, 2015 and 2014 were as follows:

Millions of Yen

March 31	2015	2014
Due within 1 year	¥ 12,239	¥ 10,633
Due after 1 year	47,499	45,459
Total	¥ 59,739	¥ 56,093

24. CONTINGENT LIABILITIES
In the event that the Company’s consolidated subsidiaries cancel all or part of their lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amounts of uncollectible investment. The possible amounts of compensation as of March 31, 2015 and 2014 were ¥104,372 million and ¥113,858 million, respectively.

Compensation shall not be made in full in the case where the offices are used for purposes other than originally intended, regardless of whether the contracts were cancelled on the side of the Company’s subsidiaries.

25. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available and reviewed regularly by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd., which is classified into postal and logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) banking business operated mainly by Japan Post Bank Co., Ltd., and (4) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES." Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

Millions of Yen

Year ended March 31	2015						
	Reportable segment					Other	Total
	Postal and logistics	Post office	Banking	Life insurance	Total		
Income:							
Income from third parties	¥ 1,816,551	¥ 139,979	¥ 2,077,038	¥ 10,168,044	¥ 14,201,613	¥ 57,228	¥ 14,258,842
Intersegment income	54,752	1,162,106	1,260	1,197	1,219,317	243,148	1,462,465
Total	¥ 1,871,304	¥ 1,302,086	¥ 2,078,298	¥ 10,169,241	¥ 15,420,930	¥ 300,376	¥ 15,721,307
Segment profit	¥ 1,820	¥ 22,832	¥ 569,609	¥ 492,625	¥ 1,086,888	¥ 150,221	¥ 1,237,110
Segment assets	2,403,390	3,123,755	208,179,406	84,915,012	298,621,565	9,143,925	307,765,491
Other items:							
Depreciation and amortization	60,708	35,023	34,601	35,224	165,557	15,121	180,679
Amortization of goodwill	—	8	—	—	8	0	8
Interest and dividend income	1,100	606	1,893,273	1,365,796	3,260,776	244	3,261,020
Interest expenses	42	14	356,780	4,298	361,136	3	361,139
Equity in earnings (losses) of affiliates	—	(681)	119	—	(561)	—	(561)
Gains on sales of fixed assets	660	175	3,008	—	3,845	471	4,316
Gains on negative goodwill	—	2,680	—	—	2,680	—	2,680
Losses on disposal of fixed assets	1,485	1,205	1,446	1,432	5,569	858	6,427
Losses on impairment of fixed assets	203	3,601	17	—	3,822	1,573	5,395
Provision for reserve for price fluctuations	—	—	—	97,934	97,934	—	97,934
Post office refurbishment expenses	—	—	—	—	—	22,071	22,071
Provision for reserve for policyholder dividends	—	—	—	200,722	200,722	—	200,722
Income taxes	(5,021)	5,023	201,599	111,213	312,814	(15,008)	297,805
Investments in affiliates accounted for by the equity method	—	1,168	1,031	—	2,200	—	2,200
Increase in tangible fixed assets and intangible fixed assets	84,628	62,339	61,973	107,262	316,204	33,080	349,284

Millions of Yen

Year ended March 31	2014						
	Reportable segment					Other	Total
	Postal and logistics	Post office	Banking	Life insurance	Total		
Income:							
Income from third parties	¥ 1,767,818	¥ 104,203	¥ 2,075,516	¥ 11,233,998	¥ 15,181,537	¥ 58,588	¥ 15,240,126
Intersegment income	54,103	1,169,984	897	106	1,225,092	229,210	1,454,303
Total	¥ 1,821,922	¥ 1,274,188	¥ 2,076,414	¥ 11,234,105	¥ 16,406,630	¥ 287,799	¥ 16,694,429
Segment profit	¥ 18,540	¥ 39,236	¥ 565,084	¥ 462,748	¥ 1,085,610	¥ 148,144	¥ 1,233,755
Segment assets	2,017,207	2,893,901	202,512,860	87,092,800	294,516,769	9,753,351	304,270,121
Other items:							
Depreciation and amortization	63,904	34,095	33,480	34,074	165,555	10,211	175,766
Amortization of goodwill	—	—	—	—	—	4	4
Interest and dividend income	926	559	1,827,610	1,458,190	3,287,286	148	3,287,434
Interest expenses	37	0	361,747	4,963	366,748	6	366,755
Equity in earnings (losses) of affiliates	—	23	(11)	—	12	—	12
Gains on sales of fixed assets	179	188	—	—	367	3	371
Gains on negative goodwill	—	—	—	—	—	—	—
Losses on disposal of fixed assets	1,993	1,111	562	8,670	12,338	1,374	13,712
Losses on impairment of fixed assets	374	3,375	65	—	3,815	9,836	13,652
Provision for reserve for price fluctuations	—	—	—	91,360	91,360	—	91,360
Post office refurbishment expenses	331	679	—	—	1,011	—	1,011
Provision for reserve for policyholder dividends	—	—	—	242,146	242,146	—	242,146
Income taxes	(865)	12,294	209,802	57,769	279,000	(17,757)	261,242
Investments in affiliates accounted for by the equity method	—	90	912	—	1,002	—	1,002
Increase in tangible fixed assets and intangible fixed assets	38,687	25,011	17,700	58,915	140,315	27,114	167,429

Notes:
1. Income is presented instead of net sales, which is the typical method of presentation for companies in other industries.
2. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥119,517 million and ¥131,253 million for the years ended March 31, 2015 and 2014, respectively.

(4) Reconciliation of Amounts Reported on Reportable Segments and Consolidated Financial Statements

1) Reconciliation of amounts reported on reportable segments and on the consolidated statements of income

Millions of Yen

Years ended March 31	2015	2014
Total income of reportable segments	¥ 15,420,930	¥ 16,406,630
Income of other business	300,376	287,799
Eliminations of intersegment transactions	(1,462,465)	(1,454,303)
Gains on sales of fixed assets	4,316	371
Gains on negative goodwill	2,680	—
Compensation for transfer	474	495
Compensation income	369	932
Reversal of accounts payable	1,567	—
Other	31	12
Total income on the consolidated statements of income	¥ 14,268,281	¥ 15,241,937

Note: Income is presented instead of net sales, which is the typical method of presentation for companies in other industries.

2) Reconciliation between total segment profit of reportable segments and income before income taxes on the consolidated statements of income

Millions of Yen

Years ended March 31	2015	2014
Total segment profit of reportable segments	¥ 1,086,888	¥ 1,085,610
Segment profit in other business	150,221	148,144
Eliminations of intersegment transactions	(121,286)	(130,151)
Subtotal	¥ 1,115,823	¥ 1,103,603
Gains on sales of fixed assets	4,316	371
Gains on negative goodwill	2,680	—
Compensation for transfer	474	495
Compensation income	369	932
Reversal of accounts payable	1,567	—
Losses on sales and disposal of fixed assets	(6,061)	(13,706)
Losses on impairment of fixed assets	(5,390)	(13,655)
Provision for reserve for price fluctuations	(97,934)	(91,360)
Post office refurbishment expenses	(22,071)	(974)
Provision for reserve for policyholder dividends	(200,722)	(242,146)
Other	(12,730)	(3,092)
Income before income taxes on the consolidated statements of income	¥ 780,319	¥ 740,466

3) Reconciliation between total segment assets of reportable segments and total assets on the consolidated balance sheets

Millions of Yen

March 31	2015	2014
Total segment assets of reportable segments	¥ 298,621,565	¥ 294,516,769
Segment assets in other business	9,143,925	9,753,351
Eliminations of intersegment transactions	(11,915,696)	(12,023,681)
Total assets on the consolidated balance sheets	¥ 295,849,794	¥ 292,246,440

4) Reconciliation between other items on reportable segments and the amounts of items equivalent to those items on the consolidated financial statements

Millions of Yen

Year ended March 31	2015			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 165,557	¥ 15,121	¥ (98)	¥ 180,580
Amortization of goodwill	8	0	—	8
Interest and dividend income	3,260,776	244	(719)	3,260,301
Interest expenses	361,136	3	(719)	360,420
Equity in earnings (losses) of affiliates	(561)	—	—	(561)
Gains on sales of fixed assets	3,845	471	—	4,316
Gains on negative goodwill	2,680	—	—	2,680
Losses on disposal of fixed assets	5,569	858	(365)	6,061
Losses on impairment of fixed assets	3,822	1,573	(4)	5,390
Provision for reserve for price fluctuations	97,934	—	—	97,934
Post office refurbishment expenses	—	22,071	—	22,071
Provision for reserve for policyholder dividends	200,722	—	—	200,722
Income taxes	312,814	(15,008)	—	297,805
Investments in affiliates accounted for by the equity method	2,200	—	—	2,200
Increase in tangible fixed assets and intangible fixed assets	316,204	33,080	(567)	348,717

Millions of Yen

Year ended March 31	2014			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 165,555	¥ 10,211	¥ (84)	¥ 175,682
Amortization of goodwill	—	4	—	4
Interest and dividend income	3,287,286	148	(501)	3,286,933
Interest expenses	366,748	6	(501)	366,253
Equity in earnings (losses) of affiliates	12	—	—	12
Gains on sales of fixed assets	367	3	—	371
Gains on negative goodwill	—	—	—	—
Losses on disposal of fixed assets	12,338	1,374	(5)	13,706
Losses on impairment of fixed assets	3,815	9,836	3	13,655
Provision for reserve for price fluctuations	91,360	—	—	91,360
Post office refurbishment expenses	1,011	—	(37)	974
Provision for reserve for policyholder dividends	242,146	—	—	242,146
Income taxes	279,000	(17,757)	—	261,242
Investments in affiliates accounted for by the equity method	1,002	—	—	1,002
Increase in tangible fixed assets and intangible fixed assets	140,315	27,114	(198)	167,231

(5) Information on Gains on Negative Goodwill by Reportable Segment

The post office business segment recorded gains on negative goodwill of ¥2,680 million for the year ended March 31, 2015 due to the acquisition of the stock of Japan Post Office Support Co., Ltd. and other companies.

Gains on negative goodwill have not been recognized for the year ended March 31, 2014.

(6) Supplemental Information

1) Information by services

This information is omitted because similar information has been presented above for the years ended March 31, 2015 and 2014.

2) Information by geographic region

A) Income

This information is omitted because income to customers in Japan exceeded 90% of income in the consolidated statements of income for the years ended March 31, 2015 and 2014.

B) Tangible fixed assets

This information is omitted because 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

This information is omitted because no customer accounted for 10% or more of income in the consolidated statements of income for the years ended March 31, 2015 and 2014.

26. PER SHARE DATA

Yen

March 31	2015	2014
Net assets per share	¥ 3,399.74	¥ 2,974.91

Yen

Years ended March 31	2015	2014
Net income per share	¥ 107.26	¥ 106.46

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

Millions of Yen

March 31	2015	2014
Net assets	¥ 15,301,561	¥ 13,388,650
Amount deducted from net assets:		
Non-controlling interests	2,728	1,573
Net assets attributable to common stock at the fiscal year-end	¥ 15,298,833	¥ 13,387,076

Thousands of shares

March 31	2015	2014
Number of common stock at the fiscal year-end used for the calculation of net assets per share	4,500,000	4,500,000

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

Millions of Yen

Years ended March 31	2015	2014
Net income attributable to Japan Post Holdings	¥ 482,682	¥ 479,071
Amount not attributable to common stockholders	—	—
Net income attributable to common stock	¥ 482,682	¥ 479,071

Thousands of shares

Years ended March 31	2015	2014
Average number of common stock outstanding during the year	4,500,000	4,500,000

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 main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause 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 ¥57.10 at the beginning of the year ended March 31, 2015 while net income per share increased by ¥2.32 for the year ended March 31, 2015.

Effective from the year ended March 31, 2014, the Company has applied the Retirement Benefits Accounting Standard and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) excluding Paragraph 35 of the Retirement Benefits Accounting Standard and 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 ¥58.20 as of March 31, 2014.

27. SUBSEQUENT EVENTS

(1) Acquisition of Toll

Japan Post Co., Ltd., a consolidated subsidiary of the Company, acquired 100% of the shares issued (717,437,878 shares) of Toll Holdings Limited, which is an Australian leading logistics company, with an acquisition cost of A$6,486 million through its own fund on hand on May 28, 2015 by way of a scheme of arrangement in accordance with the Corporations Act of Australia.

Japan Post Co., Ltd. is aiming to grow as a general logistics company which undertakes global logistics business, comprised mainly of business development in the fast-growing Asian market, as well as strengthening domestic business. With respect to global logistics business, Japan Post Co., Ltd. began international delivery services upon the conclusion of capital and business partnership contracts with GeoPost S.A. (France) and Lenton Group Ltd. (Hong Kong) in October 2014.

Toll Holdings Limited is a holding company located in Melbourne, Australia with capital stock of A$2,977 million and engages in businesses including forwarding business, 3PL business, and express business through its subsidiaries. Revenue and net income amounted to A$8,811 million and A$293 million for the year ended June 30, 2014, respectively, and total assets and net assets amounted to A$5,902 million and A$2,733 million as of June 30, 2014, respectively. These figures are on a consolidated basis in accordance with the International Financial Reporting Standards.

(2) Stock split

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 4,350,000,000 shares.

The effects of this stock split are described in Note 26 "PER SHARE DATA."

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Item	2015 (As of March 31, 2015)	Amounts excluded under transitional arrangements	2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Core Capital: Instruments and reserves				
Directly issued qualifying common share capital or preferred share capital with a compulsory conversion clause plus related capital surplus and retained earnings	¥ 10,692,093		¥ 10,577,196	
of which: capital and capital surplus	8,003,856		8,003,856	
of which: retained earnings	2,738,337		2,616,840	
of which: treasury share (deduction)	—		—	
of which: earning to be distributed (deduction)	50,100		43,500	
of which: other than those above	—		—	
Accumulated other comprehensive income (amount allowed to be included in Core Capital)	83,442		66	
of which: foreign currency translation adjustments	160		66	
of which: remeasurements of defined benefit plans	83,282		—	
Subscription rights to common shares and preferred shares with a compulsory conversion clause	—		—	
Adjusted minority interests (amount allowed to be included in Core Capital)	—		—	
Allowance included in Core Capital: Instruments and reserves	418		428	
of which: general allowance for loan losses	418		428	
of which: eligible provisions to expected losses	—		—	
Eligible noncumulative perpetual preferred shares subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Eligible capital instruments subject to transitional arrangements (amount allowed to be included in Core Capital)	—		—	
Capital instruments issued through the measures for capital enhancement by public institutions (amount allowed to be included in Core Capital)	—		—	
45% of land revaluation defferences (amount allowed to be included in Core Capital)	—		—	
Minority interests included in Core Capital subject to transitional arrangements	2,455		1,573	
Core Capital: instruments and reserves (A)	10,778,410		10,579,264	
Core Capital: regulatory adjustments				
Total intangible fixed assets (excluding those relating to mortgage servicing rights)	20,088	80,344	2	94,218
of which: goodwill (including those equivalent)	2	—	2	—
of which: other intangible fixed assets other than mortgage servicing rights	20,086	80,344	—	94,218
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	—	—	—	—
Shortfall of eligible provisions to expected losses	—	—	—	—
Securitization gain on sale	—	—	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—	—	—
Defined-benefit pension fund net assets	1,439	5,759	—	—
Investments in own shares (excluding those reported in the Net Assets section)	–	—	—	—
Reciprocal cross-holdings in common equity	–	—	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (hereinafter referred to as "Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above the 10% threshold)	–	—	—	—

Corporate Data
Financial Data
Others

(Millions of yen)

Item		2015 (As of March 31, 2014)	Amounts excluded under transitional arrangements	2014 (As of March 31, 2014)	Amounts excluded under transitional arrangements
Amount exceeding the 10% threshold on specified items		—	—	—	—
of which: significant investments in the common share of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Amount exceeding the 15% threshold on specified items		—	—	—	—
of which: significant investments in the common share of Other Financial Institutions		—	—	—	—
of which: mortgage servicing rights		—	—	—	—
of which: deferred tax assets arising from temporary differences		—	—	—	—
Core Capital: regulatory adjustments	(B)	21,528		2	
Total capital					
Total capital ((A) - (B))	(C)	10,756,881		10,579,261	
Risk weighted assets					
Total amount of credit risk weighted assets		22,963,929		17,886,576	
of which: total amount included in risk weighted assets subject to transitional arrangements		(216,386)		(562,511)	
of which: intangible fixed assets other than goodwill and mortgage servicing rights		80,344		94,218	
of which: deferred tax assets		—		—	
of which: Defined-benefit pension fund net assets		5,759		—	
of which: significant investments in the capital instruments (excluding common shares) of Other Financial Institutions		(302,490)		(656,730)	
of which: other than those above		—		—	
Amount market risk equivalent divided by 8%		—		—	
Amount operational risk equivalent divided by 8%		3,661,278		3,600,180	
Credit risk weighted assets adjustments		—		—	
Amount operational risk equivalent adjustments		—		—	
Total amount of risk weighted assets	(D)	26,625,208		21,486,756	
Capital adequacy ratio (consolidated)					
Capital adequacy ratio (consolidated) ((C)/(D))		40.40%		49.23%	

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. In accordance with Article 15, the Group is comprised of the following 22 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio: Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Staff Co., Ltd., Yusei Challenged Co., Ltd., Japan Post Hotel Service Co., Ltd., Japan Post Information Technology Co., Ltd., Japan Post Network Trading Service Co., Ltd., Japan Post Building Management Co., Ltd., JP Logi Service Co., Ltd., JP Biz Mail Co., Ltd., JP Media Direct Co., Ltd., Japan Post Sankyu Global Logistics Co., Ltd., Japan Post Transport Co., Ltd., Japan Post Insurance System Solutions Co., Ltd., Japan Post International Logistics Co., Ltd., Japan Post Communications Co., Ltd., Japan Post Office Support Co., Ltd., JP Mitsukoshi Merchandising Company Limited, YY Gift Co., Ltd., JP Tokyo Tokusenkai Co., Ltd., Japan Post Delivery Co., Ltd. and Japan Post Finance Co., Ltd. In accordance with the provisions of Article 15, Paragraph 2 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 23 companies, comprising 22 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 58 through 69.

(2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group

As mentioned previously, the Group is composed of the Company and 22 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details of business activities of the principal consolidated subsidiaries, refer to pages 22 - 56 of this report.

(3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

None

(4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses.

1) Companies belonging to the Group that are not included in the scope of consolidation

None

2) Companies not belonging to the Group that are included in the scope of consolidation

Japan Post Insurance Co., Ltd.

Refer to page 123 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 60 – 61 of this report for details about the company's main business activities.

(5) Restrictions on transfer of funds and common stock among companies in the holding company group

None

2. Overview of capital instruments (This entire amount or partial amount are referred to as capital instruments and included in basic items of core capital as calculated under Article 14 of Holding Company Capital Adequacy Ratio Notice.)

The Company raises capital through equity financing (issuance of common stock). The Ministry of Finance holds 100% of the outstanding stock of the Company.

3. Overview of method for evaluating the level of capital adequacy for the Group

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2015 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 40.40%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard as the Group maintains adequate management soundness and safety. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

*Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "5. Japan Post Group Risk and Crisis Management" on pages 88 through 89 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Risk is monitored and managed by establishing a credit line so that the amount of credit risk does not exceed the amount of capital allocated for credit risk, based on the Bank's equity and other resources. In addition, Japan Post Bank performs stress tests to be prepared for an increase in credit concern resulting from big recession in the economy that exceeds the range that can be statistically foreseen.

To control credit concentration risk, Japan Post Bank provides credit limits for individual companies and corporate groups and supervises these limits during each fiscal year.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Department, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations.

The Risk Management Department is responsible for the internal credit rating system, self-assessments of loans and other credit risk activities. The Credit Department is responsible for monitoring individual credit accounts, including the assignment of internal credit ratings, monitoring of status of borrowers and overseeing of large borrowers and screening of loans.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the fundamental principles of public welfare, financial soundness and profitability. The Bank has a "Credit Business Regulation" to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, behavior guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Japan Post Bank continuously monitors obligors' ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc. used in making judgments on risk weights

When making judgments on risk weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

For the calculation of the consolidated capital adequacy ratio, Japan Post Holdings also uses the ratings of Fitch Ratings Limited.

2) Qualified rating agencies, etc. used in making judgments on risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies, etc. for the following credit risk exposure categories.

When there are ratings from more than one rating agency, Japan Post Bank bases risk weighting decisions on Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006 (hereinafter referred to as "Capital Adequacy Ratio Notice"). Based on this standard, the Bank uses the rating corresponding to the second-smallest risk weighting from among all ratings.

Exposure		Rating agencies
Central governments and central banks	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Non-central government public sector entities		R&I, JCR, Moody's, S&P
Foreign non-central government public sector entities		Moody's, S&P, OECD
Multilateral Development Banks		Moody's, S&P
Japan Finance Organization for Municipalities		R&I, JCR, Moody's, S&P
Japanese government agencies		R&I, JCR, Moody's, S&P
Three regional public corporations under Japanese local governments		R&I, JCR, Moody's, S&P
Financial institutions and Type I Financial Instruments Business Operators	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P, OECD
Corporates	Resident	R&I, JCR, Moody's, S&P
	Non-resident	Moody's, S&P
Securitization transactions		R&I, JCR, Moody's, S&P

5. Summary of risk management policy and procedures for credit risk mitigation methods

When calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation methods" prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods include qualified financial collateral, the netting of loans and self-deposits, and guaranties, credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses the "simple approach" prescribed in the Capital Adequacy Ratio Notice for application of the qualified financial collateral.

There are internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self-deposits and types and scope of applicable transactions

For the use of the netting of loans and self-deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., the remaining amount after netting loans and self-deposits is used as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2015, Japan Post Bank was not using the offsetting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors are the central governments, etc. to which lower risk weightings than the guaranteed obligations are applied.

Japan Post Bank does not handle credit derivatives that use credit risk mitigation methods.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods are qualified financial collateral that use cash and self-deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The collateral concerning derivative transactions provided as of March 31, 2015 was ¥1,052,658 million.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit lines and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit lines in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank's own thorough examination of underlying assets, the senior/subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Management Meeting and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to -6 of Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of Holding Company Capital Adequacy Ratio Notice.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, the Bank periodically reviews obligor ratings. Additionally, in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank will provisionally review the obligor ratings.

The procedures concerning re-securitization exposure are the same as for securitization exposure.

(3) Policies when using securitization transactions as a credit risk mitigation method

Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the standardized approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets.

The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category

Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure: Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and Standard & Poor's Ratings Services (S&P).

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, computer system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of operations.

To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of the impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Through RCSA, areas in which risk management needs to be improved and areas in which risk management needs to be reinforced are identified.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure in banking account

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the bank based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk in the banking account

(1) Summary of risk management policy and procedures

Interest rate risk is the risk of incurring a loss due to interest rate fluctuations and the risk of a decline in earnings or loss resulting from interest rate fluctuations when there is an interest rate or maturity mismatch between assets and liabilities.

At Japan Post Bank, market investments (Japanese government bonds) account for the majority of assets and TEIGAKU deposits account for the majority of liabilities. The Bank has a market risk management system that reflects the characteristics and risk profile of these operations.

When measuring the volume of market risk, Japan Post Bank uses a statistical method called VaR to quantify the amount of market risk. Risk is monitored and managed by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources. In addition,

Japan Post Bank performs stress tests to be prepared for extreme market volatility that exceeds the range that can be statistically foreseen.

To provide a system of checks and balances for market risk management, Japan Post Bank has established the Risk Management Department, which is positioned as a middle office unit that is independent of front office and back office units.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions concerning matters involving the establishment and operation of the market risk management system and the execution of market risk management.

For reaching proper decisions quickly, daily reports are submitted to senior management concerning the volume of market risk (VaR), compliance with limits for market risk exposure and loss limits for market risk and other items. In addition, Japan Post Bank analyzes risk on a regular basis by using back testing and stress testing and reports the results of these tests to the Executive Committee and other organizational units. These activities are aimed at consistently generating earnings while properly controlling market risk.

(2) Summary of method for calculating banking account interest rate risk for internal management

Japan Post Bank adopts the historical simulation method for the internal model used to measure the volume of market risk (VaR). The Bank adopts a one-tailed confidence level of 99%, a holding period of 240 business days (one year) and an observation period of 1,200 business days (five years).

Among liquid deposits, for deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), Japan Post Bank uses a model for estimating outstanding balances and allocation to settlement dates. For time deposits, the Bank performs measurements by using estimated future cash flows based on a model.

Quantitative Disclosure

1. Among subsidiaries that are Other Financial Institutions (referred to as Other Financial Institutions as prescribed under Article 18, Paragraph 6-1 of Holding Company Capital Adequacy Ratio Notice), names of the companies with shortage in the regulatory required capital and the total amounts of the regulatory required capital shortfall.

   Not applicable as of March 31, 2015 and 2014.

2. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	13,774	12,803
4	Bank for International Settlements, etc.	—	—
5	Non-central government public sector entities	—	—
6	Foreign non-central government public sector entities	5,422	5,368
7	Multilateral Development Banks	15	5
8	Japan Finance Organization for Municipalities	2,863	2,697
9	Japanese government agencies	13,007	14,277
10	Three regional public corporations under Japanese local governments	213	16
11	Financial Institutions and Type I Financial Instruments Business Operators	127,761	87,233
12	Corporates	364,090	262,969
13	Small and medium-sized enterprises and individuals	4	5
14	Residential housing mortgages	—	—
15	Project finance (acquisition of real estate)	12,350	7,830
16	Past-due loans (three months or more)	31,529	13,821
17	Outstanding drafts	—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.	—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.	—	—
20	Investments in capital and others	49,491	42,919
	of which, exposure to investments	49,491	42,919
	of which, exposure to significant investments	—	—
21	Other than above	271,998	262,549
	of which. exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions	48,914	43,782
	of which, exposure related to portions not included in adjustment items among specified items	111,934	113,872
	of which, other exposure	111,149	104,894
22	Securitization transactions (as originator)	—	—
	Re-securitization transactions	—	—
23	Securitization transactions (as investor and other)	3,748	3,040
	Re-securitization transactions	59	69
24	Assets (assets comprised of pooled assets such as funds, etc.) difficult to identify specifically	27	—
25	Amount of items included in risk weighted assets through transitional arrangements	3,444	3,768
26	Amount of items not included in risk weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions	(12,099)	(26,269)
	Total	¥ 887,645	¥ 693,040

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	—	—
3	Short-term trade contingent liabilities	—	—
4	Contingent liabilities arising from specific transactions	—	—
	(principal reimbursement trust deeds with restructuring)	—	—
5	NIF or RUF	—	—
6	Commitment lines with an original duration of one year or longer	—	54
7	Contingent liabilities arising from directly substituted credit	9,807	6,108
	(of which secured with loan guarantees)	3,463	2,729
	(of which secured with securities)	—	—
	(of which secured with drafts)	—	—
	(of which principal reimbursement trust deeds without restructuring)	—	—
	(of which secured with credit derivative protection)	4,484	1,919
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)	—	—
	Assets sold with repurchase agreements or assets sold with right of claim (before deductions)	—	—
	Deduction	—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds	—	18
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement	12,493	11,010
11	Derivative transactions and long-term settlements transactions	3,431	2,091
	Current exposure method	3,431	2,091
	Derivative transactions	3,431	2,091
	Foreign exchange related transactions	4,182	2,545
	Interest rate related transactions	599	577
	Gold related transactions	—	—
	Equity security related transactions	—	0
	Precious metal related transactions (excluding gold)	—	—
	Other commodity related transactions	—	—
	Credit derivative transactions (counterparty risk)	35	43
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	1,386	1,075
	Long-term settlements transactions	0	—
12	Outstanding transaction	32	1
13	Providing adequate liquidity related to securitization exposure and adequate servicer cash advance	—	—
14	Off-balance-sheet securitization exposure other than the above	—	—
	Total	¥ 25,764	¥ 19,285

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Total amount of consolidated required capital	¥ 1,065,008	¥ 859,470
Amount of required capital for credit risk	918,557	715,463
Assets (on-balance-sheet items)	887,645	693,040
Off-balance-sheet transactions, etc.	25,764	19,285
CVA risk equivalent amount	5,146	3,137
Central Counterparty risk exposure	—	—
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	146,451	144,007
Basic indicator approach	146,451	144,007

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.
Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.
Note 3: The amount of required capital for market risk equivalent amount is not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include market risk equivalent amounts in the calculation formulae prescribed under Article 14 of the Notice.
Note 4: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		2015 (As of March 31, 2015)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 37,714,526	¥ 117,375,253	¥ —	¥ 44,513	¥ 155,134,293
	Financial institutions	49,068,398	10,571,261	109,574	1,051,527	60,800,760
	Corporates	483,185	5,954,896	—	436,342	6,874,423
	Small and medium-sized enterprises and individuals	—	—	—	240	240
	Project finance (acquisition of real estate)	—	—	—	308,771	308,771
	Others	6,910,343	3,402,367	24	15,569,296	25,882,031
	Domestic total	94,176,453	137,303,778	109,598	17,410,691	249,000,522
Overseas total		900	—	—	5	905
Total		¥ 94,177,353	¥ 137,303,778	¥ 109,598	¥ 17,410,696	¥ 249,001,428

(Millions of yen)

Counterparts		2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ 25,454,484	¥ 135,920,684	¥ —	¥ 35,953	¥ 161,411,122
	Financial institutions	49,039,604	9,565,952	88,491	1,057,046	59,751,095
	Corporates	392,782	6,208,436	—	385,113	6,986,332
	Small and medium-sized enterprises and individuals	—	—	—	291	291
	Project finance (acquisition of real estate)	—	—	—	195,761	195,761
	Others	5,785,603	2,945,388	41	10,346,453	19,077,486
	Domestic total	80,672,474	154,640,462	88,533	12,020,619	247,422,089
Overseas total		854	—	—	4	858
Total		¥ 80,673,328	¥ 154,640,462	¥ 88,533	¥ 12,020,623	¥ 247,422,947

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 6: "Sovereigns" include central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 10: The intangible fixed assets that are subject to calculation of credit risk asset are not included due to transitional arrangements.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2015 (As of March 31, 2015)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 51,494,130	¥ 24,506,917	¥ 26,765	¥ 444,261	¥ 76,472,075
Over 1 year to 3 years	1,108,306	41,387,106	46,583	1,002	42,543,000
Over 3 years to 5 years	847,301	25,132,580	31,227	66	26,011,176
Over 5 years to 7 years	233,257	20,057,111	5,021	—	20,295,390
Over 7 years to 10 years	1,135,602	22,999,608	—	—	24,135,211
Over 10 years	968,117	3,220,453	—	—	4,188,571
No due date or perpetual	38,390,636	—	—	16,965,365	55,356,002
Total	¥ 94,177,353	¥ 137,303,778	¥ 109,598	¥ 17,410,696	¥ 249,001,428

(Millions of yen)

Remaining period	2014 (As of March 31, 2014)				
	Loans and deposits	Bonds	Derivatives	Others	Total
1 year or less	¥ 51,673,970	¥ 34,235,698	¥ 2,857	¥ 403,568	¥ 86,316,095
Over 1 year to 3 years	714,812	42,386,041	41,983	2,733	43,145,571
Over 3 years to 5 years	1,086,922	24,752,991	32,084	146	25,872,146
Over 5 years to 7 years	480,288	19,516,950	9,940	2	20,007,181
Over 7 years to 10 years	873,168	30,842,861	1,666	—	31,717,696
Over 10 years	1,439,183	2,905,918	—	—	4,345,101
No due date or perpetual	24,404,982	—	—	11,614,172	36,019,154
Total	¥ 80,673,328	¥ 154,640,462	¥ 88,533	¥ 12,020,623	¥ 247,422,947

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 2: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 4: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 5: The exposure amount does not include in intangible fixed assets that are subject to calculation of credit risk assets due to transitional arrangements.

(3) Past-due loans for three months or more exposure by region, industry and customer

(Millions of yen)

Counterparts		2015 (As of March 31, 2015)					2014 (As of March 31, 2014)				
		Loans and deposits	Bonds	Derivatives	Others	Total	Loans and deposits	Bonds	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	7	7	—	—	—	8	8
	Small and medium-sized enterprises and individuals	—	—	—	84	84	—	—	—	122	122
	Project finance (acquisition of real estate)	—	—	—	—	—	—	—	—	—	—
	Others	—	—	—	2,999	2,999	—	—	—	2,995	2,995
	Domestic total	—	—	—	3,092	3,092	—	—	—	3,126	3,126
Overseas total		—	—	—	—	—	—	—	—	–	–
Total		¥ —	¥ —	¥ —	¥ 3,092	¥ 3,092	¥ —	¥ —	¥ —	¥ 3,126	¥ 3,126

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (head office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc. other than derivatives.
Note 4: "Bonds" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include currency swaps and interest rate swaps, etc.
Note 6: "Sovereigns" includes central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities, and Financial institutions and type I financial instruments business operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

(4) Year-end balances and changes during the period of general allowance for loan losses, specific allowance for doubtful accounts, and loan loss allowance for specific overseas countries.

Year-end balance

(Millions of yen)

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
General allowance for loan losses	¥ 146	¥ 141
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
General allowance for loan losses	¥ 4	¥ (66)
Specific allowance for doubtful accounts	—	—
Loan loss allowance for specific overseas countries	—	—

Note 1: Allowance for loan losses related to loans disclosed under the Financial Revitalization Law is listed.
Note 2: General allowance for loan losses is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer
There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2015 (As of March 31, 2015)		2014 (As of March 31, 2014)	
	Rated	Not rated	Rated	Not rated
0%	¥ 162,351,236	¥ 45,212,470	¥ 167,691,724	¥ 46,024,412
2%	—	—	—	—
4%	—	—	—	—
10%	11,588	4,239,582	941	4,470,010
20%	17,392,494	26,709	14,007,454	2,039
35%	—	—	—	—
50%	6,784,315	2,953	5,315,945	2,911
75%	—	155	—	168
100%	6,066,956	4,779,622	3,834,710	4,266,685
150%	524,328	425	229,174	214
250%	420,798	1,187,688	332,704	1,243,842
1,250%	34	20	—	—
Others	45	—	4	—
Total	¥ 193,551,798	¥ 55,449,630	¥ 191,412,660	¥ 56,010,286

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.
Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk weighted categories in case of that transitional arrangements are not applied.

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2015 (As of March 31, 2015)		2014 (As of March 31, 2014)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Qualified financial collateral	¥ 45,879,942	89.91%	¥ 45,096,205	88.53%
Guarantees	5,147,144	10.08%	5,841,094	11.46%
Total	¥ 51,027,087	100.00%	¥ 50,937,299	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and securities as qualified financial collateral.
Note 2: Principal guarantors are central governments, etc. to which lower risk weight than the guaranteed obligations are applied.
Note 3: The exposure amount included in funds such as investment trusts are not included herein.

5. Derivative transactions and long-term settlements transactions

Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Aggregate sum of amounts of gross reconstruction costs	¥ 75,998	¥ 5,407
Aggregate sum of gross add-on amounts	206,950	217,525
Gross credit equivalents	282,948	222,933
Foreign exchange related transactions	252,169	182,052
Interest rate related transactions	30,778	40,880
Long-term settlements transactions	—	—
Reduction in credit equivalents through netting (deduction)	173,350	134,399
Net credit equivalents	109,598	88,533
Collateral amount	15,928	1,312
Marketable securities	15,928	1,312
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	¥ 109,598	¥ 88,533

Note 1: Credit equivalents are calculated by the "current exposure method."
Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.
Note 3: Derivative transactions and transactions with long-term settlements included in funds such as investment trusts are not included herein.
Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 5: Consideration is being given to the effectiveness of the amount of netting effect on credit equivalents under close-out netting agreements.
Note 6: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.
Note 7: Neither credit derivatives subject to credit equivalent amount calculations nor credit derivatives used to consider the effect of credit risk mitigation methods are available.
Note 8: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

6. Securitization exposure

Securitization exposure in which the Group invests:

(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

Type of underlying assets	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Mortgage loans	¥ 390,075	¥ 311,121
Auto loans	20,268	11,803
Leases	—	63
Accounts receivable	2,997	137
Corporate loans	94,677	94,783
Others	824	1,692
Total	¥ 508,842	¥ 419,601

Note : There are no off-balance-sheet transactions.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Mortgage loans	¥ 3,726	¥ 4,346
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 3,726	¥ 4,346

Note : There are no off-balance-sheet transactions.

(3) Balance by risk weight of securitization exposure and amount of required capital (excluding re-securitization exposure)

(Millions of yen)

Risk weight	2015 (As of March 31, 2015)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 20%	¥ 95,501	¥ 382	¥ 96,476	¥ 385
20%	413,341	3,306	323,124	2,584
50%	—	—	—	—
100%	—	—	—	—
350%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 508,842	¥ 3,688	¥ 419,601	¥ 2,970

Note 1: There are no off-balance-sheet transactions.
Note 2: Required capital is the amount of credit risk assets × 4%.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2015 (As of March 31, 2015)		2014 (As of March 31, 2014)	
	Balance	Required capital	Balance	Required capital
Less than 40%	¥ —	¥ —	¥ —	¥ —
40%	3,726	59	4,346	69
100%	—	—	—	—
225%	—	—	—	—
650%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 3,726	¥ 59	¥ 4,346	¥ 69

Note 1: There are no off-balance-sheet transactions.
Note 2: There are no credit risk mitigation methods applied to re-securitization exposures.
Note 3: Required capital is the amount of credit risk assets × 4%.

7. Market risk

Not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include the amount of market risk equivalent in the calculation formulae prescribed under Article 14 of the Notice.

8. Equity exposure in the banking account

(1) Amount carried on the consolidated balance sheet and fair value

(Millions of yen)

	2015 (As of March 31, 2015)		2014 (As of March 31, 2014)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure	¥ —	¥ —	¥ —	¥ —
Investment or equities exposure not corresponding to listed equities exposure	1,031		935	
Total	¥ 1,031		¥ 935	

Note 1: Exposures for which it is deemed extremely difficult to identify fair value without market quotations are included and therefore these are not disclosed at fair value as well as the method of calculating the fair value of financial instruments.

Note 2: Exposure amount included in funds such as investment trusts are not included. The same applies to the following.

(2) Gains and Losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2015 (From April 1, 2014 to March 31, 2015)	2014 (From April 1, 2013 to March 31, 2014)
Gains/Losses	¥ —	¥ —
Gains	—	—
Losses	—	—
Write-off	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	¥ —	¥ —

Note: Shares with market quotations are listed.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	¥ —	¥ —

Note: Shares with market quotations of affiliated companies are listed.

9. Exposures calculated by credit risk asset supervisory formulae

Not applicable, since the standardized approach is used.

10. Interest rate risk in the banking account

Gains and losses related to interest rate shock or changes in economic value used for management purposes in the Group for managing interest rate risk in the banking account

(Billions of yen)

	2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Losses in economic value	¥ 770.5	¥ 1,069.1

Note 1: Interest rate shock range uses 1st and 99th percentiles for interest rate fluctuations based on a holding period of one year and an observation period of five years. The above interest rate shock range previously used government bond interest rates for assets and interbank interest rates for liabilities. However, from fiscal 2015 interbank interest rates are used for both assets and liabilities.

Note 2: Of liquid deposits, for those deposits that will not be withdrawn and will remain at the Bank over the long term (so-called core deposits), the Group uses an internal model for estimating outstanding balances and allocation to settlement dates and calculates interest risk volume.

Compensation, etc. Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)
   (1) Scope of subject executives and employees
   The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.
   1) Scope of "subject executives"
   Subject executives are the Company's directors and executive officers. Outside directors are excluded.
   2) Scope of "subject employees"
   Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure. The executives and executive officers of Japan Post, Japan Post Bank and Japan Post Insurance (hereafter referred to as three business subsidiaries) shall be deemed "subject employees."
   (a) Scope of "principal consolidated subsidiaries"
   Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.
   (b) Scope of "persons receiving high amounts of compensation"
   "Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥20 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.
   (c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"
   "Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, the Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors.
   (2) Determination of compensation for subject executives and employees
   1) Determination of compensation for subject executives
   The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.
   2) Determination of compensation for subject employees
   The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.
   (a) Japan Post
   Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' meeting.
   Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' meeting.
   Individual allocation of compensation for auditors is determined based on consultation by the auditors.
   Compensation for executive officers is determined based on a resolution by the Board of Directors.
   (b) Japan Post Bank and Japan Post Insurance
   Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.
   (3) Determination of compensation for staff of the Risk Management Department and Compliance Department
   Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.
   Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.
   (4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2014 to March 2015)
Japan Post Holdings	Compensation Committee	4 times
Japan Post	Shareholders' meeting	0
	Board of Directors (Note 1)	5 times
	Board of Corporate Auditors (Note 1)	1 time
Japan Post Bank	Compensation Committee	3 times
Japan Post Insurance	Compensation Committee	2 times

Note 1: The total amount (upper limit) of compensation for executives of Japan Post Co., Ltd. was determined at the Shareholders' meeting of the former Japan Post Network on September 3, 2012.
Note 2: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)
   (1) Policies concerning compensation for "subject executives"
   The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.
   (2) Policies concerning compensation for "subject employees"
   In determining compensation for Company employees, the Company

determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.

The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance

In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.

In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. Compensation for employees is determined based on salary rules and regulations.

Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method

Total amount of compensation for subject executives and employees (From April 1, 2014 to March 31, 2015)

Classification	Number of persons	Total amount of compensation (Millions of yen)		
			Base compensation	Other
Subject executives (excluding outside executives)	32	771	771	0
Subject employees	29	703	703	0

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.
Note 2: Variable compensation (including bonuses) is not applicable.
Note 3: Stock-compensation type stock options are not applicable.
Note 4: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013 and therefore retirement benefits are not applicable.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)

None

Insurance Claims and Other Payment Abilities of Insurance Holding Companies (Consolidated Solvency Margin Ratio)

(Millions of yen)

Item		2015 (As of March 31, 2015)	2014 (As of March 31, 2014)
Total amount of consolidated solvency margin	(A)	¥ 20,987,141	¥ 18,897,175
Capital stock or funds, others		11,106,419	10,929,630
Reserve for price fluctuations		712,167	614,233
Contingency reserve		2,498,711	2,588,798
Catastrophe loss reserve		—	—
General reserves for possible loan losses		495	520
Net unrealized gains (losses) on available-for-sale securities × 90% (if negative, × 100%)		5,802,768	4,124,263
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		30,289	15,746
Unrecognized actuarial differences and unrecognized prior service cost		430,021	265,448
Capital raised through debt financing, Excess (portion of) premium reserve		406,267	358,533
Excess (portion of) premium reserve		406,267	358,533
Capital raised through debt financing		—	—
Excluded amounts		—	—
Solvency margin concerning small-amount, short-term insurers		—	—
Deductions		—	—
Others		—	—
Total amount of consolidated risk $[\{(R_1^2+R_5^2)^{1/2}+R_8+R_9\}^2+(R_2+R_3+R_7)^2]^{1/2}+R_4+R_6$	(B)	¥ 2,589,172	¥ 2,109,228
Underwriting risk	R_1	163,796	168,426
General insurance risk	R_5	—	—
Catastrophe risk	R_6	—	—
Underwriting risk of third-sector insurance	R_8	88,568	99,913
Underwriting risk of small-amount, short-term insurers	R_9	—	—
Anticipated yield risk	R_2	184,450	198,138
Minimum guarantee risk	R_7	—	—
Investment risk	R_3	2,080,203	1,586,573
Business management risk	R_4	310,500	304,457
Consolidated solvency margin ratio (A)/{(1/2) x (B)}		1,621.1%	1,791.8%

Note: The consolidated solvency margin ratio is calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.