

Financial Statements

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1. Figures (except for % and ‰) shown in this Annual Report have been truncated, with exceptions as indicated.
2. [-] indicates "not applicable," and [0] indicates less than one unit.

Financial Statements

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1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

The Japanese economy in the fiscal year ended March 31, 2019 continued a gradual recovery trend as capital expenditures increased and personal consumption improved, despite sluggish growth in exports and production. Although the U.S. continued solid recovery driven by domestic demand, growth rate in Europe weakened due to factors including a slowdown in the manufacturing industry, and a moderate decline in the growth rate continued in China.

The role of the life insurance industry is growing ever more to support self-help efforts of customers by strengthening sales channels and developing products in response to customers' diversifying needs and heightened selectivity, which mirrors such trends as a continued low interest rate environment, the aging of society with declining birthrates, a growing number of one-person households, and evolving lifestyles.

Under these circumstances, the Company has set forth its management philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being." Based on this management philosophy, we offer a unique business model of providing simple and easy-to-understand products with smaller coverage amounts to as many customers as possible through the nationwide network of post offices.

Under this management philosophy, the Company, aiming to increase profit in both sales and asset management and reverse the decreasing trend and achieve growth in annualized premiums from policies in force, pursued three key strategies related to sales and products, administrative services, and asset management, by setting "thoroughly implementing customer-first business operations," "achieving sustainable growth," and "maintaining sound business operations," as our fundamental management approach while leveraging the Kampo brand of "reliability" and "trustworthiness."

Ordinary income amounted to ¥7,916.6 billion (0.5% decrease year on year), comprising the sum of insurance premiums and others of ¥3,959.9 billion (6.5% decrease year on year), investment income of ¥1,204.4 billion (6.2% decrease year on year), and other ordinary income of ¥2,752.2 billion (13.2% increase year on year).

Ordinary expenses amounted to ¥7,651.7 billion (0.1% increase year on year), comprising the sum of insurance claims and others of ¥6,868.8 billion (0.3% decrease year on year), investment expenses of ¥146.0 billion (37.6% increase year on year), operating expenses of ¥519.8 billion (2.6% decrease year on year), other ordinary expenses of ¥117.0 billion (2.5% increase year on year) and others.

As a result, ordinary profit amounted to ¥264.8 billion (14.3% decrease year on year), and net income attributable to Japan Post Insurance amounted to ¥120.4 billion (15.3% increase year on year), which is calculated by adjusting extraordinary gains or losses, and subtracting provision for reserve for policyholder dividends and total income taxes from ordinary profit.

2 Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS:			
Cash and deposits (Notes 3 and 25)	¥ 917,708	¥ 898,504	\$ 8,268
Call loans (Note 25)	150,000	265,000	1,351
Receivables under securities borrowing transactions (Note 25)	2,792,202	3,296,222	25,157
Monetary claims bought (Note 25)	354,958	176,069	3,198
Money held in trust (Notes 4 and 25)	2,787,555	2,814,873	25,115
Securities (Notes 4, 5 and 25)	58,451,581	60,130,909	526,638
Loans (Notes 6 and 25)	6,786,074	7,627,147	61,141
Tangible fixed assets (Note 7):			
Land	48,008	43,066	433
Buildings	43,246	32,888	390
Leased assets	2,313	2,194	21
Construction in progress	25	8,149	0
Other tangible fixed assets	14,827	14,617	134
Total tangible fixed assets	108,422	100,915	977
Intangible fixed assets:			
Software	153,252	163,246	1,381
Other intangible fixed assets	18	19	0
Total intangible fixed assets	153,271	163,265	1,381
Agency accounts receivable	21,960	33,715	198
Reinsurance receivables	3,872	3,227	35
Other assets (Note 6)	355,776	368,020	3,205
Deferred tax assets (Note 15)	1,022,091	954,085	9,209
Reserve for possible loan losses	(459)	(695)	(4)
Total assets	¥ 73,905,017	¥ 76,831,261	\$ 665,871
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 8)	¥ 519,568	¥ 548,196	\$ 4,681
Policy reserves (Notes 8 and 13)	65,060,549	67,777,297	586,184
Reserve for policyholder dividends (Note 10)	1,513,634	1,622,889	13,638
Total policy reserves and others	67,093,751	69,948,383	604,503
Reinsurance payables	6,470	6,033	58
Bonds payable (Notes 11 and 25)	100,000	—	901
Payables under securities lending transactions (Notes 5, 11 and 25)	3,422,810	3,663,547	30,839
Other liabilities (Notes 6, 11 and 14)	183,889	229,514	1,657
Liability for retirement benefits (Note 12)	65,262	63,739	588
Reserve for management board benefit trust	203	172	2
Reserve for price fluctuations (Note 13)	897,492	916,743	8,086
Total liabilities	¥ 71,769,880	¥ 74,828,135	\$ 646,634
NET ASSETS (Note 16):			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,505
Capital surplus	500,044	500,044	4,505
Retained earnings	675,526	595,846	6,086
Treasury stock	(450)	(466)	(4)
Total shareholders' equity	1,675,120	1,595,424	15,093
Net unrealized gains (losses) on available-for-sale securities	456,694	403,913	4,115
Net deferred gains (losses) on hedges	33	32	0
Accumulated adjustments for retirement benefits	3,289	3,755	30
Total accumulated other comprehensive income	460,017	407,701	4,145
Total net assets	2,135,137	2,003,126	19,237
Total liabilities and net assets	¥ 73,905,017	¥ 76,831,261	\$ 665,871

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
ORDINARY INCOME:			
Insurance premiums and others (Note 19)	¥ 3,959,928	¥ 4,236,461	\$ 35,678
Investment income:			
Interest and dividend income	1,085,969	1,152,306	9,784
Gains on money held in trust	78,902	95,189	711
Gains on sales of securities	38,981	36,468	351
Gains on redemption of securities	395	53	4
Gains on foreign exchanges	—	284	—
Reversal of reserve for possible loan losses	14	—	0
Other investment income	165	226	1
Total investment income	1,204,428	1,284,529	10,852
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 18)	28,628	29,180	258
Reversal of policy reserves (Note 18)	2,716,748	2,397,936	24,477
Other ordinary income	6,921	4,843	62
Total other ordinary income	2,752,298	2,431,960	24,798
Total ordinary income	7,916,655	7,952,951	71,328
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 20)	5,489,510	5,625,043	49,460
Annuity payments	400,623	394,681	3,610
Benefits	87,452	68,686	788
Surrender benefits	645,211	545,281	5,813
Other refunds	222,902	235,529	2,008
Reinsurance premiums	23,193	20,796	209
Total insurance claims and other	6,868,893	6,890,020	61,887
Provision for interest on policyholder dividends	7	7	0
Investment expenses:			
Interest expenses	1,064	1,450	10
Losses on sales of securities	62,255	65,733	561
Losses on redemption of securities	4,762	5,964	43
Losses on derivative financial instruments	73,381	30,301	661
Losses on foreign exchanges	1,124	—	10
Provision for reserve for possible loan losses	—	1	—
Other investment expenses	3,417	2,623	31
Total investment expenses	146,005	106,074	1,315
Operating expenses (Note 17)	519,840	533,461	4,684
Other ordinary expenses	117,038	114,154	1,054
Total ordinary expenses	7,651,785	7,643,717	68,941
Ordinary profit	264,870	309,233	2,386

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
EXTRAORDINARY GAINS (Note 21)	¥ 19,251	¥ 86,053	\$ 173
EXTRAORDINARY LOSSES (Note 22)	1,709	130,372	15
Provision for reserve for policyholder dividends (Note 23)	111,806	117,792	1,007
Income before income taxes	170,605	147,122	1,537
Income taxes (Note 15):			
Current	139,586	176,428	1,258
Deferred	(89,461)	(133,793)	(806)
Total income taxes	50,125	42,634	452
Net income	¥ 120,480	¥ 104,487	\$ 1,086
Net income attributable to non-controlling interests	¥ —	¥ —	\$ —
Net income attributable to Japan Post Insurance	120,480	104,487	1,086

	Yen		U.S. Dollars
Per share of common stock (Note 30):			
Basic net income	¥ 200.86	¥ 174.21	\$ 1.81
Diluted net income	—	—	—

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
Net income	¥ 120,480	¥ 104,487	\$ 1,086
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on available-for-sale securities	52,780	82,009	476
Net deferred gains (losses) on hedges	0	(17)	0
Adjustments for retirement benefits	(466)	(611)	(4)
Total other comprehensive income (loss)	52,315	81,380	471
Comprehensive income (loss)	¥ 172,795	¥ 185,868	\$ 1,557
Total comprehensive income (loss) attributable to:			
Japan Post Insurance	¥ 172,795	¥ 185,868	\$ 1,557
Non-controlling interests	—	—	—

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2017	¥ 500,000	¥ 500,044	¥ 527,358	¥ (521)	¥ 1,526,882
Changes in the fiscal year:					
Cash dividends			(36,000)		(36,000)
Net income attributable to Japan Post Insurance			104,487		104,487
Disposals of treasury stock				54	54
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	68,487	54	68,542
BALANCE, MARCH 31, 2018	500,000	500,044	595,846	(466)	1,595,424
Changes in the fiscal year:					
Cash dividends			(40,800)		(40,800)
Net income attributable to Japan Post Insurance			120,480		120,480
Disposals of treasury stock				15	15
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	79,680	15	79,695
BALANCE, MARCH 31, 2019	¥ 500,000	¥ 500,044	¥ 675,526	¥ (450)	¥ 1,675,120

	Millions of Yen				
	Accumulated other comprehensive income				
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
BALANCE, APRIL 1, 2017	¥ 321,904	¥ 50	¥ 4,366	¥ 326,321	¥ 1,853,203
Changes in the fiscal year:					
Cash dividends					(36,000)
Net income attributable to Japan Post Insurance					104,487
Disposals of treasury stock					54
Net changes in items other than shareholders' equity in the fiscal year	82,009	(17)	(611)	81,380	81,380
Net changes in the fiscal year	82,009	(17)	(611)	81,380	149,922
BALANCE, MARCH 31, 2018	403,913	32	3,755	407,701	2,003,126
Changes in the fiscal year:					
Cash dividends					(40,800)
Net income attributable to Japan Post Insurance					120,480
Disposals of treasury stock					15
Net changes in items other than shareholders' equity in the fiscal year	52,780	0	(466)	52,315	52,315
Net changes in the fiscal year	52,780	0	(466)	52,315	132,011
BALANCE, MARCH 31, 2019	¥ 456,694	¥ 33	¥ 3,289	¥ 460,017	¥ 2,135,137

See accompanying notes to consolidated financial statements.

Millions of U.S. Dollars (Note 1)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, MARCH 31, 2018	\$ 4,505	\$ 4,505	\$ 5,368	\$ (4)	\$ 14,374
Changes in the fiscal year:					
Cash dividends			(368)		(368)
Net income attributable to Japan Post Insurance			1,086		1,086
Disposals of treasury stock				0	0
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	—	718	0	718
BALANCE, MARCH 31, 2019	\$ 4,505	\$ 4,505	\$ 6,086	\$ (4)	\$ 15,093

Millions of U.S. Dollars (Note 1)

	Accumulated other comprehensive income				
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
BALANCE, MARCH 31, 2018	\$ 3,639	\$ 0	\$ 34	\$ 3,673	\$ 18,048
Changes in the fiscal year:					
Cash dividends					(368)
Net income attributable to Japan Post Insurance					1,086
Disposals of treasury stock					0
Net changes in items other than shareholders' equity in the fiscal year	476	0	(4)	471	471
Net changes in the fiscal year	476	0	(4)	471	1,189
BALANCE, MARCH 31, 2019	\$ 4,115	\$ 0	\$ 30	\$ 4,145	\$ 19,237

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 170,605	¥ 147,122	\$ 1,537
Depreciation and amortization	58,076	61,321	523
Impairment loss	1,088	2,003	10
Net change in reserve for outstanding claims	(28,628)	(29,180)	(258)
Net change in policy reserves	(2,716,748)	(2,397,936)	(24,477)
Provision for interest on policyholder dividends	7	7	0
Provision for reserve for policyholder dividends	111,806	117,792	1,007
Net change in reserve for possible loan losses	(236)	37	(2)
Net change in liability for retirement benefits	1,522	1,554	14
Net change in reserve for management board benefit trust	30	96	0
Net change in reserve for price fluctuations	(19,251)	128,031	(173)
Interest and dividend income (accrual basis)	(1,085,969)	(1,152,306)	(9,784)
Net (gains) losses on securities	27,640	35,175	249
Interest expenses (accrual basis)	1,064	1,450	10
Net (gains) losses on foreign exchanges	1,124	(284)	10
Net (gains) losses on tangible fixed assets	394	(85,747)	4
Net change in agency accounts receivable	11,754	17,173	106
Net change in reinsurance receivables	(645)	(933)	(6)
Net change in other assets (excluding those related to investing activities and financing activities)	3,775	37,643	34
Net change in reinsurance payables	436	1,259	4
Net change in other liabilities (excluding those related to investing activities and financing activities)	6,616	4,810	60
Other, net	(2,744)	(63,709)	(25)
Subtotal	(3,458,277)	(3,174,619)	(31,158)
Interest and dividend received (cash basis)	1,170,197	1,178,908	10,543
Interest paid (cash basis)	(863)	(1,567)	(8)
Policyholder dividends paid	(220,769)	(267,178)	(1,989)
Income taxes paid	(181,996)	(134,029)	(1,640)
Net cash used in operating activities	¥ (2,691,710)	¥ (2,398,486)	\$ (24,252)

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (8,535,000)	¥ (8,090,000)	\$ (76,899)
Proceeds from redemption of call loans	8,650,000	7,975,000	77,935
Net change in receivables under securities borrowing transactions	504,020	224,499	4,541
Purchases of monetary claims bought	(1,319,999)	(429,999)	(11,893)
Proceeds from sale and redemption of monetary claims bought	1,141,145	281,242	10,282
Purchases of money held in trust	(380,229)	(495,300)	(3,426)
Proceeds from decrease in money held in trust	352,235	30,000	3,174
Purchases of securities	(3,946,108)	(5,116,144)	(35,554)
Proceeds from sale and redemption of securities	5,761,118	8,298,957	51,907
Payments for loans	(890,808)	(911,162)	(8,026)
Proceeds from collection of loans	1,731,605	1,344,889	15,601
Net change in payables under securities lending transactions	(240,736)	(1,225,519)	(2,169)
Other, net	(111,644)	(588)	(1,006)
Total of net cash provided by investment transactions	2,715,597	1,885,875	24,467
Total of net cash provided by (used in) operating activities and investment transactions	23,887	(512,611)	215
Purchases of tangible fixed assets	(27,026)	(6,332)	(243)
Proceeds from sales of tangible fixed assets	6	115,849	0
Purchases of intangible fixed assets	(35,297)	(27,107)	(318)
Other, net	(275)	(759)	(2)
Net cash provided by investing activities	2,653,004	1,967,525	23,903
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease obligations	(698)	(636)	(6)
Proceeds from issuance of bonds	99,398	—	896
Dividends paid	(40,790)	(35,984)	(368)
Net cash provided by (used in) financing activities	57,909	(36,620)	522
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net change in cash and cash equivalents	19,203	(467,581)	173
Cash and cash equivalents at the beginning of the year	898,504	1,366,086	8,095
Cash and cash equivalents at the end of the year (Note 3)	¥ 917,708	¥ 898,504	\$ 8,268

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2019 AND 2018

1. BASIS OF PRESENTATION

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

In preparing these consolidated financial statements, certain re-classifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to US\$1, the approximate rate of exchange as of March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

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

2) Application of the equity method

A company is required to apply the equity method accounting to its non-consolidated subsidiaries and affiliates under Japanese GAAP. There are no non-consolidated subsidiaries that qualify for the equity method accounting, while the Company has 3 affiliates in 2019 (2 in 2018) including Japan Post Investment Corporation that are not accounted for by the

equity method because their net income (loss), retained earnings, 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.

3) Fiscal year-end date of the consolidated subsidiary

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

(2) Securities

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

1) Held-to-maturity bonds

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

2) Policy-reserve-matching bonds

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

3) Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity 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.

4) Available-for-sale securities

A) Available-for-sale securities at fair value

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

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

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

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

(3) Derivative Transactions

All derivative transactions are valued at fair value.

(4) Hedge Accounting

1) Methods for hedge accounting

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

2) Hedging instruments and hedged items

- A) Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds
- B) Hedging instrument: Interest rate swaps
Hedged item: Loans

3) Hedging policies

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

4) Assessment of hedge effectiveness

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

(5) Depreciation

1) Tangible fixed assets (excluding leased assets)

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

- Buildings : 2–60 years
- Other tangible fixed assets: 2–20 years

2) Intangible fixed assets (excluding leased assets)

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

3) Leased assets

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

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

(6) Reserve for Possible Loan Losses

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

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

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy, including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2019 and 2018, were ¥232 million (\$2 million) and ¥65 million, respectively.

(7) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Ordinance No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

They include policy reserves accumulated additionally in the year ended March 31, 2018, in preparation for future performance of obligations for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

In addition, pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the year ended March 31, 2011, for a portion of reinsurance contracts from the Management Organization, which is an independent administrative institution. As a result, the amounts of provision for the additional policy reserves for the years ended March 31, 2019 and 2018, were ¥179,882 million (\$1,621 million) and ¥180,903 million, respectively.

The Management Organization, which was renamed the Organization for Postal Savings, Postal Life Insurance and Post Office Network on April 1, 2019, was established in October 2007 to support the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited and Postal

Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately and to fulfill the relevant liabilities without fail.

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

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

(8) Retirement Benefits

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

The actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

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

(9) Reserve for Management Board Benefit Trust

To provide for the granting of shares and others of the Company to executive officers of the Company in accordance with the stock benefit rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(10) Reserve for Price Fluctuations

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

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

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

(12) Consolidated Statement of Cash Flows

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

(13) Consumption Taxes

All figures are net of consumption taxes.

(14) Additional Information

Transactions for granting shares and others of the Company to executive officers of the Company through a trust

The Company has introduced a trust-based performance-linked stock compensation system for executive officers of the Company from the year ended March 31, 2017.

The Company has adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force ("PITF") No. 30, March 26, 2015) with respect to the accounting treatment of the aforementioned trust agreement.

1) Outline of the transaction

In accordance with predetermined stock benefit rules, the Company shall grant its executive officers a certain number of points depending on the performance for the fiscal year, and later shall have the Board Benefit Trust (BBT) grant executive officers who meet the requirements for eligibility at the time of their retirement a given number of shares of the Company equivalent to the number of such points accumulated up to their retirement, as well as the amount of money equivalent to a certain portion of such number of shares, as calculated by the fair value at the time of their retirement.

Shares to be granted to executive officers, including the portion of shares to be granted in the future, are managed separately as trust assets through purchases by the trust bank from the stock market using the fund held in trust in advance by the Company.

2) Shares of the Company held in trust

Shares of the Company held in trust are recorded as treasury stock under the category of net assets at book value in the trust (excluding accompanying expenses). The book value of such treasury stock at the end of the years ended March 31, 2019 and 2018, was ¥450 million (\$4 million) and ¥466 million, respectively, while the number of such treasury stock was 191 thousand shares and 198 thousand shares, respectively.

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2019 and 2018, and cash and deposits in the consolidated balance sheets as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Cash and deposits	¥ 917,708	¥ 898,504	\$ 8,268
Cash and cash equivalents at the end of the year	¥ 917,708	¥ 898,504	\$ 8,268

4. SECURITIES

(1) Securities

Securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Japanese government bonds	¥ 38,041,414	¥ 39,589,896	\$ 342,746
Japanese local government bonds	7,524,415	8,513,583	67,794
Japanese corporate bonds	5,562,928	5,472,945	50,121
Stocks	205,584	195,395	1,852
Foreign securities	5,284,936	4,347,564	47,616
Other	1,832,301	2,011,524	16,509
Total	¥ 58,451,581	¥ 60,130,909	\$ 526,638

Investments in affiliates included in "Stocks" and "Other" as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Stocks (included in "Stocks")	¥ 495	¥ 495	\$ 4
Investments in capital (included in "Other")	4,511	—	41
Total	¥ 5,006	¥ 495	\$ 45

Securities lent under lending agreements in the amount of ¥3,710,368 million (\$33,430 million) and ¥4,477,886 million were included in "Securities" in the consolidated balance sheets as of March 31, 2019 and 2018, respectively.

The Group has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and exchange settlements. The fair value of such securities held in hand was ¥3,193,785 million (\$28,775 million) and ¥3,521,489 million as of March 31, 2019 and 2018, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Consolidated balance sheet amount	¥ 10,570,049	¥ 10,676,330	\$ 95,234
Fair value	11,724,384	11,769,615	105,635

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

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product to manage risks arising from fluctuations in the interest rates of assets and liabilities, and adopts a management policy whereby 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.

- 1) Postal Life Insurance Contracts (insurance policies with a remaining period within 30 years)
- 2) Japan Post Insurance life insurance contracts (general) (all insurance policies)
- 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The remaining period of insurance policies comprising the sub-group covering Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the year ended March 31, 2019, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no effect on profit or loss.

(3) Fair Value Information on Securities
1) Held-to-maturity bonds

(Millions of Yen)

March 31	2019				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 36,293,299	¥ 43,014,124	¥ 6,720,825	¥ 6,721,263	¥ (438)
Japanese government bonds	28,177,434	34,395,760	6,218,326	6,218,564	(238)
Japanese local government bonds	5,916,710	6,245,948	329,237	329,308	(70)
Japanese corporate bonds	2,199,154	2,372,415	173,261	173,390	(129)
Foreign securities	98,000	99,319	1,319	1,319	–
Foreign bonds	98,000	99,319	1,319	1,319	–
Total	¥ 36,391,299	¥ 43,113,443	¥ 6,722,144	¥ 6,722,582	¥ (438)

(Millions of Yen)

March 31	2018				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 38,392,055	¥ 44,508,572	¥ 6,116,516	¥ 6,158,096	¥ (41,579)
Japanese government bonds	29,289,869	34,915,893	5,626,024	5,661,940	(35,915)
Japanese local government bonds	6,847,288	7,199,958	352,669	355,924	(3,254)
Japanese corporate bonds	2,254,897	2,392,719	137,822	140,231	(2,409)
Foreign securities	98,000	100,160	2,160	2,160	–
Foreign bonds	98,000	100,160	2,160	2,160	–
Total	¥ 38,490,055	¥ 44,608,732	¥ 6,118,677	¥ 6,160,256	¥ (41,579)

(Millions of U.S. Dollars)

March 31	2019				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 326,996	\$ 387,550	\$ 60,553	\$ 60,557	\$ (4)
Japanese government bonds	253,874	309,900	56,026	56,028	(2)
Japanese local government bonds	53,308	56,275	2,966	2,967	(1)
Japanese corporate bonds	19,814	21,375	1,561	1,562	(1)
Foreign securities	883	895	12	12	–
Foreign bonds	883	895	12	12	–
Total	\$ 327,879	\$ 388,444	\$ 60,565	\$ 60,569	\$ (4)

2) Policy-reserve-matching bonds

(Millions of Yen)

March 31

2019				
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 10,570,049	¥ 11,724,384	¥ 1,154,334	¥ 1,154,883	¥ (548)
Japanese government bonds	9,429,778	1,090,518	1,091,024	(506)
Japanese local government bonds	552,443	27,795	27,825	(29)
Japanese corporate bonds	587,826	36,021	36,033	(12)
Total	¥ 10,570,049	¥ 1,154,334	¥ 1,154,883	¥ (548)

(Millions of Yen)

March 31

2018				
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 10,676,330	¥ 11,769,615	¥ 1,093,285	¥ 1,103,904	¥ (10,618)
Japanese government bonds	9,884,662	1,058,167	1,068,439	(10,271)
Japanese local government bonds	561,453	25,801	26,148	(346)
Japanese corporate bonds	230,214	9,316	9,316	(0)
Total	¥ 10,676,330	¥ 1,093,285	¥ 1,103,904	¥ (10,618)

(Millions of U.S. Dollars)

March 31

2019				
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
\$ 95,234	\$ 105,635	\$ 10,400	\$ 10,405	\$ (5)
Japanese government bonds	84,961	9,825	9,830	(5)
Japanese local government bonds	4,977	250	251	(0)
Japanese corporate bonds	5,296	325	325	(0)
Total	\$ 95,234	\$ 10,400	\$ 10,405	\$ (5)

3) Available-for-sale securities

(Millions of Yen)

March 31	2019				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 4,265,410	¥ 4,197,397	¥ 68,012	¥ 69,713	¥ (1,701)
Japanese government bonds	434,201	424,322	9,879	9,879	—
Japanese local government bonds	1,055,261	1,051,151	4,109	4,283	(174)
Japanese corporate bonds	2,775,947	2,721,924	54,023	55,550	(1,527)
Stocks	200,849	211,725	(10,876)	6,436	(17,312)
Foreign securities	5,186,936	5,006,642	180,293	231,113	(50,819)
Foreign bonds	5,010,788	4,826,642	184,146	230,918	(46,772)
Foreign other securities	176,147	179,999	(3,852)	194	(4,047)
Other ¹	2,587,749	2,584,566	3,182	14,429	(11,246)
Total	¥ 12,240,944	¥ 12,000,332	¥ 240,611	¥ 321,693	¥ (81,081)

(Millions of Yen)

March 31	2018				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 4,508,040	¥ 4,474,163	¥ 33,877	¥ 55,126	¥ (21,248)
Japanese government bonds	415,365	424,274	(8,909)	—	(8,909)
Japanese local government bonds	1,104,842	1,107,388	(2,546)	495	(3,041)
Japanese corporate bonds	2,987,833	2,942,499	45,333	54,630	(9,297)
Stocks	190,659	180,384	10,274	13,802	(3,527)
Foreign securities	4,249,564	4,238,918	10,645	124,782	(114,136)
Foreign bonds	4,137,485	4,129,047	8,437	122,573	(114,136)
Foreign other securities	112,079	109,870	2,208	2,208	—
Other ²	2,607,593	2,620,442	(12,849)	9,319	(22,169)
Total	¥ 11,555,857	¥ 11,513,909	¥ 41,948	¥ 203,030	¥ (161,081)

(Millions of U.S. Dollars)

March 31	2019				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 38,431	\$ 37,818	\$ 613	\$ 628	\$ (15)
Japanese government bonds	3,912	3,823	89	89	—
Japanese local government bonds	9,508	9,471	37	39	(2)
Japanese corporate bonds	25,011	24,524	487	500	(14)
Stocks	1,810	1,908	(98)	58	(156)
Foreign securities	46,733	45,109	1,624	2,082	(458)
Foreign bonds	45,146	43,487	1,659	2,081	(421)
Foreign other securities	1,587	1,622	(35)	2	(36)
Other ¹	23,315	23,286	29	130	(101)
Total	\$ 110,289	\$ 108,121	\$ 2,168	\$ 2,898	\$ (731)

Notes:

1. "Other" includes negotiable certificates of deposit (cost: ¥405,000 million (\$3,649 million), consolidated balance sheet amount: ¥405,000 million (\$3,649 million)) presented as "Cash and deposits" in the consolidated balance sheet, and monetary claims bought (cost: ¥352,762 million (\$3,178 million), consolidated balance sheet amount: ¥354,958 million (\$3,198 million)) as of March 31, 2019.
2. "Other" includes negotiable certificates of deposit (cost: ¥420,000 million, consolidated balance sheet amount: ¥420,000 million) presented as "Cash and deposits" in the consolidated balance sheet, and monetary claims bought (cost: ¥173,907 million, consolidated balance sheet amount: ¥176,069 million) as of March 31, 2018.

4) Available-for-sale securities sold for the years ended March 31, 2019 and 2018

(Millions of Yen)

March 31

Bonds
Japanese local government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Other securities
Total

2019		
Sales	Gains	Losses
¥ 131,028	¥ 1,204	¥ (2,876)
23,572	27	—
107,455	1,177	(2,876)
115,704	7,594	(10,157)
821,905	30,181	(48,160)
821,905	30,181	(48,160)
74,333	—	(1,059)
¥ 1,142,971	¥ 38,981	¥ (62,255)

(Millions of Yen)

March 31

Bonds
Japanese local government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Other securities
Total

2018		
Sales	Gains	Losses
¥ 16,223	¥ 1	¥ (334)
—	—	—
16,223	1	(334)
37,437	4,692	(1,152)
1,385,474	31,774	(64,156)
1,385,474	31,774	(64,156)
24,909	—	(90)
¥ 1,464,045	¥ 36,468	¥ (65,733)

(Millions of U.S. Dollars)

March 31

Bonds
Japanese local government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Other securities
Total

2019		
Sales	Gains	Losses
\$ 1,181	\$ 11	\$ (26)
212	0	—
968	11	(26)
1,042	68	(92)
7,405	272	(434)
7,405	272	(434)
670	—	(10)
\$ 10,298	\$ 351	\$ (561)

(4) Money Held in Trust

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

(Millions of Yen)

March 31

Specified money held in trust

2019				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 2,627,236	¥ 2,234,377	¥ 392,859	¥ 454,931	¥ (62,071)

(Millions of Yen)

March 31

Specified money held in trust

2018				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 2,755,347	¥ 2,238,862	¥ 516,484	¥ 555,532	¥ (39,047)

(Millions of U.S. Dollars)

March 31

Specified money held in trust

2019				
Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
\$ 23,671	\$ 20,131	\$ 3,540	\$ 4,099	\$ (559)

Note:

The Group recognized losses on valuation of ¥10,860 million (\$98 million) and ¥561 million for the years ended March 31, 2019 and 2018, respectively.

Stocks managed as trust assets with fair values declining by 50% or more of their acquisition costs shall, in principle, be subjected to recognition of losses on valuation, while those with fair values declining by 30% or more, but less than 50% of their acquisition costs, and for which market prices remain lower than a certain level, shall be subjected to recognition of losses on valuation, unless fair values are deemed likely to recover to the acquisition costs.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Assets pledged as collateral:			
Securities	¥ 2,900,087	¥ 3,117,013	\$ 26,129
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	3,422,810	3,663,547	30,839

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

In addition to the above, the following was pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Securities	¥ 388,753	¥ 209,920	\$ 3,503

6. LOANS

There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of March 31, 2019 and 2018. Definitions for each of the respective loans are as follows:

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

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

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

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

The amounts of unused commitments as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Amount of unused commitments	¥ 14,751	¥ 3,000	\$ 133

With respect to loans (loans to the Management Organization) maturing at the end of the years ended March 31, 2019 and 2018, the due dates for these loans were set on the next business day following the date of maturity based on internal rules since the end of the years ended March 31, 2019 and 2018, fell on a bank holiday. Of the loans to the Management Organization, those repaid in advance are recorded in "Other liabilities (suspense receipt)" as the due date had not arrived. Loans (loans to the Management Organization) maturing at the fiscal year-end, relevant accrued interests recorded in "Other assets (accrued income)," and advances repaid of such loans recorded in "Other liabilities (suspense receipt)" as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Loans (loans to the Management Organization)	¥ 377,726	¥ 413,259	\$ 3,403
Other assets (accrued income)	54,865	64,718	494
Other liabilities (suspense receipt)	12,822	11,913	116

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Accumulated depreciation	¥ 39,302	¥ 32,715	\$ 354

8. REINSURANCE

The reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3, of the Ordinance (hereinafter the “reserve for outstanding claims-ceded”), as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Reserve for outstanding claims-ceded	¥ 454	¥ 515	\$ 4

The policy reserves for reinsured part defined in Article 71, Paragraph 1, of the said Ordinance (hereinafter “policy reserves-ceded”) as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Policy reserves-ceded	¥ 985	¥ 946	\$ 9

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

The Company estimated future contributions to Life Insurance Policyholders Protection Corporation in the amounts of ¥33,174 million (\$299 million) and ¥31,569 million, as of March 31, 2019 and 2018, 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, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Balance at the beginning of the year	¥ 1,622,889	¥ 1,772,565	\$ 14,622
Policyholder dividends paid	(220,769)	(267,178)	(1,989)
Interest accrual	7	7	0
Reduction due to the acquisition of additional annuity	(300)	(297)	(3)
Provision for reserve for policyholder dividends	111,806	117,792	1,007
Balance at the end of the year	¥ 1,513,634	¥ 1,622,889	\$ 13,638

11. BONDS PAYABLE, LEASE OBLIGATIONS, AND OTHER INTEREST-BEARING DEBT

Bonds payable as of March 31, 2019 and 2018, were as follows:

	Date of issuance	Millions of Yen		Millions of U.S. Dollars	Interest rate	Collateral	Maturity date
		2019	2018	2019			
March 31							
Issued by JAPAN POST INSURANCE Co., Ltd.:							
First series of subordinated unsecured bonds with interest deferral option and early redemption option	January 29, 2019	¥ 100,000	¥ —	\$ 901	1.00%	None	January 29, 2049
Total	—	¥ 100,000	¥ —	\$ 901	—	—	—

Notes:

- Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%.
- No scheduled redemption is due within 5 years after the end of the year ended March 31, 2019.
- Bonds payable are subordinated bonds stipulating that their priorities are ranked behind other obligations.

Lease obligations and other interest-bearing debt as of March 31, 2019 and 2018, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2019	2018	2019	2019	March 2026
Lease obligations	¥ 2,354	¥ 2,364	\$ 21	—	
Other interest-bearing debt:					
Payables under securities lending transactions	3,422,810	3,663,547	30,839	0.04%	—
Total	¥ 3,425,165	¥ 3,665,912	\$ 30,860	—	—

Notes:

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

The repayment schedule on lease obligations as of March 31, 2019, was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 696	\$ 6
Due after 1 year through 2 years	566	5
Due after 2 years through 3 years	430	4
Due after 3 years through 4 years	319	3
Due after 4 years through 5 years	209	2
Due after 5 years	132	1
Total	¥ 2,354	\$ 21

12. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Group has adopted lump-sum severance indemnity plans as unfunded defined benefit plans.

In addition, starting from October 1, 2015, the Company has joined the retirement pension plan based on the Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012) and introduced a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension, and the pension contribution amount required for the Company for the years ended March 31, 2019 and 2018, was ¥369 million (\$3 million) and ¥360 million, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance at the beginning of the year	¥ 63,739	¥ 62,184	\$ 574
Service cost	4,130	4,075	37
Interest cost	441	431	4
Actuarial differences	56	298	1
Benefits paid	(3,124)	(3,292)	(28)
Other	19	42	0
Balance at the end of the year	¥ 65,262	¥ 63,739	\$ 588

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Unfunded retirement benefit obligations	¥ 65,262	¥ 63,739	\$ 588
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 65,262	¥ 63,739	\$ 588

3) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Service cost	¥ 4,130	¥ 4,075	\$ 37
Interest cost	441	431	4
Amortization of actuarial differences	(218)	(239)	(2)
Amortization of prior service cost	(373)	(369)	(3)
Other	105	175	1
Retirement benefit expenses of defined benefit plans	¥ 4,085	¥ 4,072	\$ 37

4) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Prior service cost	¥ (373)	¥ (308)	\$ (3)
Actuarial differences	(274)	(537)	(2)
Total	¥ (648)	¥ (846)	\$ (6)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Unrecognized prior service cost	¥ 3,721	¥ 4,095	\$ 34
Unrecognized actuarial differences	848	1,122	8
Total	¥ 4,569	¥ 5,218	\$ 41

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2019 and 2018, were as follows:

Years ended March 31	2019	2018
Discount rate	0.3% – 0.7%	0.3% – 0.7%

13. RESERVES RELATED TO REINSURANCE CONTRACTS

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

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2019 and 2018, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Policy reserves (excluding contingency reserve)	¥ 35,566,089	¥ 38,351,137	\$ 320,444
Contingency reserve	1,491,491	1,665,082	13,438
Reserve for price fluctuations	661,836	665,523	5,963

14. DEPOSITS FROM THE MANAGEMENT ORGANIZATION

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

Deposits from the Management Organization as of March 31, 2019 and 2018, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Deposits from the Management Organization	¥ 43,948	¥ 46,329	\$ 396

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Deferred tax assets:			
Policy reserves	¥ 918,790	¥ 832,310	\$ 8,278
Reserve for price fluctuations	208,438	207,552	1,878
Reserve for outstanding claims	44,069	44,659	397
Liability for retirement benefits	18,310	17,881	165
Unrealized losses on available-for-sale securities	40,496	56,264	365
Other	21,963	17,450	198
Subtotal	1,252,069	1,176,118	11,281
Valuation allowance	(6,045)	(3,907)	(54)
Total deferred tax assets	1,246,023	1,172,211	11,226
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(215,786)	(209,916)	(1,944)
Other	(8,145)	(8,208)	(73)
Total deferred tax liabilities	(223,932)	(218,125)	(2,018)
Net deferred tax assets (liabilities)	¥ 1,022,091	¥ 954,085	\$ 9,209

The Company and its domestic subsidiary are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 28.00% and 28.24% for the years ended March 31, 2019 and 2018, respectively.

Reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018, is omitted as the difference was less than 5% of the statutory tax rate.

16. NET ASSETS

(1) Type and Number of Shares Issued

Year ended March 31, 2019	Thousands of shares		
	April 1, 2018	Increase	March 31, 2019
Shares issued:			
Common stock	600,000	—	600,000
Total	600,000	—	600,000
Treasury stock			
Common stock	198	—	191
Total	198	—	191

Notes:

1. The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2019, was shares of the Company held in the BBT, and was 198 thousand shares and 191 thousand shares, respectively.
2. The decrease of 6 thousand shares of treasury stock of common stock was attributable to the granting of shares via the BBT.

Year ended March 31, 2018	Thousands of shares		
	April 1, 2017	Increase	March 31, 2018
Shares issued:			
Common stock	600,000	—	600,000
Total	600,000	—	600,000
Treasury stock			
Common stock	221	—	198
Total	221	—	198

Notes:

1. The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2018, was shares of the Company held in the BBT, and was 221 thousand shares and 198 thousand shares, respectively.
2. The decrease of 23 thousand shares of treasury stock of common stock was attributable to the granting of shares via the BBT.

(2) Information on Dividends

1) Dividends paid

Dividend paid for the year ended March 31, 2019

Resolution	Type of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2018	Common stock	¥ 40,800	\$ 368	¥ 68.00	\$ 0.61	March 31, 2018	June 19, 2018

Notes:

1. Total amount of dividends includes ¥13 million (\$0 million) of dividends paid to shares of the Company held in the BBT.
2. The amount of dividends per share includes a special dividend of ¥4 (\$0.04) per share.

Dividend paid for the year ended March 31, 2018

Resolution	Type of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2017	Common stock	¥ 36,000	¥ 60.00	March 31, 2017	June 22, 2017

Notes:

1. Total amount of dividends includes ¥13 million of dividends paid to shares of the Company held in the BBT.
2. The amount of dividends per share includes a commemorative dividend of ¥2 per share, in celebration of the 100th anniversary of the establishment of Postal Life Insurance Services.

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

Dividends for which the effective date falls after the end of the year ended March 31, 2019

Resolution	Type of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	¥ 43,200	\$ 389	Retained earnings	¥ 72.00	\$ 0.65	March 31, 2019	June 18, 2019

Notes:

1. Total amount of dividends includes ¥13 million (\$0 million) of dividends paid to shares of the Company held in the BBT.
2. The amount of dividends per share includes a special dividend of ¥4 (\$0.04) per share.

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2019 and 2018 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Sales activity expenses	¥ 157,168	¥ 177,274	\$ 1,416
Sales administration expenses	18,154	17,692	164
General administration expenses	344,517	338,494	3,104
Total	¥ 519,840	¥ 533,461	\$ 4,684

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

The amount of reversal of reserve for outstanding claims-ceded that is deducted from the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2019 was ¥61 million (\$1 million). The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2018, was ¥116 million.

The amounts of provision for policy reserves-ceded that are added to the calculation of reversal of policy reserves for the years ended March 31, 2019 and 2018, were ¥39 million (\$0 million) and ¥177 million, respectively.

19. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the years ended March 31, 2019 and 2018, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Insurance premiums	¥ 590,340	¥ 755,221	\$ 5,319

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2019 and 2018, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Insurance claims	¥ 4,030,959	¥ 5,124,383	\$ 36,318

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2019 and 2018, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Gains on sales of fixed assets	¥ –	¥ 86,053	\$ –
Reversal of reserve for price fluctuations	19,251	–	173
Total	¥ 19,251	¥ 86,053	\$ 173

Note: Gains on sales of fixed assets such as land of ¥86,053 million were recorded for the year ended March 31, 2018, and the amount equivalent thereto was included in provision for reserve for price fluctuations.

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2019 and 2018, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Losses on sales and disposal of fixed assets	¥ 620	¥ 337	\$ 6
Losses on impairment of fixed assets	1,088	2,003	10
Provision for reserve for price fluctuations	–	128,031	–
Total	¥ 1,709	¥ 130,372	\$ 15

Note: As mentioned in Note 21 "EXTRAORDINARY GAINS," provision for reserve for price fluctuations included the amount equivalent to gains on sale of fixed assets such as land of ¥86,053 million for the year ended March 31, 2018.

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, for the years ended March 31, 2019 and 2018, was as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Provision for reserve for policyholder dividends	¥ 92,117	¥ 96,174	\$ 830

24. OTHER COMPREHENSIVE INCOME

The amount reclassified and the tax effect amounts related to other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 64,969	¥ 124,111	\$ 585
Reclassification adjustments	9,448	(10,210)	85
Before tax-effect adjustments	74,417	113,901	670
Tax effect	(21,636)	(31,892)	(195)
Net unrealized gains (losses) on available-for-sale securities	52,780	82,009	476
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	0	(24)	0
Reclassification adjustments	—	—	—
Before tax-effect adjustments	0	(24)	0
Tax effect	(0)	6	(0)
Net deferred gains (losses) on hedges	0	(17)	0
Adjustments for retirement benefits:			
Amount arising during the fiscal year	(56)	(237)	(1)
Reclassification adjustments	(592)	(609)	(5)
Before tax-effect adjustments	(648)	(846)	(6)
Tax effect	182	235	2
Adjustments for retirement benefits	(466)	(611)	(4)
Total other comprehensive income (loss)	¥ 52,315	¥ 81,380	\$ 471

25. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

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

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

(2) Features and Risks of Financial Instruments

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

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

reduced and limited.

(3) Risk Management Framework for Financial Instruments

1) Management of market risk

Market risk is the risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance sheet assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates and stock prices. Market risk is categorized into interest rate risk and market price fluctuation risk for its management. Interest rate risk is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in yen and insurance liabilities due to fluctuations in yen interest rates, and the risk arises as the Company has a certain limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including market risk, the Company identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of the quantified risks.

2) Management of credit risk

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

To control investment and lending to borrowers with high credit risk, the Company manages its investment

and lending by prescribing credit eligibility rules based on internal rating. Moreover, to prevent concentration of credit risk on a particular borrower, group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

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

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

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those for which the market prices are not

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

The contract amounts of derivative transactions in Note 26 "DERIVATIVE TRANSACTIONS" do not indicate the market risk related to derivative transactions.

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the differences between them as of March 31, 2019 and 2018, were as follows. Financial instruments for which the fair values are extremely difficult to determine are not included in the table below.

(Millions of Yen)

March 31

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust ¹	
6) Securities	
Held-to-maturity bonds	
Policy-reserve-matching bonds	
Available-for-sale securities	
7) Loans	
Policy loans	
Industrial and commercial loans ²	
Loans to the Management Organization ²	
Reserve for possible loan losses ³	
Total assets	

1) Bonds payable	
2) Payables under securities lending transactions	
Total liabilities	

Derivative transactions ⁴	
Hedge accounting not applied	
Hedge accounting applied	
Total derivative transactions	

2019		
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
¥ 917,708	¥ 917,708	¥ -
405,000	405,000	-
150,000	150,000	-
2,792,202	2,792,202	-
354,958	354,958	-
354,958	354,958	-
2,627,236	2,627,236	-
58,442,334	66,318,814	7,876,479
36,391,299	43,113,443	6,722,144
10,570,049	11,724,384	1,154,334
11,480,985	11,480,985	-
6,786,029	7,304,801	518,772
144,566	144,566	-
991,309	1,062,099	70,836
5,650,198	6,098,135	447,936
(45)	-	-
¥ 72,070,470	¥ 80,465,722	¥ 8,395,251
¥ 100,000	¥ 100,830	¥ 830
3,422,810	3,422,810	-
¥ 3,522,810	¥ 3,523,640	¥ 830
¥ (490)	¥ (490)	¥ -
169	169	-
¥ (320)	¥ (320)	¥ -

(Millions of Yen)

	2018		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	¥ 898,504	¥ 898,504	¥ —
Available-for-sale securities (negotiable certificates of deposit)	420,000	420,000	—
2) Call loans	265,000	265,000	—
3) Receivables under securities borrowing transactions	3,296,222	3,296,222	—
4) Monetary claims bought	176,069	176,069	—
Available-for-sale securities	176,069	176,069	—
5) Money held in trust ¹	2,755,347	2,755,347	—
6) Securities	60,126,174	67,338,137	7,211,962
Held-to-maturity bonds	38,490,055	44,608,732	6,118,677
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285
Available-for-sale securities	10,959,788	10,959,788	—
7) Loans	7,627,086	8,216,144	589,057
Policy loans	135,314	135,314	—
Industrial and commercial loans ²	919,051	985,547	66,556
Loans to the Management Organization ²	6,572,781	7,095,282	522,500
Reserve for possible loan losses ³	(60)	—	—
Total assets	¥ 75,144,405	¥ 82,945,425	¥ 7,801,020
1) Payables under securities lending transactions	3,663,547	3,663,547	—
Total liabilities	¥ 3,663,547	¥ 3,663,547	¥ —
Derivative transactions ⁴			
Hedge accounting not applied	¥ 1	¥ 1	¥ —
Hedge accounting applied	1,270	1,270	—
Total derivative transactions	¥ 1,271	¥ 1,271	¥ —

(Millions of U.S. Dollars)

	2019		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	\$ 8,268	\$ 8,268	\$ —
Available-for-sale securities (negotiable certificates of deposit)	3,649	3,649	—
2) Call loans	1,351	1,351	—
3) Receivables under securities borrowing transactions	25,157	25,157	—
4) Monetary claims bought	3,198	3,198	—
Available-for-sale securities	3,198	3,198	—
5) Money held in trust ¹	23,671	23,671	—
6) Securities	526,555	597,521	70,966
Held-to-maturity bonds	327,879	388,444	60,565
Policy-reserve-matching bonds	95,234	105,635	10,400
Available-for-sale securities	103,442	103,442	—
7) Loans	61,141	65,815	4,674
Policy loans	1,303	1,303	—
Industrial and commercial loans ²	8,932	9,569	638
Loans to the Management Organization ²	50,907	54,943	4,036
Reserve for possible loan losses ³	(0)	—	—
Total assets	\$ 649,342	\$ 724,982	\$ 75,640
1) Bonds payable	\$ 901	\$ 908	\$ 7
2) Payables under securities lending transactions	30,839	30,839	—
Total liabilities	\$ 31,740	\$ 31,747	\$ 7
Derivative transactions ⁴			
Hedge accounting not applied	\$ (4)	\$ (4)	\$ —
Hedge accounting applied	2	2	—
Total derivative transactions	\$ (3)	\$ (3)	\$ —

Notes:

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

2. In the column of "Net unrealized gains (losses)," the difference between the consolidated balance sheet amount after deduction of reserve for possible loan losses and the fair value is provided.

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

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

The calculation methods for fair values of financial instruments are as follows:

Assets

- 1) Cash and deposits
Deposits (including negotiable certificates of deposit) mature within the short term (one year), and their fair value approximates book value.
- 2) Call loans and 3) Receivables under securities borrowing transactions
These are settled within the short term (one year), and their fair value approximates book value.
- 4) Monetary claims bought
The fair value of monetary claims bought accounted for as securities in "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10) is calculated in a similar manner to the method described in 6) "Securities" below.
- 5) Money held in trust
The fair value of money held in trust is based on the price quoted by the exchange for stocks and the net asset value for mutual funds.
Money held in trust is provided in Note 4 (4) "Money Held in Trust" in accordance with the purpose of the holdings.
- 6) Securities
The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or the price offered by the financial institutions, while the fair value of stocks is based on the price quoted by the exchange. The fair value of mutual funds is based on the net asset value.

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

7) Loans

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

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

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

Liabilities

- 1) Bonds payable
The Reference Statistical Prices published by the Japan Securities Dealers Association are used as fair value.
- 2) Payables under securities lending transactions
These are settled within the short term (one year), and their fair value approximates book value.

Derivatives

Notes on the fair value of derivatives are presented in Note 26 "DERIVATIVE TRANSACTIONS." Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

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

March 31

Money held in trust ¹
Securities
Unlisted stocks ²
Investments in partnerships ²
Total

Notes:

1. Trust asset components such as unlisted stocks, for which the fair values are deemed extremely difficult to determine, are not included in "Assets 5) Money held in trust."

2. Unlisted stocks and investments in partnerships of which assets consist of unlisted stocks, etc. are not included in "Assets 6) Securities," because it is extremely difficult to determine their fair values.

Millions of Yen		Millions of U.S. Dollars
2019	2018	2019
¥ 160,318	¥ 59,526	\$ 1,444
9,246	4,735	83
4,735	4,735	43
4,511	—	41
¥ 169,565	¥ 64,262	\$ 1,528

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

(Millions of Yen)

	2019			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	¥ 916,845	¥ —	¥ —	¥ —
Call loans	150,000	—	—	—
Receivables under securities borrowing transactions	2,792,202	—	—	—
Monetary claims bought	330,000	—	—	22,762
Securities	2,719,971	10,045,429	13,539,222	28,911,855
Held-to-maturity bonds	881,593	5,303,419	7,678,856	22,025,739
Bonds	881,593	5,205,419	7,678,856	22,025,739
Japanese government bonds	122,200	739,200	6,981,300	19,842,800
Japanese local government bonds	717,527	3,455,690	572,942	1,162,979
Japanese corporate bonds	41,866	1,010,529	124,614	1,019,960
Foreign securities	—	98,000	—	—
Policy-reserve-matching bonds	1,178,716	3,176,984	2,306,716	3,672,009
Bonds	1,178,716	3,176,984	2,306,716	3,672,009
Japanese government bonds	1,119,900	2,863,000	2,208,200	3,007,100
Japanese local government bonds	54,410	253,829	77,899	165,609
Japanese corporate bonds	4,406	60,155	20,617	499,300
Available-for-sale securities with maturities	659,661	1,565,025	3,553,649	3,214,106
Bonds	579,090	906,787	1,403,393	1,294,915
Japanese government bonds	—	—	—	425,200
Japanese local government bonds	145,461	187,270	604,327	108,329
Japanese corporate bonds	433,628	719,516	799,066	761,385
Foreign securities	80,571	658,238	2,150,256	1,911,203
Other securities	—	—	—	7,988
Loans	1,569,069	2,611,914	1,689,949	915,526
Total	¥ 8,478,089	¥ 12,657,343	¥ 15,229,172	¥ 29,850,144

(Millions of Yen)

	2018			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	¥ 897,386	¥ —	¥ —	¥ —
Call loans	265,000	—	—	—
Receivables under securities borrowing transactions	3,296,222	—	—	—
Monetary claims bought	150,000	—	—	23,907
Securities	4,235,024	10,500,429	11,459,469	30,640,041
Held-to-maturity bonds	3,072,072	5,198,477	6,621,172	23,072,436
Bonds	3,072,072	5,100,477	6,621,172	23,072,436
Japanese government bonds	1,696,700	651,800	5,303,600	21,118,900
Japanese local government bonds	1,045,003	3,470,038	1,156,002	1,170,076
Japanese corporate bonds	330,369	978,639	161,570	783,460
Foreign securities	—	98,000	—	—
Policy-reserve-matching bonds	584,069	3,427,934	2,031,881	4,386,900
Bonds	584,069	3,427,934	2,031,881	4,386,900
Japanese government bonds	533,500	3,161,100	1,827,400	4,118,400
Japanese local government bonds	31,738	202,373	183,764	142,300
Japanese corporate bonds	18,831	64,461	20,717	126,200
Available-for-sale securities with maturities	578,882	1,874,017	2,806,415	3,180,705
Bonds	537,446	1,407,950	1,339,523	1,172,491
Japanese government bonds	—	—	—	425,200
Japanese local government bonds	148,049	336,629	616,026	—
Japanese corporate bonds	389,397	1,071,321	723,496	747,291
Foreign securities	41,436	466,066	1,466,892	2,001,483
Other securities	—	—	—	6,729
Loans	1,402,165	3,187,531	2,003,161	1,034,345
Total	¥ 10,245,799	¥ 13,687,960	¥ 13,462,631	¥ 31,698,294

(Millions of U.S. Dollars)

	2019			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	\$ 8,261	\$ –	\$ –	\$ –
Call loans	1,351	–	–	–
Receivables under securities borrowing transactions	25,157	–	–	–
Monetary claims bought	2,973	–	–	205
Securities	24,506	90,508	121,986	260,491
Held-to-maturity bonds	7,943	47,783	69,185	198,448
Bonds	7,943	46,900	69,185	198,448
Japanese government bonds	1,101	6,660	62,900	178,780
Japanese local government bonds	6,465	31,135	5,162	10,478
Japanese corporate bonds	377	9,105	1,123	9,190
Foreign securities	–	883	–	–
Policy-reserve-matching bonds	10,620	28,624	20,783	33,084
Bonds	10,620	28,624	20,783	33,084
Japanese government bonds	10,090	25,795	19,895	27,093
Japanese local government bonds	490	2,287	702	1,492
Japanese corporate bonds	40	542	186	4,499
Available-for-sale securities with maturities	5,943	14,101	32,018	28,959
Bonds	5,217	8,170	12,644	11,667
Japanese government bonds	–	–	–	3,831
Japanese local government bonds	1,311	1,687	5,445	976
Japanese corporate bonds	3,907	6,483	7,199	6,860
Foreign securities	726	5,931	19,373	17,220
Other securities	–	–	–	72
Loans	14,137	23,533	15,226	8,249
Total	\$ 76,386	\$ 114,040	\$ 137,212	\$ 268,944

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

(Millions of Yen)

	2019					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31						
Bonds payable	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 100,000
Payables under securities lending transactions	3,422,810	–	–	–	–	–
Total	¥ 3,422,810	¥ –	¥ –	¥ –	¥ –	¥ 100,000

(Millions of Yen)

	2018					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31						
Payables under securities lending transactions	¥ 3,663,547	¥ –	¥ –	¥ –	¥ –	¥ –

(Millions of U.S. Dollars)

	2019					
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
March 31						
Bonds payable	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 901
Payables under securities lending transactions	30,839	–	–	–	–	–
Total	\$ 30,839	\$ –	\$ –	\$ –	\$ –	\$ 901

26. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied Currency-related derivatives

(Millions of Yen)

March 31		2019			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	¥ 43,936	¥ –	¥ (490)	¥ (490)
	U.S. dollars	43,936	–	(490)	(490)
	Total				¥ (490)

(Millions of Yen)

March 31		2018			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	¥ 185	¥ –	¥ 1	¥ 1
	U.S. dollars	185	–	1	1
	Total				¥ 1

(Millions of U.S. dollars)

March 31		2019			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	\$ 396	\$ –	\$ (4)	\$ (4)
	U.S. dollars	396	–	(4)	(4)
	Total				\$ (4)

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

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied 1) Currency-related derivatives

(Millions of Yen)

March 31			2019		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold	Foreign currency-denominated bonds	¥ 3,879,964	¥ –	¥ 122
	U.S. dollars		2,621,488	–	1,452
	Euros		568,644	–	1,222
	Australian dollars		246,076	–	(2,185)
	Other		443,754	–	(366)
	Total				¥ 122

(Millions of Yen)

March 31			2018		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold	Foreign currency-denominated bonds	¥ 2,704,514	¥ –	¥ 1,222
	U.S. dollars		1,696,376	–	(3,992)
	Euros		657,080	–	3,116
	Australian dollars		224,994	–	1,794
	Other		126,062	–	304
	Total				¥ 1,222

(Millions of U.S. Dollars)

March 31			2019		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange				
	Sold				
	U.S. dollars	Foreign currency-denominated bonds	\$ 34,958	\$ —	\$ 1
	Euros		23,619	—	13
	Australian dollars		5,123	—	11
	Other		2,217	—	(20)
			3,998	—	(3)
Total					\$ 1

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

2) Interest rate-related derivatives

(Millions of Yen)

March 31			2019		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	¥ 6,150	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	30,100	26,050	— ²
Total					¥ 47

(Millions of Yen)

March 31			2018		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	¥ 11,750	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	39,750	30,100	— ²
Total					¥ 47

(Millions of U.S. Dollars)

March 31			2019		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	\$ 55	\$ 55	\$ 0
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	271	235	— ²
Total					\$ 0

Notes:

1. Fair value is calculated using discounted present value.

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

27. LEASE TRANSACTIONS

Operating Leases

As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2019 and 2018, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Due within 1 year	¥ 5,871	¥ 5,016	\$ 53
Due after 1 year	38,557	74	347
Total	¥ 44,428	¥ 5,090	\$ 400

28. SEGMENT INFORMATION

(1) Segment Information

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

(2) Information on Losses on Impairment of Fixed Assets by Reportable Segment

This information is not presented for the years ended March 31, 2019 and 2018 as the Group has only one segment.

(3) Supplemental Information

1) Information by product and service

The Group's products and services are placed under one category for the years ended March 31, 2019 and 2018.

2) Information by geographic region

Ordinary income in Japan exceeded 90% of ordinary income in the consolidated statements of income, and the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the years ended March 31, 2019 and 2018.

3) Information by major customer

No customer accounted for 10% or more of ordinary income in the consolidated statements of income for the years ended March 31, 2019 and 2018.

29. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2019 and 2018, were as follows:

2019										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million (\$31,534 million)	Formulation of group management strategy	Directly owned 89%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥3,076 million (\$28 million)	Accounts payable—other	¥276 million (\$2 million)
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million (\$3,604 million)	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥358,100 million (\$3,226 million)	Agency accounts payable	¥40,615 million (\$366 million)
2018										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Formulation of group management strategy	Directly owned 89%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥3,194 million	Accounts payable—other	¥287 million
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥372,265 million	Agency accounts payable	¥39,153 million

Notes:

1. Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group are reflected in the Company's performance, brand royalty fees are calculated by multiplying the amount of insurance policies in force as of the end of the previous fiscal year, which is a financial indicator whereupon such benefits have been reflected, by a fixed rate.
2. The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and the insurance premiums of each contract by the commission rates set for each class of insurance, and the commission of maintenance and collection calculated by multiplying the unit prices set for outsourcing services, such as the collection of insurance premiums and payments for insurance money, by the volume of work.
3. Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Parent Company

JAPAN POST HOLDINGS Co., Ltd. (Listed on the Tokyo Stock Exchange)

30. PER SHARE DATA

March 31

Net assets per share

Yen		U.S. Dollars
2019	2018	2019
¥ 3,559.70	¥ 3,339.65	\$ 32.07

Years ended March 31

Net income per share

Yen		U.S. Dollars
2019	2018	2019
¥ 200.86	¥ 174.21	\$ 1.81

Notes:

1. Diluted net income per share is not presented for the years ended March 31, 2019 and 2018 as potential common stock did not exist.

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

Years ended March 31

Net income

Amount not attributable to common stockholders

Net income attributable to common stock

Millions of Yen		Millions of U.S. Dollars
2019	2018	2019
¥ 120,480	¥ 104,487	\$ 1,086
—	—	—
¥ 120,480	¥ 104,487	\$ 1,086

Years ended March 31

Average number of common stock during the fiscal year

Thousands of shares	
2019	2018
599,808	599,793

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

March 31

Net assets

Amount deducted from net assets

Net assets attributable to common stock at the fiscal year-end

Millions of Yen		Millions of U.S. Dollars
2019	2018	2019
¥ 2,135,137	¥ 2,003,126	\$ 19,237
—	—	—
¥ 2,135,137	¥ 2,003,126	\$ 19,237

March 31

Number of common stock at the fiscal year-end used for the calculation of net assets per share

Thousands of shares	
2019	2018
599,808	599,801

4. The Company established the Board Benefit Trust (BBT), whereby shares of the Company held in trust, which were recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year for the purpose of calculating net income per share. In addition, they were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

The average number of treasury stock during the fiscal year that was deducted from the calculation of net income per share for the years ended March 31, 2019 and 2018, was 191,857 shares and 206,599 shares, respectively. The number of treasury stock at the end of the fiscal year that was deducted from the calculation of net assets per share as of March 31, 2019 and 2018, was 191,400 shares and 198,100 shares, respectively.

31. SUBSEQUENT EVENTS

(1) Acquisition of Treasury Stock

The Company resolved matters related to the acquisition of its treasury stock in accordance with Article 156, Paragraph 1 of the Companies Act based on Article 39, Paragraph 1 of the Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the same Act at the Board of Directors meeting held on April 4, 2019, and the acquisition was completed on April 8, 2019.

1) Resolution of the Board of Directors regarding the acquisition of treasury stock

A) Reason of the acquisition of treasury stock

The acquisition of treasury stock was implemented with an aim to improve capital efficiency, enhance shareholder returns and mitigate the impact on the supply-demand balance of the Company's shares due to the sale of shares held by JAPAN POST HOLDINGS Co., Ltd., the parent company of the Company, in the future in light of the offering of shares of common stock of the Company as announced on April 4, 2019 in the "Notice Concerning the Offering of Shares."

B) Details of matters related to the acquisition

(i) Type of shares acquired:

Common stock of the Company

(ii) Total number of shares acquired:

50,000,000 shares (maximum)

(The ratio of the total number of shares acquired to the total number of shares issued (excluding treasury stock): 8.3%)

(iii) Total amount of acquisition cost of shares acquired:

¥100.0 billion (\$901 million) (maximum)

(iv) Acquisition period:

From April 8, 2019 to April 12, 2019

(v) Method of acquisition:

Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(vi) In addition to the matters as described above, any matters required for the acquisition of treasury stock shall be determined at the sole discretion of the President, CEO, Representative Executive Officer of the Company or a person appointed by the President, CEO, Representative Executive Officer of the Company.

2) Details of the acquisition of treasury stock

A) Type of shares acquired: Common stock of the Company

B) Total number of shares acquired: 37,411,100 shares

C) Total amount of shares acquired: ¥99,999,870,300 (\$900,980,902)

D) Acquisition date: April 8, 2019

E) Method of acquisition: Purchase through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(2) Cancellation of Treasury Stock

The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors meeting held on May 15, 2019, and the cancellation was implemented on May 31, 2019.

1) Type of shares cancelled: Common stock of the Company

2) Number of shares cancelled: 37,400,000 shares

(6.2% of the total number of shares issued before the cancellation)

3) Cancellation date: May 31, 2019

(Reference)

Total number of shares issued (after the cancellation): 562,600,000 shares

(3) Investigation of Rewritten Insurance Policies and Initiatives for Improvement

The Company promotes thoroughgoing customer-first business operation as one of its critical management priorities. However, following the internal investigation into the handling of customers' revision of their insurance coverage, it was discovered that in some cases, such revision was carried out in a manner that may have caused disadvantages to customers, not in line with their intentions. As a result, the Company decided to investigate all the Company's policies (approximately 30 million policies including cancelled policies in the past 5 years for a total of approximately 20 million policyholders).

We will reinstate insurance policies or take other measures in accordance with the intent and circumstances of our customers by specifically investigating whether there were any identifiable types of cases that caused disadvantages to customers not in line with their intentions, namely, the following: cases in which the previous policy was cancelled but the new policy underwriting was declined; cases in which subsequent benefit payments were declined as a result of cancellation of the new policy due to breach of the duty to disclose important matters; cases in which sales personnel could have made more reasonable proposals such as switching riders or decreasing insurance amounts; cases in which the policy coverage and period did not change after rewriting, but the assumed rate of return decreased; and cases of overlapping insurance because the previous policy was cancelled after the rewriting period (cancelled during the period seven to nine months after date of writing of the new policy).

It is difficult to estimate the impact of these measures on the financial results of the Company at this point in time. Such impact may materialize in the future financial periods depending on the progress in the implementation of these measures.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary, which comprise the consolidated balance sheets as at March 31, 2019 and 2018, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. and its consolidated subsidiary as at March 31, 2019 and 2018, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC
August 9, 2019
Tokyo, Japan

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

3 Non-Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS:			
Cash and deposits:			
Cash	¥ 861	¥ 1,118	\$ 8
Deposits	910,481	893,073	8,203
Total cash and deposits	911,343	894,191	8,211
Call loans	150,000	265,000	1,351
Receivables under securities borrowing transactions	2,792,202	3,296,222	25,157
Monetary claims bought	354,958	176,069	3,198
Money held in trust	2,787,555	2,814,873	25,115
Securities (Notes 3 and 4):			
Japanese government bonds	38,041,414	39,589,896	342,746
Japanese local government bonds	7,524,415	8,513,583	67,794
Japanese corporate bonds	5,562,928	5,472,945	50,121
Stocks	206,568	196,379	1,861
Foreign securities	5,284,936	4,347,564	47,616
Other securities	1,832,301	2,011,524	16,509
Total securities	58,452,565	60,131,893	526,647
Loans (Note 5):			
Policy loans	144,566	135,314	1,303
Industrial and commercial loans	991,309	919,051	8,932
Loans to the Management Organization	5,650,198	6,572,781	50,907
Total loans	6,786,074	7,627,147	61,141
Tangible fixed assets (Note 25):			
Land	48,008	43,066	433
Buildings	43,078	32,705	388
Leased assets	2,117	2,161	19
Construction in progress	—	8,149	—
Other tangible fixed assets	14,659	14,486	132
Total tangible fixed assets	107,865	100,568	972
Intangible fixed assets (Note 25):			
Software	158,555	167,744	1,429
Other intangible fixed assets	18	19	0
Total intangible fixed assets	158,574	167,763	1,429
Agency accounts receivable	21,960	33,715	198
Reinsurance receivables	3,872	3,227	35
Other assets:			
Accounts receivable	117,969	121,686	1,063
Prepaid expenses (Note 25)	2,293	2,223	21
Accrued income (Note 5)	209,791	225,202	1,890
Money on deposit	7,208	7,085	65
Derivative financial instruments	14,908	7,499	134
Suspense payments	1,652	2,206	15
Other assets	2,240	2,489	20
Total other assets	356,063	368,394	3,208
Deferred tax assets (Note 12)	1,021,999	954,136	9,208
Reserve for possible loan losses (Note 25)	(459)	(695)	(4)
Total assets	¥ 73,904,576	¥ 76,832,508	\$ 665,867

See accompanying notes to non-consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 6)	¥ 519,568	¥ 548,196	\$ 4,681
Policy reserves (Notes 6 and 9)	65,060,549	67,777,297	586,184
Reserve for policyholder dividends (Note 8)	1,513,634	1,622,889	13,638
Total policy reserves and others	67,093,751	69,948,383	604,503
Reinsurance payables	6,470	6,033	58
Bonds payable (Note 10)	100,000	—	901
Other liabilities:			
Payables under securities lending transactions (Note 4)	3,422,810	3,663,547	30,839
Income taxes payable	44,161	99,290	398
Accounts payable	16,615	26,263	150
Accrued expenses	33,226	29,497	299
Deposits received	2,483	2,542	22
Deposits from the Management Organization (Note 11)	43,948	46,329	396
Guarantee deposits received	73	—	1
Derivative financial instruments	15,228	6,227	137
Lease obligations	2,140	2,327	19
Asset retirement obligation	5	5	0
Suspense receipt (Note 5)	19,717	17,332	178
Other liabilities	5,232	552	47
Total other liabilities	3,605,644	3,893,916	32,486
Reserve for employees' retirement benefits	68,450	67,649	617
Reserve for management board benefit trust (Note 25)	203	172	2
Reserve for price fluctuations (Notes 9 and 25)	897,492	916,743	8,086
Total liabilities	¥ 71,772,012	¥ 74,832,900	\$ 646,653
NET ASSETS:			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,505
Capital surplus:			
Legal capital surplus	405,044	405,044	3,649
Other capital surplus	95,000	95,000	856
Total capital surplus	500,044	500,044	4,505
Retained earnings:			
Legal retained earnings	47,569	39,409	429
Other retained earnings:			
Reserve for reduction entry of real estate	5,805	6,163	52
Retained earnings brought forward	622,867	550,511	5,612
Total other retained earnings	628,672	556,674	5,664
Total retained earnings	676,242	596,084	6,093
Treasury stock	(450)	(466)	(4)
Total shareholders' equity	1,675,836	1,595,661	15,099
Net unrealized gains (losses) on available-for-sale securities	456,694	403,913	4,115
Net deferred gains (losses) on hedges	33	32	0
Total valuation and translation adjustments	456,727	403,946	4,115
Total net assets	2,132,564	1,999,608	19,214
Total liabilities and net assets	¥ 73,904,576	¥ 76,832,508	\$ 665,867

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2019	2018	2019
ORDINARY INCOME:			
Insurance premiums and others:			
Insurance premiums (Note 14)	¥ 3,945,380	¥ 4,225,050	\$ 35,547
Reinsurance income	14,548	11,410	131
Total insurance premiums and others	3,959,928	4,236,461	35,678
Investment income:			
Interest and dividend income:			
Interest on deposits	15	15	0
Interest and dividends on securities	941,377	986,497	8,482
Interest on loans	14,158	14,128	128
Interest on loans to the Management Organization	124,096	146,327	1,118
Other interest and dividend income	6,322	5,337	57
Total interest and dividend income	1,085,969	1,152,306	9,784
Gains on money held in trust (Note 16)	78,902	95,189	711
Gains on sales of securities (Note 17)	38,981	36,468	351
Gains on redemption of securities	395	53	4
Gains on foreign exchanges	—	284	—
Reversal of reserve for possible loan losses	14	—	0
Other investment income	165	226	1
Total investment income	1,204,428	1,284,529	10,852
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 13)	28,628	29,180	258
Reversal of policy reserves (Note 13)	2,716,748	2,397,936	24,477
Other ordinary income	6,919	4,841	62
Total other ordinary income	2,752,296	2,431,958	24,798
Total ordinary income	7,916,654	7,952,949	71,328
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 15)	5,489,510	5,625,043	49,460
Annuity payments	400,623	394,681	3,610
Benefits	87,452	68,686	788
Surrender benefits	645,211	545,281	5,813
Other refunds	222,902	235,529	2,008
Reinsurance premiums	23,193	20,796	209
Total insurance claims and other	6,868,893	6,890,020	61,887
Provision for interest on policyholder dividends	7	7	0
Investment expenses:			
Interest expenses	1,064	1,450	10
Losses on sales of securities (Note 18)	62,255	65,733	561
Losses on redemption of securities	4,762	5,964	43
Losses on derivative financial instruments (Note 19)	73,381	30,301	661
Losses on foreign exchanges	1,124	—	10
Provision for reserve for possible loan losses	—	1	—
Other investment expenses	3,417	2,623	31
Total investment expenses	146,004	106,074	1,315
Operating expenses (Note 25)	518,416	532,843	4,671
Other ordinary expenses:			
Taxes	51,515	51,895	464
Depreciation and amortization	59,377	62,505	535
Provision for reserve for employees' retirement benefits	653	375	6
Other ordinary expenses	6,640	381	60
Total other ordinary expenses	118,187	115,158	1,065
Total ordinary expenses	7,651,510	7,644,103	68,939
Ordinary profit	265,143	308,845	2,389
EXTRAORDINARY GAINS (Note 20)	¥ 19,251	¥ 86,053	\$ 173
EXTRAORDINARY LOSSES (Note 21)	1,708	130,371	15
Provision for reserve for policyholder dividends (Note 22)	111,806	117,792	1,007
Income before income taxes	170,879	146,735	1,540
Income taxes (Note 12):			
Current	139,421	176,185	1,256
Deferred	(89,499)	(133,758)	(806)
Total income taxes	49,921	42,426	450
Net income	¥ 120,958	¥ 104,309	\$ 1,090

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2019 AND 2018

	Millions of Yen									
	Shareholders' equity									
	Capital surplus				Retained earnings					
					Other retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry of real estate	Retained earnings brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2017	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 32,209	¥ -	¥ 495,565	¥ 527,775	¥ (521)	¥ 1,527,298
Changes in the fiscal year:										
Cash dividends					7,200		(43,200)	(36,000)		(36,000)
Net income							104,309	104,309		104,309
Disposals of treasury stock									54	54
Provision of reserve for reduction entry of real estate						6,163	(6,163)	-		-
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	-	-	-	-	7,200	6,163	54,945	68,309	54	68,363
BALANCE, MARCH 31, 2018	500,000	405,044	95,000	500,044	39,409	6,163	550,511	596,084	(466)	1,595,661
Changes in the fiscal year:										
Cash dividends					8,160		(48,960)	(40,800)		(40,800)
Net income							120,958	120,958		120,958
Disposals of treasury stock									15	15
Reversal of reserve for reduction entry of real estate						(357)	357	-		-
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	-	-	-	-	8,160	(357)	72,356	80,158	15	80,174
BALANCE, MARCH 31, 2019	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 47,569	¥ 5,805	¥ 622,867	¥ 676,242	¥ (450)	¥ 1,675,836

	Millions of Yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, APRIL 1, 2017	¥ 321,904	¥ 50	¥ 321,954	¥ 1,849,253
Changes in the fiscal year:				
Cash dividends				(36,000)
Net income				104,309
Disposals of treasury stock				54
Provision of reserve for reduction entry of real estate				-
Net changes in items other than shareholders' equity in the fiscal year	82,009	(17)	81,991	81,991
Net changes in the fiscal year	82,009	(17)	81,991	150,355
BALANCE, MARCH 31, 2018	403,913	32	403,946	1,999,608
Changes in the fiscal year:				
Cash dividends				(40,800)
Net income				120,958
Disposals of treasury stock				15
Reversal of reserve for reduction entry of real estate				-
Net changes in items other than shareholders' equity in the fiscal year	52,780	0	52,781	52,781
Net changes in the fiscal year	52,780	0	52,781	132,955
BALANCE, MARCH 31, 2019	¥ 456,694	¥ 33	¥ 456,727	¥ 2,132,564

See accompanying notes to non-consolidated financial statements.

	Millions of U.S. Dollars (Note 1)									
	Shareholders' equity									
	Capital surplus				Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
						Reserve for reduction entry of real estate	Retained earnings brought forward			
BALANCE, MARCH 31, 2018	\$ 4,505	\$ 3,649	\$ 856	\$ 4,505	\$ 355	\$ 56	\$ 4,960	\$ 5,371	\$ (4)	\$ 14,377
Changes in the fiscal year:										
Cash dividends					74		(441)	(368)		(368)
Net income							1,090	1,090		1,090
Disposals of treasury stock									0	0
Reversal of reserve for reduction entry of real estate						(3)	3	—		—
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	—	—	—	—	74	(3)	652	722	0	722
BALANCE, MARCH 31, 2019	\$ 4,505	\$ 3,649	\$ 856	\$ 4,505	\$ 429	\$ 52	\$ 5,612	\$ 6,093	\$ (4)	\$ 15,099

Millions of U.S. Dollars (Note 1)				
Valuation and translation adjustments				
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, MARCH 31, 2018	\$ 3,639	\$ 0	\$ 3,639	\$ 18,016
Changes in the fiscal year:				
Cash dividends				(368)
Net income				1,090
Disposals of treasury stock				0
Reversal of reserve for reduction entry of real estate				—
Net changes in items other than shareholders' equity in the fiscal year	476	0	476	476
Net changes in the fiscal year	476	0	476	1,198
BALANCE, MARCH 31, 2019	\$ 4,115	\$ 0	\$ 4,115	\$ 19,214

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2019 AND 2018

1. BASIS OF PRESENTATION

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

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

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

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to US\$1, the approximate rate of exchange as of March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Securities

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

1) Held-to-maturity bonds

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

2) Policy-reserve-matching bonds

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

3) Equities of subsidiaries and affiliates

Equities of subsidiaries and affiliates are carried at cost, and the cost of these securities sold is calculated using the moving-average method.

4) Available-for-sale securities

A) Available-for-sale securities at fair value

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

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

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

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

(2) Derivative Transactions

All derivative transactions are valued at fair value.

(3) Hedge Accounting

1) Methods for hedge accounting

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

2) Hedging instruments and hedged items

- | | |
|------------------------|-------------------------------------|
| A) Hedging instrument: | Foreign currency exchange contracts |
| Hedged item: | Foreign-currency-denominated bonds |
| B) Hedging instrument: | Interest rate swaps |
| Hedged item: | Loans |

3) Hedging policies

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

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of

hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts that applied the exceptional treatment for interest rate swaps.

(4) Depreciation

1) Tangible fixed assets (excluding leased assets)

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

Buildings : 2-60 years

Other tangible fixed assets: 2-20 years

2) Intangible fixed assets (excluding leased assets)

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

3) Leased assets

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

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

(5) Reserve for Possible Loan Losses

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

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

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy, including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2019 and 2018, were ¥232 million (\$2 million) and ¥65 million, respectively.

(6) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

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

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

They include policy reserves accumulated additionally in the year ended March 31, 2018, in preparation for future performance of obligations for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

In addition, pursuant to Article 69, Paragraph 5, of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the year ended March 31, 2011, for a portion of reinsurance contracts from the Management Organization, which is an independent administrative institution. As a result, the amounts of provision for the additional policy reserves for the years ended March 31, 2019 and 2018, were ¥179,882 million (\$1,621 million) and ¥180,903 million, respectively.

The Management Organization, which was renamed the Organization for Postal Savings, Postal Life Insurance and Post Office Network on April 1, 2019, was established in October 2007 to support the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited and Postal Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately and to fulfill the relevant liabilities without fail.

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

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

(7) Reserve for Employees' Retirement Benefits

To provide for payment of retirement benefits to employees, a reserve for employees' retirement benefits is provided based on the projected amount of retirement benefit obligations at the end of the fiscal year.

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

The actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

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

Accounting methods for unrecognized actuarial difference and unrecognized prior service cost are different from those of the consolidated financial statements.

(8) Reserve for Management Board Benefit Trust

To provide for the granting of shares and others of the Company to executive officers of the Company in accordance with the stock benefit rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(9) Reserve for Price Fluctuations

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

(10) 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.

(11) Consumption Taxes

All figures are net of consumption taxes.

(12) Additional Information

Transactions for granting shares and others of the Company to executive officers of the Company through a trust

Notes to the transactions for granting shares and others of the Company to executive officers of the Company through a trust are omitted as they are presented in Note 2 (14) "Additional Information" of the consolidated financial statements as of and for the year ended March 31, 2019.

3. SECURITIES

(1) Securities

Equities of subsidiaries and affiliates were included in "Stocks," and investments in capital of affiliates were included in "Other securities." All of which are carried at cost because their fair values are deemed extremely difficult to determine. Such securities as of March 31, 2019 and 2018, consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Equities of subsidiaries	¥ 984	¥ 984	\$ 9
Equities of affiliates	495	495	4
Investments in capital of affiliates	4,511	—	41

Securities lent under lending agreements in the amount of ¥3,710,368 million (\$33,430 million) and ¥4,477,886 million were included in "Securities" in the balance sheets as of March 31, 2019 and 2018, respectively.

The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and exchange settlements. The fair value of such securities held in hand was ¥3,193,785 million (\$28,775 million) and ¥3,521,489 million as of March 31, 2019 and 2018, respectively.

(2) Policy-Reserve-Matching Bonds

The balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2019 and 2018, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Balance sheet amount	¥ 10,570,049	¥ 10,676,330	\$ 95,234
Fair value	11,724,384	11,769,615	105,635

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

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product to manage risks arising from fluctuations in the interest rates of assets and liabilities, and adopts a management policy whereby 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.

1) Postal Life Insurance Contracts (insurance policies with a remaining period within 30 years)

2) Japan Post Insurance life insurance contracts (general) (all insurance policies)

3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The remaining period of insurance policies comprising the sub-group covering Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the year ended March 31, 2019, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no effect on profit or loss.

4. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Assets pledged as collateral:			
Securities	¥ 2,900,087	¥ 3,117,013	\$ 26,129
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	3,422,810	3,663,547	30,839

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

In addition to the above, the following was pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Securities	¥ 388,753	¥ 209,920	\$ 3,503

5. LOANS

There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of March 31, 2019 and 2018. Definitions for each of the respective loans are as follows:

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

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

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

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

The amounts of unused commitments as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Amount of unused commitments	¥ 14,751	¥ 3,000	\$ 133

With respect to loans to the Management Organization maturing at the end of the years ended March 31, 2019 and 2018, the due dates for these loans were set on the next business day following the date of maturity based on internal rules since the end of the years ended March 31, 2019 and 2018, fell on a bank holiday. Of the loans to the Management Organization, those repaid in advance are recorded in "Suspense receipt" as the due date had not arrived. Loans to the Management Organization maturing at the fiscal year-end, relevant accrued interests recorded in "Accrued income," and advances repaid of such loans recorded in "Suspense receipt" as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Loans to the Management Organization	¥ 377,726	¥ 413,259	\$ 3,403
Accrued income	54,865	64,718	494
Suspense receipt	12,822	11,913	116

6. REINSURANCE

The reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1, of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3, of the Ordinance (hereinafter the "reserve for outstanding claims–ceded"), as of March 31, 2019 and 2018, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Reserve for outstanding claims–ceded	¥ 454	¥ 515	\$ 4

The policy reserves for reinsured part defined in Article 71, Paragraph 1, of the said Ordinance (hereinafter "policy reserves–ceded") as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Policy reserves–ceded	¥ 985	¥ 946	\$ 9

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

The Company estimated future contributions to Life Insurance Policyholders Protection Corporation in the amounts of ¥33,174 million (\$299 million) and ¥31,569 million, as of March 31, 2019 and 2018, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

8. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Balance at the beginning of the year	¥ 1,622,889	¥ 1,772,565	\$ 14,622
Policyholder dividends paid	(220,769)	(267,178)	(1,989)
Interest accrual	7	7	0
Reduction due to the acquisition of additional annuity	(300)	(297)	(3)
Provision for reserve for policyholder dividends	111,806	117,792	1,007
Balance at the end of the year	¥ 1,513,634	¥ 1,622,889	\$ 13,638

9. RESERVES RELATED TO REINSURANCE CONTRACTS

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

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Policy reserves (excluding contingency reserve)	¥ 35,566,089	¥ 38,351,137	\$ 320,444
Contingency reserve	1,491,491	1,665,082	13,438
Reserve for price fluctuations	661,836	665,523	5,963

10. BONDS PAYABLE

Bonds payable, which are subordinated bonds stipulating that their priorities are ranked behind other obligations, as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
March 31			
Subordinated bonds	¥ 100,000	¥ –	\$ 901

11. DEPOSITS FROM THE MANAGEMENT ORGANIZATION

Deposits from the Management Organization refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which were deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance Policy.

12. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Deferred tax assets:			
Policy reserves	¥ 918,790	¥ 832,310	\$ 8,278
Reserve for price fluctuations	208,438	207,552	1,878
Reserve for outstanding claims	44,069	44,659	397
Reserve for employees' retirement benefits	19,167	18,943	173
Unrealized losses on available-for-sale securities	40,496	56,264	365
Other	20,990	16,415	189
Subtotal	1,251,953	1,176,146	11,280
Valuation allowance	(6,031)	(3,894)	(54)
Total deferred tax assets	1,245,922	1,172,252	11,226
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(215,786)	(209,916)	(1,944)
Other	(8,136)	(8,198)	(73)
Total deferred tax liabilities	(223,922)	(218,115)	(2,017)
Net deferred tax assets (liabilities)	¥ 1,021,999	¥ 954,136	\$ 9,208

The Company is subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 28.00% and 28.24% for the years ended March 31, 2019 and 2018, respectively.

Reconciliation of the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018, is omitted as the difference was less than 5% of the statutory tax rate.

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

The amount of reversal of reserve for outstanding claims-ceded that is deducted from the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2019, was ¥61 million (\$1 million). The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2018, was ¥116 million.

The amounts of provision for policy reserves-ceded that are added to the calculation of reversal of policy reserves for the years ended March 31, 2019 and 2018, were ¥39 million (\$0 million) and ¥177 million, respectively.

14. INSURANCE PREMIUMS

Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2019	2018	2019
Insurance premiums	¥ 590,340	¥ 755,221	\$ 5,319

15. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2019	2018	2019
Insurance claims	¥ 4,030,959	¥ 5,124,383	\$ 36,318

16. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included losses on valuation of ¥10,860 million (\$98 million) and ¥561 million for the years ended March 31, 2019 and 2018, respectively.

17. GAINS ON SALES OF SECURITIES

Gains on sales of securities were recognized on the following securities:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Japanese government bonds, etc.	¥ 1,204	¥ 1	\$ 11
Stocks	7,594	4,692	68
Foreign securities	30,181	31,774	272

18. LOSSES ON SALES OF SECURITIES

Losses on sales of securities were recognized on the following securities:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Japanese government bonds, etc.	¥ 2,876	¥ 334	\$ 26
Stocks	10,157	1,152	92
Foreign securities	48,160	64,156	434
Other securities	1,059	90	10

19. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included losses on valuation of ¥367 million (\$3 million) for the year ended March 31, 2019 and gains on valuation of ¥1,223 million for the year ended March 31, 2018.

20. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Gains on sales of fixed assets	¥ –	¥ 86,053	\$ –
Reversal of reserve for price fluctuations	19,251	–	173
Total	¥ 19,251	¥ 86,053	\$ 173

Note: Gains on sales of fixed assets such as land of ¥86,053 million were recorded for the year ended March 31, 2018, and the amount equivalent thereto was included in provision for reserve for price fluctuations.

21. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Years ended March 31			
Losses on sales and disposal of fixed assets	¥ 619	¥ 336	\$ 6
Losses on impairment of fixed assets	1,088	2,003	10
Provision for reserve for price fluctuations	–	128,031	–
Total	¥ 1,708	¥ 130,371	\$ 15

Note: As mentioned in Note 20 "EXTRAORDINARY GAINS," provision for reserve for price fluctuations included the amount equivalent to gains on sale of fixed assets such as land of ¥86,053 million for the year ended March 31, 2018.

22. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Organization, for the years ended March 31, 2019 and 2018, was as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2019	2018	2019
Provision for reserve for policyholder dividends	¥ 92,117	¥ 96,174	\$ 830

23. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2019 and 2018, and outstanding balances arising from such transactions as of March 31, 2019 and 2018, were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2019	2018	2019
Income	¥ 6	¥ 0	\$ 0
Expenses	13,910	15,319	125

	Millions of Yen		Millions of U.S. Dollars
March 31	2019	2018	2019
Monetary claims	¥ 418	¥ 457	\$ 4
Monetary obligations	16,189	15,029	146

24. SUBSEQUENT EVENTS

(1) Acquisition of Treasury Stock

The Company resolved matters related to the acquisition of its treasury stock in accordance with Article 156, Paragraph 1 of the Companies Act based on Article 39, Paragraph 1 of the Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the same Act at the Board of Directors meeting held on April 4, 2019, and the acquisition was completed on April 8, 2019.

1) Resolution of the Board of Directors regarding the acquisition of treasury stock

A) Reason of the acquisition of treasury stock

The acquisition of treasury stock was implemented with an aim to improve capital efficiency, enhance shareholder returns and mitigate the impact on the supply-demand balance of the Company's shares due to the sale of shares held by JAPAN POST HOLDINGS Co., Ltd., the parent company of the Company, in the future in light of the offering of shares of common stock of the Company as announced on April 4, 2019 in the "Notice Concerning the Offering of Shares."

B) Details of matters related to the acquisition

(i) Type of shares acquired: Common stock of the Company

(ii) Total number of shares acquired: 50,000,000 shares (maximum)

(The ratio of the total number of shares acquired to the total number of shares issued (excluding treasury stock): 8.3%)

(iii) Total amount of acquisition cost of shares acquired: ¥100 billion (\$901 million) (maximum)

(iv) Acquisition period: From April 8, 2019 to April 12, 2019

(v) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(vi) In addition to the matters as described above, any matters required for the acquisition of treasury stock shall be determined at the sole discretion of the President, CEO, Representative Executive Officer of the Company or a person appointed by the President, CEO, Representative Executive Officer of the Company.

2) Details of the acquisition of treasury stock

A) Type of shares acquired: Common stock of the Company

B) Total number of shares acquired: 37,411,100 shares

C) Total amount of shares acquired: ¥99,999,870,300 (\$900,980,902)

D) Acquisition date: April 8, 2019

E) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(2) Cancellation of Treasury Stock

The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors meeting held on May 15, 2019, and the cancellation was implemented on May 31, 2019.

- 1) Type of shares cancelled: Common stock of the Company
- 2) Number of shares cancelled: 37,400,000 shares
(6.2% of the total number of shares issued before the cancellation)
- 3) Cancellation date: May 31, 2019

(Reference)

Total number of shares issued (after the cancellation): 562,600,000 shares

(3) Investigation of Rewritten Insurance Policies and Initiatives for Improvement

The Company promotes thoroughgoing customer-first business operation as one of its critical management priorities. However, following the internal investigation into the handling of customers' revision of their insurance coverage, it was discovered that in some cases, such revision was carried out in a manner that may have caused disadvantages to customers, not in line with their intentions. As a result, the Company decided to investigate all the Company's policies (approximately 30 million policies including cancelled policies in the past 5 years for a total of approximately 20 million policyholders).

We will reinstate insurance policies or take other measures in accordance with the intent and circumstances of our customers by specifically investigating whether there were any identifiable types of cases that caused disadvantages to customers not in line with their intentions, namely, the following: cases in which the previous policy was cancelled but the new policy underwriting was declined; cases in which subsequent benefit payments were declined as a result of cancellation of the new policy due to breach of the duty to disclose important matters; cases in which sales personnel could have made more reasonable proposals such as switching riders or decreasing insurance amounts; cases in which the policy coverage and period did not change after rewriting, but the assumed rate of return decreased; and cases of overlapping insurance because the previous policy was cancelled after the rewriting period (cancelled during the period seven to nine months after date of writing of the new policy).

It is difficult to estimate the impact of these measures on the financial results of the Company at this point in time. Such impact may materialize in the future financial periods depending on the progress in the implementation of these measures.

25. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2019	2018	2019
Sales activity expenses:	¥ 157,168	¥ 177,274	\$ 1,416
Field sales staff-related expenses	10,958	11,396	99
Sales agencies-related expenses	146,209	165,877	1,317
Selection expenses of policyholders	0	0	0
Sales administration expenses:	18,154	17,692	164
Management of sales agencies	10,286	9,668	93
Training and education of sales staff	29	27	0
Advertising	7,838	7,996	71
General administration expenses:	343,093	337,876	3,091
Personnel expenses	47,548	47,034	428
Property expenses	293,167	288,579	2,641
Donation, contribution and miscellaneous dues	500	885	5
Obligations	2,377	2,262	21
Total	¥ 518,416	¥532,843	\$ 4,671

Notes:

1. "Property expenses" include consignment costs related to the maintenance and control of insurance policies and IT-system-related costs.

2. "Obligations" includes obligations paid to Life Insurance Policyholders Protection Corporation based on the provision of Article 259 of the Insurance Business Act.

Schedule of Tangible and Intangible Fixed Assets

Type of assets	Millions of Yen							
	Year ended March 31, 2019							
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance	
Tangible fixed assets:								
Land	¥ —	¥ —	¥ —	¥ 48,008	¥ —	¥ —	¥ 48,008	
Buildings	—	—	—	62,702	19,623	2,979	43,078	
Leased assets	—	—	—	4,225	2,107	619	2,117	
Construction in progress	—	—	—	—	—	—	—	
Other	—	—	—	32,062	17,402	3,916	14,659	
Total tangible fixed assets	—	—	—	146,998	39,133	7,516	107,865	
Intangible fixed assets:								
Software	—	—	—	461,123	302,567	51,806	158,555	
Other	—	—	—	29	11	2	18	
Total intangible fixed assets	—	—	—	461,152	302,578	51,809	158,574	
Long-term prepaid expenses	625	5	15	615	336	52	278	
Deferred assets	—	—	—	—	—	—	—	

Millions of Yen								
Year ended March 31, 2018								
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance	
Tangible fixed assets:								
Land	¥ —	¥ —	¥ —	¥ 43,066	¥ —	¥ —	¥ 43,066	
Buildings	—	—	—	49,639	16,933	6,665	32,705	
Leased assets	—	—	—	3,925	1,763	577	2,161	
Construction in progress	—	—	—	8,149	—	—	8,149	
Other	—	—	—	28,373	13,887	4,118	14,486	
Total tangible fixed assets	—	—	—	133,153	32,584	11,361	100,568	
Intangible fixed assets:								
Software	—	—	—	418,598	250,854	51,084	167,744	
Other	—	—	—	28	8	2	19	
Total intangible fixed assets	—	—	—	418,627	250,863	51,087	167,763	
Long-term prepaid expenses	634	—	9	625	298	56	326	
Deferred assets	—	—	—	—	—	—	—	

Millions of U.S. Dollars								
Year ended March 31, 2019								
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance	
Tangible fixed assets:								
Land	\$ —	\$ —	\$ —	\$ 433	\$ —	\$ —	\$ 433	
Buildings	—	—	—	565	177	27	388	
Leased assets	—	—	—	38	19	6	19	
Construction in progress	—	—	—	—	—	—	—	
Other	—	—	—	289	157	35	132	
Total tangible fixed assets	—	—	—	1,324	353	68	972	
Intangible fixed assets:								
Software	—	—	—	4,155	2,726	467	1,429	
Other	—	—	—	0	0	0	0	
Total intangible fixed assets	—	—	—	4,155	2,726	467	1,429	
Long-term prepaid expenses	6	0	0	6	3	0	3	
Deferred assets	—	—	—	—	—	—	—	

Notes:

1. "Beginning balance," "Increase" and "Decrease" of tangible fixed assets and intangible fixed assets are omitted because the amounts are less than 1% of total assets.
2. Long-term prepaid expenses are included in "Prepaid expenses" in the non-consolidated balance sheets.

Schedule of Reserves

Millions of Yen						
Year ended March 31, 2019						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 695	¥ 459	¥ 223	¥ 471	¥ 459	
General reserve	60	45	—	60	45	
Specific reserve	634	413	223	410	413	
Reserve for management board benefit trust	172	73	42	—	203	
Reserve for price fluctuations	916,743	19,616	38,867	—	897,492	

Millions of Yen						
Year ended March 31, 2018						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 658	¥ 695	¥ 48	¥ 609	¥ 695	
General reserve	59	60	—	59	60	
Specific reserve	598	634	48	549	634	
Reserve for management board benefit trust	76	180	84	—	172	
Reserve for price fluctuations	788,712	128,031	—	—	916,743	

Millions of U.S. Dollars						
Year ended March 31, 2019						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	\$ 6	\$ 4	\$ 2	\$ 4	\$ 4	
General reserve	1	0	—	1	0	
Specific reserve	6	4	2	4	4	
Reserve for management board benefit trust	2	1	0	—	2	
Reserve for price fluctuations	8,260	177	350	—	8,086	

Note: Decrease (for other reasons) of reserve for possible loan losses represents the reversed amount of the unused balance of previous year's reserve.

Independent Auditor's Report



Independent Auditor's Report

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

We have audited the accompanying non-consolidated financial statements of JAPAN POST INSURANCE Co., Ltd., which comprise the non-consolidated balance sheets as at March 31, 2019 and 2018, and the non-consolidated statements of income and statements of changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of JAPAN POST INSURANCE Co., Ltd. as at March 31, 2019 and 2018, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

KPMG AZSA LLC
August 9, 2019
Tokyo, Japan

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

4 Status of Financial Assets (Consolidated)

4-1 Status of Risk-Monitored Loans (Consolidated)

Not applicable.

4-2 Status of Insurance Claims Paying Ability of the Company and Its Subsidiaries (Consolidated Solvency Margin Ratio)

(Millions of yen)

As of March 31	2018	2019
Total amount of solvency margin (A)	¥ 5,595,880	¥ 5,647,874
Capital stock, etc.	1,554,624	1,631,920
Reserve for price fluctuations	916,743	897,492
Contingency reserve	2,114,348	1,962,755
Catastrophe loss reserve	—	—
General reserve for possible loan losses	60	45
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	501,809	568,785
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,896)	(2,336)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	5,218	4,569
Excess of continued Zillmerized reserve	506,467	489,649
Capital raised through debt financing	—	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—
Deductions	(495)	(5,006)
Other	—	—
Total amount of risk (B)	988,803	949,323
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$		
Insurance risk R ₁	147,403	142,209
General insurance risk R ₅	—	—
Catastrophe risk R ₆	—	—
Underwriting risk of third-sector insurance R ₈	63,087	59,172
Small amount and short-term insurance risk R ₉	—	—
Anticipated yield risk R ₂	150,450	141,866
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	792,075	763,194
Business management risk R ₄	23,060	22,128
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,131.8%	1,189.8%

Note: These figures are calculated based on the provisions set forth in the public notification No. 23 issued by the Financial Services Agency in 2011 and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

4-3 Status of Insurance Claims Paying Ability of the Company's Subsidiaries (Solvency Margin Ratio)

There are no subsidiaries classified as an insurance company.

5 Status of Financial Assets (Non-Consolidated)

5-1 Loans by Borrower Category

(Millions of yen, %)

As of March 31		2018	2019
	Bankrupt or quasi-bankrupt loans	¥ —	¥ —
	Doubtful loans	—	—
	Substandard loans	—	—
	Subtotal	—	—
	(Percentage in total)	(—)	(—)
	Normal loans	9,161,528	7,976,887
	Total	9,161,528	7,976,887

Notes:

1. Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
2. Doubtful loans are loans for which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower has not fallen into bankruptcy.
3. Substandard loans are past due loans for three months or more and restructured loans.
"Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
4. Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

5-2 Status of Risk-Monitored Loans

There were no such outstanding balances as of March 31, 2018 and 2019.

5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2018 and 2019.

5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

As of March 31	2018	2019
Total amount of solvency margin (A)	¥ 5,591,395	¥ 5,649,027
Capital stock, etc.	1,554,861	1,632,636
Reserve for price fluctuations	916,743	897,492
Contingency reserve	2,114,348	1,962,755
General reserve for possible loan losses	60	45
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	501,809	568,785
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,896)	(2,336)
Excess of continued Zillmerized reserve	506,467	489,649
Capital raised through debt financing	—	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—
Deductions	—	—
Other	—	—
Total amount of risk (B)	989,104	950,952
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Insurance risk R ₁	147,403	142,209
Underwriting risk of third-sector insurance R ₈	63,087	59,172
Anticipated yield risk R ₂	150,450	141,866
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	792,377	764,830
Business management risk R ₄	23,066	22,161
Solvency margin ratio (A) — × 100 (1/2) × (B)	1,130.5%	1,188.0%

Note: These figures are calculated based on the provisions set forth in the public notification No. 50 issued by the Ministry of Finance in 1996 and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act.

5-5 Real Net Assets

(Millions of yen, %)

As of March 31	2018	2019
Real net assets	¥ 12,899,899	¥ 13,531,906
[Ratio to general account assets]	[16.8]	[18.3]

Note: These figures are calculated based on the provisions set forth in Article 3, Paragraph 2 of the “Order Providing for Categories Prescribed in Article 132, Paragraph 2 of the Insurance Business Act.”

5-6 Fair Value Information of Securities (Company Total)

(1) Fair Value Information of Securities

1) Net Valuation Gain/Loss of Trading Securities

The Company did not hold securities for trading as of March 31, 2018 and 2019.

2) Fair Value Information of Securities (with Fair Value, Other than Trading Securities)

(Millions of yen)

As of March 31	2018					2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	¥ 38,490,055	¥ 44,608,732	¥ 6,118,677	¥ 6,160,256	¥ 41,579	¥36,391,299	¥43,113,443	¥6,722,144	¥6,722,582	¥ 438
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285	1,103,904	10,618	10,570,049	11,724,384	1,154,334	1,154,883	548
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	13,667,194	14,225,628	558,433	758,562	200,129	14,191,166	14,824,637	633,471	776,624	143,152
Corporate and government bonds	4,474,163	4,508,040	33,877	55,126	21,248	4,197,397	4,265,410	68,012	69,713	1,701
Domestic stocks	1,587,499	2,040,650	453,150	491,990	38,839	1,475,620	1,756,060	280,440	355,130	74,690
Foreign securities	4,835,101	4,923,090	87,989	202,126	114,137	5,503,242	5,778,632	275,390	326,368	50,978
Foreign corporate and government bonds	4,129,047	4,137,485	8,437	122,573	114,136	4,826,642	5,010,788	184,146	230,918	46,772
Foreign stocks and other securities	706,053	785,604	79,551	79,552	0	676,599	767,843	91,243	95,450	4,206
Other securities	2,176,523	2,157,777	(18,745)	7,158	25,903	2,257,142	2,264,575	7,432	23,214	15,781
Monetary claims bought	173,907	176,069	2,161	2,161	—	352,762	354,958	2,196	2,196	—
Negotiable certificates of deposit	420,000	420,000	—	—	—	405,000	405,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	62,833,580	70,603,976	7,770,395	8,022,723	252,327	61,152,515	69,662,466	8,509,950	8,654,090	144,139
Corporate and government bonds	53,542,548	60,786,228	7,243,680	7,317,126	73,446	51,060,746	59,003,919	7,943,172	7,945,860	2,688
Domestic stocks	1,587,499	2,040,650	453,150	491,990	38,839	1,475,620	1,756,060	280,440	355,130	74,690
Foreign securities	4,933,101	5,023,250	90,149	204,286	114,137	5,601,242	5,877,951	276,709	327,687	50,978
Foreign corporate and government bonds	4,227,047	4,237,645	10,597	124,733	114,136	4,924,642	5,110,107	185,465	232,237	46,772
Foreign stocks and other securities	706,053	785,604	79,551	79,552	0	676,599	767,843	91,243	95,450	4,206
Other securities	2,176,523	2,157,777	(18,745)	7,158	25,903	2,257,142	2,264,575	7,432	23,214	15,781
Monetary claims bought	173,907	176,069	2,161	2,161	—	352,762	354,958	2,196	2,196	—
Negotiable certificates of deposit	420,000	420,000	—	—	—	405,000	405,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,190,833 million with net unrealized gains of ¥392,859 million as of March 31, 2019 and ¥2,153,285 million with net unrealized gains of ¥516,484 million as of March 31, 2018.

○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2018			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 37,606,569	¥ 43,766,825	¥ 6,160,256	¥ 36,272,504	¥ 42,995,086	¥ 6,722,582
Corporate and government bonds	37,508,569	43,666,665	6,158,096	36,174,504	42,895,767	6,721,263
Foreign securities	98,000	100,160	2,160	98,000	99,319	1,319
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	883,486	841,906	(41,579)	118,795	118,357	(438)
Corporate and government bonds	883,486	841,906	(41,579)	118,795	118,357	(438)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2018			2019		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 10,270,427	¥ 11,374,331	¥ 1,103,904	¥ 10,521,279	¥ 11,676,162	¥ 1,154,883
Corporate and government bonds	10,270,427	11,374,331	1,103,904	10,521,279	11,676,162	1,154,883
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	405,902	395,284	(10,618)	48,770	48,221	(548)
Corporate and government bonds	405,902	395,284	(10,618)	48,770	48,221	(548)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

○ Available-for-sale securities

(Millions of yen)

As of March 31	2018			2019		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 5,634,651	¥ 5,837,681	¥ 203,030	¥ 8,024,434	¥ 8,346,127	¥ 321,693
Corporate and government bonds	2,745,231	2,800,357	55,126	3,993,200	4,062,914	69,713
Domestic stocks	118,021	131,824	13,802	64,387	70,824	6,436
Foreign securities	2,048,490	2,173,272	124,782	3,341,886	3,572,999	231,113
Other securities	699,000	706,158	7,158	602,197	614,430	12,232
Monetary claims bought	23,907	26,069	2,161	22,762	24,958	2,196
Negotiable certificates of deposit	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which the balance sheet amount does not exceed book value	5,879,257	5,718,176	(161,081)	3,975,898	3,894,817	(81,081)
Corporate and government bonds	1,728,931	1,707,683	(21,248)	204,197	202,495	(1,701)
Domestic stocks	62,363	58,835	(3,527)	147,337	130,024	(17,312)
Foreign securities	2,190,427	2,076,291	(114,136)	1,664,756	1,613,936	(50,819)
Other securities	1,327,534	1,305,365	(22,169)	1,224,606	1,213,360	(11,246)
Monetary claims bought	149,999	149,999	—	329,999	329,999	—
Negotiable certificates of deposit	420,000	420,000	—	405,000	405,000	—
Other	—	—	—	—	—	—

- The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Millions of yen)

As of March 31	2018	2019
Held-to-maturity bonds	¥ –	¥ –
Unlisted foreign bonds	–	–
Other	–	–
Policy-reserve-matching bonds	–	–
Equities of subsidiaries and affiliates	1,479	5,990
Available-for-sale securities	61,625	161,193
Unlisted domestic stocks (excluding OTC traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC traded equities)	–	–
Unlisted foreign bonds	–	–
Other	57,385	156,953
Total	63,105	167,184

Notes:

1. This table includes money held in trust other than trading securities (¥57,385 million as of March 31, 2018 and ¥156,953 million as of March 31, 2019).
2. Net unrealized losses on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: ¥867 million as of March 31, 2018 and ¥1,440 million as of March 31, 2019.

(2) Data on Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2018					2019				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Money held in trust	¥ 2,755,347	¥ 2,755,347	¥ –	¥ –	¥ –	¥ 2,627,236	¥ 2,627,236	¥ –	¥ –	¥ –

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018 and ¥160,318 million as of March 31, 2019).

1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2018 and 2019.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2018					2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Assets held-to-maturity in trust	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Assets held for reserves in trust	–	–	–	–	–	–	–	–	–	–
Other money held in trust	2,238,862	2,755,347	516,484	555,532	39,047	2,234,377	2,627,236	392,859	454,931	62,071
Domestic stocks	1,407,114	1,849,990	442,876	478,188	35,312	1,263,894	1,555,211	291,316	348,694	57,377
Foreign stocks	273,133	342,539	69,406	69,407	0	269,669	345,537	75,868	75,868	–
Foreign bonds	323,098	326,520	3,422	7,157	3,734	528,080	550,314	22,234	26,508	4,274
Other	235,516	236,296	779	779	–	172,732	176,172	3,440	3,859	419

Notes:

1. Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018 and ¥160,318 million as of March 31, 2019).
2. "Domestic stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds as well as mutual funds which exclusively invest in these assets.
3. "Other" includes bank loans, real estate funds and others.

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

1) Qualitative Information

(i) Detail of the transactions

The derivative transactions used by the Company are as follows:

- Interest rate-related: Interest rate swaps
- Currency-related: Foreign exchange contracts and currency option transactions

(ii) Policy for using derivative transactions

The Company uses derivative transactions for the purpose of hedging interest rate risk and foreign exchange fluctuation risk of our investment assets. The Company limits the use of derivative transactions to the purpose of hedging in principle and their use is not meant for speculative purposes.

(iii) Purposes of the use of derivative transactions

The Company conducts derivative transactions relating to currencies to control foreign exchange risks associated with foreign-currency-denominated assets, and derivative transactions relating to interest rates to ensure stable income by fixing the floating interest rates of loans. An overview of the hedge accounting using derivative transactions conducted by the Company is as follows:

(1) Methods for hedge accounting

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

(2) Hedging instruments and hedged items

(i) Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds

(ii) Hedging instrument: Interest rate swaps
Hedged item: Loans

(3) Hedging policies

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

(4) Assessment of hedge effectiveness

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

(iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in interest rates and foreign exchange rates) and credit risk (risks of transaction partners' default, including bankruptcy).

The Company uses derivative transactions for the purpose, in principle, of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

(v) Risk management framework

The Company has formulated the Basic Risk Management Policy, whereby the investment policies of derivative transactions are provided, limiting the use of derivative transactions to the purpose of hedging and prohibiting their use for speculative purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

(vi) Additional notes about quantitative information

– Additional notes about credit risk

We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

– Additional notes about the calculation of fair value

We calculate fair value on the following basis:

[Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Foreign exchange contracts]

Fair value is calculated using the forward foreign exchange rate as of the fiscal year-end date.

[Currency options]

Fair value is based on price offered by the financial institutions.

– Additional notes about net unrealized gains (losses)

We use derivative transactions as a means to hedge the market risk of our investment assets in principle, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

2) Quantitative Information

(i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
As of March 31, 2018	¥ 1,177	¥ 1,223	¥ –	¥ –	¥ –	¥ 2,401
Portion with hedge accounting applied	1,177	1,222	–	–	–	2,400
Portion with hedge accounting not applied	–	1	–	–	–	1
As of March 31, 2019	1,210	(367)	–	–	–	842
Portion with hedge accounting applied	1,210	122	–	–	–	1,332
Portion with hedge accounting not applied	–	(490)	–	–	–	(490)

Notes:

1. Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥1,222 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2018 are accrued in the statement of income.
2. Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥122 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2019 are accrued in the statement of income.

Derivative transactions to which hedge accounting is not applied

(ii) Interest rate-related derivatives

There were no such outstanding balances as of March 31, 2018 and 2019.

(iii) Currency-related derivatives

(Millions of yen)

Category	Type	As of March 31, 2018			As of March 31, 2019		
		Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
			Due after 1 year			Due after 1 year	
OTC	Foreign currency exchange contracts						
	Sold	¥ 185	¥ –	¥ 1	¥ 43,936	¥ –	¥ (490)
	U.S. dollars	185	–	1	43,936	–	(490)
	Purchased	–	–	–	–	–	–
Total				1			(490)

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2018 and 2019.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2018 and 2019.

(vi) Others

There were no such outstanding balances as of March 31, 2018 and 2019.

Derivative transactions to which hedge accounting is applied

(ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2018			As of March 31, 2019		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Deferred hedge method	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	¥ 11,750	¥ 6,150	¥ 47	¥ 6,150	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate / Payable floating rate	Loans	39,750	30,100	1,130	30,100	26,050	1,162
Total					1,177			1,210

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	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 or having no maturity date	Total
As of March 31, 2018	¥ 15,250	¥ 8,400	¥ 8,600	¥ 14,250	¥ 5,000	¥ —	¥ 51,500
Fixed receipt swap notional principal	15,250	8,400	8,600	14,250	5,000	—	51,500
Average fixed interest receipt	0.46	0.52	0.61	0.92	1.12	—	0.69
Average floating interest payment	0.03	0.07	0.12	0.11	0.10	—	0.08
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—
As of March 31, 2019	4,050	10,050	12,150	5,000	5,000	—	36,250
Fixed receipt swap notional principal	4,050	10,050	12,150	5,000	5,000	—	36,250
Average fixed interest receipt	0.49	0.48	0.90	0.99	1.12	—	0.78
Average floating interest payment	0.07	0.04	0.13	0.11	0.08	—	0.09
Fixed payment swap notional principal	—	—	—	—	—	—	—
Average fixed interest payment	—	—	—	—	—	—	—
Average floating interest receipt	—	—	—	—	—	—	—

(iii) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2018			As of March 31, 2019		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Fair value hedge accounting	Foreign exchange contracts							
	Sold		¥ 2,704,514	¥ –	¥ 1,222	¥ 3,879,964	¥ –	¥ 122
	U.S. dollars	Available-for-sale securities	1,696,376	–	(3,992)	2,621,488	–	1,452
	Euros		657,080	–	3,116	568,644	–	1,222
	Australian dollars		224,994	–	1,794	246,076	–	(2,185)
	Others		126,062	–	304	443,754	–	(366)
	Purchased		–	–	–	–	–	–
Total					1,222			122

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2018 and 2019.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2018 and 2019.

(vi) Others

There were no such outstanding balances as of March 31, 2018 and 2019.

5-7 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31	2018	2019
Core income	¥ 7,934,268	¥ 7,891,925
Insurance premiums and others	4,236,461	3,959,928
Investment income	1,207,597	1,151,410
Other ordinary income	2,490,208	2,780,586
Reversal of policy reserves	2,456,186	2,745,037
Core expenses	7,548,068	7,514,749
Insurance claims and others	6,890,020	6,868,893
Provision for policy reserves and others	7	7
Investment expenses	10,039	9,243
Operating expenses	532,843	518,416
Other ordinary expenses	115,158	118,187
Core profit A	386,199	377,176
Capital gains	131,942	117,883
Gains on money held in trust	95,189	78,902
Gains on trading securities	—	—
Gains on sales of securities	36,468	38,981
Gains on derivative financial instruments	—	—
Gains on foreign exchanges	284	—
Other capital gains	—	—
Capital losses	151,046	201,626
Losses on money held in trust	—	—
Losses on trading securities	—	—
Losses on sales of securities	65,733	62,255
Losses on valuation of securities	—	—
Losses on derivative financial instruments	30,301	73,381
Losses on foreign exchanges	—	1,124
Other capital losses	55,010	64,865
Net capital gains (losses) B	(19,103)	(83,743)
Core profit including net capital gains (losses) A+B	367,096	293,433
Other one-time gains	139,678	151,592
Reinsurance income	—	—
Reversal of contingency reserve	139,678	151,592
Reversal of specific reserve for possible loan losses	—	—
Other	—	—
Other one-time losses	197,929	179,882
Reinsurance premiums	—	—
Provision for contingency reserve	—	—
Provision for specific reserve for possible loan losses	—	—
Provision for reserve for specific foreign loans	—	—
Write-off of loans	—	—
Other	197,929	179,882
Other one-time profits (losses) C	(58,250)	(28,289)
Ordinary profit A+B+C	308,845	265,143

Notes:

1. "Investment income" and "investment expenses" exclude the amount regarding net capital gains (losses).
2. "Reversal of policy reserves" excludes the amount regarding other one-time profits (reversal of contingency reserve) and includes the amount regarding other one-time losses (provision for contingency reserve and the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act).
3. Amount equivalent to income gains associated with money held in trust (¥55,010 million for 2018 and ¥64,865 million for 2019) is recognized as "other capital losses" and included in "investment income."
4. "Other" in "other one-time losses" includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥197,929 million for 2018 and ¥179,882 million for 2019).

(Reference) Breakdown of Core Profit

(Millions of yen)

For the years ended March 31	2018	2019
Core profit	¥ 386,199	¥ 377,176
Spread (positive/negative spread)	65,875	58,460
Core profit attributable to life insurance activities	320,324	318,715

Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a "positive spread." Conversely, a "negative spread" exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2019, there was a positive spread of ¥58.4 billion.

The spread (positive/negative spread) is calculated according to the following formula:

$$\begin{array}{lcl} \text{Positive spread} & = & [\text{investment return on core profit} - \text{average assumed rate of return}] \times \text{general account policy reserves} \\ \text{¥58.4 billion} & & [1.79\%] \quad [1.70\%] \quad \text{¥63,838.5 billion} \end{array}$$

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

6 Main Business Indicators

6-1 Key Business Indicators (Non-Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2015	2016	2017	2018	2019
Ordinary income	¥ 10,169.2	¥ 9,605.8	¥ 8,659.4	¥ 7,952.9	¥ 7,916.6
Ordinary profit	493.1	413.0	279.3	308.8	265.1
Core profit	515.4	464.2	390.0	386.1	377.1
Net income	81.7	86.3	88.5	104.3	120.9
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(20,000)	(600,000)	(600,000)	(600,000)	(600,000)
Total assets	84,911.9	81,543.6	80,336.4	76,832.5	73,904.5
Separate account	—	—	—	—	—
Policy reserves	75,112.6	72,362.5	70,175.2	67,777.2	65,060.5
Loans	9,977.3	8,978.4	8,060.9	7,627.1	6,786.0
Securities	66,277.2	63,610.8	63,486.2	60,131.8	58,452.5
Solvency margin ratio (%)	1,641.4%	1,568.1%	1,289.1%	1,130.5%	1,188.0%
Number of employees (persons)	7,153	7,378	7,424	7,490	7,617
Policy amount in force	42,774.9	47,882.7	53,229.1	55,102.2	55,331.3
Individual insurance	39,159.0	44,406.2	50,097.9	52,359.7	53,001.8
Individual annuities	3,615.9	3,476.4	3,131.1	2,742.5	2,329.4
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes:

1. The number of shares issued reflects the 30:1 stock split effective August 1, 2015.
2. From March 31, 2016 onwards, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016. Accordingly, the amounts as of March 31, 2015 and those 2016 onwards were calculated based on different standards.
3. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance.
Figures for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

6-2 Selected Financial Data and Other Information

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2018				2019			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	17,921,047	104.5%	¥ 52,359,711	104.5%	18,095,226	101.0%	¥ 53,001,882	101.2%
Individual annuities	1,333,084	97.8	2,742,555	87.6	1,268,171	95.1	2,329,471	84.9
Group insurance	–	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–	–

Note: Policy amounts for “individual annuities” are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2018						2019					
	Number of policies		Policy amount				Number of policies		Policy amount			
		Year-on-year comparison		Year-on-year comparison	New policies	Net increase arising from the conversion		Year-on-year comparison		Year-on-year comparison	New policies	Net increase arising from the conversion
Individual insurance	1,739,153	71.2%	¥ 5,464,124	69.6%	¥ 5,464,124	–	1,711,410	98.4%	¥ 5,563,886	101.8%	¥ 5,563,886	–
Individual annuities	641	6.0	3,002	7.5	3,002	–	406	63.3	1,974	65.8	1,974	–
Group insurance	–	–	–	–	–	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–	–	–	–	–	–

Note: Policy amounts for “individual annuities” are the total of the accumulated contribution payment as of the date of annuity payment commencement.

(2) Annualized Premiums

1) Policies in Force

(Millions of yen, %)

As of March 31	2018		2019	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 3,367,381	105.0%	¥ 3,363,941	99.9%
Individual annuities	491,191	86.3	452,478	92.1
Total	¥ 3,858,573	102.2	¥ 3,816,419	98.9
Medical coverage, living benefits and other	382,107	114.5	410,929	107.5

Notes:

- Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
- “Medical coverage, living benefits and other” includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

2) New Policies

(Millions of yen, %)

For the years ended March 31	2018		2019	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 376,237	74.1%	¥ 351,398	93.4%
Individual annuities	264	1.4	171	64.8
Total	¥ 376,502	71.4	¥ 351,570	93.4
Medical coverage, living benefits and other	59,205	106.2	61,618	104.1

Notes:

1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
2. "Medical coverage, living benefits and other" includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits) and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

(3) New Policies by Product

(Number of policies, millions of yen)

For the years ended March 31	2018		2019	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	1,739,153	¥ 5,464,124	1,711,410	¥ 5,563,886
Ordinary whole life insurance	646,669	1,879,881	636,106	1,954,761
Fixed amount type	282,707	595,166	231,280	459,720
Increased amount type	363,962	1,284,715	404,826	1,495,041
(Inclusive) Ordinary whole life insurance (low cash value)	82,274	218,419	134,920	366,532
Fixed amount type	37,918	74,577	62,621	121,544
Increased amount type	44,356	143,841	72,299	244,987
Special whole life insurance	123,433	443,791	102,765	372,244
(Inclusive) Special whole life insurance (low cash value)	15,345	50,920	25,082	88,410
Ordinary term insurance	596	1,337	2,742	5,865
Ordinary endowment insurance	498,624	1,534,679	447,018	1,338,130
Special endowment insurance	332,546	1,324,272	394,335	1,635,460
Designated endowment insurance	719	922	653	836
Educational endowment insurance (H24)	136,566	279,240	127,791	256,587
Individual annuities	641	¥ 3,002	406	¥ 1,974
Longevity support insurance (low cash value)	641	3,002	406	1,974
Immediate term annuity	—	—	—	—
Deferred term annuity	—	—	—	—
Asset-formation insurance	3	¥ 0	2	¥ 0
Asset-formation savings insurance	3	0	2	0
Asset-formation housing funding insurance	—	—	—	—
Asset-formation annuities	—	¥ —	—	¥ —
Asset-formation whole life annuity	—	—	—	—

Notes:

1. Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
2. Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
3. Policy amount for "asset-formation insurance" is the amount of the first premium payment.
4. "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

(4) Policies in Force by Product

(Number of policies, millions of yen)

As of March 31	2018		2019	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	17,921,047	¥ 52,359,711	18,095,226	¥ 53,001,882
Ordinary whole life insurance	3,171,912	9,928,579	3,566,628	11,016,442
Fixed amount type	1,139,717	2,665,158	1,296,811	2,941,955
Increased amount type	2,032,195	7,263,421	2,269,817	8,074,487
(Inclusive) Ordinary whole life insurance (low cash value)	81,302	215,881	206,815	556,571
Fixed amount type	37,281	73,251	95,091	185,211
Increased amount type	44,021	142,630	111,724	371,360
Special whole life insurance	1,915,010	6,472,009	1,942,657	6,537,779
(Inclusive) Special whole life insurance (low cash value)	15,199	50,335	38,942	133,950
Whole life insurance with nursing care benefit	116	328	110	288
Ordinary term insurance	3,859	16,574	5,673	19,516
Ordinary endowment insurance	6,859,904	17,763,478	6,528,280	16,923,823
Special endowment insurance	3,183,352	12,702,198	3,216,983	12,881,483
Designated endowment insurance	57,746	107,256	45,957	85,729
Educational endowment insurance	1,090,366	1,897,730	1,057,806	1,885,640
Educational endowment insurance with scholarship annuity	86,469	164,336	84,392	163,039
Educational endowment insurance (H24)	1,551,924	3,305,574	1,646,355	3,486,538
Husband-and-wife insurance	35	103	34	101
Whole life insurance with whole life annuity	353	1,537	350	1,494
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3
Individual annuities	1,333,084	¥ 2,742,555	1,268,171	¥ 2,329,471
Longevity support insurance (low cash value)	619	2,855	950	4,511
Immediate whole life annuity	987	3,792	937	3,521
Deferred whole life annuity	9,993	78,417	9,827	76,764
Whole life annuity with additional nursing annuity	5	51	5	51
Immediate term annuity	370,378	427,710	317,912	307,548
Deferred term annuity	951,090	2,229,649	938,529	1,937,001
Immediate husband-and-wife annuity	2	6	1	3
Deferred husband-and-wife annuity	10	71	10	70
Asset-formation insurance	108	¥ 100	86	¥ 86
Asset-formation savings insurance	103	91	82	82
Asset-formation housing funding insurance	5	9	4	4
Asset-formation annuities	13	¥ 56	12	¥ 51
Asset-formation whole life annuity	13	56	12	51

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Policy amount for "asset-formation insurance" is the amount of policy reserves.
- "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

(5) Policies in Force by Benefit Type

(Millions of yen)

As of March 31			Policy amount in force	
			2018	2019
Death benefit	General death	Individual insurance	¥ 49,054,136	¥ 49,515,343
		Individual annuities	—	—
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	77,375,536	73,624,135
	Accidental death	Individual insurance	[59,860,503]	[60,702,433]
		Individual annuities	[14,393]	[13,645]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[112,334,755]	[106,663,268]
	Other conditional death	Individual insurance	[—]	[—]
		Individual annuities	[—]	[—]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[—]	[—]
Survival benefit	Maturity/living benefits	Individual insurance	3,305,574	3,486,538
		Individual annuities	749,279	583,096
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	6,054,690	5,857,305
	Annuities	Individual insurance	[20,517]	[20,042]
		Individual annuities	[476,643]	[454,865]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[1,253,283]	[1,119,867]
	Others	Individual insurance	—	—
		Individual annuities	1,993,275	1,746,375
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	11,123,715	10,785,233
Hospitalization benefit	Hospitalization due to accident	Individual insurance	[52,363]	[52,905]
		Individual annuities	[34]	[33]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[96,144]	[91,286]
	Hospitalization due to illness	Individual insurance	[51,719]	[52,327]
		Individual annuities	[8]	[8]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[95,351]	[90,587]
	Other conditional hospitalization	Individual insurance	[7,983]	[7,101]
		Individual annuities	[5]	[5]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[12,309]	[11,188]

Notes:

- Figures within brackets “[]” are supplementary benefits of the basic policy and rider benefits.
- Policy amounts for “individual annuities” in the “maturity/living benefits” column in “survival benefit” are the accumulated contribution payments as of the date of annuity payment commencement for the annuity before payments commence.
- Policy amounts of “annuities” in survival benefit are the amounts of annuities to be paid annually.
- Policy amounts of “others” in survival benefit are the amounts of policy reserves for individual annuities (the annuity after payments have commenced).
- Policy amounts for “hospitalization benefits” are the amounts of daily hospitalization benefits.

(Number of policies)

As of March 31		Number of policies in force	
		2018	2019
Disability benefit	Individual insurance	[11,033,468]	[11,045,043]
	Individual annuities	[3,937]	[3,757]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[22,203,649]	[20,908,807]
Surgery benefit	Individual insurance	[13,248,234]	[13,464,905]
	Individual annuities	[6,369]	[6,112]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[24,843,577]	[24,283,260]

Note: Figures within brackets "[]" are supplementary benefits of the basic policy and rider benefits.

(6) Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

As of March 31		Policy amount in force	
		2018	2019
Death protection insurance	Whole life insurance	¥ 16,400,918	¥ 17,554,511
	Whole life insurance with term rider	—	—
	Term insurance	16,574	19,516
	Net, including others	16,419,033	17,575,525
Mixed insurance	Endowment insurance	30,572,933	29,891,036
	Endowment insurance with term rider	—	—
	Term insurance with living benefits	—	—
	Net, including others	32,635,103	31,939,817
Pure endowment insurance		3,305,574	3,486,538
Annuities	Individual annuities	2,742,555	2,329,471
Accident/illness riders	Accident rider	29,311,917	26,320,372
	Nursing care rider	209	190
	Accident hospitalization rider	15	3
	Illness hospitalization rider	0	0
	Illness and accident hospitalization rider	975	597
	Non-participating accident hospitalization rider	633	530
	Non-participating illness and accident hospitalization rider	46,640	41,710
	Non-participation accidental rider	1,192,026	4,234,582
	Non-participation accident medical rider	21	69
	Non-participation comprehensive medical rider	4,111	10,027

Notes:

1. Policy amounts for "individual annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
2. Policy amounts for "hospitalization riders" are the amounts of daily hospitalization benefits.

(7) Annualized Premiums from Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

As of March 31		Annualized premiums from policies in force	
		2018	2019
Death protection insurance	Whole life insurance	¥ 728,957	¥ 804,785
	Whole life insurance with term rider	—	—
	Term insurance	145	206
	Net, including others	729,211	805,100
Mixed insurance	Endowment insurance	2,274,523	2,186,899
	Endowment insurance with term rider	—	—
	Term insurance with living benefits	—	—
	Net, including others	2,416,565	2,323,810
Pure endowment insurance		221,604	235,030
Annuities	Individual annuities	491,191	452,478

Note: Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.

(8) Embedded Value (“EV”)

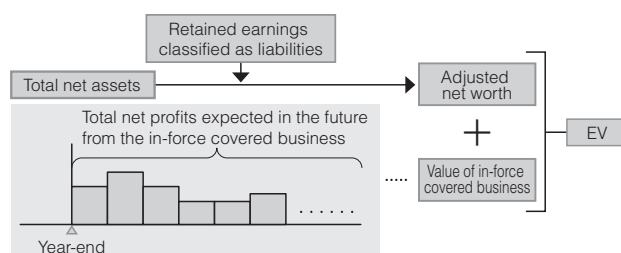
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy's duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy's long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the present value of the expected future profits from the in-force covered business.

Since the end of the year ended March 31, 2013, we have been disclosing EV calculated on the basis of the European Embedded Value Principles (“EEV Principles”) as additional information supplementary to the financial data provided under the current statutory accounting practices.

Outline of EV



Notes:

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurance companies, in order to improve consistency and transparency in EV calculation and reporting.

1) EV Results

(Billions of yen)

As of March 31	2018	2019	
			Increase (Decrease)
EV	¥ 3,743.3	¥ 3,925.7	¥ 182.4
Adjusted net worth	2,136.4	2,237.1	100.6
Total net assets on the balance sheet (Note 1)	1,595.8	1,675.5	79.6
Reserve for price fluctuations (Note 2)	251.2	235.6	(15.5)
Contingency reserve (Note 2)	449.2	471.2	21.9
Others (Note 3)	50.3	73.0	22.6
Tax effect on the above	(210.2)	(218.4)	(8.1)
Value of in-force covered business	1,606.8	1,688.6	81.8
Certainty equivalent present value of future profits	2,105.5	2,131.5	25.9
Time value of financial options and guarantees	(353.7)	(297.9)	55.8
Cost of holding required capital	(0.0)	(0.0)	0.0
Allowance for non-hedgeable risk	(144.8)	(144.9)	(0.0)

For the years ended March 31	2018	2019 (Note 4)	
			Increase (Decrease)
Value of new business	¥ 226.7	¥ 223.8	¥ (2.9)
Certainty equivalent present value of future profits	246.3	239.9	(6.3)
Time value of financial options and guarantees	(14.1)	(7.5)	6.5
Cost of holding required capital	—	(0.0)	(0.0)
Allowance for non-hedgeable risk	(5.4)	(8.5)	(3.1)

Notes:

- The total net assets are the total net assets as on the consolidated balance sheet, excluding the total amount of accumulated other comprehensive income.
In addition, the board benefit trust reported as treasury stock has been added at book value.
- Excluding amounts in respect of the Postal Life Insurance policies that are included in the VIF.
- Unrealized gains/losses on securities, loans and real estate; general reserve for possible loan losses (excluding those related to insurance policies); unfunded retirement benefit obligations (unrecognized prior service costs and unrecognized actuarial differences); and unrealized gains/losses on subordinated bonds.
- The value of new business includes the difference in value arising from the switchover subscription to riders launched in October 2017.

2) Movement Analysis

(Billions of yen)

	Adjusted net worth	Value of in-force covered business	EV
Values as of March 31, 2018	¥ 2,136.4	¥ 1,606.8	¥ 3,743.3
(1) Opening adjustments	(40.8)	—	(40.8)
Values as of March 31, 2018 after adjustment	¥ 2,095.6	¥ 1,606.8	¥ 3,702.5
(2) Value of new business	—	223.8	223.8
(3) Expected existing business contribution (risk-free rate)	(2.2)	62.0	59.8
(4) Expected existing business contribution (in excess of risk-free rate)	1.9	41.9	43.8
(5) Expected transfer from value of in-force covered business to adjusted net worth	132.5	(132.5)	—
On in-force at the beginning of the fiscal year	168.8	(168.8)	—
On new business	(36.3)	36.3	—
(6) Non-economic experience variances	27.0	(32.5)	(5.5)
(7) Non-economic assumption changes	—	(1.8)	(1.8)
(8) Economic variances	(17.9)	(78.9)	(96.8)
Values as of March 31, 2019	¥ 2,237.1	¥ 1,688.6	¥ 3,925.7

3) Sensitivities

(Billions of yen)

Assumptions		EV		Value of new business	
			Change in EV		Change in value of new business
Base Scenario	March 31, 2019	¥ 3,925.7	¥ —	¥ 223.8	¥ —
Sensitivity 1	50bp increase in risk-free rate (Note 1)	4,067.9	142.1	269.5	45.6
Sensitivity 2	50bp decrease in risk-free rate (Notes 1 and 2)	3,631.9	(293.8)	158.6	(65.1)
Sensitivity 3	10% decrease in equity and real estate value	3,833.0	(92.7)	223.8	—
Sensitivity 4	10% decrease in maintenance expenses	4,107.2	181.4	239.9	16.1
Sensitivity 5	10% decrease in surrender and lapse rates	3,969.3	43.5	238.7	14.9
Sensitivity 6	5% decrease in claim incidence rates for life business	4,046.4	120.7	236.9	13.1
Sensitivity 7	5% decrease in claim incidence rates for annuity business	3,801.1	(124.6)	223.8	(0.0)
Sensitivity 8	Change the required capital to statutory minimum	3,925.7	0.0	223.8	0.0
Sensitivity 9	25% increase in implied volatilities of equity and real estate values	3,857.7	(68.0)	225.3	1.4
Sensitivity 10	25% increase in implied volatilities of swaptions	3,848.7	(77.0)	223.8	0.0

Notes:

1. For the long-duration risk-free rates at terms longer than the extrapolation entry term, extrapolation to the ultimate forward rate is applied without changing the ultimate forward rate itself.
2. The 50bp decrease is applied to both positive and negative risk-free rates, without a floor.

4) Main EV Assumptions

(i) Economic Assumptions

Based on the assets held by Japan Post Insurance, the risk-free rates for use in the certainty equivalent calculation have been determined based on Japanese government bonds as of the valuation date.

The table on the right shows, for selected terms, the risk-free rates (converted to spot rates) used for the calculation. For interest rates at longer durations, for which reference rates are not available, we take an extrapolation approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods.

We have assumed an ultimate forward rate of 3.5%, and as the market of Japanese government bonds beyond 30 years is not considered deep and liquid, we have determined the extrapolation entry term as 30 years. For the forward rate for year 31 and later years, we have applied the Smith-Wilson approach with convergence to the ultimate forward rate over 30 years.

Term (Years)	For calculation of the value of in-force covered business		For calculation of the value of new business	
	March 31, 2018	March 31, 2019	Fiscal year ended March 31, 2018 (Rate at September 30, 2017)	Fiscal year ended March 31, 2019 (Rate at December 31, 2018)
1	(0.134)%	(0.178)%	(0.134)%	(0.148)%
2	(0.137)%	(0.183)%	(0.120)%	(0.139)%
3	(0.118)%	(0.195)%	(0.105)%	(0.155)%
4	(0.118)%	(0.211)%	(0.093)%	(0.158)%
5	(0.108)%	(0.202)%	(0.078)%	(0.152)%
10	0.043%	(0.081)%	0.062%	0.014%
15	0.293%	0.165%	0.335%	0.297%
20	0.542%	0.358%	0.599%	0.530%
25	0.709%	0.492%	0.837%	0.690%
30	0.778%	0.538%	0.899%	0.765%
40	1.194%	0.981%	1.281%	1.186%
50	1.620%	1.446%	1.689%	1.614%
60	1.926%	1.782%	1.985%	1.921%

Source: Analysis of Ministry of Finance data

(ii) Non-Economic Assumptions

All cash flows (premiums, expenses, claims and benefits, cash surrender values, taxes, etc.) are projected applying the best estimate assumptions up to the termination of the policies. Best estimate assumptions are specified by product group, considering recent experience and expected future prospects.

5) Notes on the Use of Results

- (i) As the profits arising from the release of the contingency reserve and reserve for price fluctuations related to the Postal Life Insurance policies form a part of the reinsurance dividend paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network, the EV calculations take into consideration the profits net of this reinsurance dividend. Therefore, the contingency reserve and reserve for price fluctuations related to these policies are included in the VIF, rather than the ANW, as it is assumed that these reserves will be released in the future.
- (ii) The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from these assumptions, we strongly recommend that users exercise caution.
- (iii) We requested an independent actuarial firm to review the assumptions and the calculation of the Company's EV results and obtained a written opinion verifying the validity. For further details of this written opinion and the Company's EV, please refer to the Company's website (https://www.jp-life.japanpost.jp/english/news/2019/en_news_id000091.html).

6-3 Insurance Policy Indicators

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2018				2019			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	17,921,047	4.5%	¥ 52,359,711	4.5%	18,095,226	1.0%	¥ 53,001,882	1.2%
Death protection insurance	5,091,251	11.8	16,419,033	9.9	5,515,419	8.3	17,575,525	7.0
Mixed insurance	11,277,872	1.1	32,635,103	1.8	10,933,452	(3.1)	31,939,817	(2.1)
Pure endowment insurance	1,551,924	7.3	3,305,574	6.7	1,646,355	6.1	3,486,538	5.5
Individual annuities	1,333,084	(2.2)	2,742,555	(12.4)	1,268,171	(4.9)	2,329,471	(15.1)
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	108	(18.2)	100	(12.0)	86	(20.4)	86	(14.1)
Asset-formation annuities	13	0.0	56	0.0	12	(7.7)	51	(7.5)

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation annuities" are the total of (a) the accumulated contribution payment as of the date of annuity payment commencement for the annuity before payments commence and (b) the amount of policy reserves for the annuity after payments have commenced.
- Policy amount for "asset-formation insurance" is the amount of policy reserves.

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2018				2019			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	1,739,153	(28.8)%	¥ 5,464,124	(30.4)%	1,711,410	(1.6)%	¥ 5,563,886	1.8%
Death protection insurance	770,698	(16.5)	2,325,010	(23.5)	741,613	(3.8)	2,332,871	0.3
Mixed insurance	831,889	(29.0)	2,859,874	(29.6)	842,006	1.2	2,974,427	4.0
Pure endowment insurance	136,566	(60.6)	279,240	(62.5)	127,791	(6.4)	256,587	(8.1)
Individual annuities	641	(94.0)	3,002	(92.5)	406	(36.7)	1,974	(34.2)
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	3	(83.3)	0	(79.0)	2	(33.3)	0	(31.8)
Asset-formation annuities	—	(100.0)	—	(100.0)	—	—	—	—

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- Policy amount for "asset-formation insurance" is the amount of the first premium payment.

(2) Average Policy Amount of New Policies and Policies in Force (individual insurance)

(Thousands of yen)

Items	New Policies		Policies in Force	
	For the year ended March 31, 2018	For the year ended March 31, 2019	As of March 31, 2018	As of March 31, 2019
Individual insurance	¥ 3,141	¥ 3,251	¥ 2,921	¥ 2,929
Death protection insurance	3,016	3,145	3,224	3,186
Mixed insurance	3,437	3,532	2,893	2,921
Pure endowment insurance	2,044	2,007	2,129	2,117

(3) Ratio of New Policies (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2018	2019
Individual insurance	10.9%	10.6%
Individual annuities	0.1	0.1
Group insurance	—	—

Note: This refers to the ratio of the policy amount of new policies against the policy amount in force at the beginning of fiscal year.

(4) Ratio of Surrender and Lapse (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2018	2019
Individual insurance	4.9%	5.5%
Individual annuities	1.1	1.0
Group insurance	—	—

Notes:

- Ratio of surrender and lapse is calculated based on the policy amount associated with surrenders and lapses as modified by decrease or increase in policy amount, as well as the amount of the policy reinstatement.
- Ratio of surrender and lapse for "individual annuities" is based on the annuity before payments commence.

(5) Average Premium for New Policies of Individual Insurance (monthly payment agreement)

(Yen)

For the years ended March 31	2018	2019
Individual insurance	¥ 257,413	¥ 240,249

Note: These are annual premiums for the policies involving monthly payment agreement.

(6) Mortality Rates (basic policies in individual insurance)

(‰)

For the years ended March 31	2018	2019
In terms of number of policies	1.66‰	1.87‰
In terms of policy amount	1.36	1.51

Notes:

- Mortality rates are calculated by dividing the number of/policy amount for policies filing death claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing death claim) ÷ 2

(7) Ratio of Riders Filing Claim (individual insurance)

For the years ended March 31		2018	2019
Accident death benefit policy	In terms of number of policies	0.11‰	0.12‰
	In terms of policy amount	0.09	0.09
Disability benefit policy	In terms of number of policies	0.18	0.23
	In terms of policy amount	0.05	0.06
Accident hospitalization benefit policy	In terms of number of policies	5.17	5.73
	In terms of policy amount	0.16	0.17
Illness hospitalization benefit policy	In terms of number of policies	42.18	45.37
	In terms of policy amount	0.87	0.95
Lifestyle disease hospitalization benefit policy	In terms of number of policies	—	—
	In terms of policy amount	—	—
Illness/accident surgery benefit policy	In terms of number of policies	29.21	33.58
Lifestyle disease surgery benefit policy	In terms of number of policies	—	—

Notes:

- Ratio of the number of/policy amount for riders filing claim is calculated by dividing the number of/policy amount for riders filing claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing full-paid rider claim) ÷ 2

(8) Ratio of Operating Expenses (against premium revenues)

For the year ended March 31, 2018	For the year ended March 31, 2019
12.61%	13.14%

(9) In the Cases Where Insurance Policies are Reinsured, Number of Principal Insurance Companies Accepting Reinsurance

For the year ended March 31, 2018	For the year ended March 31, 2019
3	3

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(10) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid to the Top Five Reinsurers in Terms of the Volume of Reinsurance Premiums Paid, Against Reinsurance Premiums Paid to All Reinsurers Accepting Reinsurance

For the year ended March 31, 2018	For the year ended March 31, 2019
100.0%	100.0%

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(11) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid, of Each Group of Principal Reinsurers Accepting Reinsurance, Where the Grouping is Done Based on Ratings by a Rating Agency

(%)

Category of credit ratings	For the year ended March 31, 2018	For the year ended March 31, 2019
A or superior	100.0%	100.0%
BBB or superior	—	—
Other	—	—

Notes:

- The above ratings are based on the ratings provided by S&P (Standard & Poor's) at each fiscal year-end, where "A or superior" represents A- or superior, while "BBB or superior" represents the range from BBB- to less than A-.
- This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(12) Amount of Reinsurance Proceeds Yet to be Recovered

(Millions of yen)

As of March 31, 2018	As of March 31, 2019
¥ 2,603	¥ 3,278

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance

(%)

For the years ended March 31	2018	2019
Claim-filing ratio in third-sector insurance	40.7%	39.7%
Medical (Illness)	31.9	31.7
Cancer	—	—
Nursing care	48.5	68.9
Other	89.6	86.8

6-4 Accounting Data

(1) Reserve for Outstanding Claims

(Millions of yen)

	As of March 31	2018	2019
Insurance claims	Death benefits	¥ 11,770	¥ 12,361
	Accidental benefits	2,175	2,300
	Serious disability benefits	1,319	1,413
	Maturity benefits	29,247	50,984
	Other	455,010	396,102
	Subtotal	499,523	463,162
Annuity payments		6,856	9,166
Benefits		18,198	22,554
Surrender benefits		20,101	22,059
Deferred insurance benefits payment		—	—
Net, including other reserve for outstanding claims		548,196	519,568

(2) Policy Reserves

(Millions of yen)

As of March 31		2018	2019
Policy reserves [excluding contingency reserve]	Individual insurance	¥ 24,638,597	¥ 25,254,454
	[General account]	[24,638,597]	[25,254,454]
	[Separate account]	[-]	[-]
	Individual annuities	2,673,091	2,277,140
	[General account]	[2,673,091]	[2,277,140]
	[Separate account]	[-]	[-]
	Group insurance	-	-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
	Group annuities	-	-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
	Other	38,351,259	35,566,198
	[General account]	[38,351,259]	[35,566,198]
	[Separate account]	[-]	[-]
	Subtotal	65,662,949	63,097,793
	[General account]	[65,662,949]	[63,097,793]
	[Separate account]	[-]	[-]
Contingency reserve		2,114,348	1,962,755
Total		67,777,297	65,060,549
[General account]		[67,777,297]	[65,060,549]
[Separate account]		[-]	[-]

Note: "Other" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

(3) Balance of Policy Reserves

(Millions of yen)

	Insurance premium reserves	Unearned premiums	Reserve for refunds	Contingency reserve	Total
As of March 31, 2018	¥ 55,255,019	¥ 10,407,929	¥ -	¥ 2,114,348	¥ 67,777,297
As of March 31, 2019	53,742,836	9,354,956	-	1,962,755	65,060,549

(4) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves in Individual Insurance and Individual Annuities (by contract year)

1) Reserving Method and Reserve Ratio for Policy Reserves

As of March 31		2018	2019
Reserving method	Contracts subject to the standard policy reserves	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)
	Contracts outside the scope of the standard policy reserves	—	—
Reserve ratio (excluding contingency reserve)		100.0%	100.0%

Notes:

- Individual insurance and individual annuities are subject to the reserving method and the reserve ratio. Asset-formation insurance, asset-formation annuities and receiving reinsurance are not included here, while they are computed based on the net level premium method.
- Reserve ratios here are the ratios against insurance premium reserves and unearned premiums as calculated by the method prescribed by the public notification No. 48 issued by the Ministry of Finance in 1996.

2) Balance of Policy Reserves (by contract year)

(Millions of yen)

Contract year	Balance of policy reserves	Assumed rates of return
For the years ended March 31, 2008 to 2011	¥ 7,297,306	1.00%-1.50%
For the year ended March 31, 2012	3,060,137	0.80%-1.50%
For the year ended March 31, 2013	3,108,873	0.70%-1.50%
For the year ended March 31, 2014	3,058,747	0.70%-1.00%
For the year ended March 31, 2015	3,326,474	0.55%-1.00%
For the year ended March 31, 2016	2,789,486	0.50%-1.00%
For the year ended March 31, 2017	2,663,250	0.50%-1.00%
For the year ended March 31, 2018	1,357,985	0.25%
For the year ended March 31, 2019	869,334	0.25%

Notes:

1. Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).
2. Assumed rates of return here refer to the main assumed rates of return applicable to policy reserves by contract year.

(5) Balance of Policy Reserves in General Account Associated with Insurance Policies Involving a Separate Account with a Guarantee for Minimum Insurance Claims and Others, Their Calculation Methods and the Multiplier Used in Such Calculation

Not applicable as of March 31, 2018 and 2019.

(6) Rationality and Adequacy of the Confirmation under Article 121, Paragraph 1, Item 1 of the Insurance Business Act (limited to the confirmation pertaining to third-sector insurance)

1) Principles for Ensuring Appropriateness of Reserving Practice for Policy Reserves in Third-sector Insurance

We carry out the liability adequacy test and stress test as required by laws and regulations in order to ensure a sufficient level of policy reserves.

The scope of the stress test includes the applicable products of Postal Life Insurance.

2) Rationality and Adequacy of Risk Frequency and Others Assumed for the Purpose of the Liability Adequacy Test and Stress Test

For the purpose of assuming the risk frequency, we calculate the occurrence rate that covers the fluctuations of payment of hospitalization benefits and others with certain rates of probability (99% and 97.7%) during the next 10 years, based on the historical actual payment of hospitalization benefits and others.

3) Results of the Liability Adequacy Test and Stress Test

We have verified as a result of the stress test that there is no need for an additional provision of contingency reserve or policy reserves in third-sector insurance, as the expected occurrence rate we assumed beforehand adequately covers the risks expected to materialize in the future.

(7) Reserve for Policyholder Dividends

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance Asset-formation annuities	Other insurance	Total
For the year ended March 31, 2018							
Balance at the beginning of the fiscal year	¥ 82,247	¥ 1,266	¥ –	¥ –	¥ –	¥ 1,689,052	¥ 1,772,565
Interest accrual	6	0	–	–	–	–	7
Reduction due to policyholder dividends paid	8,190	11	–	–	–	258,976	267,178
Reduction due to the acquisition of additional annuity	–	2	–	–	–	294	297
Provision for reserve for policyholder dividends	21,615	2	–	–	–	96,174	117,792
Balance at the end of the fiscal year	95,679	1,254	–	–	–	1,525,955	1,622,889
	[73,226]	[1,251]	[–]	[–]	[–]	[–]	[74,478]
For the year ended March 31, 2019							
Balance at the beginning of the fiscal year	95,679	1,254	–	–	–	1,525,955	1,622,889
Interest accrual	7	0	–	–	–	–	7
Reduction due to policyholder dividends paid	15,147	10	–	–	–	205,611	220,769
Reduction due to the acquisition of additional annuity	–	2	–	–	–	297	300
Provision for reserve for policyholder dividends	19,687	2	–	–	–	92,117	111,806
Balance at the end of the fiscal year	100,226	1,244	–	–	–	1,412,163	1,513,634
	[79,442]	[1,241]	[–]	[–]	[–]	[–]	[80,684]

Note: Figures within brackets “[]” are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Organization (¥1,525,955 million for the year ended March 31, 2018 and ¥1,412,163 million for the year ended March 31, 2019) is scheduled to be distributed/paid to the Management Organization, based on the reinsurance contract.

(8) Reserves

(Millions of yen)

For the years ended March 31		2018			2019		
		Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year
Reserve for Possible Loan Losses	General reserve for possible loan losses	¥ 59	¥ 60	¥ 1	¥ 60	¥ 45	¥ (14)
	Specific reserve for possible loan losses	598	634	35	634	413	(221)
	Reserve for specific foreign loans	–	–	–	–	–	–
Reserve for employees' retirement benefits		67,040	67,649	608	67,649	68,450	801
Reserve for management board benefit trust		76	172	96	172	203	30
Reserve for price fluctuations		788,712	916,743	128,031	916,743	897,492	(19,251)

Note: Reason for reserving and its calculation method are omitted here as they are stated in the notes (notes to non-consolidated financial statements).

(9) Provision for Reserve for Specific Foreign Loans

Not applicable for the years ended March 31, 2018 and 2019.

(10) Capital Stock, etc.

(Millions of yen)

		Balance at the beginning of the year ended March 31, 2019	Increase in the fiscal year	Decrease in the fiscal year	Balance at the end of the year ended March 31, 2019	Remarks
Capital stock		¥ 500,000	¥ –	¥ –	¥ 500,000	
Of which shares issued	[Common stock]	[600,000 thousand shares]	–	–	[600,000 thousand shares]	
		500,000	–	–	500,000	
	Total	500,000	–	–	500,000	
Capital surplus	[Legal capital surplus]	405,044	–	–	405,044	
	[Other capital surplus]	95,000	–	–	95,000	
	Total	500,044	–	–	500,044	

(11) Premiums

(Millions of yen)

For the years ended March 31	2018	2019
Individual insurance	¥ 3,446,372	¥ 3,335,024
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	3,446,372	3,335,024
Individual annuities	22,429	18,095
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	22,429	18,095
Group insurance	–	–
Group annuities	–	–
Net, including other premiums	4,225,050	3,945,380

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

• Premiums by Income Year

(Millions of yen)

For the years ended March 31		2018	2019
Individual insurance	First-year premiums	¥ 482,714	¥ 403,426
	Premiums for the following years	2,986,087	2,949,694
	Subtotal	3,468,801	3,353,120
Group insurance	First-year premiums	–	–
	Premiums for the following years	–	–
	Subtotal	–	–
Net, including other premiums	First-year premiums	483,450	404,282
	Premiums for the following years	3,741,600	3,541,097
	Total	4,225,050	3,945,380

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

(12) Insurance Claims

1) Insurance Claims (amounts)

(Millions of yen)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2018						
Individual insurance	¥ 65,220	¥ 5,376	¥ 1,707	¥ 428,057	¥ –	¥ 500,362
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	30	–	30
Other insurance	–	–	–	–	5,124,650	5,124,650
Total	65,220	5,376	1,707	428,088	5,124,650	5,625,043
For the year ended March 31, 2019						
Individual insurance	75,438	5,878	2,103	1,374,471	–	1,457,892
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	24	–	24
Other insurance	–	–	–	–	4,031,594	4,031,594
Total	75,438	5,878	2,103	1,374,495	4,031,594	5,489,510

Note: "Other insurance" includes receiving reinsurance.

2) Insurance Claims (number of benefits)

(Number of benefits)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2018						
Individual insurance	27,124	2,455	613	217,105	—	247,297
Individual annuities	—	—	—	—	—	—
Group insurance	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	18	—	18
Other insurance	—	—	—	—	14,811,783	14,811,783
Total	27,124	2,455	613	217,123	14,811,783	15,059,098
For the year ended March 31, 2019						
Individual insurance	31,527	2,787	771	671,439	—	706,524
Individual annuities	—	—	—	—	—	—
Group insurance	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	18	—	18
Other insurance	—	—	—	—	12,847,720	12,847,720
Total	31,527	2,787	771	671,457	12,847,720	13,554,262

Note: "Other insurance" includes receiving reinsurance.

(13) Annuities

(Millions of yen)

For the year ended March 31, 2018						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 68	¥ 394,613	¥ —	¥ —	¥ —	¥ —	¥ 394,681

For the year ended March 31, 2019						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 78	¥ 400,544	¥ —	¥ —	¥ —	¥ —	¥ 400,623

(14) Benefits

1) Benefits (amounts)

(Millions of yen)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2018							
Individual insurance	¥ 49	¥ 34,601	¥ 23,894	¥ 1,555	¥ 7,597	¥ 949	¥ 68,647
Individual annuities	—	25	12	—	—	0	38
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset- formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	49	34,627	23,907	1,555	7,597	949	68,686
For the year ended March 31, 2019							
Individual insurance	47	39,029	27,430	1,935	17,892	1,074	87,410
Individual annuities	—	25	12	4	—	0	42
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset- formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	47	39,054	27,442	1,939	17,892	1,075	87,452

2) Benefits (number of benefits)

(Number of benefits)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2018							
Individual insurance	133	575,376	334,832	1,890	36,647	13,873	962,751
Individual annuities	—	188	115	—	—	7	310
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset- formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	133	575,564	334,947	1,890	36,647	13,880	963,061
For the year ended March 31, 2019							
Individual insurance	121	700,425	396,908	2,411	69,951	16,120	1,185,936
Individual annuities	—	199	127	1	—	4	331
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset- formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	121	700,624	397,035	2,412	69,951	16,124	1,186,267

(15) Surrender Benefits

(Millions of yen)

For the year ended March 31, 2018						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset- formation annuities	Other insurance	Total
¥ 534,189	¥ 11,083	¥ —	¥ —	¥ 9	¥ —	¥ 545,281

For the year ended March 31, 2019						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset- formation annuities	Other insurance	Total
¥ 636,811	¥ 8,390	¥ —	¥ —	¥ 9	¥ —	¥ 645,211

(16) Depreciation and Amortization

(Millions of yen, %)

	Cost	Depreciation and amortization in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Accumulated depreciation percentage
For the year ended March 31, 2018					
Tangible fixed assets	¥ 81,938	¥ 11,361	¥ 32,584	¥ 49,353	39.8
Buildings	49,639	6,665	16,933	32,705	34.1
Leased assets	3,925	577	1,763	2,161	44.9
Other tangible fixed assets	28,373	4,118	13,887	14,486	48.9
Intangible fixed assets	418,627	51,087	250,863	167,763	59.9
Others	625	56	298	326	47.7
Total	501,190	62,505	283,746	217,444	56.6
For the year ended March 31, 2019					
Tangible fixed assets	98,989	7,516	39,133	59,856	39.5
Buildings	62,702	2,979	19,623	43,078	31.3
Leased assets	4,225	619	2,107	2,117	49.9
Other tangible fixed assets	32,062	3,916	17,402	14,659	54.3
Intangible fixed assets	461,152	51,809	302,578	158,574	65.6
Others	615	52	336	278	54.7
Total	560,757	59,377	342,048	218,709	61.0

Notes:

1. "Buildings" is booked as the sum total of buildings, facilities and structures.
2. "Intangible fixed assets" includes software in progress.

(17) Operating Expenses

(Millions of yen)

For the years ended March 31	2018	2019
Sales activity expenses	¥ 177,274	¥ 157,168
Sales administration expenses	17,692	18,154
General administration expenses	337,876	343,093
Total	532,843	518,416

Note: "General administration expenses" include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥2,262 million for the year ended March 31, 2018 and ¥2,377 million for the year ended March 31, 2019), pursuant to Article 259 of the Insurance Business Act.

(18) Taxes

(Millions of yen)

For the years ended March 31	2018	2019
National taxes	¥ 34,474	¥ 34,175
Consumption tax	30,492	30,315
Special local corporation tax	3,253	3,148
Stamp duty	728	635
Registration license tax	0	65
Other national taxes	0	10
Local taxes	17,421	17,339
Local consumption tax	8,228	8,180
Enterprise tax	7,809	7,558
Fixed property tax	1,131	1,078
Real estate acquisition tax	0	260
Business office tax	252	261
Other local taxes	—	0
Total	51,895	51,515

Note: "Fixed property tax" includes city planning tax.

(19) Lease Transactions

Lease transactions (as lessee)

[Finance lease transactions without transfer of ownership that apply accounting treatment equivalent to those for operating lease transactions]

Not applicable for the years ended March 31, 2018 and 2019.

(20) Borrowings by Maturity Date

(Millions of yen)

	Due in 1 year or less	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 or having no maturity date	Total
As of March 31, 2018							
Payables under securities lending transactions	¥ 3,663,547	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 3,663,547
Total	3,663,547	—	—	—	—	—	3,663,547
As of March 31, 2019							
Bonds payable	—	—	—	—	—	100,000	100,000
Payables under securities lending transactions	3,422,810	—	—	—	—	—	3,422,810
Total	3,422,810	—	—	—	—	100,000	3,522,810

6-5 Indicators Related to Asset Management (General Account)

(1) Portfolio Trends

Asset Structure, Increase/Decrease in Assets

(Millions of yen, %)

As of March 31	2018			2019		
	Amount	Percentage	Increase/decrease	Amount	Percentage	Increase/decrease
Cash, deposits, call loans	¥ 1,159,191	1.5	¥ (350,945)	¥ 1,061,343	1.4	¥ (97,847)
Receivables under resale agreements	—	—	—	—	—	—
Receivables under securities borrowing transactions	3,296,222	4.3	(224,499)	2,792,202	3.8	(504,020)
Monetary claims bought	176,069	0.2	148,507	354,958	0.5	178,889
Trading account securities	—	—	—	—	—	—
Money held in trust	2,814,873	3.7	687,831	2,787,555	3.8	(27,318)
Securities	60,131,893	78.3	(3,354,379)	58,452,565	79.1	(1,679,328)
Corporate and government bonds	53,576,426	69.7	(4,081,688)	51,128,759	69.2	(2,447,667)
Domestic stocks	196,379	0.3	137,074	206,568	0.3	10,189
Foreign securities	4,347,564	5.7	(4,166)	5,284,936	7.2	937,371
Foreign corporate and government bonds	4,235,485	5.5	(111,247)	5,108,788	6.9	873,303
Foreign stocks and other securities	112,079	0.1	107,080	176,147	0.2	64,068
Other securities	2,011,524	2.6	594,401	1,832,301	2.5	(179,222)
Loans	7,627,147	9.9	(433,755)	6,786,074	9.2	(841,072)
Policy loans	135,314	0.2	17,172	144,566	0.2	9,252
Industrial and commercial loans	919,051	1.2	45,330	991,309	1.3	72,257
Loans to the Management Organization	6,572,781	8.6	(496,258)	5,650,198	7.6	(922,583)
Real estate	83,920	0.1	(35,090)	91,087	0.1	7,166
Investment property	—	—	—	—	—	—
Deferred tax assets	954,136	1.2	101,873	1,021,999	1.4	67,862
Other	589,747	0.8	(43,409)	557,248	0.8	(32,499)
Reserve for possible loan losses	(695)	(0.0)	(37)	(459)	(0.0)	236
General account total	76,832,508	100.0	(3,503,905)	73,904,576	100.0	(2,927,931)
Foreign currency denominated assets	4,748,512	6.2	(5,136)	5,513,137	7.5	764,624

Notes:

1. "Loans to the Management Organization" includes lending to the Management Organization (Postal Life Insurance Account).
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.

(2) Yield

(%)

For the years ended March 31	2018	2019
Cash, deposits and call loans	0.00%	0.00%
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	0.91	0.23
Trading account securities	—	—
Money held in trust	4.75	3.31
Securities	1.48	1.42
Corporate and government bonds	1.54	1.51
Domestic stocks	6.68	1.42
Foreign securities	0.85	0.83
Loans	2.04	2.00
Industrial and commercial loans	1.26	1.28
Real estate	—	—
General account total	1.51	1.42
Overseas loans and investments	1.01	0.94

Notes:

1. Yields are calculated by dividing investment income less investment expenses by the daily average balance based on book value.
2. "General account total" includes assets related to securities trusts.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(3) Average Balance on Primary Assets

(Millions of yen)

For the years ended March 31	2018	2019
Cash, deposits and call loans	¥ 694,247	¥ 914,084
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	50,515	187,434
Trading account securities	—	—
Money held in trust	2,005,947	2,384,539
Securities	62,303,940	59,274,091
Corporate and government bonds	56,086,647	52,279,294
Domestic stocks	106,256	219,177
Foreign securities	4,407,549	4,884,171
Loans	7,848,491	6,978,997
Industrial and commercial loans	900,863	968,150
Real estate	110,589	90,860
General account total	78,146,063	74,314,735
Overseas loans and investments	5,178,383	5,709,425

Notes:

1. "General account total" includes assets related to securities trusts.
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(4) Investment Income

(Millions of yen)

For the years ended March 31	2018	2019
Interest and dividend income	¥ 1,152,306	¥ 1,085,969
Gains on trading account securities	–	–
Gains on money held in trust	95,189	78,902
Gains on trading securities	–	–
Gains on sales of securities	36,468	38,981
Gains on redemption of securities	53	395
Gains on derivative financial instruments	–	–
Gains on foreign exchanges	284	–
Reversal of reserve for possible loan losses	–	14
Other investment income	226	165
Total	1,284,529	1,204,428

(5) Investment Expenses

(Millions of yen)

For the years ended March 31	2018	2019
Interest expenses	¥ 1,450	¥ 1,064
Losses on trading account securities	–	–
Losses on money held in trust	–	–
Losses on trading securities	–	–
Losses on sales of securities	65,733	62,255
Losses on valuation of securities	–	–
Losses on redemption of securities	5,964	4,762
Losses on derivative financial instruments	30,301	73,381
Losses on foreign exchanges	–	1,124
Provision for reserve for possible loan losses	1	–
Write-off loans	–	–
Depreciation of real estate for lease and other assets	–	–
Other investment expenses	2,623	3,417
Total	106,074	146,004

(6) Interest, Dividends and Other Income

(Millions of yen)

For the years ended March 31	2018	2019
Interest on deposits	¥ 15	¥ 15
Interest and dividends on securities	986,497	941,377
Interest on corporate and government bonds	863,325	793,659
Domestic stock dividends	3,646	5,870
Interest and dividends on foreign securities	102,349	131,495
Interest on loans	14,128	14,158
Interest on loans to the Management Organization	146,327	124,096
Rent revenue from real estate	—	—
Net, including other income	1,152,306	1,085,969

(7) Gains on Sales of Securities

(Millions of yen)

For the years ended March 31	2018	2019
Japanese government bonds and other bonds	¥ 1	¥ 1,204
Domestic stocks and other securities	4,692	7,594
Foreign securities	31,774	30,181
Net, including other gains on sales of securities	36,468	38,981

(8) Losses on Sales of Securities

(Millions of yen)

For the years ended March 31	2018	2019
Japanese government bonds and other bonds	¥ 334	¥ 2,876
Domestic stocks and other securities	1,152	10,157
Foreign securities	64,156	48,160
Other securities	90	1,059
Net, including other losses on sales of securities	65,733	62,255

(9) Losses on Valuation of Securities

Not applicable as of March 31, 2018 and 2019.

(10) Proprietary Trading Securities

Not applicable as of March 31, 2018 and 2019.

(11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2018 and 2019.

(12) Securities Composition

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Corporate and government bonds	¥ 53,576,426	89.1	¥ 51,128,759	87.5
Japanese government bonds	39,589,896	65.8	38,041,414	65.1
Japanese local government bonds	8,513,583	14.2	7,524,415	12.9
Japanese corporate bonds	5,472,945	9.1	5,562,928	9.5
Public entity bonds	3,674,193	6.1	3,560,864	6.1
Domestic stocks	196,379	0.3	206,568	0.4
Foreign securities	4,347,564	7.2	5,284,936	9.0
Foreign corporate and government bonds	4,235,485	7.0	5,108,788	8.7
Foreign stocks and other securities	112,079	0.0	176,147	0.3
Other securities	2,011,524	3.3	1,832,301	3.1
Total	60,131,893	100.0	58,452,565	100.0

(13) Securities by Maturity Date

(Millions of yen)

	Due in 1 year or less	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 or having no maturity date	Total
As of March 31, 2018	¥ 4,809,300	¥ 5,048,498	¥ 5,528,740	¥ 4,568,215	¥ 7,006,744	¥33,766,464	¥60,727,963
Securities	4,239,300	5,048,498	5,528,740	4,568,215	7,006,744	33,740,394	60,131,893
Japanese government bonds	2,231,260	1,710,097	2,147,169	1,888,525	5,273,345	26,339,497	39,589,896
Japanese local government bonds	1,225,464	2,126,553	1,886,568	1,353,232	604,668	1,317,096	8,513,583
Japanese corporate bonds	740,859	958,161	1,178,288	432,644	478,662	1,684,327	5,472,945
Stocks	—	—	—	—	—	196,379	196,379
Foreign securities	41,716	253,686	316,713	893,812	650,066	2,191,569	4,347,564
Foreign corporate and government bonds	41,716	253,686	316,713	893,812	650,066	2,079,490	4,235,485
Foreign stocks and other securities	—	—	—	—	—	112,079	112,079
Other securities	—	—	—	—	—	2,011,524	2,011,524
Monetary claims bought	149,999	—	—	—	—	26,069	176,069
Negotiable certificates of deposit	420,000	—	—	—	—	—	420,000
Other	—	—	—	—	—	—	—
As of March 31, 2019	3,461,679	5,211,853	4,901,537	3,646,240	10,062,242	31,928,970	59,212,524
Securities	2,726,679	5,211,853	4,901,537	3,646,240	10,062,242	31,904,011	58,452,565
Japanese government bonds	1,244,719	1,715,765	1,917,980	1,951,150	7,269,309	23,942,489	38,041,414
Japanese local government bonds	917,796	2,272,304	1,627,120	660,634	601,076	1,445,483	7,524,415
Japanese corporate bonds	483,110	968,641	836,047	370,834	588,028	2,316,266	5,562,928
Stocks	—	—	—	—	—	206,568	206,568
Foreign securities	81,053	255,142	520,389	663,621	1,603,828	2,160,901	5,284,936
Foreign corporate and government bonds	81,053	255,142	520,389	663,621	1,603,828	1,984,754	5,108,788
Foreign stocks and other securities	—	—	—	—	—	176,147	176,147
Other securities	—	—	—	—	—	1,832,301	1,832,301
Monetary claims bought	329,999	—	—	—	—	24,958	354,958
Negotiable certificates of deposit	405,000	—	—	—	—	—	405,000
Other	—	—	—	—	—	—	—

Note: Includes the handling of securities based on the Accounting Standard for Financial Instruments and its Implementation Guidance (ASBJ Statement No. 10).

(14) Bond Term-End Balance Yield

(%)

As of March 31	2018	2019
Corporate and government bonds	1.54%	1.52%
Foreign corporate and government bonds	2.38	2.66

(15) Breakdown of Local Government Bonds by Region

(Millions of yen)

As of March 31	2018	2019
Hokkaido	¥ 218,549	¥ 150,368
Tohoku	81,012	75,784
Kanto	1,910,698	1,699,905
Chubu	944,478	806,047
Kinki	990,172	857,766
Chugoku	286,384	243,836
Shikoku	85,120	54,682
Kyushu	576,154	528,970
Other	3,421,013	3,107,053
Total	8,513,583	7,524,415

Note: "Other" indicates the balance of joint issuance local government bonds.

(16) Shareholdings by Industry Sector

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Fishery, agriculture and forestry	¥ –	–	¥ –	–
Mining	–	–	–	–
Construction	7,946	4.0	8,455	4.1
Manufacturing				
Foods	6,747	3.4	3,937	1.9
Textiles and apparel	2,487	1.3	823	0.4
Pulp and paper	–	–	–	–
Chemicals	15,273	7.8	26,486	12.8
Pharmaceuticals	4,856	2.5	11,296	5.5
Oil and coal products	–	–	–	–
Rubber products	1,127	0.6	–	–
Glass and ceramic products	1,637	0.8	4,119	2.0
Iron and steel	–	–	–	–
Nonferrous metals	3,529	1.8	–	–
Metal products	–	–	–	–
Machinery	9,183	4.7	8,904	4.3
Electric appliances	23,219	11.8	21,438	10.4
Transportation equipment	11,696	6.0	9,269	4.5
Precision instruments	4,294	2.2	6,514	3.2
Other products	3,550	1.8	3,790	1.8
Electric power and gas	–	–	–	–
Transportation, information and communications				
Land transportation	8,916	4.5	12,317	6.0
Marine transportation	–	–	–	–
Air transportation	3,735	1.9	3,392	1.6
Warehousing and port transportation services	–	–	–	–
Information and communications	27,168	13.8	24,642	11.9
Trade and services				
Wholesale trade	12,593	6.4	13,855	6.7
Retail trade	17,970	9.2	18,452	8.9
Finance and insurance				
Banking	13,876	7.1	11,163	5.4
Securities and trading	495	0.3	495	0.2
Insurance	2,713	1.4	–	–
Other financial services	2,912	1.5	4,647	2.2
Real estate	–	–	1,493	0.7
Services	10,445	5.3	11,071	5.4
Total	196,379	100.0	206,568	100.0

Note: Industry sector category is based on the sector classification table of the Securities Identification Code Committee.

(17) Loans

(Millions of yen)

As of March 31	2018	2019
Policy loans	¥ 135,314	¥ 144,566
Policyholder loans	135,312	144,565
Policy premium loans	2	1
Industrial and commercial loans	7,491,833	6,641,507
(Loans to non-residents)	(-)	(-)
Loans to companies	6,772,822	5,816,553
(Loans to domestic corporations)	(6,772,822)	(5,816,553)
Loans to state, international organizations and government organizations	-	-
Loans to public bodies and public businesses	719,010	824,954
Housing loans	-	-
Consumer loans	-	-
Other	-	-
Total	7,627,147	6,786,074

Note: Loans to the Management Organization (Postal Life Insurance account) are recorded as loans to companies, as they are classified into loans to companies in "finance and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(18) Loans by Contractual Maturity Date

(Millions of yen)

	Due in 1 year or less	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 or having no maturity date	Total
Total industrial and commercial loans as of March 31, 2018	¥ 965,546	¥ 2,185,923	¥ 1,303,072	¥ 1,056,198	¥ 947,012	¥ 1,034,079	¥ 7,491,833
Variable rate loans	15,250	8,400	8,600	14,250	5,000	-	51,500
Fixed rate loans	950,296	2,177,523	1,294,472	1,041,948	942,012	1,034,079	7,440,333
Total industrial and commercial loans as of March 31, 2019	1,176,118	1,667,806	1,192,508	875,119	814,771	915,182	6,641,507
Variable rate loans	4,050	10,607	12,926	5,776	6,164	3,839	43,364
Fixed rate loans	1,172,068	1,657,199	1,179,582	869,343	808,607	911,342	6,598,143

Notes:

1. "Fixed rate loans" includes loans to the Management Organization (Postal Life Insurance Account).
2. Among the loans to the Management Organization (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

(19) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

As of March 31		2018		2019	
			Percentage		Percentage
Large companies	Number of borrowers	31	73.8	23	67.6
	Amount of loans	¥ 163,620	2.4	¥ 134,570	2.3
Medium-sized companies	Number of borrowers	—	—	—	—
	Amount of loans	—	—	—	—
Small companies	Number of borrowers	11	26.2	11	32.4
	Amount of loans	6,609,202	97.6	5,681,983	97.7
Total loans to domestic companies	Number of borrowers	42	100.0	34	100.0
	Amount of loans	6,772,822	100.0	5,816,553	100.0

Notes:

- Loans to the Management Organization (Postal Life Insurance Account) are classified as "small and medium-sized companies" in the "Corporate Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.
- Classifications are defined as shown below.
- "Number of borrowers" indicates the number of borrowers identified by name and is not the number of loans.

Industry type	1. All industries (excluding 2–4)		2. Retail and restaurant		3. Service		4. Wholesale	
Large companies	More than 300 employees	Paid-in capital over ¥1 billion	More than 50 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.1 billion and ¥1 billion
Small companies	Paid-in capital under ¥0.3 billion or fewer than 300 employees		Paid-in capital under ¥0.05 billion or fewer than 50 employees		Paid-in capital under ¥0.05 billion or fewer than 100 employees		Paid-in capital under ¥0.1 billion or fewer than 100 employees	

(20) Breakdown of Loans by Industry

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Domestic				
Manufacturing	¥ 46,750	0.6	¥ 29,250	0.4
Foods	—	—	—	—
Textiles and apparel	—	—	—	—
Wood, wood products	—	—	—	—
Pulp and paper	11,950	0.2	11,950	0.2
Printing	—	—	—	—
Chemicals	10,150	0.1	8,650	0.1
Oil and coal products	4,650	0.1	1,650	0.0
Ceramics, soil and stone	7,000	0.1	7,000	0.1
Iron and steel	8,000	0.1	—	—
Nonferrous metals	—	—	—	—
Metal products	—	—	—	—
General purpose, production and industrial machinery	—	—	—	—
Electric appliances	—	—	—	—
Transportation equipment	5,000	0.1	—	—
Other manufacturing products	—	—	—	—
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	—	—	—	—
Construction	900	0.0	900	0.0
Electric power, gas, heat supply and waterworks	9,777	0.1	8,248	0.1
Information and communications	4,350	0.1	2,750	0.0
Transportation and postal	41,025	0.5	37,493	0.6
Wholesale trade	43,400	0.6	40,900	0.6
Retail trade	—	—	—	—
Financing and insurance	6,605,781	88.2	5,675,198	85.5
Real estate	20,837	0.3	21,812	0.3
Rental	—	—	—	—
Academic research, specialist and technology services	—	—	—	—
Lodging	—	—	—	—
Restaurant	—	—	—	—
Lifestyle-related services, amusement	—	—	—	—
Education and learning support	—	—	—	—
Medical and welfare	—	—	—	—
Other services	—	—	—	—
Local organizations and public entities	719,010	9.6	824,954	12.4
Individuals (residential/consumption/local taxes/other)	—	—	—	—
Total	7,491,833	100.0	6,641,507	100.0
Overseas				
Governments and public entities	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry, etc.	—	—	—	—
Total	—	—	—	—
Total industrial and commercial loans	7,491,833	100.0	6,641,507	100.0

Notes:

- Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).
- Loans to the Management Organization (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type of "the Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Capital investments	¥ 590,551	7.9	¥ 695,052	10.5
Operations	6,901,281	92.1	5,946,455	89.5
Total	7,491,833	100.0	6,641,507	100.0

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "operations."

(22) Breakdown of Loans by Region

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Hokkaido	¥ —	—	¥ 3,000	0.0
Tohoku	46,645	0.6	45,651	0.7
Kanto	6,932,494	92.5	6,046,869	91.0
Chubu	164,215	2.2	181,850	2.7
Kinki	198,354	2.6	198,192	3.0
Chugoku	52,204	0.7	49,621	0.7
Shikoku	8,436	0.1	7,842	0.1
Kyushu	89,482	1.2	108,480	1.6
Total	7,491,833	100.0	6,641,507	100.0

Notes:

- Loans to individuals, non-residents and for insurance policies are not included.
- Regional classification depends on the location of the borrower's headquarters.
- Loans to the Management Organization (Postal Life Insurance Account) are classified under "Kanto," as the organization is located in Tokyo.

(23) Breakdown of Loans by Collateral

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Secured loans	¥ 12,320	0.2	¥ 10,584	0.2
Loans secured by securities	—	—	—	—
Loans secured by real estate, movable property or foundation	—	—	—	—
Loans secured by nominative claims	12,320	0.2	10,584	0.2
Guaranteed loans	27,490	0.4	21,840	0.3
Credit loans	879,240	11.7	958,884	14.4
Other	6,572,781	87.7	5,650,198	85.1
Industrial and commercial loans	7,491,833	100.0	6,641,507	100.0
Subordinated loans	1,000	0.0	1,000	0.0

Note: Loans to the Management Organization (Postal Life Insurance Account) are classified as "other."

(24) Tangible Fixed Assets

1) Tangible Fixed Assets

(Millions of yen, %)

	Balance at the end of the previous fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Balance at the end of the fiscal year	Accumulated depreciation	Accumulated depreciation percentage
For the year ended March 31, 2018							
Land	¥ 68,272	¥ –	¥ 25,206 (1,237)	¥ –	¥ 43,066	¥ –	–
Buildings, net	44,483	1,458	6,570 (765)	6,665	32,705	16,933	34.1
Leased assets, net	2,004	740	6	577	2,161	1,763	44.9
Construction in progress	6,255	3,626	1,733	–	8,149	–	–
Others, net	15,911	2,960	268	4,118	14,486	13,887	48.9
Total	136,928	8,786	33,784 (2,003)	11,361	100,568	32,584	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–
For the year ended March 31, 2019							
Land	43,066	5,294	352 (352)	–	48,008	–	–
Buildings, net	32,705	14,617	1,265 (727)	2,979	43,078	19,623	31.3
Leased assets, net	2,161	581	4	619	2,117	2,107	49.9
Construction in progress	8,149	7,965	16,114	–	–	–	–
Others, net	14,486	4,162	72 (9)	3,916	14,659	17,402	54.3
Total	100,568	32,622	17,809 (1,088)	7,516	107,865	39,133	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–

Notes:

- Figures in brackets in “decrease in the fiscal year” are represented by the booked amounts of impairment loss.
- “Buildings” is booked as the sum total of buildings, facilities and structures.

2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

As of March 31	2018	2019
Value of real estate holdings	¥ 83,920	¥ 91,087
For business operations	83,920	91,087
For lease	–	–
Number of buildings held for leasing	–	–

Note: “Value of real estate holdings” is booked as the sum total of land, buildings (including facilities and structures) and construction in progress.

(25) Gains on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2018	2019
Tangible fixed assets	¥ 90,136	¥ –
Land	90,057	–
Buildings	78	–
Leased assets	–	–
Other assets	–	–
Intangible fixed assets	–	–
Others	–	–
Total	90,136	–
Includes rentals and other real estate	–	–

Note: In 2018, land and buildings were sold in bulk. As a result, ¥86,053 million obtained by deducting ¥4,082 million in losses on sales and disposal of land and buildings from ¥90,136 million in total gains on sales of fixed assets presented above is accrued in the statement of income.

(26) Losses on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2018	2019
Tangible fixed assets	¥ 4,386	¥ 615
Land	72	—
Buildings	4,025	553
Leased assets	6	4
Other assets	282	58
Intangible fixed assets	32	3
Others	—	—
Total	4,419	619
Includes rentals and other real estate	—	—

Note: The total of ¥4,419 million for 2018 includes ¥4,082 million in losses on sales and disposal of land and buildings.

(27) Depreciation on Real Estate, Movables and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2018 and 2019.

(28) Overseas Loans and Investments

1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2018		2019	
		Amount	Percentage	Amount	Percentage
Foreign-currency-denominated assets	Foreign corporate and government bonds	¥ 4,381,818	83.8	¥ 5,073,472	82.6
	Foreign stocks	342,539	6.6	345,537	5.6
	Cash and cash equivalents	24,154	0.5	94,127	1.5
	Subtotal	4,748,512	90.9	5,513,137	89.8
Foreign-currency-denominated assets with fixed yen value	Foreign corporate and government bonds	—	—	—	—
	Cash and cash equivalents	—	—	—	—
	Subtotal	—	—	—	—
Yen-denominated assets	Loans to non-residents	—	—	—	—
	Foreign corporate and government bonds and other assets	477,880	9.1	627,408	10.2
	Subtotal	477,880	9.1	627,408	10.2
Net overseas loans and investments		5,226,393	100.0	6,140,545	100.0

Note: "Foreign-currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.

2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

	Foreign securities						Loans to non-residents	
			Corporate and government bonds		Stocks and other securities			
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
As of March 31, 2018	¥ 5,044,316	100.0	¥ 4,235,485	100.0	¥ 808,830	100.0	¥ —	—
North America	3,135,029	62.1	2,823,297	66.7	311,731	38.5	—	—
Europe	837,536	16.6	806,728	19.0	30,807	3.8	—	—
Oceania	214,552	4.3	214,552	5.1	—	—	—	—
Asia	—	—	—	—	—	—	—	—
Central and South America	486,196	9.6	19,905	0.5	466,291	57.7	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	371,000	7.4	371,000	8.8	—	—	—	—
As of March 31, 2019	5,971,160	100.0	5,354,947	100.0	616,212	100.0	—	—
North America	3,875,586	64.9	3,557,471	66.4	318,115	51.6	—	—
Europe	972,622	16.3	945,200	17.7	27,422	4.5	—	—
Oceania	136,727	2.3	136,727	2.6	—	—	—	—
Asia	22,134	0.4	22,134	0.4	—	—	—	—
Central and South America	571,850	9.6	301,175	5.6	270,675	43.9	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	392,239	6.6	392,239	7.3	—	—	—	—

3) Composition of Foreign-Currency-Denominated Assets by Currency

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
U.S. dollar	¥ 3,501,739	73.7	¥ 4,058,354	73.6
Euro	727,362	15.3	648,565	11.8
Australian dollar	372,312	7.8	331,123	6.0
Canadian dollar	49,527	1.0	159,609	2.9
Swedish krona	—	—	104,410	1.9
Polish zloty	—	—	97,969	1.8
New Zealand dollar	77,691	1.6	93,452	1.7
British pound	19,879	0.4	19,650	0.4
Total	4,748,512	100.0	5,513,137	100.0

(29) Yield on Overseas Loans and Investments

(%)		
For the years ended March 31	2018	2019
Yield on overseas loans and investments	1.01	0.94

(30) Summary of New Public-Sector Investment Underwriting and Loans

(Millions of yen)		
For the years ended March 31	2018	2019
Public bonds	Japanese government bonds	¥ —
	Japanese local government bonds	—
	Public entity bonds	6
	Subtotal	6
Loans	Government organizations	—
	Public entities	80,933
	Subtotal	80,933
Total		80,940

(31) Loan Interest Rates

Not applicable for the years ended March 31, 2018 and 2019

(32) Other Assets

(Millions of yen)							
Asset class	Cost	Balance at the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Remarks
For the year ended March 31, 2018							
Other	¥ 2,489	¥ 1,597	¥ 4,202	¥ 3,310	¥ —	¥ 2,489	
Total	2,489	1,597	4,202	3,310	—	2,489	
For the year ended March 31, 2019							
Other	2,240	2,489	4,601	4,850	—	2,240	
Total	2,240	2,489	4,601	4,850	—	2,240	

6-6 Fair Value Information of Securities (General Account)

(1) Fair Value of Securities

1) Net Valuation Gain/Loss of Trading Securities

Japan Post Insurance did not hold securities for trading as of March 31, 2018 and 2019.

2) Fair Value Information of Securities (with fair value, other than trading securities)

(Millions of yen)

As of March 31	2018					2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	¥ 38,490,055	¥ 44,608,732	¥ 6,118,677	¥ 6,160,256	¥ 41,579	¥36,391,299	¥43,113,443	¥6,722,144	¥6,722,582	¥ 438
Policy-reserve-matching bonds	10,676,330	11,769,615	1,093,285	1,103,904	10,618	10,570,049	11,724,384	1,154,334	1,154,883	548
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	13,667,194	14,225,628	558,433	758,562	200,129	14,191,166	14,824,637	633,471	776,624	143,152
Corporate and government bonds	4,474,163	4,508,040	33,877	55,126	21,248	4,197,397	4,265,410	68,012	69,713	1,701
Domestic stocks	1,587,499	2,040,650	453,150	491,990	38,839	1,475,620	1,756,060	280,440	355,130	74,690
Foreign securities	4,835,101	4,923,090	87,989	202,126	114,137	5,503,242	5,778,632	275,390	326,368	50,978
Foreign corporate and government bonds	4,129,047	4,137,485	8,437	122,573	114,136	4,826,642	5,010,788	184,146	230,918	46,772
Foreign stocks and other securities	706,053	785,604	79,551	79,552	0	676,599	767,843	91,243	95,450	4,206
Other securities	2,176,523	2,157,777	(18,745)	7,158	25,903	2,257,142	2,264,575	7,432	23,214	15,781
Monetary claims bought	173,907	176,069	2,161	2,161	—	352,762	354,958	2,196	2,196	—
Negotiable certificates of deposit	420,000	420,000	—	—	—	405,000	405,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	62,833,580	70,603,976	7,770,395	8,022,723	252,327	61,152,515	69,662,466	8,509,950	8,654,090	144,139
Corporate and government bonds	53,542,548	60,786,228	7,243,680	7,317,126	73,446	51,060,746	59,003,919	7,943,172	7,945,860	2,688
Domestic stocks	1,587,499	2,040,650	453,150	491,990	38,839	1,475,620	1,756,060	280,440	355,130	74,690
Foreign securities	4,933,101	5,023,250	90,149	204,286	114,137	5,601,242	5,877,951	276,709	327,687	50,978
Foreign corporate and government bonds	4,227,047	4,237,645	10,597	124,733	114,136	4,924,642	5,110,107	185,465	232,237	46,772
Foreign stocks and other securities	706,053	785,604	79,551	79,552	0	676,599	767,843	91,243	95,450	4,206
Other securities	2,176,523	2,157,777	(18,745)	7,158	25,903	2,257,142	2,264,575	7,432	23,214	15,781
Monetary claims bought	173,907	176,069	2,161	2,161	—	352,762	354,958	2,196	2,196	—
Negotiable certificates of deposit	420,000	420,000	—	—	—	405,000	405,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,190,833 million with net unrealized gains of ¥392,859 million as of March 31, 2019 and ¥2,153,285 million with net unrealized gains of ¥516,484 million as of March 31, 2018.

The book values of securities for which the fair values are deemed extremely difficult to determine are as follows.

(Millions of yen)

As of March 31	2018	2019
Held-to-maturity bonds	¥ —	¥ —
Unlisted foreign bonds	—	—
Other	—	—
Policy-reserve-matching bonds	—	—
Equities of subsidiaries and affiliates	1,479	5,990
Available-for-sale securities	61,625	161,193
Unlisted domestic stocks (excluding OTC-traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC-traded equities)	—	—
Unlisted foreign bonds	—	—
Other	57,385	156,953
Total	63,105	167,184

Notes:

1. This table includes money held in trust other than trading securities (¥57,385 million as of March 31, 2018 and ¥156,953 million as of March 31, 2019).
2. Net unrealized losses on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: (¥867 million as of March 31, 2018 and ¥1,440 million as of March 31, 2019)

(2) Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2018					2019				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Money held in trust	¥2,755,347	¥2,755,347	¥ —	¥ —	¥ —	¥2,627,236	¥2,627,236	¥ —	¥ —	¥ —

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018 and ¥160,318 million as of March 31, 2019).

1) Money Held in Trust for Trading Purposes

Japan Post Insurance did not hold money held in trust for trading purposes as of March 31, 2018 and 2019.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2018					2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Assets held-to-maturity in trust	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Assets held for reserves in trust	—	—	—	—	—	—	—	—	—	—
Other money held in trust	2,238,862	2,755,347	516,484	555,532	39,047	2,234,377	2,627,236	392,859	454,931	62,071
Domestic stocks	1,407,114	1,849,990	442,876	478,188	35,312	1,263,894	1,555,211	291,316	348,694	57,377
Foreign stocks	273,133	342,539	69,406	69,407	0	269,669	345,537	75,868	75,868	—
Foreign bonds	323,098	326,520	3,422	7,157	3,734	528,080	550,314	22,234	26,508	4,274
Other	235,516	236,296	779	779	—	172,732	176,172	3,440	3,859	419

Notes:

1. Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥59,526 million as of March 31, 2018 and ¥160,318 million as of March 31, 2019).
2. "Domestic stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds as well as mutual funds which exclusively invest in these assets.
3. "Other" includes bank loans, real estate funds and others.

3) Balances of Securities in Money Held in Trust

(Millions of yen)

	Due in 1 year or less	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 or having no maturity date	Total
As of March 31, 2018							
Domestic stock						¥ 1,849,990	
Foreign securities						696,751	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						696,751	
Other securities						179,546	2,726,288
As of March 31, 2019							
Domestic stock						1,555,211	
Foreign securities						686,224	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						686,224	
Other securities						497,711	2,739,206

Note: Including money held in trust for which the fair values are deemed extremely difficult to determine.

4) Currency Composition of Money Held in Trust

(Millions of yen, %)

As of March 31	2018		2019	
	Amount	Percentage	Amount	Percentage
Japanese yen	¥ 2,180,256	80.0	¥ 2,102,916	76.8
U.S. dollar	501,852	18.4	582,806	21.3
Euro	39,604	1.5	48,647	1.8
Others	4,574	0.2	4,836	0.2
Total	2,726,288	100.0	2,739,206	100.0

Note: Including money held in trust for which the fair values are deemed extremely difficult to determine.

Excluding cash and deposits.

5) Industry Composition of Japanese Stocks of Money Held in Trust

(Millions of yen, %)

As of March 31	2018		2019	
	Fair value	Percentage	Fair value	Percentage
Fishery, agriculture and forestry	¥ 1,398	0.1	¥ 1,676	0.1
Mining	5,122	0.3	3,951	0.3
Construction	67,897	3.7	54,090	3.5
Manufacturing				
Foods	79,353	4.3	68,267	4.4
Textiles and apparel	13,521	0.7	9,600	0.6
Pulp and paper	4,132	0.2	3,914	0.3
Chemicals	132,753	7.2	114,314	7.4
Pharmaceuticals	93,583	5.1	85,679	5.5
Oil and coal products	8,929	0.5	8,950	0.6
Rubber products	33,816	1.8	20,806	1.3
Glass and ceramic products	14,612	0.8	12,336	0.8
Iron and steel	17,845	1.0	13,737	0.9
Nonferrous metals	13,850	0.7	14,125	0.9
Metal products	9,464	0.5	7,449	0.5
Machinery	105,321	5.7	77,357	5.0
Electric appliances	241,462	13.1	207,507	13.3
Transportation equipment	197,203	10.7	141,378	9.1
Precision instruments	26,542	1.4	29,222	1.9
Other products	31,716	1.7	27,670	1.8
Electric power and gas	23,567	1.3	26,531	1.7
Transportation, information and communications				
Land transportation	62,185	3.4	67,166	4.3
Marine transportation	2,683	0.1	1,898	0.1
Air transportation	14,332	0.8	10,012	0.6
Warehousing and port transportation services	2,302	0.1	2,429	0.2
Information and communications	162,234	8.8	143,494	9.2
Trade and services				
Wholesale trade	90,685	4.9	81,753	5.3
Retail trade	76,444	4.1	65,831	4.2
Finance and insurance				
Banking	112,729	6.1	86,863	5.6
Securities and trading	15,857	0.9	11,177	0.7
Insurance	58,365	3.2	36,891	2.4
Other financial services	27,829	1.5	19,152	1.2
Real estate	39,462	2.1	35,226	2.3
Services	62,781	3.4	64,745	4.2
Total	1,849,990	100.0	1,555,211	100.0

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

(i) Breakdown of gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
As of March 31, 2018	¥ 1,177	¥ 1,223	¥ –	¥ –	¥ –	¥ 2,401
Portion with hedge accounting applied	1,177	1,222	–	–	–	2,400
Portion with hedge accounting not applied	–	1	–	–	–	1
As of March 31, 2019	1,210	(367)	–	–	–	842
Portion with hedge accounting applied	1,210	122	–	–	–	1,332
Portion with hedge accounting not applied	–	(490)	–	–	–	(490)

Notes:

1. Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥1,222 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2018 are accrued in the statement of income.
2. Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥122 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2019 are accrued in the statement of income.

(ii) Interest rate related

(Millions of yen)

Category	As of March 31	2018				2019			
		Contract amount, etc.		Fair value	Net gain/loss	Contract amount, etc.		Fair value	Net gain/loss
	Type		Over one year				Over one year		
Over-the-counter	Interest rate swap								
	Fixed interest receipt/ variable interest payment								
		¥ 51,500	¥ 36,250	¥ 1,177	¥ 1,177	¥ 36,250	¥ 32,200	¥ 1,210	¥ 1,210
Total					1,177				1,210

Note: The fair value (current price) of swap transactions is indicated in the net gain/loss column.

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	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 or having no maturity date	Total
As of March 31, 2018	¥ 15,250	¥ 8,400	¥ 8,600	¥ 14,250	¥ 5,000	¥ –	¥ 51,500
Fixed receipt swap notional principal	15,250	8,400	8,600	14,250	5,000	–	51,500
Average fixed interest receipt	0.46	0.52	0.61	0.92	1.12	–	0.69
Average variable interest payment	0.03	0.07	0.12	0.11	0.10	–	0.08
As of March 31, 2019	4,050	10,050	12,150	5,000	5,000	–	36,250
Fixed receipt swap notional principal	4,050	10,050	12,150	5,000	5,000	–	36,250
Average fixed interest receipt	0.49	0.48	0.90	0.99	1.12	–	0.78
Average variable interest payment	0.07	0.04	0.13	0.11	0.08	–	0.09

(iii) Currency related

(Millions of yen)

Category	As of March 31 Type	2018				2019			
		Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts								
	Sold	¥2,704,699	¥ -	¥ 1,223	¥ 1,223	¥3,923,901	¥ -	¥ (367)	¥ (367)
	U.S. dollar	1,696,562	-	(3,991)	(3,991)	2,665,425	-	961	961
	Euro	657,080	-	3,116	3,116	568,644	-	1,222	1,222
	Australian dollars	224,994	-	1,794	1,794	246,076	-	(2,185)	(2,185)
	Others	126,062	-	304	304	443,754	-	(366)	(366)
	Purchased	-	-	-	-	-	-	-	-
Total					1,223				(367)

Notes:

1. Future quotation for the exchange rate at the end of the fiscal year is used.
2. The net gain/loss is described for the exchange contract fair value.

(iv) Stock related

There were no such outstanding balances as of March 31, 2018 and 2019.

(v) Bond related

There were no such outstanding balances as of March 31, 2018 and 2019.

(vi) Others

There were no such outstanding balances as of March 31, 2018 and 2019.

7 Indicators for Separate Accounts

Not applicable.