



Management Philosophy, Management Policy and Code of Conduct

Our Management Philosophy is a determination that all executives and employees will work together to be always close at hand and to protect the well-being of every one of our customers.

Keeping this Management Philosophy in our mind, we will work to realize sustainable growth and remain a company that is trusted and loved by our customers.

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Management Policy

We aim to become the No. 1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

Code of Conduct

1. We put the customer first in everything we do.
2. We offer comprehensive and heartfelt services by working together closely with our business partners.
3. We always improve ourselves, embarking on new challenges and contributing to the development of the company and society.
4. We leave no stone unturned in ensuring compliance based on a strong ethical sense of the company as a responsible member of society.
5. We respect human rights and create a diverse and inclusive working environment.



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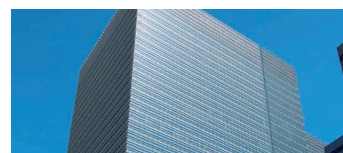


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Editorial Policy This Annual Report presents an overview of the Company, our business strategies, management issues and other information in an integrated manner that includes both financial and non-financial information, in order to communicate clearly to our stakeholders the initiatives undertaken by Japan Post Insurance for sustainable value creation. We also issue this Annual Report as disclosure materials prepared based on Article 111 of the Insurance Business Act.

Reference Guidelines

- "International Integrated Reporting Framework" issued by the International Integrated Reporting Council (IIRC)
- "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation" issued by the Ministry of Economy, Trade and Industry

Japan Post Insurance Co., Ltd. has been commissioned by the Organization for Postal Savings, Postal Life Insurance and Post Office Network (the "Management Network"), which succeeded the rights and obligations of the Postal Life Insurance policies enrolled in before September 2007, to engage in insurance policy operations.

As of April 1, 2019, the Management Network changed its name from the Management Organization for Postal Savings and Postal Life Insurance (the "Management Organization").

- Notes: 1. This report is intended to provide information to the public and is not intended to constitute a solicitation to invest in stock or other marketable securities of Japan Post Insurance Co., Ltd. or its subsidiaries (the "Group"). This report contains forward-looking statements regarding the outlook and targets of the Group, which are based on the information available when the report was prepared or on Japan Post Insurance's expectations derived from projections or assumptions made at the time of the report's preparation. Please note that these forward-looking statements are subject to a broad range of risks and uncertainties, and actual results might vary materially from the statements contained in this report as a result of changes in the economic conditions or business trends, revisions to laws or regulations, effects of large-scale disasters, fluctuations in the value of assets owned, harmful rumors or false information.
2. Unless otherwise noted, statements in this report are based on information available at the time of preparing the report.
3. Unless otherwise noted, financial figures in this report are reported on a consolidated basis. Unless this context indicates otherwise, references in this report to "we," "us," "our," "the Company" or similar terms are to Japan Post Insurance Co., Ltd.



Value Creation Process

As a member of the Japan Post Group, which provides services that entail a strong community role, Japan Post Insurance aims for sustainable enhancement of corporate value while contributing to the realization of a sustainable society by identifying social issues and needs and continuing to provide value to stakeholders.

Management Resources

(As of March 31, 2019)

Financial Capital

Sound financial base

- Total assets (consolidated):
¥73,905.0 billion
- Consolidated solvency margin ratio:
1,189.8%
- Insurer financial strength ratings
(S&P): A+

Social and Relationship Capital

Nationwide network of post offices and the industry's largest customer base

- Number of customers:
26.48 million

Note: The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by us)

- Number of post offices engaged in life insurance solicitation:
20,035 offices

Human and Intellectual Capital

Customer-first human resources and information systems supporting customer service

- Number of employees: 7,617
- An IT system that manages information for approximately 32 million policies in force
- Utilization of AI in insurance claim payment examination operations and Call Centers

Social Issues

Declining birthrates and an aging society

Diversification of lifestyles

Evolution of medical technology and ICT

Continuation of a historically low interest rate environment

We aim to become the No. 1 insurance company selected

Japan Post Insurance Business Activities

Fundamental Management Approach

Pursue customer-first business operations

Achieve sustainable growth



Medium-term Management

Key strategies	Sales and product strategies
	Administrative services strategy
	Asset management strategy
Strengthening the management base	Digitization strategy
	Human resources strategy



Material Topics of Japan Post Insurance

Provision of fundamental insurance services through the network of post offices
Prevention of risks through health promotion, etc.
Adapting to climate change and environmental protection
Promotion of diversity and inclusion, workstyle reform and human resources development
Corporate governance

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Japanese
by customers.

Maintain sound
business operations

Plan 2020

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Sustainability Management

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Value Created and Shared with Stakeholders (FY2019/3 results)

Customers

Providing basic insurance services through the post office network

- Insurance claims and others: ¥6,868.8 billion
- Customer satisfaction: 82%

Note: Total percentage of "satisfied" and "somewhat satisfied" ratings on a five-point scale

Shareholders and Investors

Improvement of corporate value through sustainable growth

- Dividend per share: ¥72
- Net income (consolidated): ¥120.4 billion

Note: Net income attributable to Japan Post Insurance

Local Communities and Society

Risk prevention through health promotion services Contribution to revitalization of regional society through social contribution activities

- Radio exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour held in:
43 venues nationwide

Note: Number of events expected to be held every year

- Donations for environmental conservation in line with online provision of Contract Guidelines and Policy Conditions:
33 organizations

Employees

Realizing a workplace environment where all employees can deliver their full potential

- Ratio of female managers: 12.1%
- Note: As of April 1, 2019
- Average number of annual paid leave days taken: 17.5 days

Providing
protection
in times of need



Delivering reliable
insurance services to
customers nationwide
and supporting the future
of regional communities



Supporting healthy
and affluent lifestyles



Passing on a sound global
environment and resources
to the next generation



Strengthening the
management base for
sustainable value creation



Creating a diverse
and vibrant
organization





Message from CEO



The Founding Spirit and Vision of Japan Post Insurance

On October 1, 1916, the predecessor of Japan Post Insurance, the Postal Life Insurance Service was created in Japan, and began to offer its products at approximately 7,000 post offices nationwide. At that time, although life insurance offered by the private sector was steadily developing, only a handful of people had reaped its benefit, and it was not yet widely available to the common public. As Japan was already an industrially developed country, there was a need for life insurance, as a social policy for people who were the labor force. Accordingly, creation of a simple life insurance system with small coverage amounts became an urgent task for society. Under these social circumstances, the Postal Life Insurance Service began as a system that could be joined through a simple procedure, without a medical examination and at a relatively affordable monthly rate, in order to provide the peace of mind that comes with insurance, as a protection for the means of the fundamental livelihood of the people of Japan.

More than a century has passed since the introduction of the Postal Life Insurance Service. Considering the current state of society, it is clear that Japan has secured its status as a developed nation through a period of rapid economic growth. However, it is also a fact that Japan still faces a number of social problems, including a rapid aging of society with a declining birth rate. Therefore, I believe that the social significance and mission to provide the means of fundamental livelihood that is expected of Japan Post Insurance have not changed in the slightest, since the era of its founding.

This mission has been passed down without fail since our founding, and continues to remain rooted in our current management philosophy, "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being." This management philosophy represents Japan Post Insurance's resolve to "Fulfill our abiding mission as a member of Japan Post Group" and "Continuously support and protect our customers' dreams and enthusiasm."

かんぽ生命

Contributing to local communities with the nationwide post office network, and working towards the sustainable growth of our corporate value.

Director and President, CEO,
Representative Executive Officer

M. Uehira

Currently, we deliver peace of mind in the form of insurance to the people of Japan, via approximately 20,000 post offices located nationwide. We will never cease fulfilling our mission of protecting people's well-being through insurance, while also contributing to our customers as a member of the Japan Post Group. Leveraging our "trustworthy" and "reliable" brand image accumulated over the years as assets, we will do our best to stay by our customers' sides, and continue to earn their trust and affection.

Review of the Medium-term Management Plan 2020 and Our Performance in FY2019/3

Under the Medium-term Management Plan 2020 (FY2019/3 – FY2021/3), we have established "pursue customer-first business operations," "achieve sustainable growth," and "maintain sound business operations" as our fundamental management approach, with the aim of increasing profit in both sales and asset management in an extremely low interest rate

environment, as well as reversing the declining trend and achieving growth in annualized premiums from policies in force. Specifically, we have set earnings per share (EPS), dividend per share (DPS), and annualized premiums from policies in force (individual insurance) as our key quantitative targets for the fiscal year ending March 31, 2021, and are working on strategies for each area of business, including sales and products, administrative services, and asset management. As details of these primary strategies will be presented in the "Key Strategies" section (P. 26), I would like to focus on our performance during the fiscal year ended March 31, 2019.

In the fiscal year ended March 31, 2019, which was the first year of our Medium-term Management Plan 2020, consolidated net income reached ¥120.4 billion (15.3% increase year on year), our highest profits since privatization, and EPS was ¥200.86. In our consolidated performance forecast for the fiscal year ending March 31, 2020, we expect EPS of ¥165.12, which exceeds the goal of ¥155 for the fiscal year ending March 31, 2021 that was set



Message from CEO

in our Medium-term Management Plan, and indicates steady progress. In the fiscal year ended March 31, 2019, we set DPS at a total of ¥72, by adding a special dividend of ¥4 per share to ordinary dividend of ¥68 per share based on favorable performance. We expect to pay ¥76 in DPS for the fiscal year ending March 31, 2020, and aim to achieve a steady and continuous growth in dividends.

With regard to new policies, we have strengthened sales activities focusing on protection needs, and made efforts to cultivate new customer bases, including the uninsured as well as the young and middle-aged. As a result, annualized premiums from new policies for individual insurance amounted to ¥351.3 billion (6.6% decrease year on year). However, we have steadily increased the number of new policies for ordinary whole life insurance (increased amount type) and special endowment insurance with high protection features, which together accounted for nearly 50% of all new policies. Annualized premiums from new policies for third-sector insurance amounted to ¥61.6 billion (4.1% increase year on year), marking a record high.

Looking at policies in force as of March 31, 2019, although annualized premiums from policies in force for individual insurance were on a declining trend amounting to ¥4,677.1 billion (3.8% decrease year on year), annualized premiums from policies in force for third-sector insurance amounted to ¥753.1 billion (0.3% increase year on year), and were on an increasing trend. Moving forward, we aim to reverse the current pattern, and achieve a growth in annualized premiums from policies in force during this Medium-term Management Plan period, by strengthening sales focused on protection, cultivating new customer bases, and improving solicitation quality and working to increase our policy maintenance rate by pursuing customer-first business operations.

Strengthening Human Capital as a Management Resource

Human resources are a crucial form of capital in any corporate organization. Due to labor shortages and a market favoring job applicants in recent years, corporations are faced with a harsh recruiting environment. However, we are responding to changes in the social environment as we strive to recruit talented human resources. Since training human resources is just as important as recruiting, we are fostering an environment in which each and every employee can think and act for themselves at all times, in order to fully realize their potential, by promoting company-wide initiatives for workstyle reform. Furthermore, we are striving to conduct the

training of human resources who focus on “customer-first,” and are inclined towards four orientations: “ownership,” “challenge oriented,” “speed oriented,” and “frontline oriented.”

The Company provides products and services to individual customers via post offices. Accordingly, for the purpose of supporting post offices, we have placed Agency Relations Divisions at 82 of our branches across Japan, where they offer support and guidance for sales and business at post offices. The approximately 20,000 post offices nationwide that are responsible for life insurance solicitations are a very important sales channel, which accounts for approximately 90% of new policies sold by Japan Post Insurance. For this reason, training and supporting post office employees are essential.

Specific initiatives we have undertaken include training by job level, in which our instructors teach post office employees, as well as problem-solving training, in which the Agency Relations Divisions at each branch take the lead. In this manner, we strive to conduct detailed training that suits the sales figures, skills, and issues faced by each individual, as part of a “strategy to conduct training that fits each individual.” Furthermore, we are working on a “management project that tends to individual post offices,” that strengthens management skills at post offices. In this project, employees of the Company and Japan Post Co., Ltd. with leadership skills visit or are stationed at post offices nationwide that have offsite sales functions, analyzing issues in the sales structure of each individual post office, and offering proposals for improvement measures as well as execution support.

“Customer-first” Sales Activities and Service Improvement

An important mission of all life insurance companies is to provide long-term protection and peace of mind, by providing attentive explanations, while grasping the intentions of our customers, and ensuring that they purchase insurance with adequate understanding and consent. In order to achieve this mission, we are collaborating with Japan Post Co., Ltd. to conduct “customer-first sales activities.”

Starting in April 2019, in order to further pursue “customer-first sales activities,” we have taken measures to reflect the maintenance of policies in employee evaluations and their allowances, and revise our recording method of sales performance. We will continue to aim for the highest level of solicitation quality in the industry, and strive to truly satisfy all of our customers.

Our business model of providing simple, small-coverage-amount products and services via our nationwide network of approximately 20,000 post offices is our greatest strength. In recent years, in addition to face-to-face service provided through post offices, the need has arisen for non-face-to-face services via the Internet or mail. In light of our customers' diversifying needs, we are working to "expand the points of contact with customers" and "promote the digitalization of various operations" through the use of digital technology in order to improve customer service. Specifically, we are enhancing the content of our website to make it easier for customers to understand, and are developing new services such as by introducing My Page web service for policyholders, which enables some processes and services to be conducted online, as new digital points of contact with customers.

Since March 2017, we have introduced decision support for insurance claim payment examination work using artificial intelligence (AI). By inputting past payment cases in the AI, we are able to obtain judgment materials based on the results obtained by machine learning. Using AI enables us to make quick assessments at a level on par with employees with sophisticated knowledge and experience regarding our products, policy conditions, and medicine, and to gain benefits such as faster payment processing. Thus far, we have expanded the use of AI to call center operations and in the future, we plan to examine the effects of AI on customer

service improvement and workstyle reform, while also examining use in other fields, such as enhancing support for post offices (operations help desks) and contact points with customers.

Realizing a Sustainable Society

Among the international rules and guidelines for realizing a sustainable society recently formulated, the "Sustainable Development Goals" (SDGs) adopted by the United Nations in 2015 in particular, demand actions from corporations aimed at achieving these goals. In order to achieve sustainable development as a company in the future, it is crucial to strategically incorporate SDGs into management, establish goals and implement them. We have positioned continuance of sustainable growth in harmony with society while giving consideration toward the global environment as the basis of its management, and have formulated a Corporate Social Responsibility (CSR) action plan for the fiscal year ending March 31, 2020, to serve as a guidepost toward achieving SDGs and improved the Company's CSR promotion system. Through this plan, we intend to practice management in a manner that balances the creation of economic and social value of the Company, by further strengthening these efforts as part of our business strategy, and attempting to achieve the SDGs including these for social responsibility and the environment.





Message from CEO

Efforts to Promote Health as a CSR Activity

We are making particular efforts to promote the Radio Exercise Program as a way of responding to social issues in our graying society. Radio Exercise was first introduced in 1928 by the Postal Life Insurance Bureau of the Ministry of Communications, a predecessor of Japan Post Insurance. At the time when Radio Exercise was introduced, Japan still had a very short average life expectancy, in the 40s. Therefore, in the course of operating our life insurance business, the Company was faced with the pressing issue of extending the very lifespan of the people. Promoting the spread of Radio Exercise served as a means to promote the health of the people of Japan.

In response to the privatization of postal services, we inherited the responsibility of promoting Radio Exercise, which had previously been conducted by the Postal Life Insurance business. Unlike the time when Radio Exercise was first introduced, modern day Japan has become a super-aging society, the 100-Year Life, and extending the healthy life expectancy, the part of one's lifespan in which one can continue to live in good health, has become a huge issue. Radio Exercise can once more contribute greatly to resolving this issue, and we have continued to position the promotion of Radio Exercise at the center of our CSR activities, and are actively working on this task.

In addition, as a new initiative to support health promotion of our customers, we launched a "health support app" in January 2019. This health support app provides contents such as a pedometer function, as well as Radio Exercise in audio and video formats, and can search for venues nationwide where Radio Exercise is conducted, in order to support the adoption of exercise habits. Starting in April 2019, we have provided contents in the form of a premium version of the app for policyholders only. This includes content that displays calories and nutrients, and gives advice on nutritional balance when the customer takes a picture of their food, as well as content that recommends recipes based on the health aspects that the customer wishes to improve, such as their blood pressure or BMI, in order to support health through improving eating habits. We have positioned this health support app as the "next-generation Radio Exercise," and are providing services that contribute to improving our customers' quality of life.

Capital Policy

With the aim of continuously improving shareholder value, we have based our capital policy on maintaining a sufficient level of capital required to strengthen our profitability and management base, while taking into consideration capital efficiency. In addition, we have made appropriate reviews, while considering whether the required level of capital is appropriate relative to the risk associated with our business activities, and whether it meets the level demanded by regulatory rules. At the same time, we aim to improve return compared to risk, while maintaining the financial soundness of our operations under an ERM^(Note) framework.

In January 2019, we issued ¥100.0 billion in subordinated unsecured bonds for domestic public offering, thus further strengthening our financial base. In April 2019, following the sale of common stock in Japan Post Insurance by Japan Post Holdings Co., Ltd. we enhanced shareholder returns by acquiring treasury stock in order to mitigate the impact on the supply-demand balance of our shares, and in May, cancelled nearly the same number of treasury stock acquired.

With regard to shareholder returns, we have placed the return of profits to shareholders as one of the key management measures, and are securing soundness of management while returning stable profits to our shareholders. In addition, from the fiscal year ending March 31, 2020, we have decided to pay an interim dividend in addition to the year-end dividend, for the purpose of enhancing opportunities to return profits to our shareholders. Moving forward, we aim to steadily increase dividend per share, while taking into consideration our earnings outlook and financial soundness.

Note: "Enterprise risk management (ERM)" aims to ascertain risks on an overall basis, which encompasses latent significant risks, for any risk a company faces and compare and contrast such risks with its capital and other areas in managing risk for our overall business.

Achieving Sustainable Growth

We expect customer needs for life insurance products and services to transition from death benefits toward survival benefits, such as medical care and nursing care, and as we approach an era in which many people live to 100, an expansion of protection and preventive services to assist people in living richer, healthier daily lives is expected. In anticipation of these changes, we will enhance our survival benefit products, including third-sector insurance. We are also examining methods of combining the information acquired from digital contact points, such as the health support app mentioned earlier, with information acquired from post offices, and using this information to improve services and conduct marketing, as well as developing new products and services that utilize health data. In the future, basing our business on providing face-to-face services through post offices, we will examine services through various channels, with the aim of further improving customer satisfaction and creating additional sales opportunities.

Japan Post Holdings Co., Ltd. conducted a secondary offering of the common stock of the Company in April 2019. This offering was conducted to help further advance the steady implementation of our privatization including the future relaxation of the additional restrictions applicable to the Company through multiple disposals of such shares and to help investor demand by enhancing the market liquidity of the Company's stock. Through the secondary offering of the Company's common stock and the acquisition of treasury stock, the shareholding of the Company's common stock by Japan Post Holdings Co., Ltd. has been reduced from about 90% to the lower 60% range. Based on this environment, we aim to make sustained improvements in corporate value through methods including new business development.

With deregulation on the horizon, we believe that we have great potential for growth in the domestic life insurance market. However, other life insurance companies are promoting overseas expansion, which has contributed to profits to a certain extent. We too will make necessary preparations to further improve our corporate value, such as conducting surveys and research on overseas expansion and training human resources.

Finally, I would like to reaffirm that Japan Post Insurance will continue to contribute to society and achieve sustainable growth with society, based on the recognition that the basis for our growth strategy is the realization of a sustainable society.





Our History

The Postal Life Insurance Service, the predecessor of Japan Post Insurance, was founded in 1916. Created with the social mission of “protecting the means of fundamental livelihood of the public through simple procedures,” the Postal Life Insurance Service fulfilled its role of ensuring the stability of people’s lives by providing an insurance system available at relatively affordable fees with simple enrollment procedures and no medical examination. Although more than a century has passed since our founding, our mission to support the lifestyles of people through insurance has not changed, despite our transformation from a government-run to a private corporation in line with changes in the times. Japan Post Insurance will continue to deliver insurance services as a means of security to customers nationwide through the network of post offices rooted in the community, thereby protecting the well-being of each and every customer with the power of insurance.

1885 Ministry of Communications

1885—1949

1916

- Commenced postal life insurance business

1926

- Commenced postal annuity business

1928

- National Health Exercise Program (precursor of the Radio Exercise Program) began

1949 Ministry of Posts and Telecommunications

1949—2001

1949

- Ministry of Posts and Telecommunications was established
- Implemented double payment of insurance benefits

1951

- NHK started broadcasting the Radio Exercise No. 1 Program

1953

- Radio Exercises Summer Tour commenced

1962

- Festival of 10 Million People's Radio Exercise launched

1999

- Established special endowment insurance maturing at a specified age
- *Minna no Taiso* (“Exercise for Everyone”) Program began

2001 Postal Service Agency 2003 Japan Post

2001—2006

2001

- Postal Service Agency was established
- Opened Japan Post Insurance Call Centers

2003

- Japan Post was established

2005

- Reorganized Postal Insurance Administration Center (from seven locations to five)
- Carried out nationwide customer consultations through Japan Post Insurance Call Centers

2006

- Kampo Co., Ltd. was established



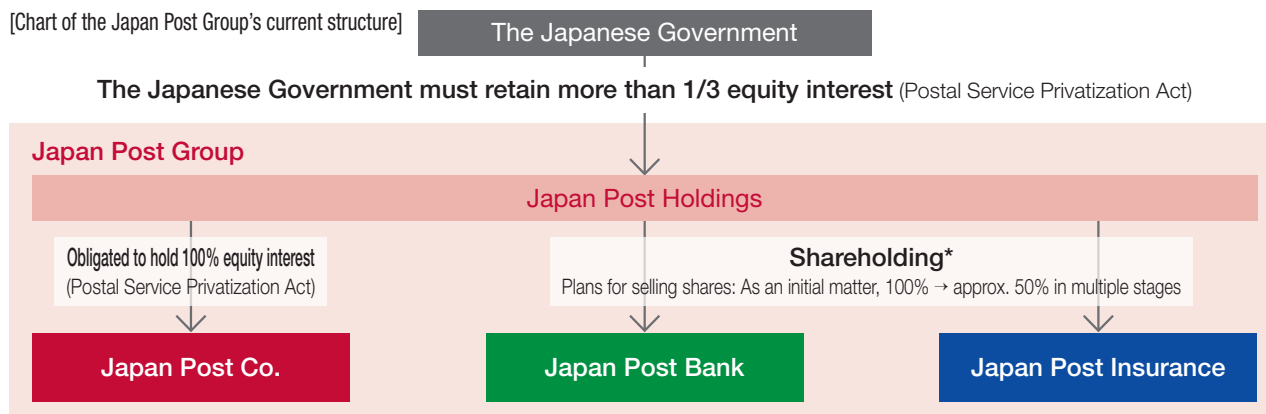
Japan Post Insurance and Radio Exercise

—90 Years of Promoting Community Health—

The Postal Life Insurance Bureau of the Ministry of Communications created the Radio Exercise Program in 1928 in an effort to maintain and improve people's health. The Ministry introduced the program in celebration of the enthronement ceremony of the Showa Emperor.

Japan Post Insurance, which was created as a result of the privatization of the original Japan Post, has assumed the role of promoting the exercise program, first undertaken by the Ministry of Communications and then by its successors, namely the Ministry of Posts and Telecommunications, the Postal Service Agency and Japan Post prior to privatization. We have been working together with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-taiso Federation to promote the program.





* Japan Post Holdings aims to dispose of these shares as soon as possible, while taking into account each company's financial situation and the impact on performance of its universal service obligation, with the aim of disposing of its entire equity interest in Japan Post Bank and Japan Post Insurance (Postal Service Privatization Act). The percentage of common stock of Japan Post Insurance held by Japan Post Holdings decreased from 89% to approximately 64% as a result of the secondary offering of shares and the acquisition of treasury stock (April 2019).

2007 JAPAN POST INSURANCE

Kampo-kun
(Our Corporate Mascot)



Yume-chan

2007—2019

2007

- Japan Post Group was established
- Obtained approval for new operations (liberalization of investment products)

2008

- Commenced commissioned sales of life insurance products for corporate clients
- Launched *Sono hi kara*, a new hospitalization rider

2009

- Established branches in all prefectures through the opening of the Nara Branch and Wakayama Branch

2011

- JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current consolidated subsidiary) became a subsidiary

2014

- Launched *Hajime no Kampo*, an educational endowment insurance

2015

- Launched *Shin Free Plan* (short-term premium payment), an endowment insurance
- Listed on the First Section of the Tokyo Stock Exchange
- Commenced commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)



2016

- 100th anniversary of Postal Life Insurance
- Revised our Management Philosophy
- Obtained approval for new operations (underwriting of reinsurance and related services)
- Business alliance with The Dai-ichi Life Insurance Company, Limited*

*Currently Dai-ichi Life Holdings, Inc.

2017

- Establishment and announcement of Basic Policies for Customer-first Business Operations
- Launched *Sono hi kara Plus*, a new medical rider; *Shin Nagaiki Kun Low Cash Value Plan*, a new whole life insurance; and *Choju no Shiawase*, a longevity support insurance

2018

- Announcement of Medium-term Management Plan (FY2019/3–FY2021/3)

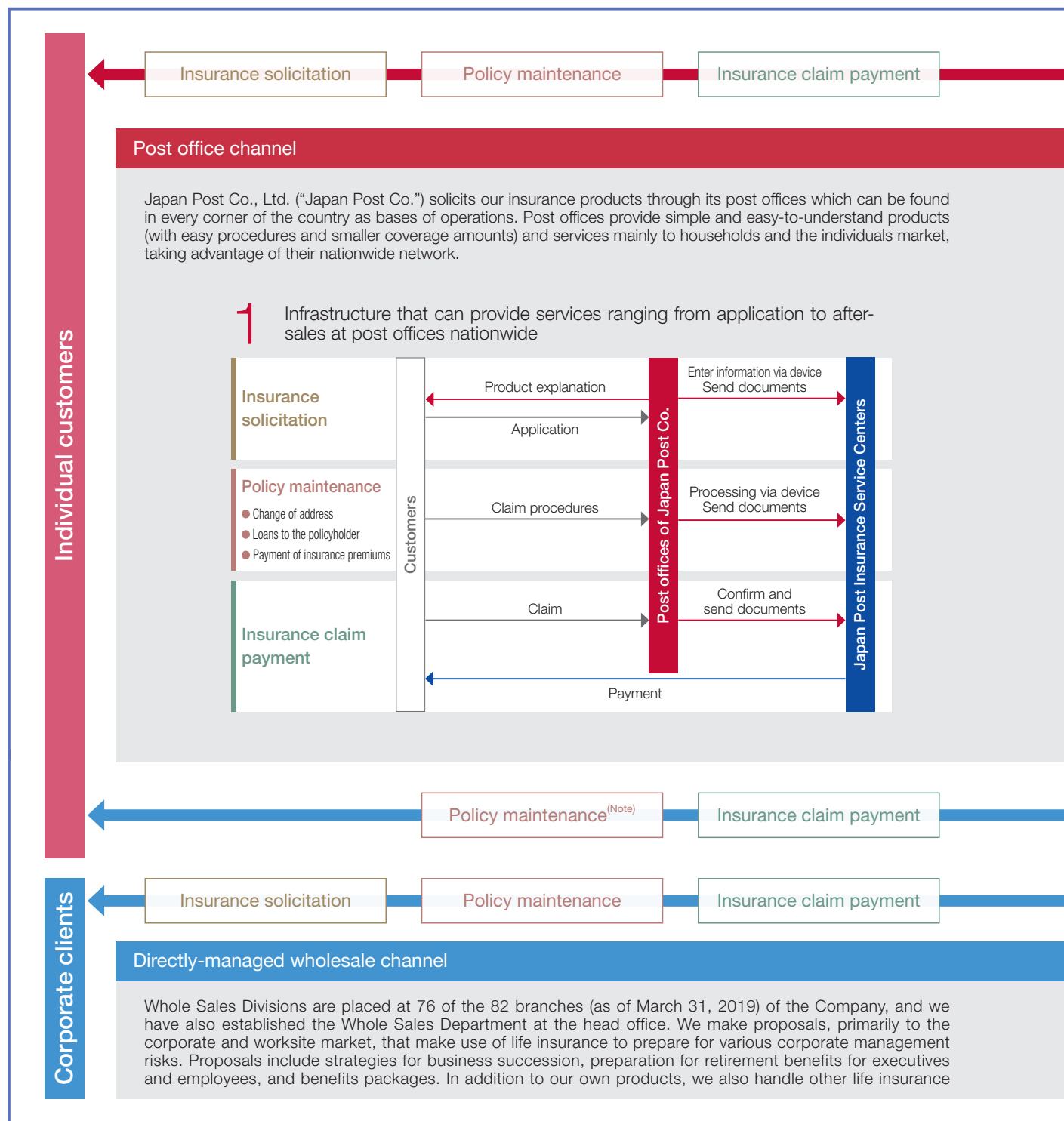
2019

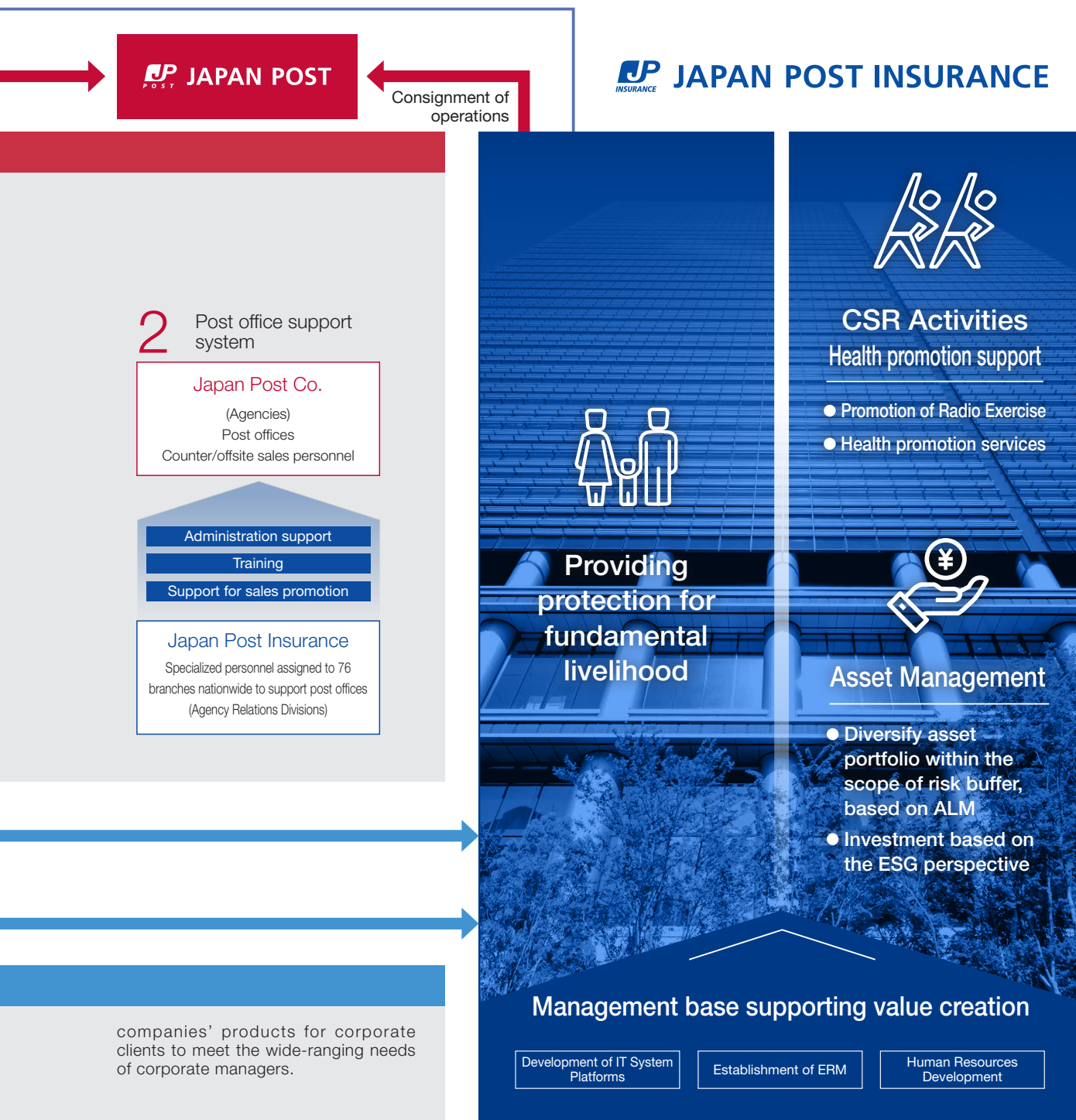
- January: Began providing *Sukoyakanpo* health support app
- April: Launched *Kampo ni Omakase*, products with relaxed underwriting criteria; and an advanced medical rider
- April: Secondary share offering



Our Business Model

We are promoting the life insurance business with agencies (our business partners Japan Post Co., Ltd. (post offices) and contracted post offices) as our sales channels for individual customers and directly-managed offices (our branches) for corporate clients.





We have been commissioned with the management of Postal Life Insurance Policies by the Management Network. By consigning some of the tasks commissioned from the Management Network to Japan Post Co., such as the collection of insurance premiums and the payment of insurance benefits, we provide services at post offices just as we did before privatization.



Our Features

01 Reliable and Trustworthy Post Office Network

- Post offices have provided mail, banking and insurance services founded on “reliability” and “trustworthiness” for customers for some 140 years since the establishment of the postal business in 1871
- The network of post offices, which comprehensively covers the whole country, is the core sales channel of Japan Post Insurance
- Policy maintenance, insurance claim payment, and other procedures can be carried out at post offices nationwide

Overwhelming number of locations nationwide

Post offices



20,035 post offices undertake life insurance solicitations; and 560 contracted post offices (as of March 31, 2019)

Approx.
24,000

Post offices constitute the largest sales channel for financial products in Japan

Elementary schools

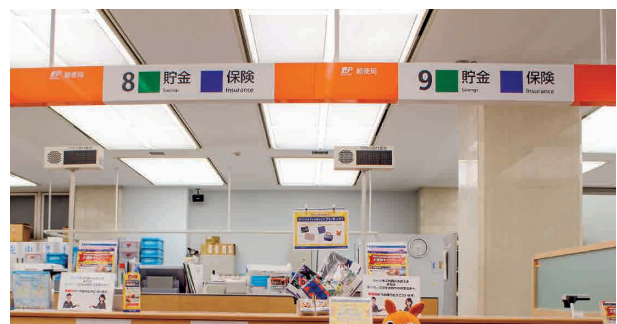


Approx.
20,000

Commercial bank outlets in total

Approx.
3,000

Sources: Ministry of Education, Culture, Sports, Science and Technology; Japanese Bankers Association



The Post Office Network and Japan Post Insurance Offices across Japan (As of March 31, 2019)

■ Post offices

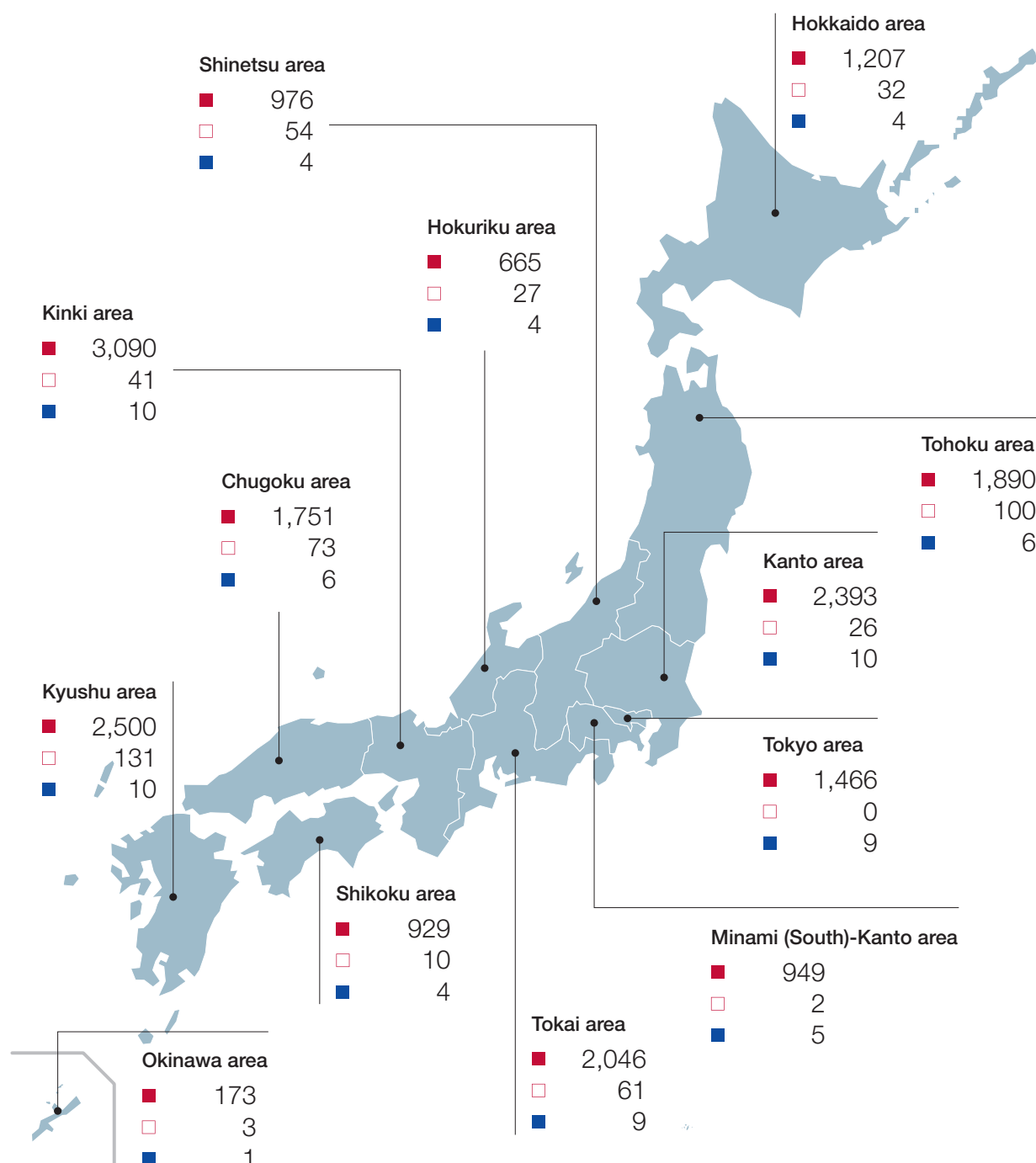
□ Contracted post offices

■ Japan Post Insurance branches

20,035 offices

560 offices

82 branches



Note: "Post offices" indicates the number of post offices undertaking life insurance solicitation, and "Contracted post offices" indicates the number of contracted post offices that have concluded life insurance solicitation consignment contracts.

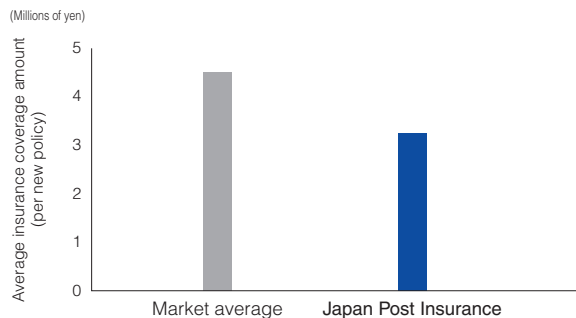


Our Features

02 Simple Procedures and Smaller Coverage Amounts

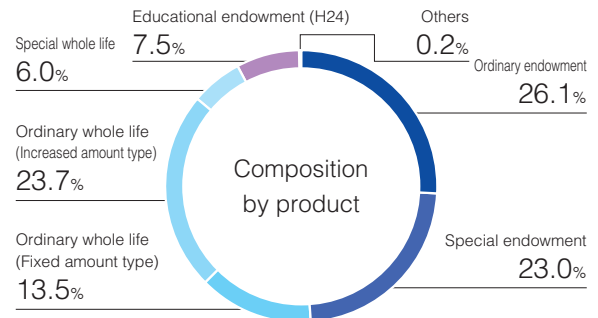
- Inheriting the Postal Life Insurance Service's social mission of "protecting the means of the fundamental livelihood of the public through simple procedures," the Company provides simple and easy-to-understand products (with easy procedures and smaller coverage amounts) and services through the nationwide network of post offices
- No examination by physicians is required (no medical examination) when applying for enrollment, and customers can enroll by reporting health status (with a declaration form) with no occupational restrictions
- Our basic approach is to sell endowment insurance, whole life insurance, etc. with medical riders

Average insurance coverage amount (Per new policy (individual insurance) for FY2019/3)



Source: Life Insurance Statistics Summary (Contract Performance List 2018)

Composition by product (Number of new policies (individual insurance) for FY2019/3)

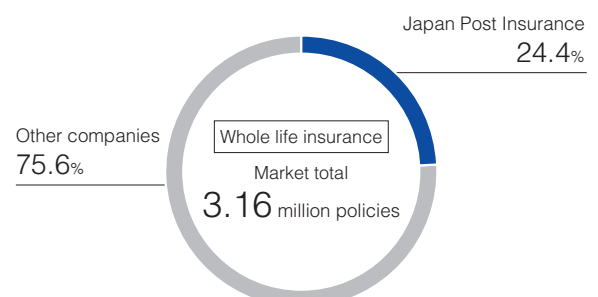
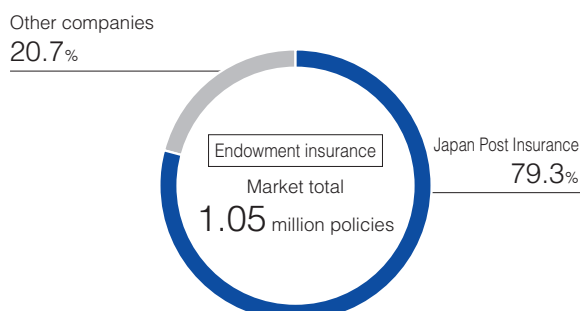


The basic sales approach is to add medical riders to insurance policies.

Market Share (Number of new policies, FY2018/3)



Top share in the industry



Source: Insurance Life Insurance Statistics Issue (2018 edition)

03 Extremely large customer base centered on post office customers

- Approximately 26 million customers, equivalent to roughly 20% of Japan's population (approximately one in five people)
- Regarding the age composition of policyholders, middle-aged and elderly people who are 50 years or older account for roughly 70%, reflecting a particularly strong following for our products among the middle-aged and the elderly

Number of Japan Post Insurance customers

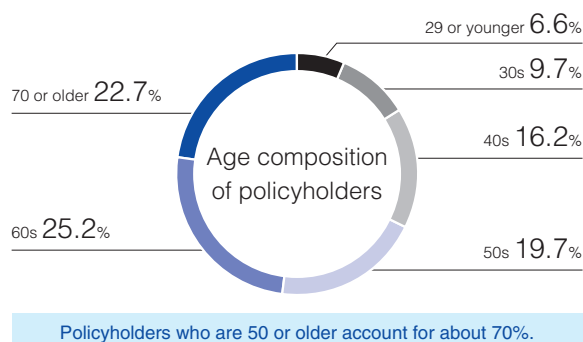


Source: Statistics Bureau of Ministry of Internal Affairs and Communications (Population Estimates as of April 1, 2019)

Note: The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by us).

Age composition of policyholders

(Number of new policies (individual insurance) for FY2019/3)



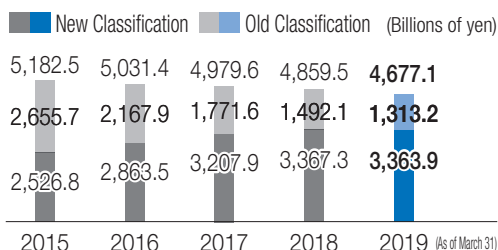


Financial and Non-Financial Highlights

Financial Highlights

Annualized Premiums from Policies in Force
(Individual Insurance) (Notes 1, 2)

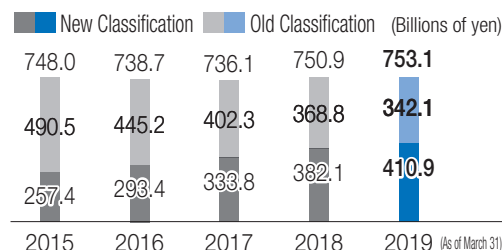
¥4,677.1 billion



As of March 31, 2019, annualized premiums from policies in force (individual insurance) amounted to ¥4,677.1 billion including reinsured Postal Life Insurance Policies (insurance), a 3.8% decrease year on year.

Annualized Premiums from Policies in Force
(Third-Sector Insurance) (Note 3)

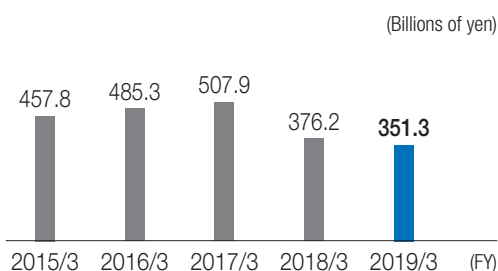
¥753.1 billion



As of March 31, 2019, annualized premiums from policies in force (third-sector insurance) amounted to ¥753.1 billion including reinsured Postal Life Insurance Policies, a 0.3% increase year on year.

Annualized Premiums from New Policies
(Individual Insurance)

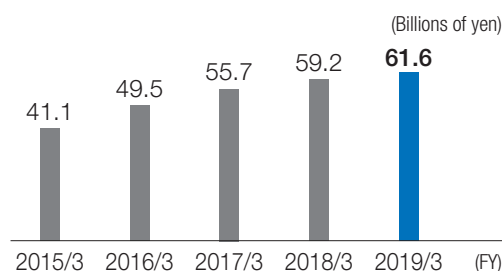
¥351.3 billion



During the fiscal year ended March 31, 2019, annualized premiums from new policies (individual insurance) amounted to ¥351.3 billion, a 6.6% decrease year on year, due to the insurance premium revisions in April 2017, as well as an increase in new policies for protection-type products with low annualized premiums.

Annualized Premiums from New Policies
(Third-Sector Insurance)

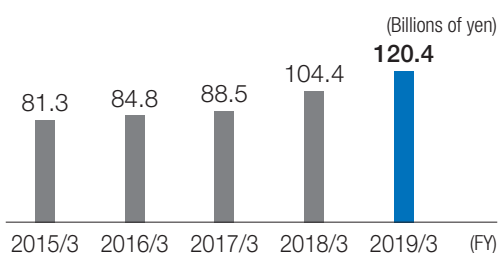
¥61.6 billion



During the fiscal year ended March 31, 2019, annualized premiums from new policies (third-sector insurance) amounted to ¥61.6 billion, a 4.1% increase year on year, due to an increase in new policies with riders.

Net Income (Consolidated) (Note 4)

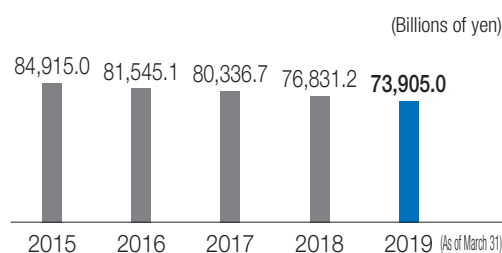
¥120.4 billion



Net income in the fiscal year ended March 31, 2019 increased ¥15.9 billion (15.3%) year on year to ¥120.4 billion, the highest since privatization.

Total Assets (Consolidated)

¥73,905.0 billion

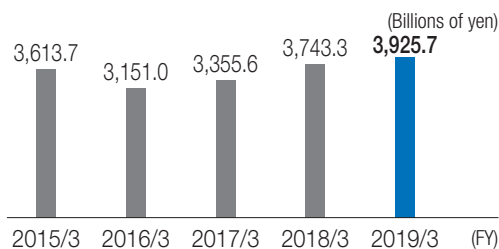


The Company manages insurance premiums entrusted from customers and holds assets such as securities in order to provide for payments of insurance claims and others. Total assets as of March 31, 2019 amounted to ¥73,905.0 billion.

Financial Highlights

Embedded Value (EV) (Note 5)

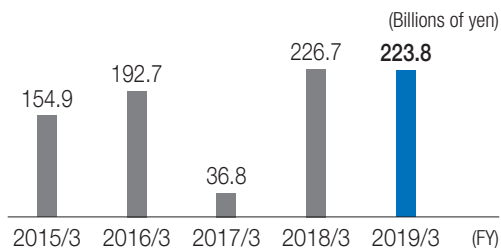
¥3,925.7 billion



Embedded value (EV) is one of the corporate value indicators for life insurance companies. The Company's EV as of March 31, 2019 was ¥3,925.7 billion, a ¥182.4 billion increase year on year.

Value of New Business (Note 5)

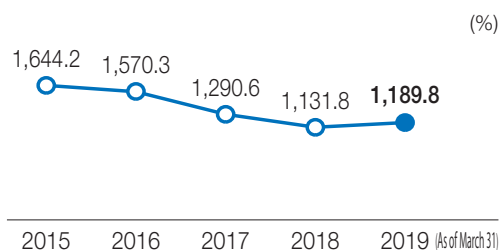
¥223.8 billion



The value of new business is the present value of future profits expected from new business. The levels of the value of new business from the fiscal year ended March 31, 2018 onward have exceeded those for the fiscal year ended March 31, 2017 and before, mainly due to insurance premium revisions and sales activities focusing on protection needs.

Consolidated Solvency Margin Ratio (Note 6)

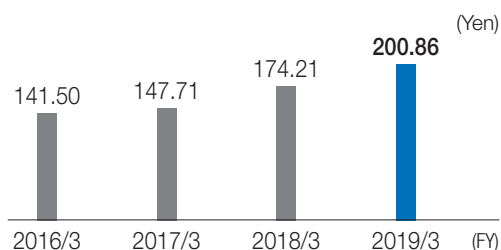
1,189.8%



Our consolidated solvency margin ratio as of March 31, 2019 remained high at 1,189.8%, significantly exceeding 200%, the criterion of prompt corrective action by the regulatory agency.

Earnings per Share (EPS) (Note 7)

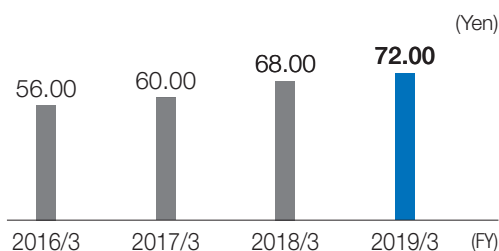
¥200.86



During the fiscal year ended March 31, 2019, earnings per share amounted to ¥200.86, exceeding the target (¥155) for the final year of the Medium-term Management Plan 2020.

Dividend per Share (DPS)

¥72



Based on favorable performance for the fiscal year ended March 31, 2019, we increased dividend per share to ¥72 by adding a special dividend of ¥4 per share to ordinary dividend of ¥68 per share.

- Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies that we received from the Management Network in the form of reinsurance.
2. The annualized premiums under "Old Classification" are calculated based on the same methods used for "New Classification."
3. "Third-sector insurance" includes annualized premiums corresponding to medical benefits (including hospitalization and surgery benefits).
4. Net income attributable to Japan Post Insurance
5. Please see pages 22 and 23 and 169–171 for the details of EV and the value of new business.
6. 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.
7. Figures for EPS are stated on a consolidated basis.



Financial and Non-Financial Highlights

Non-Financial Highlights

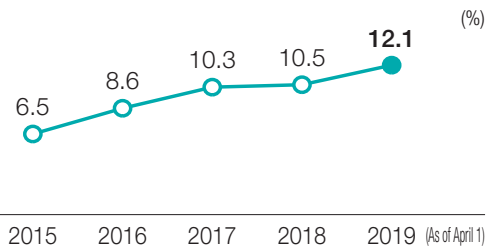
Customer Satisfaction

82%*

We conduct customer satisfaction surveys and undertake efforts to improve our customer service based on ratings by customers.

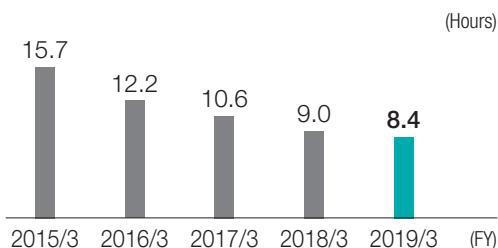
* From the fiscal year ended March 31, 2019, we revised the survey method from the original 10-points scale to a 5-points scale. The total percentage of "satisfied" and "somewhat satisfied" is shown.

Ratio of Female Managers

12.1%

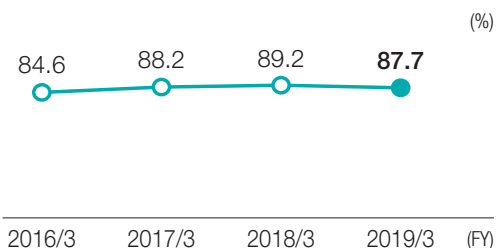
We strive to promote women's career activities as an important diversity promotion measure, and conduct systematic training to support medium- to long-term career formation for female employees. We aim to increase the ratio of female managers to 14% or more by April 1, 2021 based on the Act Concerning Promotion of Women's Career Activities.

Monthly Average Amount of Overtime per Employee

8.4 hours

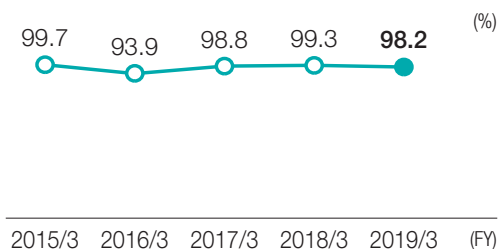
The average amount of overtime per employee has decreased every year through the promotion of productivity enhancement measures, the establishment of no overtime days, and the companywide roll-out of daily rest periods as workstyle reforms. We aim to reduce the monthly average amount of overtime per employee to 8 hours or less by March 31, 2021.

Rate of Taking Paid Leave

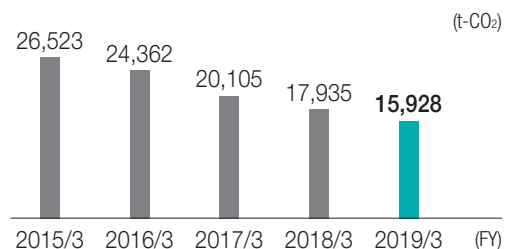
87.7%

We promote taking paid leave mainly through the scheduled granting of paid leave and encouragement to take consecutive leave days using public holidays and other days.

Return-to-Work Rate of Employees who Took Childcare Leave

98.2%

The return-to-work rate of regular employees who had taken childcare leave was higher than 93.2%, the average rate found in a survey by the Ministry of Health, Labour and Welfare ("Basic Survey of Gender Equality in Employment Management" in 2015). We will continue supporting a smooth return to work.

Carbon Dioxide (CO₂) Emissions (Note 8)**15,928 t-CO₂**

During the fiscal year ended March 31, 2019, CO₂ emissions were 12,429 t-CO₂ from our facilities and 3,499 t-CO₂ from vehicles, amounting to total emissions of 15,928 t-CO₂. As efforts to reduce CO₂ emissions, we have upgraded to highly effective energy-saving equipment at large facilities and are promoting a switch to hybrid and eco-friendly cars.

Note 8. Emissions from the Company's large facilities and all our vehicles

External Evaluation

Credit Ratings

As of June 1, 2019

In order to provide our customers and shareholders with a deeper understanding of the Company, we have acquired credit ratings from rating agencies.

Rating and Investment
Information, Inc. (R&I)

AA-

Insurance Claims Paying Ability

Japan Credit Rating Agency, Ltd.
(JCR)

AA

Ability to Pay Insurance Claims Rating

Standard & Poor's
(S&P)

A+

Insurer Financial Strength Ratings

Note: Ratings are the opinion of the rating agencies, and do not represent any guarantee by the rating agencies regarding the payment of insurance claims or other matters. Ratings may change in the future based on the judgment of the rating agencies.



Japan Post Insurance was selected for the second consecutive year as a Certified Health and Productivity Management Outstanding Organization in large enterprise category (White 500) under a recognition program designed by the Ministry of Economy, Trade and Industry (METI) in which the Nippon Kenko Kaigi recognizes enterprises that are engaged in efforts to address health issues or are particularly outstanding in the practice of health and productivity management for promoting health.



We have received Kurumin Certification from the Ministry of Health, Labour and Welfare since 2015, and acquired Platinum Kurumin Certification in March 2019. Platinum Kurumin Certification system that recognizes companies that are pursuing initiatives at an advanced level among companies that have received Kurumin Certification as childcare support companies.



Japan Post Insurance was recognized as a Tokyo Sports Promotion Company 2018, due to our efforts in the promotion of Radio Exercise, provision of the Sukoyakanpo health support app, and support for the Japan Wheelchair Tennis Association as its top partner.



We were awarded a gold rating, the highest on the PRIDE INDEX, for the second year in a row. The PRIDE INDEX, created by the voluntary organization work with Pride, recognizes in-house initiatives for sexual minorities such as LGBT.



Major Financial and Non-Financial Data

Financial data	As of/For the years ended March 31	2010	2011	2012	2013
Results of operations and financial position					
Ordinary income	¥	14,591.6	¥ 13,375.4	¥ 12,538.6	¥ 11,834.9
Ordinary profit		379.6	422.2	531.2	528.9
Core profit		427.1	484.4	571.6	570.0
Spread (positive/negative spread)		(236.2)	(139.3)	(61.5)	(4.7)
Core profit attributable to life insurance activities		663.3	623.7	633.1	574.7
Net income		70.1	77.2	70.0	90.6
Capital stock		500.0	500.0	500.0	500.0
Number of shares issued (Thousands of shares)		20,000	20,000	20,000	20,000
Total assets		100,969.7	96,786.7	93,690.8	90,463.5
Contingency reserve		2,950.6	2,885.9	2,783.7	2,683.6
Reserve for price fluctuations		421.4	409.6	458.2	522.8
Securities		80,341.5	77,173.0	74,586.1	72,557.1
Major financial soundness indicators					
Solvency margin ratio (%)		1,663.9	1,821.6 [1,153.9]	1,337.0	1,468.8
Economic solvency ratio (ESR) (%)		—	—	—	—
Status of policies					
Annualized premiums from policies in force (individual insurance)		7,026.4	6,498.2	6,051.3	5,686.8
Annualized premiums from policies in force (third-sector insurance)		901.6	861.2	823.3	789.9
Annualized premiums from new policies (individual insurance)		379.4	401.3	410.9	431.6
Annualized premiums from new policies (third-sector insurance)		43.7	37.4	39.9	40.8
Corporate value					
EV		—	—	2,812.3	2,866.2
Value of new business		—	—	169.2	181.6
Per share indicators					
Earnings per share (EPS) (Yen)		3,506.34	3,863.81	3,503.28	4,533.93
Dividend per share (DPS) (Yen)		876.58	965.95	846.68	1,137.51

Non-financial data	As of/For the years ended March 31	2015	2016	2017	2018	2019
Number of employees (Persons)		7,153	7,378	7,424	7,490	7,617
Male (Persons)		4,345	4,372	4,322	4,301	4,307
Female (Persons)		2,808	3,006	3,102	3,189	3,310
Ratio of female managers (%)		6.5	8.6	10.3	10.5	12.1
Average age (Years)		38.1	38.2	38.6	38.8	39.0
Male (Years)		40.9	41.1	41.5	41.7	41.8
Female (Years)		33.8	34.0	34.6	35.0	35.3
Average years of service (Years)		14.2	14.3	14.5	14.6	14.7
Male (Years)		17.1	17.3	17.5	17.5	17.5
Female (Years)		10.0	10.0	10.4	10.7	11.0
Rate of employees with disabilities (%)		1.96	2.00	2.13	2.21	2.31
Number of foreign employees (Persons)		1	2	2	3	4
Monthly average amount of overtime per employee (Hours)		15.7	12.2	10.6	9.0	8.4
Rate of taking paid leave (%)		—	84.6	88.2	89.2	87.7
Rate of taking childcare leave (%)		—	—	49.7	58.7	64.5
Male (%)		—	—	6.3	17.6	28.5
Female (%)		—	—	99.3	98.8	100.0
Return-to-work rate of employees who took childcare leave (%)		99.7	93.9	98.8	99.3	98.2
Number of employees who returned to work (Persons)		—	—	—	143	162
Number of employees who took nursing care leave (Persons)		—	—	—	—	6
Status of retention of new employees (after 3 years) (%)		91.9	90.8	90.9	89.7	84.4
Carbon dioxide (CO ₂) emissions (t-CO ₂)		26,523	24,362	20,105	17,935	15,928

(Billions of yen unless specifically indicated)

	2014	2015	2016	2017	2018	2019
¥	11,234.1	¥ 10,169.2	¥ 9,605.7	¥ 8,659.4	¥ 7,952.9	¥ 7,916.6
	462.7	492.6	411.5	279.7	309.2	264.8
	482.0	515.4	464.2	390.0	386.1	377.1
	54.2	66.9	97.4	78.5	65.8	58.4
	427.8	448.4	366.8	311.4	320.3	318.7
	62.8	81.3	84.8	88.5	104.4	120.4
	500.0	500.0	500.0	500.0	500.0	500.0
	20,000	20,000	600,000	600,000	600,000	600,000
	87,092.8	84,915.0	81,545.1	80,336.7	76,831.2	73,905.0
	2,588.7	2,498.7	2,374.8	2,254.0	2,114.3	1,962.7
	614.2	712.1	782.2	788.7	916.7	897.4
	69,377.9	66,276.2	63,609.9	63,485.2	60,130.9	58,451.5
	1,625.1	1,644.2	1,570.3	1,290.6	1,131.8	1,189.8
	—	179	167	176	186	225
	5,393.9	5,182.5	5,031.4	4,979.6	4,859.5	4,677.1
	768.6	748.0	738.7	736.1	750.9	753.1
	439.0	457.8	485.3	507.9	376.2	351.3
	49.1	41.1	49.5	55.7	59.2	61.6
	3,386.8	3,613.7	3,151.0	3,355.6	3,743.3	3,925.7
	185.1	154.9	192.7	36.8	226.7	223.8
	3,140.11	4,066.16				
	104.67	135.54	141.50	147.71	174.21	200.86
	840.43	1,226.38	56.00	60.00	68.00	72.00

- Notes: 1. As the Company transitioned to consolidated accounting from the fiscal year ended March 31, 2012 onwards, the financial data from the fiscal year ended March 31, 2012 onwards represent consolidated figures, while those of the fiscal years ended March 31, 2010 and 2011 represent non-consolidated figures. However, core profit, number of shares issued, status of policies and dividend per share represent non-consolidated figures. Furthermore, net income represents net income attributable to Japan Post Insurance from the fiscal year ended March 31, 2012 onwards.
2. The solvency margin ratios as of March 31, 2010 and 2011 have been calculated in accordance with the provisions set forth in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and in the public notification No. 50 issued by the Ministry of Finance in 1996. Furthermore, the solvency margin ratios from March 31, 2012 onwards have been calculated in accordance with the provisions set forth in Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and in the public notification No. 23 issued by the Financial Services Agency in 2011.
3. In the calculation of the solvency margin ratio from March 31, 2012 onwards, the calculation standard for the total amount of solvency margin and the total amount of risk was partially amended (tightening of margin calculations, tightening and refining of risk measurements and others), in accordance with the Cabinet Office Ordinance No. 23 of 2010 and the public notification No. 48 issued by the Financial Services Agency in 2010. 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 solvency margin ratios on and before March 31, 2011, March 31, 2012 through 2015 and March 31, 2016 onwards were calculated based on different standards. The figure in brackets "[]" as of March 31, 2011 is the figure disclosed for the fiscal year ended March 31, 2011 on the assumption that the standard as of March 31, 2012 was applied on March 31, 2011.
4. The economic solvency ratio (ESR) is the capital amount based on economic value divided by the integrated risk amount based on economic value and is one of the indicators that represent the financial soundness of life insurance companies (Figures are based on the Company's internal model; 99.5% confidence level).
5. 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.
6. Annualized premiums from policies in force include reinsured Postal Life Insurance Policies (for individual insurance, limited to Postal Life Insurance Policies (insurance)).
7. Third-sector insurance 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).
8. In the calculation of EV and the value of new business for the fiscal year ended March 31, 2015 onwards, an approach which utilizes the ultimate forward rate is applied as the extrapolation method of interest rates at longer durations of the risk-free rates (an approach in which the forward rates for the last year of the market data onwards are assumed to be the same is used for the fiscal year ended March 31, 2014 and before).
9. The value of new business for the fiscal year ended March 31, 2016 onwards is calculated as the difference between the EV calculated on the basis of the profit and loss for all in-force covered business including new business issued, and the EV calculated on the basis of the profit and loss for all in-force covered business if no new business had been issued (the value of new business for the fiscal year ended March 31, 2015 and before is calculated on the basis of the profit and loss for new business on a stand-alone basis).
10. The Company implemented a 30:1 stock split effective August 1, 2015. The lower rows of the fiscal years ended March 31, 2014 and 2015 for EPS have been calculated assuming the stock split was implemented on April 1, 2013.
11. The Company established a Board Benefit Trust (BBT) in the fiscal year ended March 31, 2017. Shares of the Company held in the trust, which was 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 EPS.
12. The number of employees excludes employees assigned to other companies by Japan Post Insurance but includes employees assigned to Japan Post Insurance by other companies. The figures exclude non-regular employees (including indefinite-term employees based on the indefinite-term employment conversion system).
13. Ratio of female managers represents the ratio as of April 1 of the following fiscal year.
14. Average age and average years of service are based on attained ages and years of service as of March 31, 2019, and truncated to the first decimal place.
15. Average years of service represent the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.
16. Rate of employees with disabilities represents the number employed by the Company on a non-consolidated basis, as of June 1 of each year.
17. Status of retention of new employees represents the retention rate of new graduates for each year after three years from their employment.



Japan Post Insurance's Vision and Medium-term Management Plan

In May 2018, the Japan Post Group announced the “Japan Post Group Medium-Term Management Plan 2020,” a new Medium-term Management Plan for the period from the fiscal year ended March 31, 2019 to the fiscal year ending March 31, 2021, based on a policy of becoming a “Total Lifestyle Support Group” that supports customers in realizing safe, secure, comfortable and affluent lifestyles and lives.

We have set “pursue customer-first business operations,” “achieve sustainable growth,” and “maintain sound business operations” as our fundamental management approach, and will combine and implement various strategies.

Management Philosophy

**Be a trustful partner for people,
always being close at hand
and endeavoring to protect their well-being.**

**We aim to become the No. 1
Japanese insurance company selected by customers.**

Fundamental Management Approach

- Pursue customer first business operations
- Achieve sustainable growth
- Maintain sound business operations

Medium-term Management Plan 2020 (FY2019/3 – FY2021/3)



Management targets (FY2021/3)

Earnings per share (consolidated)

¥155

Dividend policy

Aim to increase dividend per share to ¥76 while ensuring the soundness of management

Note: We recognize that we are presently facing difficulties to achieve the target for annualized premiums for policies in force for the fiscal year ending March 31, 2021 (approximately ¥4.9 trillion). We aim to reverse the downward trend and achieve growth during the period covered by the medium-term management plan.



Principal measures in Medium-term Management Plan 2020

Strengthen sales activities focusing on protection needs and policy maintenance for the reversal of the downward trend and growth of policies in force

Strengthening of sales activities focusing on protection needs

Improvement in solicitation quality

Cultivation of new customer base

Development of new products

Establishment of sales foundation

Sales and Product Strategies P. 26

Improve customer services and enhance efficiency in back-office administration through the use of ICT*

Improvement of customer service

Enhancement of efficiency in back-office administration

Administrative Services Strategy P. 28

Diversify asset portfolio within the scope of risk buffer under the ERM framework

Diversification of asset management

Sophistication of risk management

Asset Management Strategy P. 30

FY2019/3 Results

Earnings per share (consolidated)

¥200.86

Dividend per share

¥72

Note: ICT (Information and Communication Technology): A general term for technologies related to information and communication.



Key Strategies

Sales and Product Strategies

Progress of Medium-term Management Plan 2020

	Key initiatives of Medium-term Management Plan 2020	FY2019/3 results	Issues
Strengthening of sales activities focusing on protection needs	<ul style="list-style-type: none"> ● Training for post office offsite sales personnel and counter sales personnel ● Cooperation with other life insurance companies in product supply including commissioned sales, etc. 	<ul style="list-style-type: none"> ● Supported strengthened sales activities focusing on protection needs ● Supported improvement of proposal skills of sales personnel through various types of training ● Trained sales personnel to cover the diverse needs of company managers by also taking advantage of products sold on commission 	<ul style="list-style-type: none"> ● Sophistication of sales skills by meticulous training support of sales personnel according to individual issues
Improvement in solicitation quality	<ul style="list-style-type: none"> ● Ensuring that solicitation materials are easy to understand ● Comprehensive measures to improve solicitation quality (introduction of policy maintenance evaluation, etc.) 	<ul style="list-style-type: none"> ● Created easy-to-understand solicitation materials ● Strengthened confirmation of intent of elderly customers toward purchasing policies ● Strengthened coaching to sales personnel by utilizing the solicitation quality diagnosis records ● Introduction of the policy maintenance rate as part of performance evaluation criteria 	<ul style="list-style-type: none"> ● Strengthening of initiatives to further improve solicitation quality
Cultivation of new customer base	<ul style="list-style-type: none"> ● Cultivate potential customers who are uninsured, young or middle-aged; Strengthen sales activities at worksites, etc. ● Continue Feel Secure with Kampo activities; Launch of health promotion services 	<ul style="list-style-type: none"> ● Supported cultivation of potential customers who are uninsured, young or middle-aged through Feel Secure with Kampo activities and publicizing of the Family Registration Scheme ● Launched <i>Sukoyakanpo</i> health support app (in January 2019) 	<ul style="list-style-type: none"> ● Expansion of customers who are uninsured, young or middle-aged through activities to offer information on new products
Development of new products	<ul style="list-style-type: none"> ● Development and diversification of protection-type products including third-sector products 	<ul style="list-style-type: none"> ● Developed and prepared for the April 2019 launch of the products with relaxed underwriting criteria and the advanced medical rider 	<ul style="list-style-type: none"> ● Development of products to meet diverse customer needs
Establishment of sales foundation	<ul style="list-style-type: none"> ● Introduction of new mobile devices for sales, counter support using TV systems and marketing by utilizing Social Networking Sites, etc. ● Increase in offsite sales personnel at post offices 	<ul style="list-style-type: none"> ● Developed and prepared for introduction of new mobile devices for sales ● Expanded digital contact points by utilizing LINE and <i>Sukoyakanpo</i> health support app 	<ul style="list-style-type: none"> ● Provision of easy-to-understand explanation of products and services by utilizing new mobile devices for sales; Enhancement of efficiency of sales activities

Review of FY2019/3

With the advent of a super-aging society, the falling population is expected to have an impact on Japan's life insurance market. On the other hand, the necessity for self-help efforts such as medical care protection, nursing care protection and preparing funds for life in old age is increasing. Customer needs are also becoming increasingly diverse owing to the diversification of lifestyles mainly among the young and middle-aged customer segments. The environment surrounding companies is also rapidly changing due to factors including the evolution of ICT.

Based on such recognition, in the fiscal year ended March 31, 2019, the first year of the Medium-term Management Plan 2020, we implemented the initiatives described below aiming for the "1) Strengthening of sales activities focusing on protection needs," "2) Improvement in solicitation quality," "3) Cultivation of new customer base," "4) Development of new products," and "5) Establishment of sales foundation."

1 Strengthening of sales activities focusing on protection needs

Although the savings-type products that had been our specialty are losing their appeal in the prolonged low interest rate environment, life insurance is becoming increasingly important in order to be prepared for illness, injury, and longevity risks as lifespans extend in the aging society, and it has become vitally important for us to offer proposals attuned to such protection needs.

In the fiscal year ended March 31, 2019, we worked to enhance sales skills of sales personnel, including the supporting of meticulous training corresponding to the needs of individual sales personnel of Japan Post Co.

We also worked to strengthen proposal capabilities of our sales personnel so as to respond to diverse needs of company managers, taking advantage of other insurance companies' products sold on commission, such as products for corporate clients and cancer insurance, in addition to our own products.

2 Improvement in solicitation quality

We worked to create solicitation materials that emphasize the appeal of our products effectively and describe product coverage in an easy-to-understand manner. In order to ensure thoroughgoing customer-first solicitation activities, we are implementing comprehensive measures to improve solicitation quality including the strengthening of confirmation of intent of elderly customers toward purchasing policies, the strengthening of employee coaching using solicitation quality diagnosis records that evaluate and analyze the solicitation quality for each post office and sales personnel, and the introduction of the maintenance rate for customer policies in the evaluation criteria for sales personnel.

3 Cultivation of new customer base (the uninsured and the young and middle-aged)

We endeavored to cultivate a new customer base by securing opportunities for contact with customers who are policyholders and their family members and potential customers who are uninsured through the publicizing of activities, such as Feel Secure with Kampo activities (launched in FY2016/3), the Family Registration Scheme (launched in FY2019/3) and the *Sukoyakanpo* health support app (launched January 2019). As a result, the number of new policies purchased by customers who are young and middle-aged (59 years old and younger) increased from the previous year, accounting for about 50% of the total number of new policies.

4 Development of new products

In order to respond to diverse customer needs by enriching our insurance products, we prepared for the launch of two new products in April 2019: the products with relaxed underwriting criteria *Kampo ni Omakase* for people with health issues and the advanced medical rider for further enrichment of medical care protection.

Launch of new products in April 2019



Product with relaxed underwriting criteria

先進医療特約

Non-participation advanced medical rider

5 Establishment of sales foundation

We prepared for the introduction of new mobile devices for sales in the fiscal year ending March 31, 2020. The introduction of these new mobile devices for sales will enable us to offer easy-to-understand explanations of products and services using video clips. Moreover, these devices can manage sales personnel schedules and record the status of sales activities, thus increasing the efficiency of sales activities. Furthermore, we worked to strengthen sales support by expanding digital contact points with customers through the provision of attractive information and services utilizing LINE and the health support app (*Sukoyakanpo*).

Introduction of new mobile devices for sales in FY2020/3



Ongoing Initiatives

We will continue the initiatives implemented in the fiscal year ended March 31, 2019, including support of Japan Post Co. to upgrade sales skills for strengthening sales activities focusing on protection needs and development of products to meet diverse customer needs.

We will also work to further enhance solicitation quality. By ensuring customer-first sales activities, we will strive to live up to the trust and confidence of our customers.



Key Strategies

Administrative Services Strategy

Progress of Medium-term Management Plan 2020

	Key initiatives of Medium-term Management Plan 2020	FY2019/3 results	Issues
Improvement of customer service	<ul style="list-style-type: none"> ● Introduction of onscreen declaration/automated assessment system and insurance procedure support system ● Introduction of claim procedures utilizing digital technologies such as My Page 	<ul style="list-style-type: none"> ● Introduced and promoted the Family Registration Scheme ● Introduced an insurance procedure support system ● Studied and promoted multi-channel access for various claims ● Studied introduction of an onscreen declaration/automated assessment system 	<ul style="list-style-type: none"> ● Need for initiatives for further improvement of customer service
Enhancement of efficiency in back-office administration	<ul style="list-style-type: none"> ● Digitalization of paper forms at Service Centers ● Saving labor in policy maintenance administration process ● Stepwise introduction of RPA* 	<ul style="list-style-type: none"> ● Streamlined and digitalized forms at Service Centers ● Studied the digitalization of policy maintenance operations ● Studied utilization of artificial intelligence (AI) technology 	<ul style="list-style-type: none"> ● Need for further promotion and management for thorough implementation of measures

Note: RPA (Robotic Process Automation): Automation of operations using robotics.

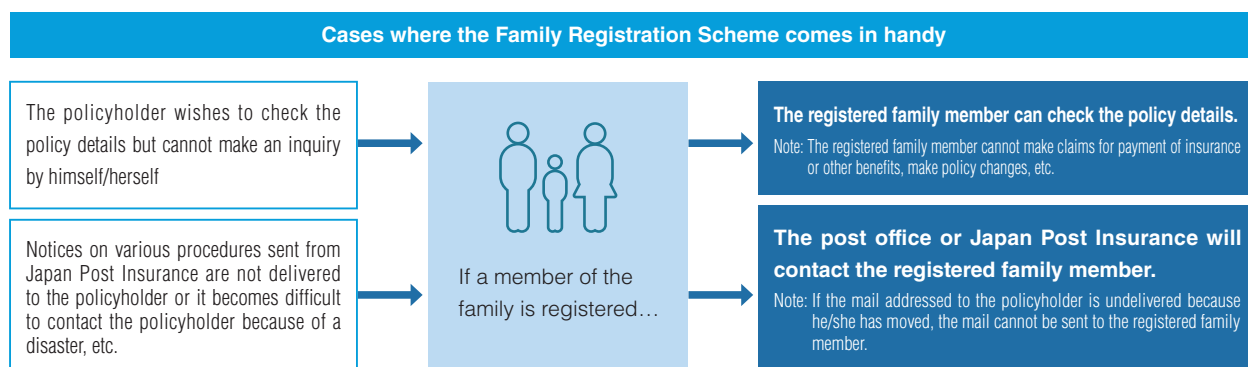
Review of FY2019/3

The social environment is undergoing continual change year by year, including the diversification of customer needs amid transforming lifestyles, a declining labor population, and the evolution of ICT, and we recognize that the Company must also adapt appropriately to these changes.

In view of this social environment, in the Medium-term Management Plan 2020, we are addressing improvement of customer service and enhancement of efficiency in back-office administration in order to pursue customer-first business operations and achieve sustainable growth.

During the fiscal year ended March 31, 2019, we implemented initiatives to improve customer service in terms of the scheme and the IT system, including introduction of the Family Registration Scheme in readiness for aging of policyholders and in the event of disaster and an “insurance procedure support system” for certain claims that prints the necessary information for various claim documents in advance and automatically determines the documents needed at the time of a claim so as to offer “simple, easy-to-understand claim procedures.”

Family Registration Scheme

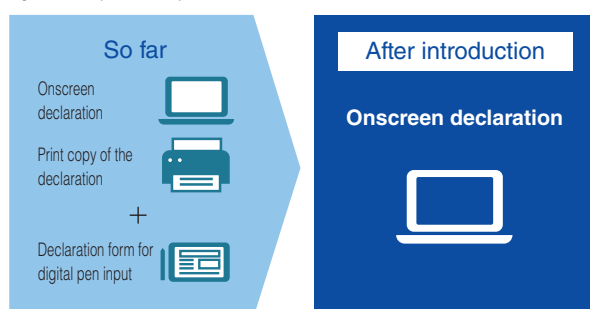


We continued the use of AI technology at Japan Post Insurance Call Centers for insurance claim payment and assessment operations and to handle inquiries from customers. We also began digitalization of paper forms at our Service Centers that handle processing after the receipt of various claims and also began initiatives for the introduction of RPA. The use of digital technology has enabled us to eliminate the use of about 32 million sheets of paper, leading to reduced paper consumption and higher administrative efficiency.

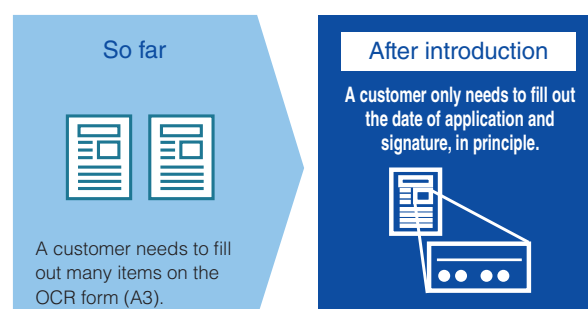
Ongoing Initiatives

As initiatives to improve customer service, we intend to expand the scope of claims that can be handled by the “insurance procedure support system,” introduce an “onscreen declaration/automated assessment system” that automatically performs assessment based on the declarations input by customers in paperless applications, and also introduce an “application form printing system” for printing application forms in which data prepared in advance are reflected in the case of applications for addition of riders mid-term, etc.

Onscreen declaration/automated assessment system (outline)

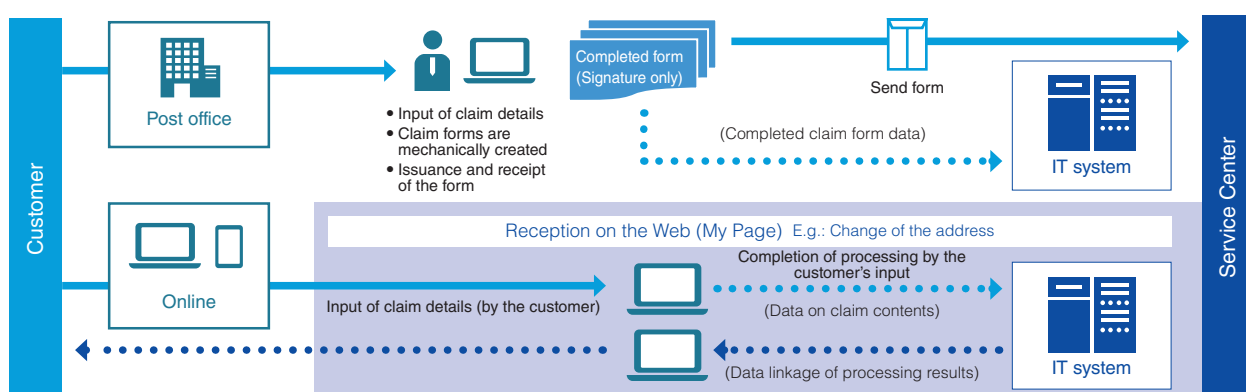


Application form printing system (outline)



In addition, we will press ahead with services that aim to offer “simple, easy-to-understand claim procedures, anywhere, anytime” for customers by promoting multi-channel access for various claims through measures such as introducing claim procedures using Web (My Page) and other digital technology.

Multi-channel access for various claims (outline)



We will promote the utilization of digital technologies to enhance efficiency in back-office administration, including studying the digitalization of the current paper-based policy maintenance administration process, such as changes in policyholder or beneficiary, and bank account registration, and expand the range of use of AI technology to cover inquiries from post offices regarding administrative procedures, as well as promote initiatives for full-scale introduction of RPA.

In addition to these initiatives, by carrying out improvements to existing administration, we intend to reduce the back-office administrative workload by an amount equivalent to approximately 1,000 people, and reallocate these freed-up resources to new areas that will lead to improvement of customer service or to focus areas such as sales support.



Key Strategies

Asset Management Strategy

Progress of Medium-term Management Plan 2020

	Key initiatives of Medium-term Management Plan 2020	FY2019/3 results	Issues
Diversification of asset management; Sophistication of risk management	<ul style="list-style-type: none"> ● Diversification of asset management to increase profitability ● Sophistication of ALM^(Note) and risk management 	<ul style="list-style-type: none"> ● Diversified investment products (overseas real estate, etc.) ● Started in-house management of U.S. corporate bonds ● Developed a new IT system for sophistication of ALM 	<ul style="list-style-type: none"> ● Enhancement of the ability to manage diversified assets ● Strengthening of governance over asset management ● Sophistication of ALM (interest rate risk control method, etc.) ● Ongoing strengthening of expert human resources

Note: ALM (Asset Liability Management): Integrated management of assets and liabilities

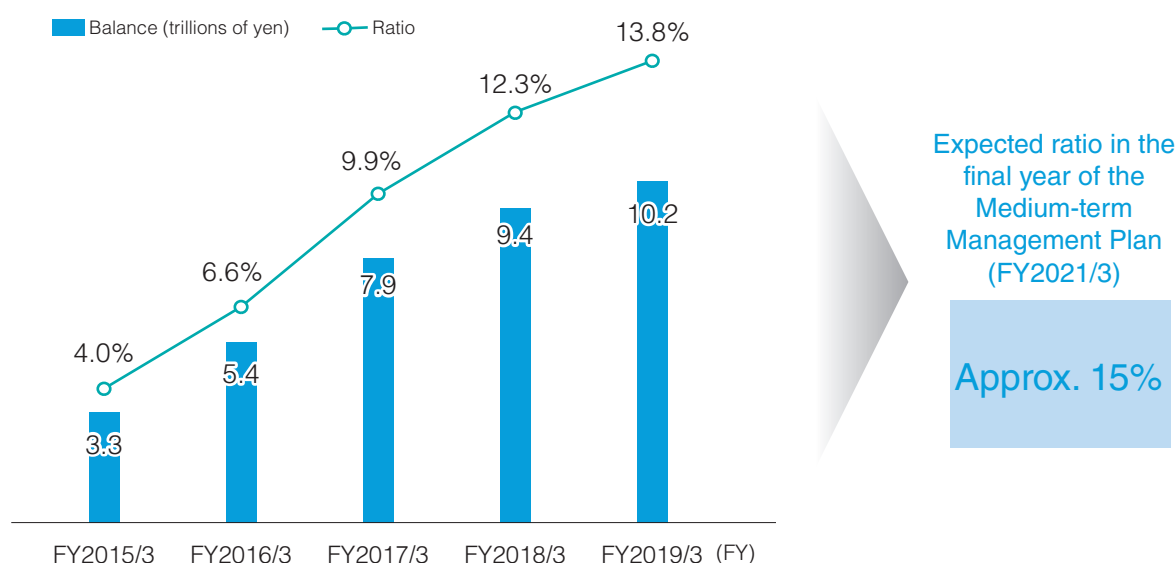
Review of FY2019/3

In response to the prolonged low interest rate environment, we have promoted diversification of asset management in order to ensure the yields promised to customers.

In the fiscal year ended March 31, 2019, in addition to the start of in-house management of U.S. corporate bonds, we implemented a new investment strategy for in-house management of Japanese equities that takes into account the growth potential of companies. We also began investment in overseas real estate and private equity funds managed by Japan Post Investment Corporation ("JP Investment")^(Note 1). Thus, we are steadily making progress with diversifying asset management.

As a result of promoting the diversification of asset management to increase profitability in our ALM-based asset management under the ERM framework, the ratio of risk assets^(Note 2) to total assets of March 31, 2019 increased to 13.8%.

Risk assets



Notes: 1. JP Investment is a company managing private equity funds. Established in February 2018 jointly with JAPAN POST BANK Co., Ltd.

2. Of assets recorded under "money held in trust" and "securities" on the balance sheets, Japanese and foreign equities, foreign currency-denominated bonds, investment trusts, etc. held for asset management purposes.

Ongoing Initiatives

The operating environment in the fiscal year ended March 31, 2019 had been unstable until December 2018, including the decline in share prices and the trend toward a stronger yen and a weaker dollar against the backdrop of increasing uncertainties about overseas economies. However, the operating environment recovered stability from January 2019 onward. Meanwhile, the end of the upward economic cycle is approaching in the U.S. and other developed countries whose economies have been expanding for many years. Regarding the outlook for the fiscal year ending March 31, 2020, we believe uncertainties are increasing.

In these circumstances, while more closely monitoring the market environment in the fiscal year ending March 31, 2020, we will promote further diversification by expanding the target assets in each asset class we have invested in so far and enhancing the asset management methods.

Key ongoing initiatives

- Diversification of investment products (expand the target currencies in foreign bond investments, expand alternative investments, etc.)
- Expansion of in-house management (U.S. corporate bonds, equities)
- Enhancing of asset management methods (derivative transactions, etc.)
- Further promotion of ESG investment
- Sophistication of ALM and risk management

Reinforcement of asset management framework

As measures for the asset management framework, we are strengthening human resources and the organizational framework.

As for strengthening of human resources, the number of employees engaged in asset management was 192 as of April 1, 2019, an increase of 19 from that as of April 1, 2018. While continuing efforts to secure human resources, we will strengthen expert human resources from a long-term perspective.

We have also expanded our organizational framework, including the establishment of the Alternative Investment Office, with the aim of bolstering alternative investment^(Note). We will continue to enhance our organizational framework to promote the diversification of asset management.

Note: "Alternative investments" is a general term for new investment options or methods other than financial instruments that have a relatively long history such as bonds or listed stocks (traditional assets).



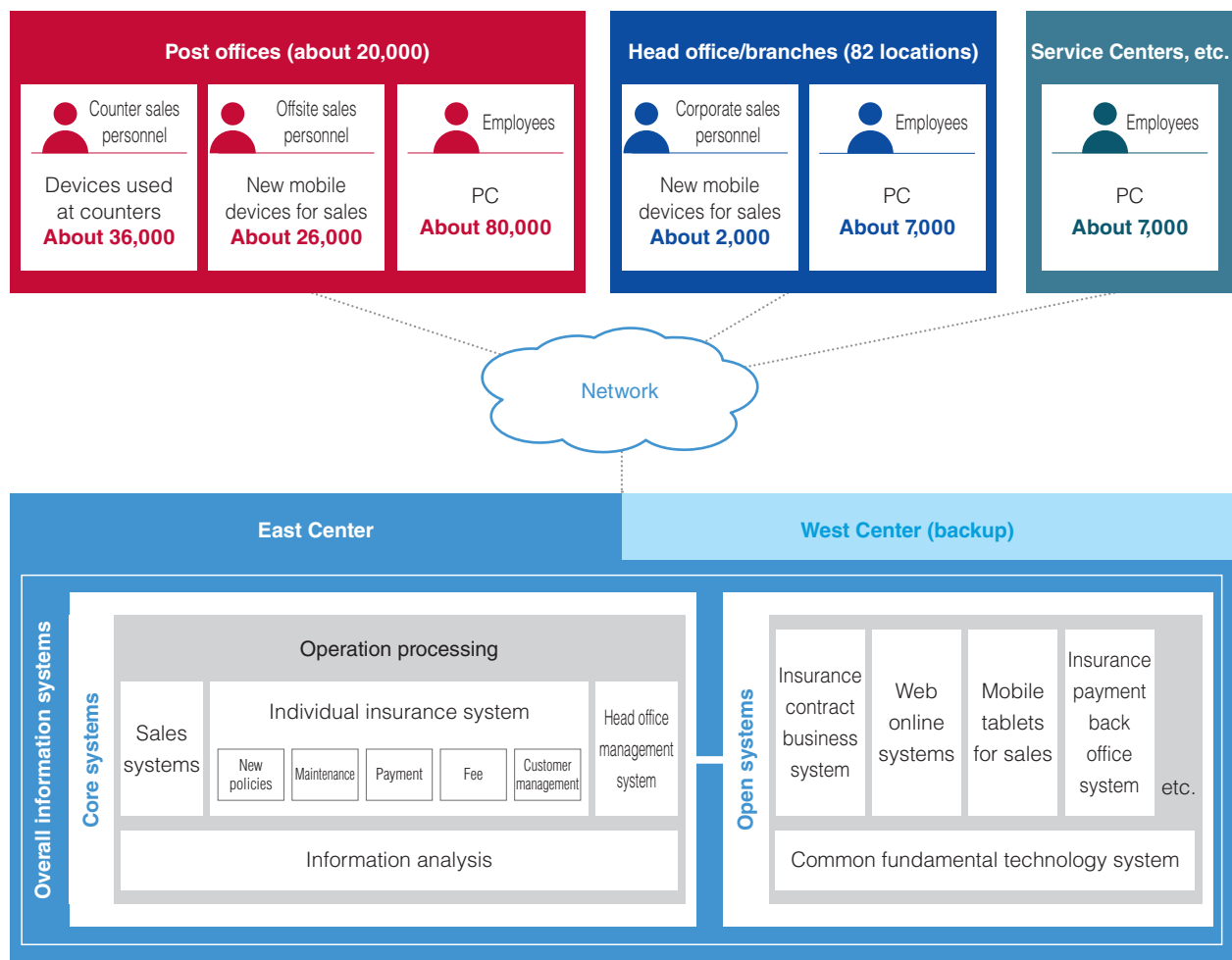
Strengthening the Management Base

Digitalization Strategy

The Company has a large-scale IT system that manages information for approximately 32 million policies in force entrusted to us by customers and handles payment of approximately 20 million benefits, etc. per year. It serves as the infrastructure supporting a range of customer services provided through some 20,000 post offices.

The system comprises the “core system,” which carries out high-volume processing such as policy underwriting, insurance premium collection, policy maintenance including changes of address, and claim payments; and the “open system,” which efficiently carries out back-office administration and various claim procedures online from the tablets for sales used by offsite sales personnel to make proposals to customers and from counters at post offices.

The Company's IT system (outline)



Progress of Medium-term Management Plan 2020

Key initiatives of Medium-term Management Plan 2020	FY2019/3 results	Issues
Initiatives for establishing ICT platforms	<ul style="list-style-type: none"> ● Introduced new mobile devices for sales to enhance customer convenience and efficiency of sales activities ● Steadily promoted the open system renewal project ● Developed the products with relaxed underwriting criteria and the advanced medical rider launched in April 2019 	<ul style="list-style-type: none"> ● Strengthening of ICT platforms compatible with technological evolution and digitalization ● Promotion of further digitalization based on the sales and product strategies and the administrative services strategy
Promotion of digitalization	<ul style="list-style-type: none"> ● Improved customer service <ul style="list-style-type: none"> - Insurance procedure support system - My Page ● Enhanced efficiency in back-office administration <ul style="list-style-type: none"> - Japan Post Insurance electronic form system 	
Enhancement of structure to further support IT system quality and productivity; strengthening collaboration with partner companies	<ul style="list-style-type: none"> ● Strengthened the structure of the ICT departments 	<ul style="list-style-type: none"> ● Further development of ICT personnel
Strengthening of cyber threat countermeasures and information security management framework	<ul style="list-style-type: none"> ● Implemented security measures employing cutting-edge technology throughout the Japan Post Group 	<ul style="list-style-type: none"> ● Ongoing strengthening of the cyber security framework throughout the Japan Post Group
Further optimization of system costs	<ul style="list-style-type: none"> ● Reduced cost by promoting development based on the management strategy 	<ul style="list-style-type: none"> ● Optimization of IT system investment allocation linked with the management strategy

Review of FY2019/3

In order to accelerate digital transformation through the active use of ICT for further improving customer service and enhancing efficiency in back-office administration, we intend to invest approximately ¥120.0 billion during the period covered by the Medium-term Management Plan 2020 to establish ICT platforms.

We promoted the introduction of new mobile devices for sales in order to offer explanations of products using video clips and managing schedules of sales personnel, shift to electronic forms used for our back-office (Service Centers) operations, and construction of the next-generation open system for handling various claim procedures at post offices nationwide.

While promoting establishment of ICT platforms, we developed applications for the products with relaxed underwriting criteria *Kampo ni Omakase* and the advanced medical rider launched in April 2019. We also promoted development of the “insurance procedure support system” to realize simple, easy-to-understand claim procedures for customers and post offices. As a result, customers’ burden of completing claim forms has been greatly reduced and administrative efficiency at post offices has been enhanced.

In addition, we developed My Page, a Web service for policyholders, which enables “simple, easy-to-understand claim procedures, anywhere, anytime.”

Ongoing Initiatives

With the aim of becoming the No. 1 Japanese insurance company selected by customers, we will strive to enhance corporate value, mainly through the offering of high-grade, stable ICT services to customers by establishing ICT platforms compatible with environmental changes and new technologies.



Strengthening the Management Base

Human Resources Strategy

Progress of Medium-term Management Plan 2020

We aim to be an insurance company selected by customers, shareholders, and many other stakeholders, and our employees are the basis of our endeavors to achieve this. Our human resources management is aligned with our aim to become an “attractive company” where employees can experience job satisfaction, gratification, and motivation and thus achieve self-fulfillment.

Key initiatives of Medium-term Management Plan 2020		FY2019/3 results	Issues
Creation of a corporate culture where all employees can find self-fulfillment and job satisfaction	Human resources management	<ul style="list-style-type: none"> Started introduction of RPA to HR management operations Computerization and automation of HR-related periodic reporting and operations requested from employees led to higher efficiency of the related processes at each organization 	
	Human resources development	<ul style="list-style-type: none"> Implemented measures to foster autonomous human resources 	<ul style="list-style-type: none"> Strengthening of measures to foster autonomous human resources
Creation of a secure and inclusive workplace environment	Diversity	<ul style="list-style-type: none"> Implemented workstyle reform across organizations Enriched support for childrearing^(Note 2) (“Platinum Kurumin” certified) Initiatives concerning LGBT and other sexual minorities^(Note 3) (achieved “PRIDE INDEX 2018” Gold rating) 	<ul style="list-style-type: none"> Improvements in view of the results of the Workstyle Reform Survey^(Note 1) Aim at improvement of workplace environment, workplace culture, employees’ awareness, etc. Enhancement of female employees’ motivation for promotion and reform of the mindset of male managers
	Health promotion	<ul style="list-style-type: none"> Held Kampo <i>Sukoyaka</i> Campaign (health promotion event) 	<ul style="list-style-type: none"> Enrichment of deployment and analysis of health data and ongoing improvement of health and productivity management

Notes: 1. The Workstyle Reform Survey is the Company’s proprietary questionnaire survey for all employees. The results of this anonymous awareness survey about the workplace environment, workplace culture, employees’ awareness, etc. are expressed quantitatively.

2. Certified by the Ministry of Health, Labour and Welfare as a company with a high level of engagement in supporting employees for childrearing.

3. Received “Gold” rating, the highest rating, of the “PRIDE INDEX” that evaluates companies’ efforts toward inclusion for LGBT and other sexual minorities.

Human resources management

We are focused on recruitment and development of human resources mindful of the importance of designing the human resources portfolio and human resources systems linked with the management philosophy and management strategy.

In order to promote the creation of inclusive workplaces where every employee is motivated, we have introduced an IT system that functions to gather and store employee data, which provide the basis for our initiatives, to enhance the efficiency of the related processes at each organization.

Going forward, we will continue our efforts to recruit excellent human resources and develop our employees so as to build an excellent human resources portfolio.

Human resources development

Our aim is to create an environment where every employee can make full use of his or her capabilities in order to offer customers superior services and to enhance corporate value. Our Human Resources Development Basic Policies emphasize development of people who put the customer first. We are vigorously supporting our employees so that they are motivated to bring their capabilities into full play with self-fulfillment, while always mindful of corporate social responsibility.

As well as mass training according to employees' positions, such as training for new employees, voluntary training programs are available in order to develop their capabilities. In addition, we have measures in place for supporting employees' self-development, including a program encouraging employees to acquire qualifications and certifications.

Through the linkage of these measures with practical training at each workplace, we are promoting effective human resources development so that "all employees can develop their talents and work with energy and vitality."

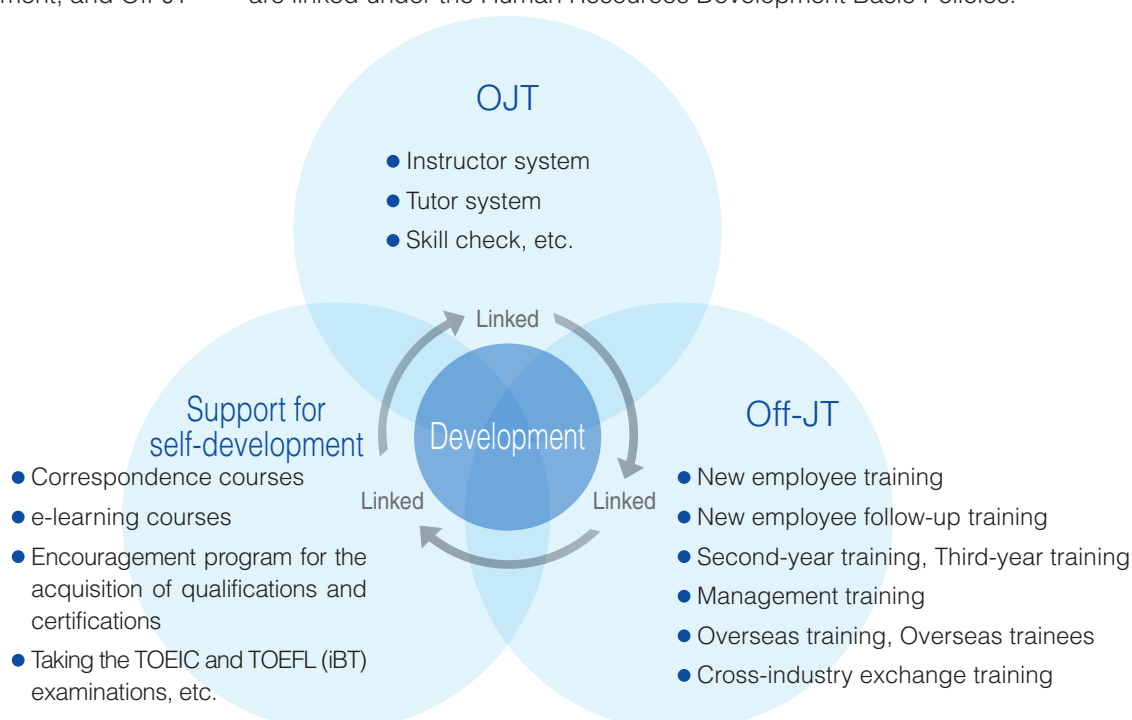
► Who we aspire to be: four orientations under the "customer first" concept



► Human Resources Development Basic Policies

- We shall cultivate human resources who have a self-awareness of corporate social responsibility and who place the customer first.
- We shall cultivate human resources who have expert capabilities and a well-rounded character.
- We shall cultivate human resources who are imbued with a spirit of challenge for addressing new issues and who have the ability to get things done.

In order to motivate each and every employee for personal development and foster them to become human resources capable of taking action expressing the "four orientations" based on the customer first concept while implementing the PDCA cycle on a daily basis, we have a system in which OJT^(Note 1), support for self-development, and Off-JT^(Note 2) are linked under the Human Resources Development Basic Policies.



Notes: 1. OJT: On-the-job training. OJT is personalized training. A superior provides the knowledge and skillset his/her subordinates need in order to do the job in the course of the daily performance of tasks.

2. Off-JT: Off-the-job training. For off-JT, away from daily tasks, personnel participate in a training program conducted by the in-house human resources development section or an external training institution and acquire the knowledge and skillset required for doing the job.



Strengthening the Management Base

Promotion of workstyle reform and diversity



Promotion of Workstyle Reform

Our aim during the period covered by the Medium-term Management Plan 2020, which is the phase for “expansion and companywide roll out” of workstyle reform, is to develop human resources who can produce results with high added value through the participation of more diverse human resources and workstyles not bound by time or place. Based on the know-how we have accumulated thus far, we are rolling out workstyle reforms companywide to create a corporate culture where all employees can find self-fulfillment and job satisfaction.

Promotion of Diversity and Inclusion

To realize the policy to “create a working environment in which all employees can develop their talents and work with energy and vitality” set forth under the Management Policy, and practice the guideline “We respect human rights and create a diverse and inclusive working environment” in the Code of Conduct, we promote diversity mainly in the following four fields.

- **Promotion of expanding roles of female employees**

In support of the careers of female employees in the medium to long term, we make all efforts to “expand the appointment of female employees to management positions” and “foster the careers of female employees.” As well as holding various training programs and seminars for female workers, we also hold a forum that facilitates their networking.

- **Support of the balance of work with child rearing, nursing care, etc.**

In addition to establishment and enrichment of systems to support employees who are engaged in childrearing and nursing care while working, we have introduced e-learning and hold seminars to support such employees and to raise awareness of other employees in the workplace. Through these initiatives, in our efforts to help our employees achieve balance between work and childrearing, nursing care, etc., we promote the creation of workplaces where employees can work with peace of mind while being engaged in childrearing and nursing care.

- **Promoting employment of people with disabilities**

We actively promote the employment of persons with disabilities recognizing that fairly evaluating and providing work opportunities for a diverse population is a part of our corporate social responsibility.

- **LGBT friendly**

We promote measures to foster appropriate understanding and knowledge sharing about the LGBT community (those who are identified as “sexual minorities”) as well as their recognition and acceptance. The Company continues to create a working environment in which all employees can develop their talents regardless of their sexual orientation or gender identity, so that they can work with energy and vitality.

Health and Productivity Management

Under the Management Policy stating “We create a working environment in which all employees can develop their talents and work with energy and vitality,” we are working to maintain and promote the health of our employees and are certified as a “Health and Productivity Management Outstanding Organization” by the Ministry of Economy, Trade and Industry.

Our initiatives to promote health and productivity management conducted in the fiscal year ended March 31, 2019 included enrichment of health guidance based on the results of periodic health checkups, holding of the Kampo *Sukoyaka* Campaign (health promotion event), Radio Exercises at all offices, and establishment of the Kampo Non-Smoking Day (22nd of every month).

Going forward, based on the concept of health and productivity management, we will promote various initiatives to enhance employees’ vitality and productivity, which will eventually lead to improvement of performance.



Realizing a Sustainable Society

The Japan Post Group selects CSR priority issues in the three areas set forth in the main themes of the Japan Post Group CSR Basic Policy, which are “together with local communities,” “together with the earth,” and “together with people,” and actively promotes activities linked to the targets of the Sustainable Development Goals (SDGs). Moreover, to integrate management strategies with the SDG initiatives, the SDGs are incorporated into the framework of management strategies in the Japan Post Group Medium-term Management Plan 2020 announced in May 2018. As a member of the Japan Post Group, Japan Post Insurance is vigorously promoting activities to achieve the SDGs.

The SDGs are shared global goals adopted by the United Nations General Assembly in September 2015 in an aim to end poverty and pursue a sustainable future. They are composed of 17 goals and 169 targets in order to resolve global challenges by 2030.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD





Realizing a Sustainable Society

Japan Post Insurance's CSR

At Japan Post Insurance, CSR activities are defined as activities that contribute to realizing a sustainable society through the Company's business under appropriate corporate governance, that lead to sustainable growth of the Company and enhancement of corporate value. We

recognize CSR as one of the most important managerial issues. Being engaged in the life insurance business, which entails a strong community role, Japan Post Insurance is promoting CSR activities to contribute to realization of a safe and secure and affluent society.

Kampo Sustainability Management

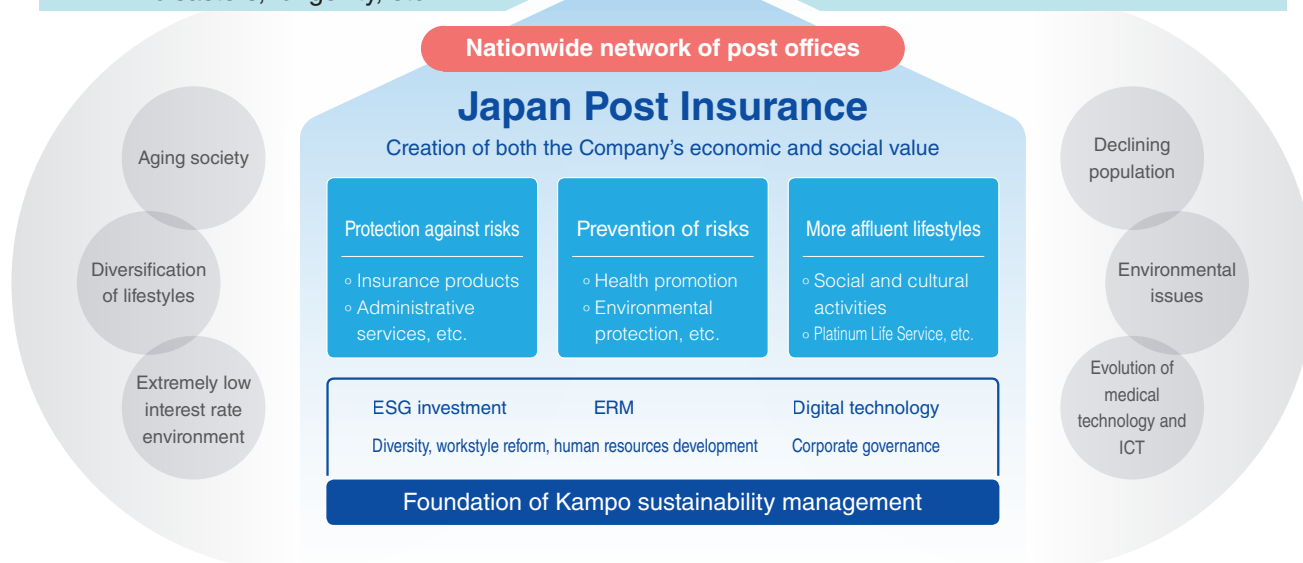
Management that strengthens governance as part of the business strategy to realize the creation of both the economic and social value of the Company by actively addressing social responsibility, environment and other issues related to SDGs.

Kampo sustainability management (outline)

Realize a sustainable society where people can live with peace of mind and are engaged in society

Protection against economic risks associated with death, illness, accidents, disasters, longevity, etc.

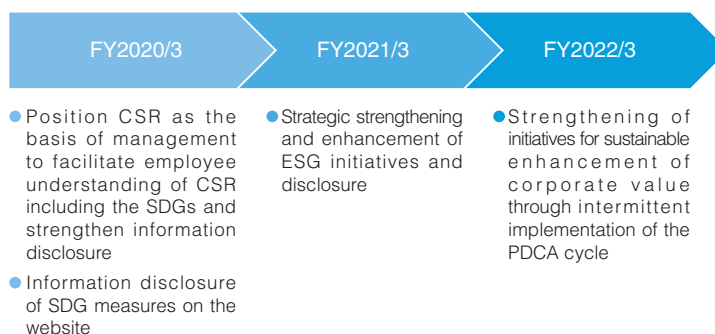
Supporting healthy and affluent lifestyles with peace of mind



Enhancement of CSR Promotion Systems

In order to strengthen the systems for addressing SDGs and ESG, we have established the CSR Promotion Committee chaired by the Executive Officer in charge of Public Relations for cross-organizational discussion of CSR issues to be addressed by the Company. In the fiscal year ending March 31, 2020, having established a CSR action plan for promoting sustainability management by positioning CSR as the basis of management, we are working to realize a sustainable society and to enhance corporate value.

Vision for enhancement of the CSR promotion system













Initiatives to achieve the SDGs

We have identified material topics (materiality) to be addressed by the Company in order to realize the Management Philosophy and contribute to creation of a sustainable society. In identifying the items, we have considered our involvement in the life insurance business and social issues and selected the topics with the aim of maximizing our contribution to resolution of issues that are highly

relevant and have a great impact on our business. We have considered relevance to the SDGs, which have become the universal language of global development in recent years, and our material topics are linked to those advocated by the Japan Post Group and The Life Insurance Association of Japan.

Material Topics of Kampo sustainability management

Material Topics	Vision	Relevant SDGs	FY2020/3 initiatives	Page
Provision of fundamental insurance services through the network of post offices	Delivering reliable insurance services to customers nationwide and supporting the future of regional communities	  Goal 1. No poverty Goal 11. Sustainable cities and communities	<ul style="list-style-type: none"> ● Life insurance business ● Special treatment in the event of disaster ● Publication of various guides in braille ● Provision of information on financial trends etc. to local governments through financing ● Various volunteer activities 	P. 40 >
Prevention of risks through health promotion, etc.	Supporting healthy and fulfilling lifestyles	  Goal 3. Good health and well-being Goal 4. Quality education	<ul style="list-style-type: none"> ● Popularization and promotion of Radio Exercise ● Provision of services utilizing a health support app ● Promotion of Kampo Platinum Life Service ● Sponsorship of social and cultural activities 	P. 41 >
Adapting to climate change and environmental protection	Passing on a sound global environment and resources to the next generation	  Goal 13. Climate action Goal 15. Life on land	<ul style="list-style-type: none"> ● Initiatives for reducing CO₂ emissions ● Donations in line with online provision of Contract Guidelines and Policy Conditions ● ESG investment activities^(Note) ● Response to TCFD 	P. 43 >
Promotion of diversity and inclusion, workstyle reform, human resources development	Diverse and energetic organizations	   Goal 5. Gender equality Goal 8. Decent work and economic growth Goal 10. Reduced inequalities	<ul style="list-style-type: none"> ● Promotion of diversity and inclusion ● Workstyle reform ● Human resources development 	P. 34 >
Corporate governance	Management base for creation of sustainable value	 Goal 16. Peace, justice and strong institutions	<ul style="list-style-type: none"> ● Corporate governance ● Thorough compliance ● Elimination of relationships with antisocial forces 	P. 46 >

Note: Response to SDGs through ESG investment activities

We are addressing the entire scope of SDGs, including those related to the global environment, through investment activities that take into consideration environmental, social, and governance (ESG) factors, in our efforts to create a sustainable society and enhance corporate value.



Realizing a Sustainable Society

Initiatives for CSR material topics

Delivering reliable insurance services to customers nationwide and supporting the future of regional communities

Social

Special treatment in the event of disaster

In the event of disaster, Japan Post Insurance applies special treatment (emergency treatment) to disaster-stricken customers who are in urgent need. The details and period of the special treatment, whenever applied, are notified at our branches and post offices to which we consign operations.

Details of emergency treatment

- Extension of the grace period for premium payments
- Immediate emergency payment of insurance benefits and unearned premiums
- Emergency treatment of cancelling the basic insurance policy and immediate emergency payment of its cash value
- Emergency treatment of cancelling riders and immediate emergency payment of their cash value
- Immediate emergency payment of policy loans excluding premium loans
- Emergency treatment of refunding unearned premiums by cancellation of advance payment of premiums
- Immediate emergency payment of policyholder dividends

Publication of various guides in braille

Upon request from policyholders, we publish notices of policy details in braille. We also publish notices on maturity, pension payments, loan details, and loan repayment in braille.

Providing information such as financial market trends to local governments in the process of lending

By lending to local governments, we satisfy their funding need for improvement of infrastructure and other public services. In the course of lending, we also provide local governments with information on recent financial and economic trends and exchange views and opinions with them.

Various volunteer activities

We conduct various volunteering activities in order to contribute to local communities and raise employee awareness of CSR activities. We will continue to encourage our employees to become involved in volunteer activities.

Examples

- Community clean up
- Collection and donation of used stamps, etc.



Monitoring and greeting at school crossings



Planting flowers in roadside greenbelts

Supporting healthy and fulfilling lifestyles

Social

Popularization and promotion of Radio Exercise

Radio Exercise is a popular exercise routine which anyone can participate in anywhere, anytime.

We will continue our efforts to popularize and promote Radio Exercise in cooperation with NHK and the NPO Japan Radio-taiso Federation so that Radio Exercise will continue to benefit the health of people throughout Japan.

■ Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

As one of our major Radio Exercise events, we hold the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* at one venue every year, aiming to get 10 million people around the country to participate together in Radio Exercise through TV and radio channels.

For the fiscal year ended March 31, 2019, this event was held in Kurashiki City, Okayama Prefecture, on August 5, and was broadcast live nationwide over NHK's General TV channel and Radio 1.



■ Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour and Special Tour

We conduct an annual Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour during the 43-day school summer vacation period from July 20 to August 31, visiting 43 venues around Japan (including the day for the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")). Participating in Radio Exercise during the summer vacation is a typical summertime scene in Japan.

In addition, we run a Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Special Tour every year from April to the end of October (excluding the period for the Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour), stopping at about 10 venues across the country mainly on Sundays and public holidays. These events are broadcast nationwide on NHK's Radio 1.



Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Special Tour
Saku City, Nagano Prefecture (June 24, 2018)



Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour
Yaizu City, Shizuoka Prefecture (August 21, 2018)

■ All-Japan Elementary School Radio Exercise Competition

With the aim of increasing opportunities for numerous elementary school children to energetically participate in Radio Exercises and to contribute to health promotion and development of children, we hold the All-Japan Elementary School Radio Exercise Competition.

In this competition, judging is based not only on whether children are correctly performing Radio Exercise but also on whether they are enthusiastically and happily participating in Radio Exercise and their daily commitment to Radio Exercise is also taken into consideration. The winning teams are then selected and announced.

For the fifth contest we had applications from about 650 teams throughout Japan and announced the winners in October 2018 after a rigorous final judgment by Radio Exercise instructors.

For information on the gold, silver and bronze winners and other commendations, please refer to the special website below.

Special website for All-Japan Elementary School Radio Exercise Competition

<https://radi-con.jp/> (in Japanese)





Realizing a Sustainable Society

Provision of services utilizing a health support app

The role expected of the life insurance business is shifting from the provision of conventional services, that is, protection against illness and injury, to the provision of services for prevention of illness and injury and for maintaining and promoting health. To fulfill such a role, we intend to vigorously support health and affluent lifestyles.

As a measure for such support, we have launched the *Sukoyakanpo* health support app that helps people pursue health at ease. The following two menus are available free of charge.

for everyone	for policyholders
Standard menu	Premium menu



Promotion of Kampo Platinum Life Service

We are conducting a company-wide initiative called “Kampo Platinum Life Service” to win the favor of the growing number of elderly customers by offering age-friendly services based on a sense of security and trust that has been enabled by improving contacts with all customers from the perspective of our elderly customers.

Provision of health and medical information

- Telephone consultation service for policyholders
 - Consultation on health, medicine, nursing care and childcare
 - “Taxes in life” consultation
- *Oshiete! Karada Navi!* (information website on health)
- Video offering tips on nursing care

Provision of information contributing to enhancement of customers’ QOL

- Publication of “Kampo Platinum Life Service,” an information magazine for elderly customers

Establishment of systems friendly to elderly customers / training of employees

- Establishment of a dedicated call center for elderly customers
- Efforts for simpler, easy-to-read and easy-to-understand notifications
- Encouraging employees to acquire qualifications



- ▲ Publication of an information magazine for elderly customers



- ▲ Encouraging employees to acquire qualifications
E.g.: Carefitter training



- ▲ Efforts for simpler, easy-to-read and easy-to-understand notifications
E.g.: Insurance Policy Handbook

- *Oshiete! Karada Navi!*
(information website on health)



Sponsorship of social and cultural activities

We sponsor social and cultural activities that contribute to communities, enrich culture, and protect the environment. Through sponsorship of social and cultural events, we support people's affluent lifestyles and we also hope that the Company's social value will be enhanced as more people become aware of our commitment to the environment and people's well-being.

Examples

- Special sponsorship of the Student Music Concours of Japan
- Special sponsorship of the NHK Symphony Orchestra Beethoven 9th Special Concert
- Sponsorship of the Japan Wheelchair Tennis Association (JWTA)



JWTA wheelchair tennis trial session and skills workshop in Miyagi

Passing on a sound global environment and resources to the next generation

Environmental

Initiatives for reducing CO₂ emissions

We issue “Eco News,” a quarterly newsletter about energy saving, to encourage all our employees to take energy-saving action.

“Eco News” features articles on various topics, such as encouragement of energy-saving temperature setting for air conditioning, environmentally friendly driving, and reduced consumption of copy paper, and refraining from elevator use when traveling a couple of floors up or down (“2 up 3 down”), to raise employee awareness and promote vigorous action to reduce CO₂ emissions.



Donations in line with online provision of Contract Guidelines and Policy Conditions

On October 2, 2014, we made our Contract Guidelines and Policy Conditions available online.

Previously, we had provided our Contract Guidelines and Policy Conditions to all customers in a paper booklet format. By selecting “web viewing,” policyholders now have the option of confirming their Contract Guidelines and Policy Conditions in PDF format on our website instead of receiving a paper brochure.

The provision of the Contract Guidelines and Policy Conditions on the website eliminates the need for conventional brochures, thereby enabling a reduction in the amount of paper used. In July 2018, we donated a total of ¥33.0 million to 33 environmental groups working on reforestation based on the number of customers who opted for online Contract Guidelines and Policy Conditions in the 12 months from October 2016 to September 2017.



Participation in a tree-planting volunteer activity organized by a donee organization

Realizing a Sustainable Society

ESG investment activities

From the perspective of fulfilling our social responsibilities to all stakeholders, we are promoting initiatives to solve ESG issues facing society, and actively taking on challenges toward the sustainable growth of corporate value and social development.

In asset management, we will consider various factors of ESG in making investment decisions, in order to realize a sustainable society, improve investment results and reduce risks in the long-term.

■ ESG Investment Policy

As an institutional investor managing assets over the long term, we manage assets in accordance with the ESG Investment Policy. The ESG Investment Policy was established in view of the United Nations Principles for Responsible Investment (UN PRI), in order to clarify our basic policies on ESG investment.

For details of Japan Post Insurance's ESG Investment Policy, please refer to the Company's website.

 https://www.jp-life.japanpost.jp/english/aboutus/csr/en_abt_csr_esg.html

■ Integration of ESG factors into the investment process

Initiatives in the area of internal domestic equity investments

We utilize ESG integration as a method to consider ESG factors in making investment decisions, and manage the following two domestic equity funds.

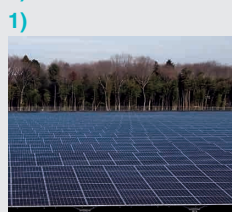
- Fund investing in high-dividend companies whose corporate value is expected to increase over the medium- to long-term, based on comprehensive evaluation of companies' initiatives on ESG issues and financial information.
- Fund investing in companies that view ESG issues as a growth opportunity, based on evaluation of "contribution to performance" and "growth potential" of companies' technological capabilities and business base which contribute to the achievement of SDGs and resolution of issues related to them, while taking financial information into consideration.

Initiatives in the area of internal bond investments etc.

We utilize ESG-themed investment as a method to consider ESG factors in making investment decisions. We select themes that can widely contribute to the achievement of SDGs and the resolution of issues related to them, and invest in projects beneficial to the resolution of ESG issues.

Major ESG-themed investment examples

- 1) Investment in solar power generation projects
- 2) Investment in a Social Bond to finance socio-economic development in Africa
- 3) Investment in a Thematic Bond promoting gender equality
- 4) Investment in a Sustainable Development Bond to Raise Awareness of Health and Nutrition of Women, Children, and Adolescents
- 5) Investment in a Climate Awareness Bond



© African Development Bank

© Asian Development Bank

© World Bank

© European Investment Bank

Initiatives in the area of externally managed assets

In our external manager selection, appointment and monitoring processes, we confirm ESG initiatives such as the following items.

(Examples of items confirmed)

- UN PRI signature and annual UN PRI assessment
- ESG investment policies, ESG investment methods, issuer selection processes

■ United Nations Principles for Responsible Investment signatory

We signed the UN PRI in October 2017 to promote ESG investment and to contribute to the realization of a sustainable society. In accordance with the PRI, we are fulfilling our social responsibility as an institutional investor and will report our initiatives in our RI Transparency Report, which will be made available on the UN PRI website.

Signatory of:



■ Stewardship activities

Through constructive engagement, we are striving to build strong relationships with investee companies and to appropriately monitor their status. We request investee companies to enrich disclosure of not only financial information but also non-financial information, including ESG factors, and check their initiatives concerning environmental (E), social (S), and governance (G) issues.

Our voting activities are based on our Policies on the Exercise of Shareholders' Voting Rights, but it is not a mechanical routine, as we take into consideration non-financial information, including ESG factors, and information earned from dialogues with companies.

We discuss and verify these stewardship activities at our Responsible Investment Advisory Committee with external experts.

For details of Japan Post Insurance's stewardship activities, please refer to the Company's website.

 https://www.jp-life.japanpost.jp/aboutus/company/assets/pdf/stewardship_taio.pdf (in Japanese)

■ Collaboration with industry groups

Through our participation in the Stewardship Activities Working Group and the ESG Investment Working Group of The Life Insurance Association of Japan, we exchange information with other participants. As a member of the Stewardship Activities Working Group, we emphasize collaborative engagement with a view to vitalizing the stock market and realizing a sustainable society.

Response to Task Force on Climate-related Financial Disclosures (TCFD)

In April 2019, Japan Post Insurance expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will deepen our analysis of the impact of climate change on our business and further promote information disclosure.

 <https://www.jp-life.japanpost.jp/english/news/assets/pdf/pr190422en.pdf>





Corporate Governance Systems

Basic Concept of Corporate Governance

The Company shall develop the corporate governance structure of the Group based on the following concept, with a view to ensuring sustainable growth of the Group and creating corporate value over the medium to long term.

- The Company shall continue to create new convenience for customers and pursue the provision of high quality services, while generating consistent value by providing life insurance services through the post office network.
- Fully recognizing its fiduciary responsibility to its shareholders, the Company shall give consideration to effectively secure rights and equal treatment of shareholders.
- The Company shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable coexistence. To this end, the Company shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
- The Company shall carry out swift and decisive decision-making and business execution under the effective supervision by the Board of Directors, in order to promptly cope with changes in social and economic environment and meet the expectation of all stakeholders.

The Company has set out the “BASIC POLICY REGARDING CORPORATE GOVERNANCE,” which lays out our basic concept of corporate governance, its framework and operations, including the items mentioned above, and the corporate governance structure is developed accordingly.

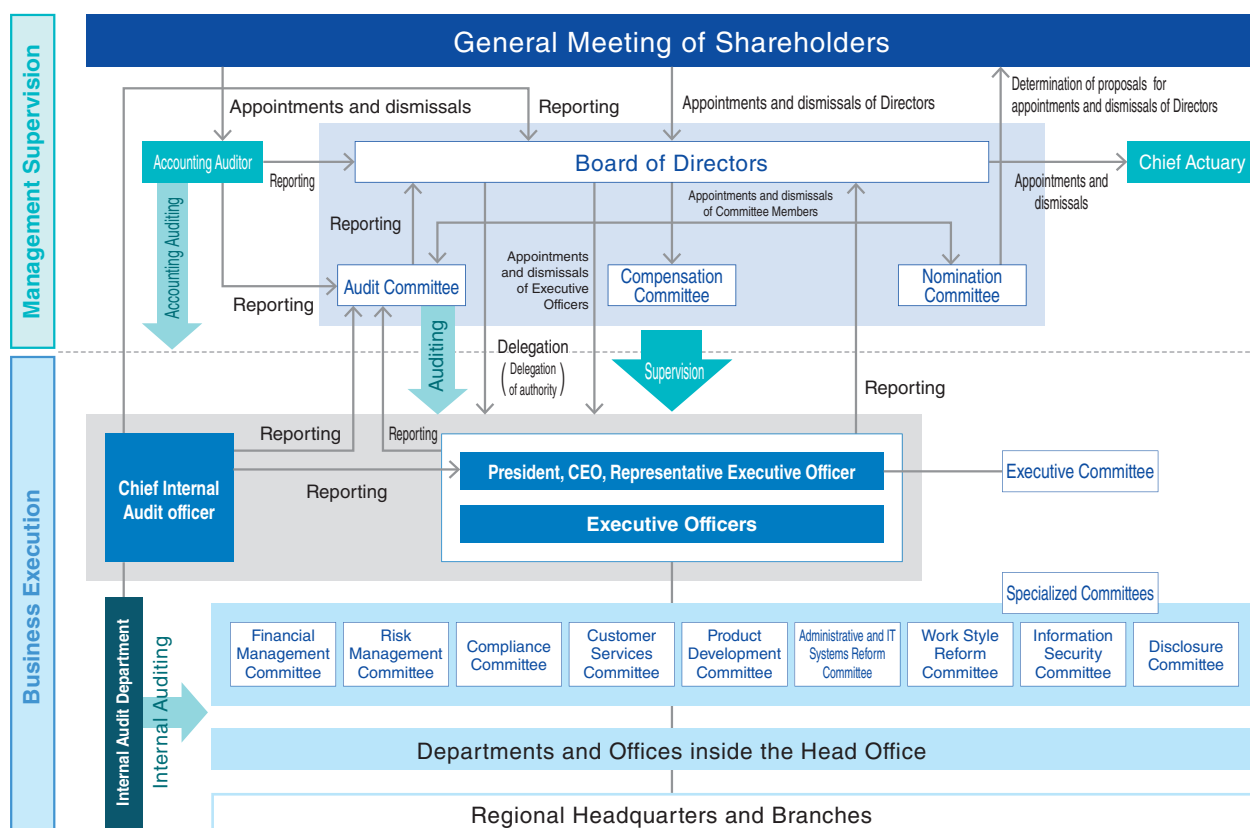
BASIC POLICY REGARDING CORPORATE GOVERNANCE

https://www.jp-life.japanpost.jp/english/aboutus/company/en_abt_cmp_report.html

Outline of the Corporate Governance Structure

To speed up decision-making and enhance the transparency of management, we have adopted a company with three committees structure, under which the Board of Directors' role of management supervision is separated from the Executive Officers' role of business execution, thereby clarifying the responsibilities with respect to corporate management.

Corporate Governance Structure



Board of Directors (Management Supervision)

The Company's Board of Directors sets out basic management policies, as well as basic policies, etc. regarding the division of duties of Executive Officers and the development of internal control systems, and has the authority to supervise the execution of duties by Executive Officers. We invite lawyers and corporate managers, etc., to be Outside Directors in order to create a system that makes it possible to monitor management from a broader, external viewpoint.

The three committees, namely the Nomination Committee, the Audit Committee, and the Compensation Committee, have been established to fully utilize external views on the management of the Company and ensure the transparency and fairness of decision-making on the management. The specific roles of these committees are as follows:

- **Nomination Committee**

The committee determines proposals for general meetings of shareholders concerning the election and dismissal of Directors.

Chairman: Masatsugu Nagato

Members: Tamotsu Saito (Outside Director), Kazuyuki Harada (Outside Director)

- **Audit Committee**

The committee audits the execution of duties by Directors and Executive Officers, prepares audit reports, determines the contents of proposals for general meetings of shareholders regarding the election and dismissal of the accounting auditor to be submitted to general meetings of shareholders and approves the compensation for the accounting auditor.

Chairman: Michiaki Ozaki (Outside Director)

Members: Masako Suzuki (Outside Director), Meyumi Yamada (Outside Director), Akira Satake (Outside Director)

- **Compensation Committee**

The committee formulates compensation policies for Directors and Executive Officers and determines detailed compensation for each individual.

Chairman: Tamotsu Saito (Outside Director)

Members: Masatsugu Nagato, Kazuyuki Harada (Outside Director)

(Membership composition as of July 1, 2019)



Corporate Governance Systems

Internal Control Systems (Business Execution)

Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the “No. 1 Japanese insurance company selected by customers.” We have established systems for the execution of our business based on the principle of self-responsibility and have continued our efforts to enhance our organization and systems.

■ Outline of Organization and Systems

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO, Representative Executive Officer. The Executive Committee is comprised of the President, CEO, Representative Executive Officer and the Executive Officers in charge of the respective business operations. In addition, we set up the following nine specialized committees to serve as advisory bodies to the Executive Committee. Among the items subject to approval of each Executive Officer, cross-divisional issues are discussed by the respective specialized committees.

- | | |
|-----------------------------------|---|
| 1. Financial Management Committee | 2. Risk Management Committee |
| 3. Compliance Committee | 4. Customer Services Committee |
| 5. Product Development Committee | 6. Administrative and IT Systems Reform Committee |
| 7. Work Style Reform Committee | 8. Information Security Committee |
| 9. Disclosure Committee | |

■ Initiatives for Internal Control

We have formulated the “Fundamental Policy for Establishment of Internal Control Systems” at the Board of Directors for ensuring proper operations and improving corporate value.

Pursuant to the aforementioned policy, the Company is striving to establish appropriate internal control systems, including the development of the following systems:

- | | |
|--|--|
| <ul style="list-style-type: none"> ● System for ensuring the execution of duties by the Executive Officers and employees of Japan Post Insurance is in compliance with laws and regulations and the Articles of Incorporation ● System for retaining and managing information concerning the execution of duties by the Executive Officers ● System and rules for managing the risk of loss to Japan Post Insurance | <ul style="list-style-type: none"> ● System for ensuring the efficient execution of duties by the Executive Officers ● System for ensuring proper operations within the corporate group comprising Japan Post Insurance and Japan Post Holdings, and subsidiaries of Japan Post Insurance ● System for ensuring effective audits by the Audit Committee |
|--|--|

■ Internal Audit Framework

We established an Internal Audit Department that is independent of our business-executing departments to contribute to sound and appropriate business operations. We have set up an internal audit framework to review and assess the Company’s internal control system and the appropriateness and effectiveness of our business execution in accordance with the “International Standards for the Professional Practice of Internal Auditing” developed by the Institute of Internal Auditors (IIA).

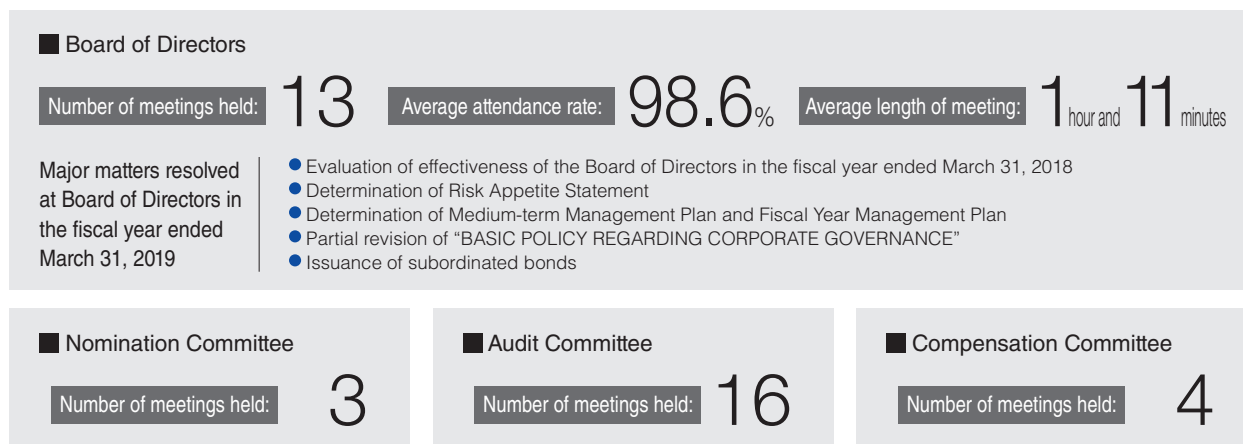
The Internal Audit Department carries out internal audits of various internal and external entities, including individual sections within the head office, regional headquarters, branches and our subsidiaries, as well as Japan Post Co., which acts as an agency of the Company.

Audited departments where problems or issues have been identified in an internal audit must carry out the corrections or improvements, and the improvement measures taken by audited departments are accurately evaluated. The Internal Audit Department reports the results of internal audits to the President, CEO, Representative Executive Officer, the Audit Committee and the Board of Directors.

The Internal Audit Department is also seeking to improve the professional skills required for auditing by enhancing its training programs for internal auditors and encouraging staff to obtain the relevant qualifications. At the same time, the Department has endeavored to strengthen the Company’s internal audit framework by securing experienced staff in each area of the Company’s operations.

Status of Operations of the Board of Directors, etc.

The operations of the Board of Directors and the committees in the fiscal year ended March 31, 2019 were as follows.



We have established an operating structure to ensure effective and smooth operations of the Board of Directors. In particular, in order to increase the effectiveness of supervision by the Directors, we arrange a yearly schedule with sufficient time built in, provide accurate information as needed, fully explain the details of proposals in advance, and ensure time for prior discussion and question-and-answer sessions at the Board of Directors.

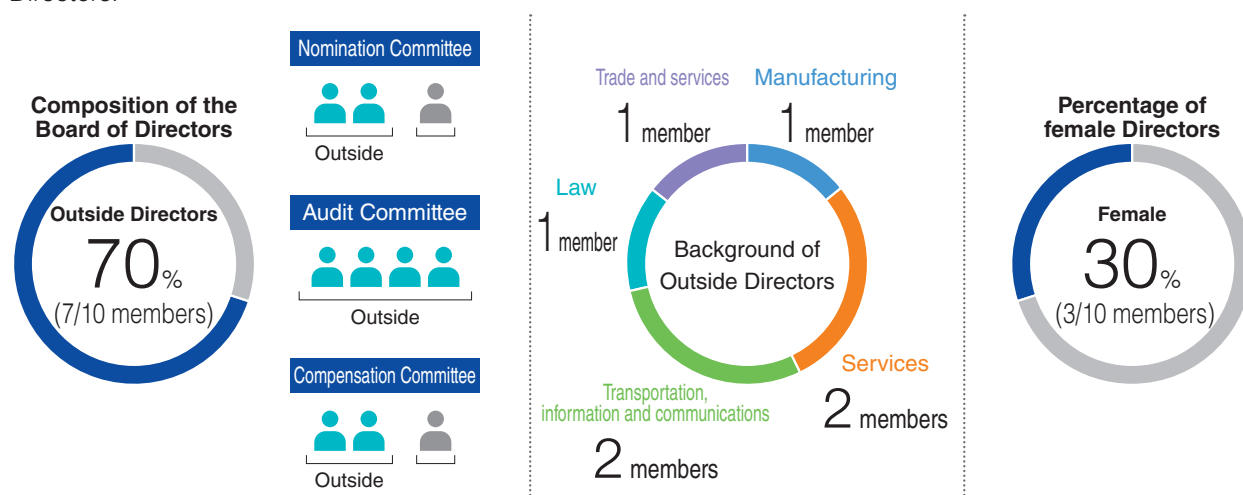
Furthermore, in an effort to give Outside Directors a better understanding of our operations, we set up opportunities for informal discussion apart from the meetings and proceedings of the Board of Directors, where Outside Directors can receive explanations of the situation at the Company with regard to timely and appropriate topics such as our digital strategies, workstyle reforms, etc. We also hold inspection tours of post offices and the Company's regional headquarters and branches for Outside Directors.



Outside Directors exchange opinions with employees at regional headquarters and branches during an inspection tour (September 2018)

Composition of the Board of Directors

The Company's Board of Directors has a high level of independence and diversity, with a majority (7 out of 10 members) comprised of Outside Directors from a wide range of backgrounds and including three female Directors.





Corporate Governance Systems

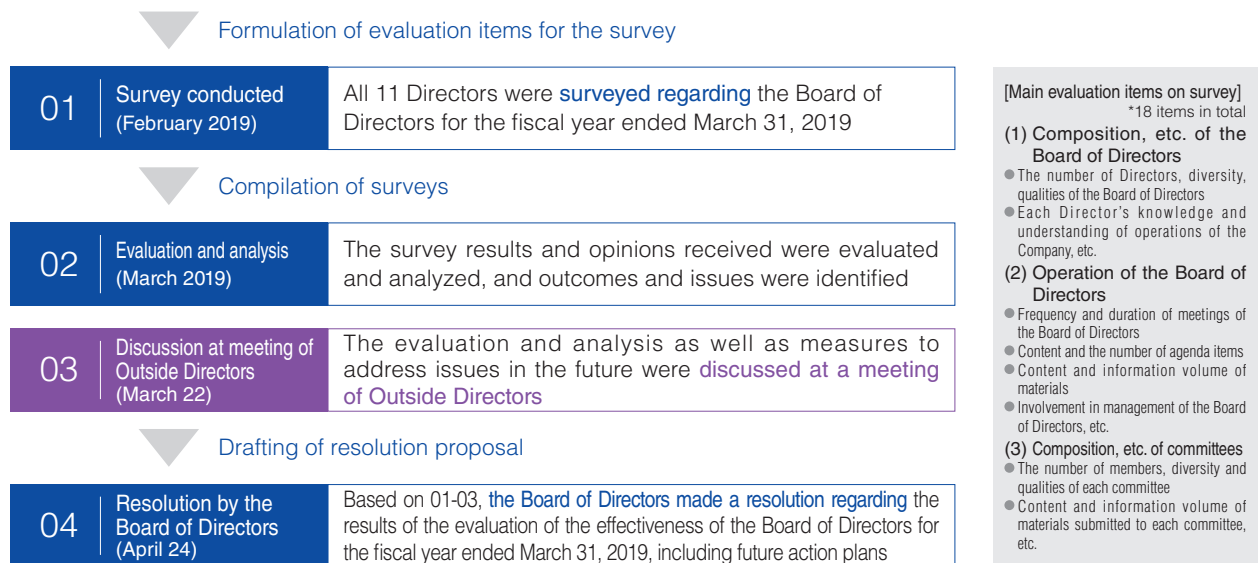
Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates the effectiveness, etc. of the Board of Directors as a whole every year through measures such as confirming the opinions of each Director regarding the Board of Directors and uses the results to improve the operations of the Board of Directors.

A summary of the evaluation results is posted on the Company's website.

https://www.jp-life.japanpost.jp/english/aboutus/company/en_abt_cmp_report.html

Process for evaluating effectiveness of the Board of Directors for the fiscal year ended March 31, 2019



*We are advised by a third-party lawyer regarding the formulation of evaluation items for the survey and the results of the evaluation of the effectiveness of the Board of Directors.

Previous initiatives to improve the operation of the Board of Directors based on the evaluation of the effectiveness

- Enhanced discussion on the Company's future management issues such as medium- to long-term growth strategies
- Conducted frontline inspection tours
- Held informal meetings to provide fuller information on the management of the Company
- Established a system to enable remote participation in meetings

Nomination Criteria for Candidates for Directors / Designation Criteria for Independent Officers

The Nomination Committee has formulated the "Nomination Criteria for Candidates for Directors" that stipulate our philosophy regarding the balance of knowledge, experience and skills, as well as the diversity and scale of the Board of Directors as a whole, along with the qualifications the Company requires of Directors. Based on these standards, the Nomination Committee selects candidates for Directors. The Nomination Committee also formulates the "Designation Criteria for Independent Officers" stipulating the Company's requirements for Outside Directors with no concerns of risk of conflict of interest with shareholders, and designates Independent Officers from among the Outside Directors.

Nomination Criteria for Candidates for Directors

https://www.jp-life.japanpost.jp/english/aboutus/company/assets/pdf/criteria_directors.pdf

Designation Criteria for Independent Officers

https://www.jp-life.japanpost.jp/english/aboutus/company/assets/pdf/independent_officers.pdf

Executive Compensation

■ Compensation Policies for Directors and Executive Officers

With respect to compensation for our Directors and Executive Officers, the Compensation Committee has established the “Compensation Policies for Directors and Executive Officers by Individual” and determines compensation based on these policies.

Compensation for Directors shall comprise a fixed monetary compensation of a certain level commensurate with their positions based on the primary role of supervising management.

Compensation for Executive Officers shall comprise a basic compensation (fixed monetary compensation) of a certain level commensurate with their duties in light of the differences in responsibilities depending on position, as well as performance-linked stock compensation that reflects factors such as the degree of achievement of management plans.

▢ Compensation Policies for Directors and Executive Officers by Individual

https://www.jp-life.japanpost.jp/english/aboutus/company/assets/pdf/compensation_policies.pdf

■ Amount of Compensation for Directors and Executive Officers (fiscal year ended March 31, 2019)

Total Amount of Compensation, etc., Total Amount of Compensation, etc. by Type, and Number of Eligible Officers by Officer Category				
Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)		Number of eligible officers (Persons)
		Fixed compensation	Performance-linked stock compensation	
Directors (excluding Outside Directors)	27	27	—	1
Outside Directors	54	54	—	9
Executive Officers	693	612	81	26

- Notes: 1. As the Company does not give compensation, etc. for Directors who concurrently serve as Executive Officer of the Company or the parent company, etc., the number of eligible officers in the Directors category in the chart above does not include those who concurrently serve as Executive Officer of the Company or the parent company, etc.
2. The amount recorded as performance-linked stock compensation is the amount recorded in the fiscal year ended March 31, 2019.
3. No bonuses are paid.



Corporate Governance Systems

Directors and Executive Officers

(As of July 1, 2019)

Directors					
Mitsuhiko Uehira 	Director and President, CEO, Representative Executive Officer	Status of attendance	Board of Directors 100% (13/13 meetings)		
	<p>Apr. 1979 Joined The Tokio Marine & Fire Insurance Co., Ltd.</p> <p>Jun. 2012 Executive Officer and General Manager of Domestic Business Development Department of Tokio Marine Holdings, Inc.</p> <p>Jun. 2013 Managing Executive Officer of the Company</p> <p>Jul. 2013 Managing Executive Officer and Senior General Manager of Sales Planning Department of the Company</p> <p>Apr. 2014 Managing Executive Officer of the Company</p> <p>Jun. 2015 Senior Managing Executive Officer of the Company</p> <p>Jun. 2017 Director and President, CEO, Representative Executive Officer of the Company (current position)</p> <p>Jun. 2017 Director of Japan Post Holdings Co., Ltd. (current position)</p>				
Reasons for election	He has held prominent positions at nonlife insurance companies and in the Sales Planning Department, etc. of the Company, and has also taken part in the management of the Company as President, CEO, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.				
Masaaki Horigane 	Director and Deputy President, Representative Executive Officer	Status of attendance	Board of Directors 100% (13/13 meetings)		
	<p>Apr. 1979 Joined the Ministry of Posts and Telecommunications</p> <p>Oct. 2007 Executive Officer and Senior General Manager of Finance Department of the Company</p> <p>Oct. 2008 Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company</p> <p>Oct. 2010 Managing Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company</p> <p>Jul. 2011 Managing Executive Officer of the Company</p> <p>Jul. 2014 Senior Managing Executive Officer of the Company</p> <p>Jun. 2017 Director and Deputy President, Representative Executive Officer of the Company (current position)</p>				
Reasons for election	He has held prominent positions in the Finance Department, etc. of the Company, and has also taken part in the management of the Company as Deputy President, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.				
Masatsugu Nagato 	Director	Status of attendance	Board of Directors 100% (13/13 meetings)	Nomination Committee 100% (3/3 meetings)	Compensation Committee 100% (4/4 meetings)
	<p>Apr. 1972 Joined The Industrial Bank of Japan, Ltd.</p> <p>Jun. 2000 Executive Officer of The Industrial Bank of Japan, Ltd.</p> <p>Jun. 2001 Managing Executive Officer of The Industrial Bank of Japan, Ltd.</p> <p>Apr. 2002 Managing Executive Officer of Mizuho Bank, Ltd.</p> <p>Apr. 2003 Managing Executive Officer of Mizuho Corporate Bank, Ltd.</p> <p>Jun. 2006 Corporate Executive Vice President of Fuji Heavy Industries, Ltd.</p> <p>Jun. 2007 Director, Corporate Executive Vice President of Fuji Heavy Industries, Ltd.</p> <p>Jun. 2010 Representative Director & Executive Vice President of Fuji Heavy Industries, Ltd.</p> <p>Jun. 2011 Director & Deputy Chairman of Citibank Japan, Ltd.</p> <p>Jan. 2012 Director & Chairman of Citibank Japan, Ltd.</p> <p>May 2015 Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd.</p> <p>Jun. 2015 Director of Japan Post Holdings Co., Ltd.</p> <p>Apr. 2016 Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. (current position)</p> <p>Apr. 2016 Director of JAPAN POST Co., Ltd. (current position)</p> <p>Apr. 2016 Director of JAPAN POST BANK Co., Ltd. (current position)</p> <p>Jun. 2016 Director of the Company (current position)</p>				
Reasons for election	He has been involved in the management of financial institutions over the years, and has also taken part in the management of the entire Japan Post Group as a Director, President and Representative Executive Officer of JAPAN POST BANK Co., Ltd., a Group company, and Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd., the Company's parent company. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.				

Masako Suzuki

Outside Director

Status of
attendanceBoard of Directors 100%
(13/13 meetings)Audit Committee 100%
(16/16 meetings)

Jul. 1983 Joined Temporary Center Inc.
Apr. 1999 Executive Officer of Pasona Inc.
Sept. 2004 Senior Managing Director of Pasona Inc.
Dec. 2007 Senior Managing Director of Pasona Group Inc.
Jun. 2010 Director, Vice President of Benefit One Inc.
Aug. 2010 Director of Pasona Group Inc.

Mar. 2012 Director of Benefit one Solutions Inc.
May 2012 Auditor of Benefit one Health care Inc.
Jan. 2016 President and Representative Director of Benefit one Health care Inc.
Jun. 2016 Director of the Company (current position)
Jun. 2018 Director, Executive Vice President of Benefit One Inc.
Jul. 2019 Senior Advisor of Pasona Group Inc. (current position)

Reasons
for election

She is nominated as an Outside Director because we expect that she is capable of fulfilling supervisory and monitoring functions over the management based on her experience and insight as a management expert nurtured through years of experience in management of stock companies.

Tamotsu Saito

Outside Director

Status of
attendanceBoard of Directors 100%
(13/13 meetings)Compensation Committee 100%
(4/4 meetings)

Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd.
Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations of Ishikawajima-Harima Heavy Industries Co., Ltd.
Jul. 2007 Executive Officer, Vice President of Aero-Engine & Space Operations of IHI Corporation
Jan. 2008 Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation
Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation
Apr. 2009 Director, Managing Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation

Apr. 2010 Director of IHI Corporation
Apr. 2011 Executive Vice President of IHI Corporation
Apr. 2012 President, Chief Executive Officer of IHI Corporation
Apr. 2016 Chairman of the Board, Chief Executive Officer, General Manager of Monozukuri System Strategy Planning Headquarters of IHI Corporation
Apr. 2017 Chairman of the Board of IHI Corporation (current position)
Jun. 2017 Director of the Company (current position)
Jun. 2018 Outside Director of Oki Electric Industry Co., Ltd. (current position)

Reasons
for election

He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies.

Michiaki Ozaki

Outside Director

Status of
attendanceBoard of Directors 100%
(13/13 meetings)Audit Committee 100%
(16/16 meetings)

Apr. 1978 Appointed as Public Prosecutor of Tokyo District Public Prosecutors Office
Jan. 2004 Public Prosecutor of Supreme Public Prosecutors Office
Jan. 2005 Director-General for Inspection, Minister's Secretariat, Ministry of Foreign Affairs
Apr. 2006 Chief Public Prosecutor of Kofu District Public Prosecutors Office
Jun. 2007 Public Prosecutor of Supreme Public Prosecutors Office (Panel on Preparation for Saiban-in System)
Jun. 2008 Director-General of Correction Bureau, Ministry of Justice

Dec. 2010 Director-General of Public Security Intelligence Agency
Jan. 2014 Superintending Prosecutor of Takamatsu High Public Prosecutors Office
Jul. 2014 Superintending Prosecutor of Osaka High Public Prosecutors Office
Feb. 2016 Registered as attorney-at-law (Dai-ichi Tokyo Bar Association)
May 2016 Of Counsel of URYU & ITOGA (current position)
Jun. 2016 Outside Audit & Supervisory Board Member of East Nippon Expressway Company Limited (current position)
Jun. 2017 Director of the Company (current position)

Reasons
for election

He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a legal expert nurtured through years of experience as a public prosecutor and attorney-at-law. Although he has never been directly involved in management of a company other than by serving as an Outside Director, we believe that he can appropriately perform duties as an Outside Director based on the aforementioned reasons.

Meyumi Yamada

Outside Director

Status of
attendanceBoard of Directors 100%
(13/13 meetings)Audit Committee 100%
(16/16 meetings)

Apr. 1995 Joined KOEI KOGYO Co., Ltd.
May 1997 Joined Kiss Me Cosmetics co., Ltd.
Jul. 1999 Representative Director of I-Style Co., Ltd.
Apr. 2000 Representative Director of istyle Inc.
Dec. 2009 Director of istyle Inc. (current position)
May 2012 President and Representative Director of CyberStar Inc.

Sept. 2015 Director of MEDIA GLOBE CO., LTD. (current position)
Mar. 2016 President and Representative Director of IS Partners Inc. (current position)
Sept. 2016 Director of Eat Smart, Inc. (current position)
Jun. 2017 Director of the Company (current position)
Jun. 2017 Outside Director of Seino Holdings Co., Ltd. (current position)

Reasons
for election

She is nominated as an Outside Director because we expect that she is capable of fulfilling supervisory and monitoring functions over the management based on her experience and insight as a management expert nurtured through years of experience in management of stock companies.



Corporate Governance Systems

Yoshie Komuro

Outside Director

Status of
attendanceBoard of Directors 100%
(13/13 meetings)

Apr. 1999 Joined Shiseido Company, Limited
 Jul. 2006 President of Work-Life Balance Co., Ltd. (current position)
 Apr. 2008 Member of Evaluation Working Group, Work-Life Balance Promotion and Evaluation Council, Cabinet Office, Government of Japan
 Aug. 2011 Member of Working Group on Pension, Social Security Council, Ministry of Health, Labour and Welfare (current position)
 Aug. 2012 Member of Industrial Structure Council, Ministry of Economy, Trade and Industry
 Apr. 2013 Member of Children and Childcare Support Council, Cabinet Office, Government of Japan

Sept. 2014 Civil Member of Industrial Competitiveness Council, Prime Minister Abe's Cabinet
 Feb. 2015 Member of Central Council for Education, Ministry of Education, Culture, Sports, Science and Technology
 Mar. 2016 Chairperson of the Panel for Promoting Workstyle Reforms of Kasumigaseki
 Jun. 2017 Director of the Company (current position)
 May 2019 Outside Director of ONWARD HOLDINGS CO., LTD. (current position)

Reasons
for election

In addition to years of experience engaging in the management of stock companies, she has held prominent positions, including service as an expert committee member for government affiliated committee meetings, and possesses deep knowledge regarding the environment surrounding corporate management, including workstyle reforms. Based on her experience and insight as a management expert nurtured through years of such experience, we expect that she is capable of fulfilling supervisory and monitoring functions over the management.

Kazuyuki Harada

Outside Director

Status of
attendanceBoard of Directors 100%
(10/10 meetings)Nomination Committee 100%
(2/2 meetings)

Apr. 1976 Joined Keiiky Corporation
 Jun. 2007 Director of Keiiky Corporation
 Jun. 2010 Executive Director of Keiiky Corporation
 Jun. 2011 Senior Executive Director of Keiiky Corporation

Jun. 2013 President & Representative Director of Keiiky Corporation (current position)
 Jun. 2015 Outside Director of Japan Airport Terminal Co., Ltd. (current position)
 Jun. 2018 Director of the Company (current position)

Reasons
for election

He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies.

Akira Satake

Outside Director

Status of
attendanceBoard of Directors - %
(-/- meetings)

Apr. 1979 Joined SUMITOMO CORPORATION
 Apr. 2011 Executive Officer, General Manager of Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit of SUMITOMO CORPORATION
 Apr. 2013 Managing Executive Officer, General Manager of Finance Dept. of SUMITOMO CORPORATION
 Apr. 2016 Senior Managing Executive Officer of SUMITOMO CORPORATION

Jun. 2017 Director, Senior Managing Executive Officer of Sumitomo Precision Products Co., Ltd.
 Jun. 2018 Director, Executive Vice President of Sumitomo Precision Products Co., Ltd.
 Apr. 2019 Adviser of SUMITOMO CORPORATION
 Jun. 2019 Director of the Company (current position)

Reasons
for election

He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a management expert nurtured through years of experience in management of stock companies as well as operation in finance departments, which gave him profound knowledge of finance and accounting.

Executive Officers

Respective departments in charge

President, CEO Representative Executive Officer	Mitsuhiko Uehira	
Deputy President Representative Executive Officer	Masaaki Horigane	Secretariate, Actuarial and Accounting Department and Credit Department
Deputy President Representative Executive Officer	Tetsuya Senda	Legal Affairs Department and Business Process Planning Department
Senior Managing Executive Officer	Yoshito Horiie	Compliance Control Department, Sales Quality Control Department and Customer Services Department
Managing Executive Officer	Atsushi Tachibana	Investment Planning Department, Investment Management Department and Credit and Alternative Investment Department
Managing Executive Officer	Nobuyasu Kato	Corporate Planning Department, Digital Services Acceleration Department and Public Relations Department
Managing Executive Officer	Yasuaki Hironaka	IT Systems Management Department, IT Systems Planning Department and in charge of Digitalization
Managing Executive Officer	Tomoaki Nara	Risk Management Department, Human Resources Department and Human Resources Development Department
Managing Executive Officer	Nobuatsu Uchikoba	Product Planning Department and Loan Department
Managing Executive Officer	Yasumi Suzukawa	Underwriting Department, Policy Administration Department, Claims-Related Services Department and Policy Assessment Department
Managing Executive Officer	Yoshiki Miyanishi	Sales Planning Department and Sales Promotion Department
Managing Executive Officer	Michiko Matsuda	In charge of Workstyle Reform
Managing Executive Officer	Kieko Onoki	General Affairs Department and Cash-Flow and Expense Management Department
Managing Executive Officer	Junko Koie	Internal Audit Department
Managing Executive Officer	Motonori Tanaka	Whole Sales Department, Sales Training Department and Regional Headquarters
Executive Officer	Toru Onishi	Senior General Manager, Kinki Regional Headquarters
Executive Officer	Hidekazu Sakamoto	Senior General Manager, Tokai Regional Headquarters
Executive Officer	Masamichi Yokoyama	
Executive Officer	Takashi Iida	Senior General Manager, Kanto Regional Headquarters
Executive Officer	Shinsuke Fujii	Senior General Manager, Internal Audit Department
Executive Officer	Norihiro Fujimori	Senior General Manager, Business Process Planning Department
Executive Officer	Hajime Saito	Senior General Manager, Tokyo Regional Headquarters
Executive Officer	Susumu Miyamoto	Senior General Manager, Corporate Planning Department
Executive Officer	Takashi Muro	Senior General Manager, Sales Promotion Department
Executive Officer	Takayuki Haruna	Senior General Manager, Credit and Alternative Investment Department
Executive Officer	Takeshi Kume	Senior General Manager, Kyushu Regional Headquarters



Dialogue between the CEO and an Outside Director



Director and President, CEO,
Representative Executive Officer

Mitsuhiko Uehira

Dialogue

Outside Director
(President of Work-Life Balance Co., Ltd.)

Yoshie Komuro

Outside Director Yoshie Komuro and Director and President, CEO, Representative Executive Officer Mitsuhiko Uehira exchanged their views on the Board of Directors and workstyle reform of the Company.

The Board of Directors of Japan Post Insurance as seen by an Outside Director

Uehira: The relationship between you and Japan Post Insurance started when we requested your advice and support regarding workstyle reform at the Company in 2015. After that, you assumed the position of Outside Director in June 2017, and almost two years have passed since that time. Could you give us your impression of Japan Post Insurance, as an Outside Director?

Komuro: When I was supporting workstyle reform at meetings with trial teams for reviewing workstyles, we worked together with employees to advance workstyle reform by receiving their input. Their comments provided insight from the close-up perspectives of managers and employees, so I still feel that the many conversations I had at that time were very fruitful.

Meanwhile, after I became a Director two years ago, and assumed a position involving supervision of the business-executing departments, I started to see things from a broader perspective, including

management policies and management strategies, which led me to many more new discoveries.

One example is the sheer number of customers. While the Board of Directors also touches on this topic from time to time, we have around 26 million customers. Japan has a population of 120 million, so roughly one in five people in Japan are our customers. This means that we have a truly massive customer base that is rarely seen at other life insurance companies. In addition, I feel that the fact that we provide insurance services through a vast network of about 20,000 post offices nationwide is our greatest strength from the perspective of competitive strategy. At the same time, I have the impression that we act as a “public institution for society.”

Uehira: Thank you. The Company’s predecessor, the Postal Life Insurance Service was created with the social mission of “protecting the means of fundamental livelihood of the public through simple procedures.” The privatization process has transferred that social mission to the Company as it is today, and the fact that we have inherited this social

mission makes me strongly aware that we have a role to play as a “public institution for society,” just as you say.

Director Komuro, having participated in our Board of Directors, what do you think about the Company serving this role?

Komuro: I take part in discussions regarding resolutions by the Board of Directors and various reports from business-executing departments, while thinking about the role the Company plays in society. The Outside Directors, who account for the majority of the Board of Directors come from a diverse mix of generations, genders, and backgrounds, and I feel that discussions at the Board of Directors meetings are very fruitful.

Furthermore, the business-executing departments provide me with thoughtful, detailed explanations before the Board of Directors meetings, so the Board does not have to spend a lot of time explaining the agenda, and instead can spend more time on discussions. I hear that the business-executing departments work hard to ensure that their meetings also run smoothly.

Uehira: I agree. I have been telling people inside the Company for a long time that all participants in our meetings should discuss important points and issues with an equal understanding. In order for this to happen, it is essential that the materials and explanations be very easy to understand. In that sense, I feel that various meetings held in the Company are also being improved accordingly. In addition, the importance of ensuring that everyone involved has an equal understanding of the points of discussion is not limited to meetings, but also applies to relationships between superiors and subordinates, as well as senior and junior employees. I feel that establishing an equal understanding will lead to workstyle reform, as it reduces wasted work resulting from various misunderstandings and mistakes.

Initiatives and results in workstyle reform

Komuro: The necessity for workstyle reform, as it is commonly discussed today, includes such aspects as addressing the labor shortage and supporting employees as they balance childcare or nursing care with their jobs. But I see our workstyle reform as moving one step beyond that point, to make Japan Post Insurance “a more comfortable company to work at.”

In 2015 I gave a lecture at a “Workstyle Review Seminar” aimed at our executives and managers. From that point forward, we have made incremental progress, and our efforts continue today as an initiative for all workplaces and employees. At each

workplace, we have established a system for identifying unique issues, examining measures for improvement, implementing these measures, and reflecting on progress.

When I received reports about initiatives for workstyle reform at last year’s Board of Directors meetings, I heard about the “Workstyle Reform Survey” that is currently underway. Each employee assigns scores to 15 items, including “Is there a shared awareness of delivering results in a limited time at your workplace?” and “Is your workplace an environment that makes it easy to take leave?” By aggregating these scores for each workplace, we can quantify matters that cannot normally be represented quantitatively, such as workplace culture and employee awareness, and I thought this enables employees to obtain an objective view of the state of their own workplaces. At the same time, when the Board of Directors is supervising the business-executing departments, I find it helpful to have access to such information as employee workplace awareness.

In addition, among the 15 questions in the survey, we ask employees, “Do you always act in the shoes of the customer or business partner?” This asks about the employee’s own awareness of customer-first job execution. I think it’s a wonderful achievement that this question yielded the highest average score of 4.07 out of 5 points.

Uehira: We have formulated our “Basic Policies for Customer-first Business Operations,” and announced these policies broadly, both inside and outside of the Company. In addition to announcing these basic policies, I believe it is important to work to foster employees who can continue to put these policies into practice on a daily basis. As a major prerequisite for this, it is necessary to increase the job satisfaction level of each of our employees, and we are using workstyle reform as a method to improve that satisfaction.

Komuro: So improving job satisfaction among employees through workstyle reform is linked to customer-first business operations. I believe that we are beginning to see various results of our continuous workstyle reform initiatives.

Uehira: I think so. We have reduced the average amount of overtime work per employee several years in a row, and that number was down to 8.4 hours per month in the fiscal year ended March 31, 2019. This is roughly half of those in the fiscal year ended March 31, 2015 which was four years ago. Furthermore, the rate of annual paid leave taken among all employees was 87.7% on average in the fiscal year ended March



Dialogue between the CEO and an Outside Director

31, 2019. This means that employees take about 17.5 days of annual paid leave, which is a very high level. In addition, all employees are given three days of paid leave for summer vacation and two days of paid leave for winter vacation.

We have also achieved an employment rate for people with disabilities that is higher than the statutory rate, and are continuing our support for wheelchair tennis, which we started in the fiscal year ended March 31, 2019. With regard to promotion of women's career activities, we not only hold various training programs and seminars, but are also focusing on enabling networking by female employees, and at the beginning of the fiscal year ending March 31, 2020, 12.1% of management positions at the Company were occupied by women.

In the fiscal year ended March 31, 2019, we received "Platinum Kurumin" ^(Note) certification from the Ministry of Health, Labour and Welfare. In addition, for the second year in a row, we have achieved a gold rating on the "PRIDE INDEX," ^(Note) which evaluates LGBT-related initiatives at corporations.

Note: See page 21 for details on "Platinum Kurumin" and the "PRIDE INDEX."

Komuro: We are actively working on health management as well. The "*Sukoyakanpo*" is an app that I myself personally use. It's fun to manage the number of steps I walk every day in a stamp-collecting format with our corporate mascot, Kampokun, and it makes me want to walk more. So, it really is a great health support app.

Uehira: Thank you. Japan Post Insurance was also selected as a "Health and Productivity Management Outstanding Organization (White 500)." In addition, our promotion of Radio Exercise and support for



wheelchair tennis has also gained recognition, and we have been certified as a "Tokyo Sports Promotion Company."

Radio Exercise was established more than 90 years ago by our predecessor, the Postal Life Insurance Bureau of the Ministry of Communications, in order to promote the health of the people of Japan. While Japan's modern super-aging society can be said to be undergoing a "health promotion boom," we take pride of the fact that we have been engaged in health promotion for more than 90 years. Even today, we are working companywide to promote widespread participation in Radio Exercise, and we perform Radio Exercise during work hours, at all workplaces. Management takes the lead in this initiative, with all attendees of Executive Committee meetings performing Radio Exercise before meetings.

Komuro: Radio Exercise has really become a permanent part of the Japanese culture. I heard that the Radio Exercise attendance cards used by elementary school students during summer break are made and distributed by the Company. I see that the Company is undertaking a wide variety of efforts in health management and health promotion support.

Earlier, you elaborated on our efforts to promote the roles of women. In addition to the three female Outside Directors, we also have three female Executive Officers in the Company, which is a relatively high ratio. I heard that the ratio of female managers was 6.5% at the start of the fiscal year ended March 31, 2016. However, in just four years since then, that number has risen to 12.1% ^(Note). As I understand it, we are making great progress in promoting women's career activities. Please tell us



about your future plans for promoting women in the workplace.

Note: See page 20.

Uehira: Although it's rather simple, it all comes down to properly evaluating, training, and promoting human resources, regardless of gender. If we continue to steadily practice this basic policy, then in the future, I expect we will approach approximately equal numbers of male and female employees and managers. We are working to become a company where everyone can work comfortably and demonstrate their full potential, regardless of their gender.

Komuro: Compared to other companies, we offer a good selection of support and systems for employees to balance childcare or nursing care with their jobs. Furthermore, our workplace culture makes it easier for them to use these systems, so I feel that our workplace enables people in various circumstances to shine.

Vision we hope to achieve through workstyle reform

Uehira: Our goal for promoting workstyle reform and diversity is to be “an attractive company that offers self-fulfillment and job satisfaction through work.” I want to create a virtuous spiral of improvement, in which every employee can work enthusiastically and grow through self-fulfillment. The presence of such actively working, appealing employees will then make Japan Post Insurance a more attractive company.

What I mean by “self-fulfillment” is that employees

can feel themselves growing, even if it's little by little, through their day-to-day work. I think a lot of people consider their professional and private lives to be completely separate. However, I believe that personal development within a company also leads to growth within society outside of the Company. Furthermore, the growth of our employees also translates to growth of the Company.

There is still room for many improvements to be made regarding employee workstyle, and I want to make our workplace culture even better. There are still so many things left for us to do. We would like you to continue to demonstrate her skills to accelerate these improvements.

Komuro: Thank you very much. Appealing employees make the Company itself a more attractive company. Those are wonderful words that really leave an impression. I will do my best on the Board of Directors, to ensure that the Company can continue its efforts as a pioneer in workstyle reform, and trigger efforts by other companies as well.





Compliance

Japan Post Insurance assures the soundness and appropriateness of its business operations and maintains a framework that meets the trust of society by ensuring all its executives and employees comply with laws and regulations (laws, regulations, rules and internal rules, and social norms and corporate ethics) in every aspect of its business activities.

To realize our goal of becoming the “No. 1 Japanese insurance company selected by customers,” company-wide efforts are undertaken to achieve thorough implementation of compliance.

Compliance Policies

We have established our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the “Fundamental Policy for Establishment of Internal Control Systems” developed by the Company’s Board of Directors.

To provide a guide to the laws and regulations and other rules concerning our corporate activities, we have prepared a Compliance Manual, as well as a Compliance Handbook, which describes the essentials of the Compliance Manual, and ensured

that all executives and employees are aware of the content by making these available for reference. We have also produced a Pocket-Size Compliance Card, which contains a summary of our management philosophy and other directives for easy reference at any time, and distributed these to all our executives and employees. In addition, we work to undertake thorough implementation of compliance through our “Compliance Program,” a plan developed annually to lay out specific details for promoting compliance.

Compliance Promotion System

To promote compliance within the Company, we have established the Compliance Committee, headed by the Chief Compliance Officer (CCO). The Compliance Committee deliberates on the management policies concerning compliance, specific compliance operations, and response to various compliance issues. The committee also works to achieve thorough compliance and prevent violations of compliance by monitoring and analyzing the Company’s compliance promotion efforts.

To discuss matters related to the enhancement and reinforcement of the compliance framework of Japan Post Co., which serves as our insurance

solicitor, we have set up a liaison meeting, members of which include the CCO. We also provide guidance to post offices and manage their compliance activities on the basis of discussion at the meeting. In addition, we have established a Compliance System Strengthening Advisory Board comprised of external experts and knowledgeable persons, etc. This Board provides neutral and professional appraisals of matters such as the current status of our compliance along with recommendations on the future direction of our compliance efforts. We utilize these appraisals and recommendations to enhance our compliance framework.

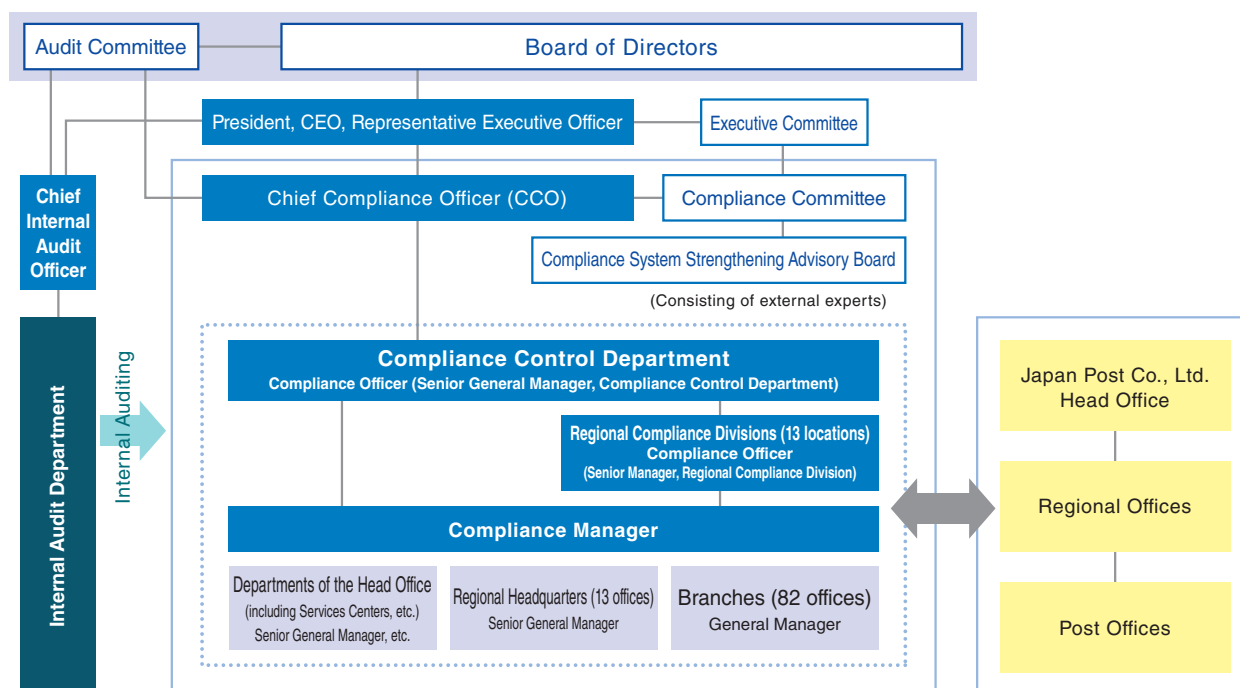
Implementing Compliance Education

Through our Compliance Program, we conduct training courses that include Compliance Administrators and Compliance Managers at our head office, branches and other locations. The program covers explanations and instructions regarding the role of Compliance Managers, as well as important points to note and other details regarding compliance in our business activities. In order to raise awareness of compliance, we also

hold e-learning training courses for all executives and employees.

Within our head office, branches and other business units, we carry out activities designed to enhance compliance awareness utilizing opportunities such as business study group sessions and other meetings. We also offer various training programs and training materials to post offices.

Compliance Promotion System



Whistleblowing System

We have prepared an appropriate whistleblowing system by establishing reporting rules that Group employees should follow in the case of a violation of laws and regulations or internal regulations, in addition to setting up an internal and external whistleblowing contact points, in order to prevent the occurrence or spread of compliance violations, or to resolve them at an early stage.

Measures to Prevent Corruption

We have established necessary systems and various rules in an effort to promote fair business practices and prevent corruption such as bribery, as well as conduct that invites suspicion.

Solicitation Policy

Under the Management Philosophy of “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being,” we are always close to people’s lives, offering easy-to-understand products and high-quality services.

Sales activities of life insurance will be conducted appropriately, abiding by laws and regulations as well as social norms.

Solicitation Policy of Japan Post Insurance

https://www.jp-life.japanpost.jp/policy/pcy_sol_index.html (in Japanese)



Management of Conflicts of Interest

To prevent our customers' interests from being unduly harmed in conjunction with conflicts of interest transactions between our customers and Japan Post Insurance, we have released the "Conflicts of Interest Management Regulations" in light of the Insurance Business Act and Financial Instruments and Exchange Act, and others. In accordance with these regulations, we engage in appropriate business conduct that complies with laws and regulations, internal rules and ethical standards.

Japan Post Group has released the "Japan Post Group Conflicts of Interest Management Policy." This Policy governs the management of conflicts of interest transactions by our Group as a whole in order to prevent our customers' interests from being unduly harmed.

 **Japan Post Group Conflicts of Interest Management Policy**

https://www.jp-life.japanpost.jp/english/aboutus/company/en_abt_cmp_conflicts.html

Initiatives for Protecting Personal Information

Japan Post Insurance recognizes the importance of information security management called for by society and promotes measures to protect personal information appropriately pursuant to relevant laws and regulations.

We manage the security of personal data through an internal management structure that designates the Chief Information Security Officer (CISO), who is in charge of the company-wide control of information security, and an individual responsible for protection of personal information in each division, thereby protecting and handling personal information in an appropriate manner.

 **Japan Post Insurance Privacy Policy**

https://www.jp-life.japanpost.jp/english/aboutus/company/en_abt_cmp_security.html

Succession of Personal Information Associated with the Postal Life Insurance Policies

We have succeeded personal information about policyholders and insured persons (hereinafter "customers" in this section), associated with the Postal Life Insurance Policies held by Japan Post at the time of the privatization to the extent required in performing the business operation and functions succeeded from Japan Post by the Management Network and by the Company, in accordance with the "Implementation Plan Concerning the Business Succession of Japan Post" approved by the government pursuant to the Postal Service Privatization Act.

Personal information of the customers acquired by the Company in the course of the aforementioned business succession (including information concerning personal medical history such as hospitalization records) shall be used as necessary solely for the prescribed purposes, with a view to ensuring adequate management of life insurance operation on an ongoing basis.

 **Purpose of Use of Personal Information Succeeded from Japan Post**

https://www.jp-life.japanpost.jp/policy/privacy/pcy_prv_object.html (in Japanese)

Countermeasures against Money Laundering and Financing of Terrorism

Japan Post Insurance is promoting efforts to appropriately reduce the risk of money laundering and financing of terrorism (“money laundering, etc.”) at the Group and its agencies based on the “Policy on Anti-Money Laundering and Combating the Financing of Terrorism” formulated in accordance with the Financial Services Agency’s “Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism.”

We identify and evaluate risks based on the profile of business, conditions at agencies, and laws and regulations, from the perspective of preventing the misuse of products and services provided by the Group and its agencies for money laundering, etc. We take appropriate countermeasures against the relevant risks in order to effectively reduce them.

The management is independently and proactively working on countermeasures against money laundering, etc., while we are clarifying the roles and responsibilities of executives and employees engaged in countermeasures against money laundering etc., by putting the Chief Compliance Officer as the person in charge of countermeasures against money laundering, etc.

Elimination of Antisocial Forces

Japan Post Insurance recognizes that the complete elimination of relationships with antisocial forces is an integral part of our corporate social responsibility and is essential in maintaining the trust of our customers and realizing sound management.

Based on the “Fundamental Policy for Establishment of Internal Control Systems” formulated by the Board of Directors, we have stipulated a “Basic Policy on Handling of Antisocial Forces” to take appropriate actions against and eliminate and avoid any relationships with antisocial forces.

Basic Policy on Handling of Antisocial Forces

https://www.jp-life.japanpost.jp/english/aboutus/company/en_abt_cmp_antisocial.html

Rules for Handling of Antisocial Forces

Our “Fundamental Policy for Establishment of Internal Control Systems” requires the elimination of any relationships with antisocial forces that pose a threat to the order of society and sound corporate activities by routinely collaborating with the police and other outside experts and firmly rejecting the unjustified demands of antisocial forces. Accordingly, we have created “Rules for Handling of Antisocial Forces,”

which define our framework for eliminating and avoiding relationships with antisocial forces and the basics for organizational actions, as well as “Procedures for Handling of Antisocial Forces” and an “Antisocial Forces Manual” to lay down specific processes to ensure proper business conduct. We require all employees to strictly observe these rules and procedures.

System for Handling of Antisocial Forces

We have established an appropriate system to eliminate relationships with antisocial forces, with the President, CEO, Representative Executive Officer at the top. Below the President, CEO, Representative Executive Officer, we appointed the Executive Officer responsible for the General Affairs Department of the head office as the Antisocial Forces Response Officer and assigned the role of Antisocial Forces Response Manager to the Senior General Manager of the General Affairs Department of the head office, the Senior General Managers of the regional headquarters and the General Managers of the branches. The Compliance Committee and the Antisocial Forces Handling Council engage in across-the-board discussion on relevant matters.

As specific measures to eliminate any relationships with antisocial forces, we incorporated a clause against organized crime into our policy agreements in April 2012. Other efforts include checking all policies in force for any link with antisocial forces and incorporating a clause against organized crime into various other contracts. We also encourage persons in charge of countering unjustified demands to participate in the corresponding training seminar; work to reinforce our ties with the police, lawyers and other external organizations; and provide guidance through meetings, training programs and informational publications.



Risk Management Systems

Economic, demographic and other conditions surrounding the life insurance industry business environment are dramatically changing. As a life insurance company, Japan Post Insurance needs to ensure the financial stability and soundness of business operations now and into the future in order to manage the precious funds entrusted to us by customers and ensure payment of the sum insured to secure their living in times of need. In particular, as we have a social mission to take part in constantly providing the universal service products of endowment insurance and whole life insurance through the post office network, appropriate risk management is extremely important.

We have formulated the “Risk Appetite Statement” as part of our risk-taking strategies. In addition, we recognize effective risk management according to the various risk profiles of the life insurance business as one of management’s highest priorities. Our Basic Risk Management Policy stipulates fundamental matters that include our basic principle for risk management and risk management systems and techniques, and we implement risk management in accordance with this policy. As our basic principle, we undertake risk management with an aim to achieve a higher capital efficiency and risk return ratio, while maintaining financial soundness based on management strategies, in addition to avoiding unforeseen losses. Our risk management systems perform comprehensive risk management and risk management by risk category.

Outline of Risk Management Systems

In accordance with the “Basic Risk Management Policy,” we have set up and regularly convene the Risk Management Committee headed by the Chief Risk Officer (CRO), while formulating rules of risk management.

The Risk Management Committee deliberates on risk management policies and matters concerning the establishment and operation of risk management systems as well as on matters concerning the implementation of risk management. This committee also performs appropriate risk management by monitoring and analyzing the status of each risk and other related matters. The CRO submits and reports on important matters to the Executive Committee for discussion.

Also, the CRO controls the Company’s risk management and builds, verifies and upgrades risk management systems in accordance with changes in risk management circumstances and the operating environment. The Risk Management Department is in charge of overall control of risk management and under the direction of the CRO executes affairs concerning building, verifying and upgrading risk management systems. At the same time, it regularly verifies the status of risk management by monitoring, analyzing and managing the state of risk management in sections responsible for performing risk management in each risk category (“risk management sections”).

Each of the Executive Officers in charge of risk management sections operate and upgrade the systems for managing their respective assigned risks by ascertaining the presence, types and profile of risk, as well as the risk management techniques and systems as prescribed by the Basic Risk Management Policy. While operating a mutual checks and balances system with departments of the head office and branches in charge of business execution, risk management sections appropriately fulfill their monitoring role and manage their assigned risks in accordance with risk management standards. As investment risk and operational risk have multiple subcategories, we have designated the Risk Management Department for handling comprehensive risk management in conjunction with the risk management sections for respective subcategories.

In order to strengthen our risk management systems, the Internal Audit Department conducts internal audits and examines the appropriateness and effectiveness of our risk management systems.

In enforcing risk management, we collaborate with the risk management departments of Japan Post Holdings Co., Ltd. and JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd., the Company’s subsidiary.

Comprehensive Risk Management (Enterprise Risk Management (ERM))

We ascertain risk on an overall basis, which encompasses latent significant risks, for any risk we face and compare and contrast various risks with our capital and other areas in managing risk for our overall business.

As our basic principle, based on the characteristics of the life insurance business, we manage companywide risks by comparing the risk amount with the capital amount on an economic-value basis, in compliance with current

solvency margin regulations applicable to insurance companies, with a view to improving capital efficiency while maintaining financial soundness.

In addition, we promote the sophistication of our ERM system through the application of ERM to the management plans and others, in an effort to attain stable profit and sustainable increases in our corporate value.

Implementation of Stress Tests

We implement periodic stress testing to ascertain the impact of an event that has a low but certain probability of occurring and could have a significant effect on the Company.

In establishing stress scenarios we undertake the following:

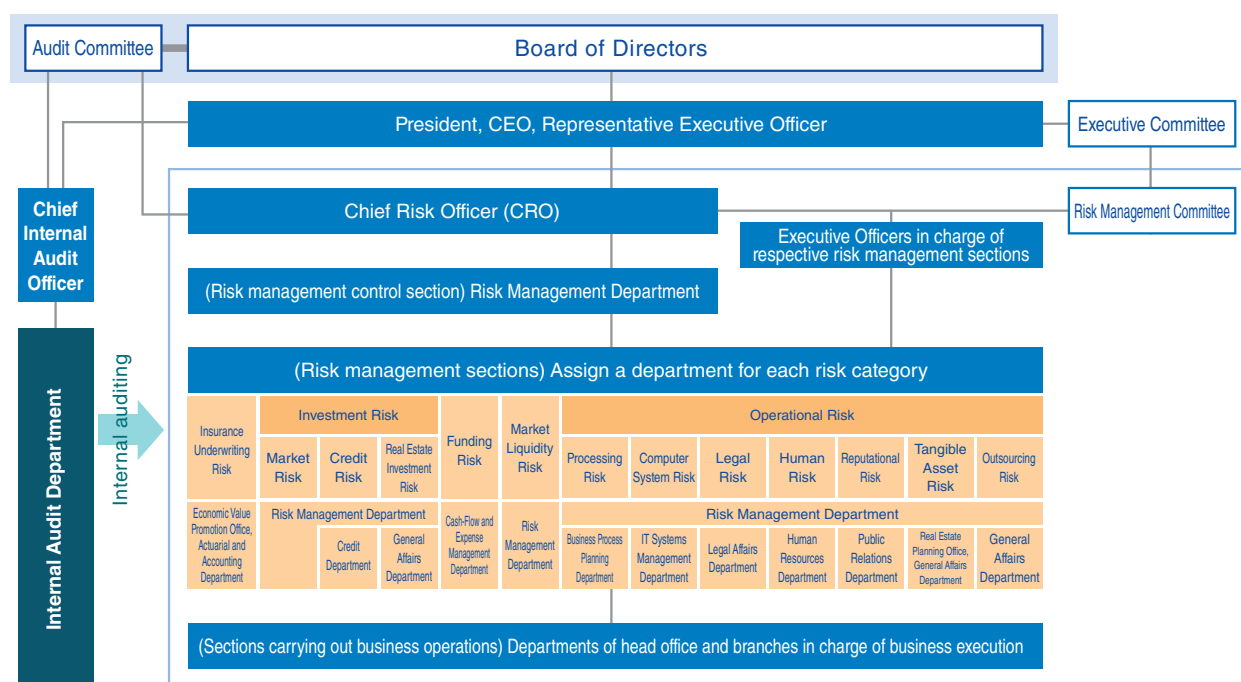
- We cover all risk categories that could have a significant impact on the Company taking into consideration the Company's risk profile status.
- Besides historical scenarios that have occurred in the past, we simulate forward-looking hypothetical scenarios that could occur in the future.

- We consider the impacts on the Company under a combined (comprehensive) stress scenario.

Specifically, we add sub-scenarios (financial market turmoil, mass lapse, etc.) into four main scenarios (a rise in interest rates, a decline in interest rates, the occurrence of a major earthquake and the widespread outbreak of a new strain of influenza).

Based on the analysis of the impacts on loss situation and soundness under the stress scenarios, the results of stress tests are periodically reported to the Risk Management Committee and the Executive Committee to be used in management judgments.

Risk Management Structure





Risk Management Systems

Principal Risk Categories and Definitions

We classify and define types and details of managed risks into the following categories and have established a management system and rules in accordance with each characteristic and are appropriately carrying out risk management.

Insurance Underwriting Risk	The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors contrary to the projections made at the time when premiums were set.
Investment Risk	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance-sheet assets and liabilities.
Market Risk	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance sheet assets and liabilities as well as the risk of losses resulting from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stock prices.
Credit Risk	The risk of losses resulting from a decline or elimination in the value of assets including off-balance sheet assets due to deterioration in financial conditions of borrowers or a counterparty.
Real Estate Investment Risk	The risk of losses due to a decline in profitability of real estate caused by factors such as the change of rents, or due to a decrease in the value of real estate itself caused by factors such as changes in market conditions.
Funding Risk	The risk of losses due to being forced to carry out transactions at a price extremely lower than normal as a result of a deterioration in cash management caused by factors such as a decrease of premium income following the decline of new policies caused by factors such as worsening financial conditions, an increase in payments of termination refunds following a large amount of policy surrenders and lapses and cash outflows following a significant natural disaster.
Market Liquidity Risk	The risk of losses due to being forced to conduct transactions at extremely unfavorable prices compared to normal or being unable to conduct market transactions due to factors including market turmoil.
Operational Risk	The risk of losses due to improper business processing, inappropriate behavior by executives and employees, improper computer system operations or external events.
Processing Risk	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engagement in unlawful activities.
Computer System Risk	The following types of risk are included: a) the risk of losses due to system failures or malfunctions, system defects or any other causes. b) the risk of losses due to unauthorized use of computers. c) the risk of losses due to delayed computer system development.
Legal Risk	The risk of losses resulting from any legal conflicts associated with our business activities or due to our improper response to the establishment of or revisions to any relevant laws and regulations.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.
Reputational Risk	The risk of losses due to the spread of vague information such as rumors, speculations or reputation with regard to the Company, and the spread of misunderstandings, misperceptions or exaggerated interpretations associated with an accident or unlawful acts among policyholders or the mass media.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The risk of losses due to default of an outsourcing agreement and/or unlawful acts, etc., committed or conducted by an outsourcee (including any re-outsourced party) with regard to an operation outsourced externally.

We manage risk by designating risk management sections in respective risk categories. The Risk Management Department, which is in charge of the overall control of risk management, verifies the status of respective risk management sections based on their reports, while periodically reporting on relevant matters to the Risk Management Committee.

Risk management in each risk category is described in the sections below.

Insurance Underwriting Risk

Life insurance policies are contracts that provide long-term coverage to policyholders against the risk of death, illness or injury. Upon underwriting, we need to make accurate assessment and analysis of potential risks and appropriately reflect identified risks in the corresponding premiums.

Accordingly, we undertake such activities as verifying our setting of premium rates and assessing and analyzing the occurrence of insured events.

The Economic Value Promotion Office, Actuarial and Accounting Department, which is the section to perform insurance underwriting risk, conducts

risk management appropriately by measuring the amount of insurance underwriting risk, evaluating the profitability of each product sold and verifying the appropriateness of our underwriting standards from a medical perspective.

As required in managing insurance underwriting risk, we conduct ceded reinsurance upon fully studying the financial status of reinsurers. On the other hand, when underwriting reinsurance, we secure the required information, study the profitability and risk characteristics and verify whether the underwriting risk is restricted to cause no serious impact on management.

Investment Risk

To provide for anticipated payment of insurance claims and other benefits, we need to carefully manage funds entrusted to us from customers under life insurance policies.

Based on this perspective, in order to maintain sound management and offer a sense of assurance to customers, we have a basic investment policy to secure stable asset management by investing in and financing yen-denominated interest-bearing assets, such as Japanese public and corporate bonds and loans, matched to the long-term and fixed interest rate characteristics of our liabilities. With a view to improving profitability, we also promote diversification of our asset portfolio to the extent allowed in managing investment risk.

The Risk Management Department, which is the section to perform investment risk management, the Credit Department and the General Affairs Department are assigned the task of managing investment risk. These sections monitor investment risk and enforce appropriate management under a checks and balances system with departments of the head office in charge of business execution. The Risk Management Department provides comprehensive management of investment risk, working in collaboration with the Credit Department and General Affairs Department. Meanwhile, we strive to develop adequate risk management systems according to the risk profiles of our diversifying asset portfolio.

Funding Risk

Operation of the life insurance business involves making and receiving payments to and from customers and business partners as we pay insurance claims and other benefits and conduct fund management. Any trouble in the settlement of these funds will not just cause inconvenience to the parties concerned but also lead to situations that preclude the continued operation of the business itself.

To avoid such situations and ensure smooth cash flows, we enforce rigid fund management by monitoring incoming and outgoing cash flows, including the receipt of premiums and payment of insurance claims, on a daily basis.

The Cash-Flow and Expense Management Department, which is the section to perform funding risk management, has defined categories corresponding to cash flow tightness and established risk management standards in each category. The section implements appropriate management of funding risk by performing management and verification in accordance with these standards. Moreover, we carry out stress tests related to funding risks, assuming a large amount of policy surrenders and lapses, in an effort to improve cash flow management.



Risk Management Systems

Market Liquidity Risk

We may sell assets in which we have made investments using funds entrusted to us from customers, and may incur losses when we are forced to conduct such transactions at extremely unfavorable prices than normal or are unable to execute such transactions at all because of market turmoil.

Accordingly, we make investments primarily in assets with high liquidity.

The Risk Management Department, which is the section to perform market liquidity risk management, has established management standards to limit the holding of securities with low liquidity, etc. The section implements the appropriate management of market liquidity risk by performing management and verification in accordance with these standards.

Operational Risk

Our executives and employees strive to prevent operational risks that may cause inconvenience to our customers or corporate losses, and to appropriately respond when such risks occur. We have designated risk management sections in each detailed subcategory of operational risk, thereby identifying and assessing the location, scale and nature of company-wide operational risk

and managing the risk according to severity. In this way, we prevent operational risk from materializing and minimize losses in the event of materialization. The Risk Management Department works in collaboration with these risk management sections and provides comprehensive management of operational risk.

1) Processing Risk

Errors in business processing will cause considerable inconvenience to customers and result in the loss of our credibility. Departments of the head office and branches autonomously grasp and manage processing accidents that occurred in the past and those that could foreseeably occur. This information is used to formulate and develop rules and standards to facilitate prompt and

accurate administrative processing, as well as to conduct supervision and education for employees.

The Business Process Planning Department, which is the section to perform processing risk management, evaluates and verifies whether risk management is appropriately conducted in each organization and makes efforts to suppress and minimize processing risk.

2) Computer System Risk

In the current situation where an extensive scope of our business processing relies on information systems, major system failures or delays in system development could cause considerable inconvenience to customers and result in the loss of our credibility. Therefore, as the section to perform computer system risk management, the IT Systems Planning Department strives to reduce computer system risk by verifying and supervising that the risk is appropriately managed by system administration personnel in the departments that maintain information systems. The occurrence of a system failure prompts the section to survey the effects on customers, identify the causes and,

implement adequate countermeasures for the prevention of a recurrence.

We have formulated a manual to respond to a major system failure and set up a structure to take immediate action. For the overall information systems for Japan Post Insurance, our main systems, we operate main computer centers as well as backup centers in order to respond to the risk resulting from a system failure. In case of a system failure, we investigate the impact on customers, analyze the causes and, implement appropriate countermeasures in order to prevent recurrence.

3) Other Operational Risk Subcategories

Other detailed subcategories of operational risk are legal risk, human risk, reputational risk, tangible asset risk and outsourcing risk. For each subcategory, we designate a section to perform

risk management, undertake relevant activities and implement initiatives to enhance our risk management systems.

Customer-first Business Operations

Following our Management Philosophy “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being,” we provide simple and easy-to-understand life insurance products with smaller coverage amounts through the nationwide post office network to 26.48 million customers^(Note).

In pursuit of the best interest of each and every one of these 26.48 million customers, we formulated our vision of customer-first business operations, along with the measures needed to ensure its realization in terms of our framework and business operations, as our “Basic Policies for Customer-first Business Operations,” and announced them on April 7, 2017.

The entire Company will work as one in an effort to further improve and enhance customer-first business operations based on these “Basic Policies for Customer-first Business Operations.”

Note: The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by us).

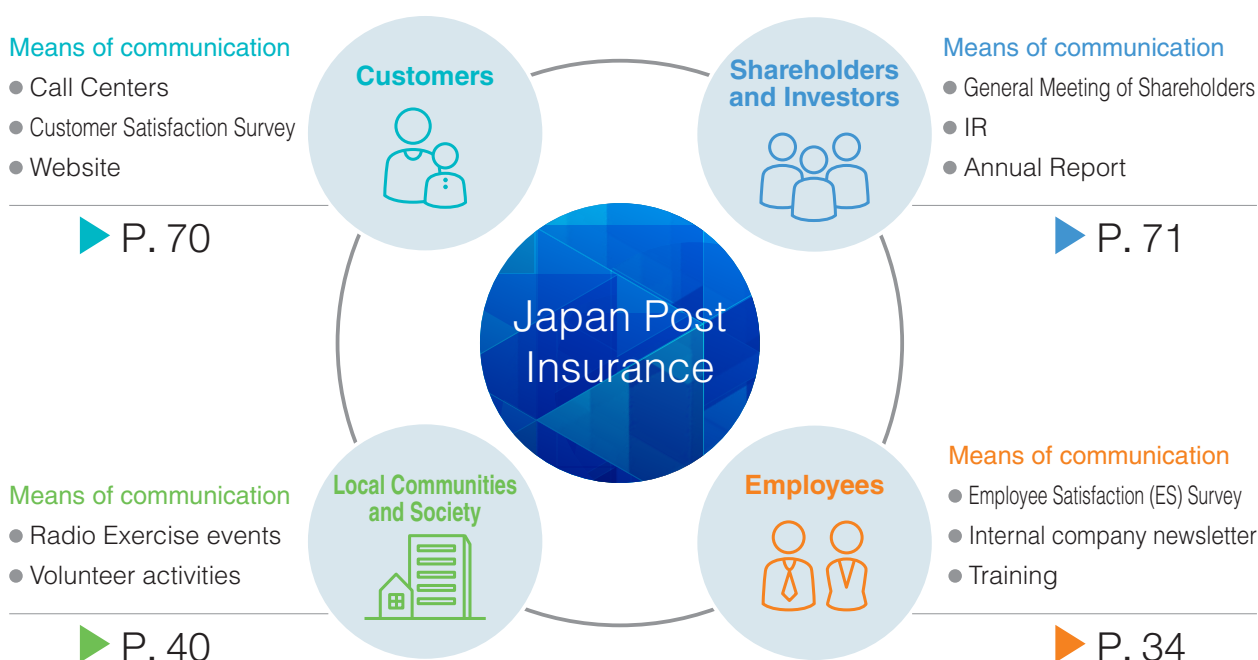
Basic Policies for Customer-first Business Operations

https://www.jp-life.japanpost.jp/aboutus/company/abt_cmp_fiduciary.html (in Japanese)

Stakeholder Engagement

Stakeholders Supporting Japan Post Insurance

We recognize that accurately understanding what our stakeholders demand and expect from the Company through dialogue with stakeholders, and responding to those requests and expectations is essential to improving corporate value. We have therefore declared in our Management Policy that “We work to communicate closely with all stakeholders.” We will make use of feedback from stakeholders to improve management with the aim of ensuring appropriate collaboration and sustainable coexistence.





Stakeholder Engagement

Dialogue with Customers



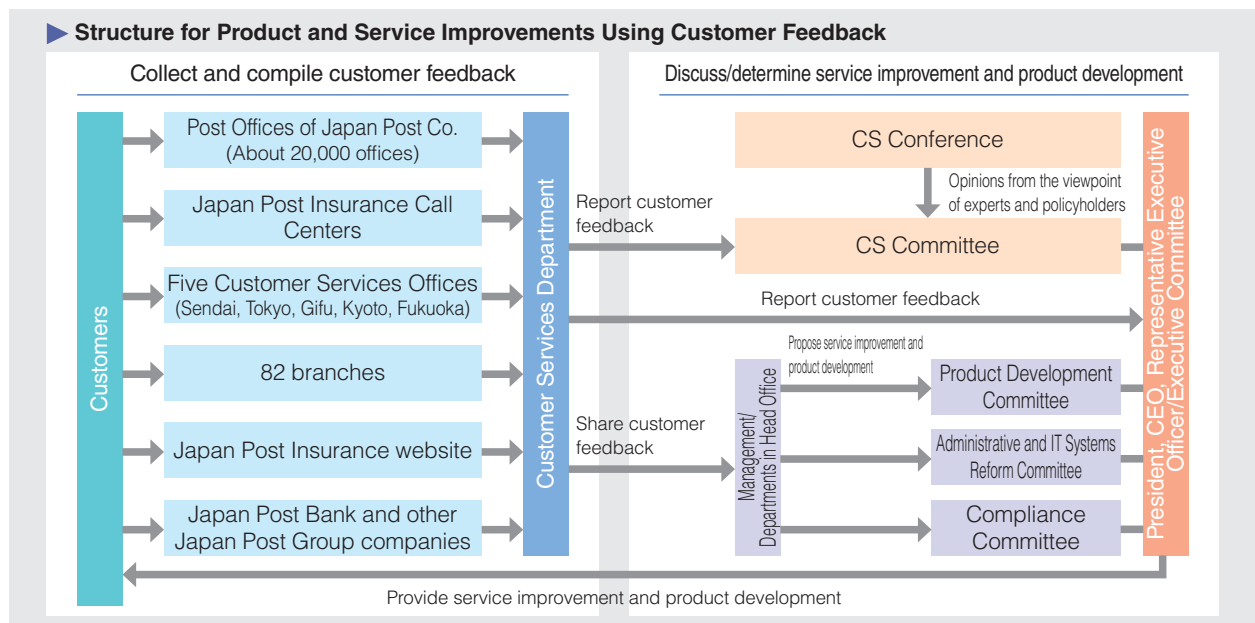
Japan Post Insurance recognizes that the “voices of our customers” are valuable “assets.” We value dialogue with customers, and will strive to develop a structure for the ceaseless creation of new convenience for customers and to pursue quality services. In addition, reviewing our services daily based on customer input in order to increase our customers’ satisfaction is fundamental to improving our business.

Customer Satisfaction

In addition to developing and improving products and services based on customer feedback, our Directors and Executive Officers, as well as our employees, give careful consideration to and act on customer feedback to ensure customer-first business operations.

We received approximately 1.17 million feedback comments from our customers through the post offices and Japan Post Insurance Call Centers in the fiscal year ended March 31, 2019. The customer feedback is compiled and centrally managed by our Customer Services Department. We analyze the feedback to improve our services and develop superior products with the aim of providing services that bring satisfaction to our customers.

We have also held the “CS Conference” with external experts to receive opinions for improving customer satisfaction.



Customer Satisfaction Survey

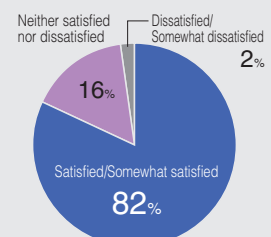
We conduct customer satisfaction surveys to seek feedback directly from customers enrolled in our coverage and utilize such customer input to provide better insurance services in the future.

Results of Customer Satisfaction Survey Conducted in the Year Ended March 31, 2019

The general satisfaction level was rated “Satisfied” (total of “satisfied” and “somewhat satisfied”) by over 80% of respondents. We will continue to undertake efforts to improve our customer service to receive high ratings from more customers.

Overview of Customer Satisfaction Survey conducted in the year ended March 31, 2019

- Period of survey: September–October 2018
- Survey targets: Customers who newly enrolled in our products, those involved in policy maintenance procedures, and those who filed claims for maturity, death, hospitalization and other benefits
- Number of questionnaires sent: 41,736
- Number of questionnaires returned: 13,245



Dialogue with Shareholders and Investors

We have formulated our Disclosure Policy, which sets out our basic policy of accurately and fairly disclosing information to fulfill our accountability as a listed company and to earn the trust of shareholders and investors, etc., and have been working to put it into practice.

IR Activities

IR Activities for Domestic and Overseas Institutional Investors

We organize financial results and corporate strategy meetings and conference calls for institutional investors and analysts after quarterly financial results announcements, as opportunities for our management to provide explanation on our management strategy, financial condition, etc. We also participate in the conferences for institutional investors organized by securities companies.

IR Activities for Individual Investors

We post corporate information for investors in a timely manner on the individual investors section (IR site) of our website. We also hold briefing sessions for individual investors throughout the year.

Legal Disclosure and Timely Disclosure

We have established a system for timely and appropriate disclosure of financial information such as financial results materials, IR materials, and other timely disclosure materials based on laws and regulations, as well as materials such as securities reports and quarterly securities reports.

Corporate Website and IR Website

In addition to posting our Disclosure Policy, which is basically to disclose information accurately and fairly, we disclose information in accordance with relevant laws and regulations, and actively communicate financial and non-financial information.



A financial results and corporate strategy briefing (1)



A financial results and corporate strategy briefing (2)

1st quarter			2nd quarter			3rd quarter			4th quarter		
April	May	June	July	August	September	October	November	December	January	February	March
	Announcement of year-end financial results	General Meeting of Shareholders	Overseas IR	Announcement of quarterly financial results			Announcement of quarterly financial results		Overseas IR	Announcement of quarterly financial results	
Domestic IR											



Stakeholder Engagement

General Meeting of Shareholders

For the 13th Ordinary General Meeting of Shareholders, we strived to improve the convenience for shareholders and enhance communication with them.

We worked on the early dispatch and disclosure of the Convocation Notice so that our shareholders would have enough time to carefully review the proposals. Moreover, in addition to ensuring the exercise of voting rights via the Internet, we addressed the issue of improving the environment for shareholders to exercise their voting rights by participating in the virtual platform recommended by the Tokyo Stock Exchange, which allows institutional investors to conduct the electronic exercise of voting rights.

At the meeting, we strived to explain our business lines using video materials to facilitate the understanding of attending shareholders. We also enhanced interactive communication through the Q&A session with shareholders on such issues as the Company's asset management strategies and the profitability of new products.

After the meeting, we swiftly disclosed the shareholder newsletter, the results of the exercised voting rights and other relevant information on the Company's website as part of our efforts to enhance the provision of corporate information to shareholders.



Mailing date of Convocation Notice May 30, 2019

Date June 17, 2019

Meeting duration 1 hour and 31 minutes

Number of attending shareholders 239

Appropriate Information Disclosure

In order to help our stakeholders gain a better understanding of the Company's management, we strive to actively disclose information through means such as the Annual Report and the Company's website.

Examples of
information
disclosure

Annual Report
(Japanese/English)



Corporate website (Japanese/English)

We provide a wide range of information on our website, including financial information as well as introductions of our products and services, and disclose information immediately, fairly and promptly.



<https://www.jp-life.japanpost.jp/> (Japanese)

<https://www.jp-life.japanpost.jp/english/> (English)

History

Japan Post Insurance Co., Ltd. was established as “Kampo Co., Ltd.” on September 1, 2006 under the Postal Service Privatization Act enacted in October 2005. During the period up to September 30, 2007, the Company prepared to launch operations as a life insurance

company. On October 1, 2007, the Company changed its trade name to “JAPAN POST INSURANCE Co., Ltd.”

We currently engage in the life insurance business and Postal Life Insurance management business under commission from the Management Network.

September 2006	Established Kampo Co., Ltd. under the Postal Service Privatization Act
October 2007	Changed trade name to JAPAN POST INSURANCE Co., Ltd. in line with the commencement of the life insurance business Started Postal Life Insurance management operations under commission from the Management Network
December 2007	Obtained approval for new operations (liberalization of investment products)
June 2008	Commenced commissioned sales of life insurance products for corporate clients
July 2008	Launched <i>Sono hi kara</i> , a new hospitalization rider
July 2009	Established branches in all prefectures through the opening of the Nara Branch and Wakayama Branch
October 2011	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current consolidated subsidiary) became a subsidiary
April 2014	Launched <i>Hajime no Kampo</i> , an educational endowment insurance
July 2014	Commenced handling commissioned sales of cancer insurance products for American Family Life Assurance Company of Columbus ^(Note 1)
October 2015	Launched <i>Shin Free Plan</i> (short-term premium payment), an endowment insurance
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange Commenced commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)
March 2016	Obtained approval for new operations (underwriting of reinsurance and related services) Business alliance with The Dai-ichi Life Insurance Company, Limited ^(Note 2)
October 2017	Launched <i>Sono hi kara Plus</i> , a new medical rider Launched <i>Shin Nagaiki Kun Low Cash Value Plan</i> , a new whole life insurance (low cash value) Launched <i>Choju no Shiawase</i> , a longevity support insurance (low cash value)
December 2018	Obtained approval for new operations (underwriting of ordinary whole life insurance, special whole life insurance, ordinary endowment insurance and comprehensive medical rider, with relaxed underwriting criteria; and underwriting of advanced medical rider)

Notes: 1. The Japan branch of the U.S. corporation was established as a Japanese corporation and the business conducted by the Japan branch was succeeded to the Japanese corporation. As a result, our contract partner at the date of publication of this report is Aflac Life Insurance Japan Ltd.
2. Due to an internal transfer of management within the group of our business partner, our business alliance is with Dai-ichi Life Holdings, Inc. at the date of publication of this report.

[Reference] History of Postal Life Insurance

October 1916	Foundation of postal life insurance business by the Ministry of Communications
October 1926	Foundation of postal annuity business by the Ministry of Communications
June 1949	Establishment of the Ministry of Posts and Telecommunications
January 2001	Creation of Postal Services Agency as part of realignment of government ministries
April 2003	Establishment of Japan Post

New Operations after Privatization

(As of July 1, 2019)

- Approval for the liberalization of investment products (including derivative transactions)
Pursuant to Article 138, Paragraph 2 of the Postal Service Privatization Act, application for approval was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on October 4, 2007. Accordingly, business operations including syndicated loans (participation loans) and the acquisition of trust beneficiary interests, etc. were approved on December 19, 2007.
- Approval for the commencement of commissioned sales of life insurance products for corporate clients (term insurance for managers) and the review on the hospitalization rider
Pursuant to Article 138, Paragraph 1 and Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on November 26, 2007 and approved on April 18, 2008.

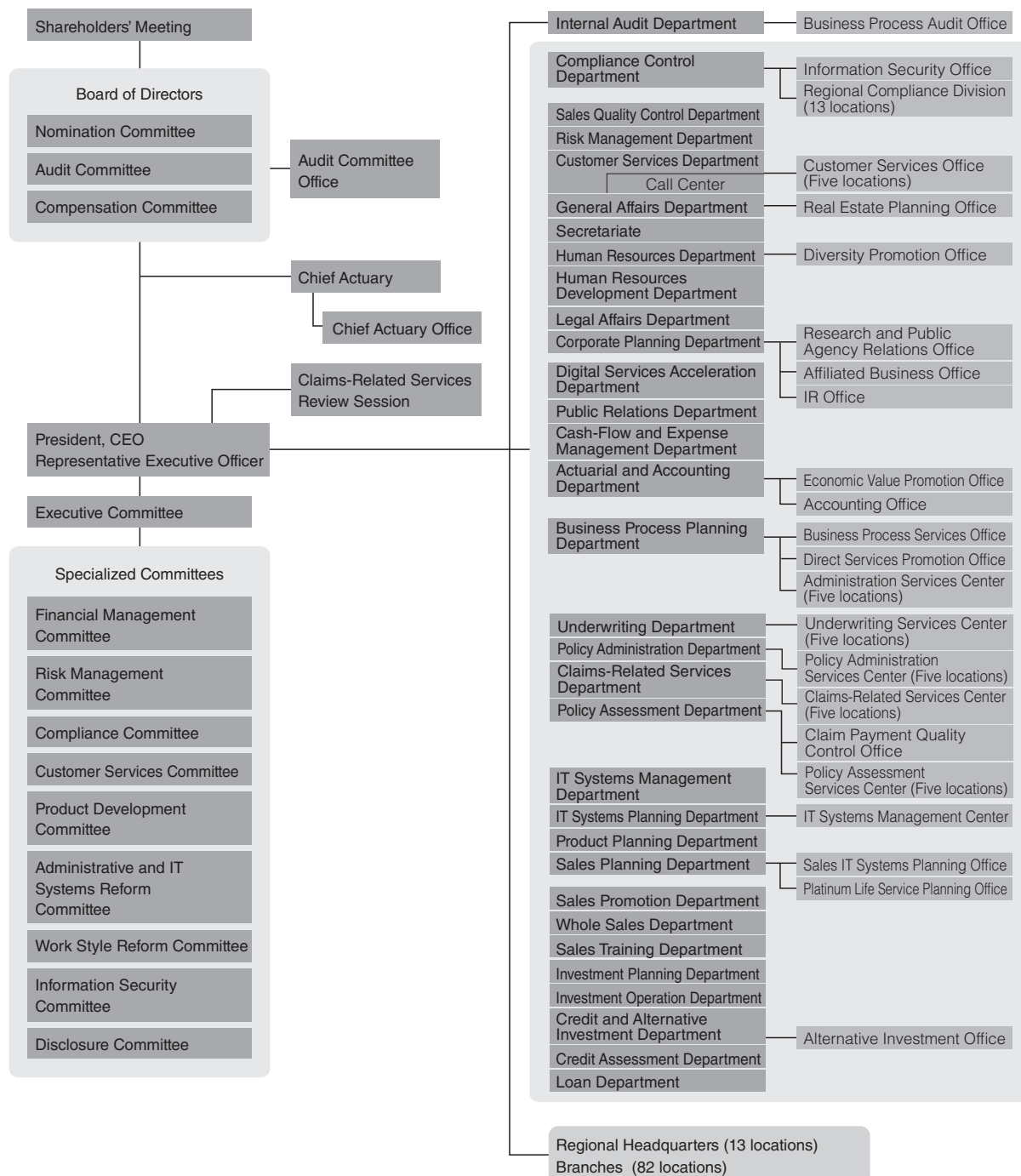
- 3) Approval for the revision on the educational endowment insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on September 3, 2012 and conditional approval was acquired on November 30, 2012 according to said Act. Accordingly, the revision was approved on January 24, 2014.
- 4) Approval for the sales of short-term premium payment endowment insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on February 19, 2015 and approved on April 15, 2015.
- 5) Approval for commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)
Pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on July 1, 2015 and approved on September 30, 2015.
- 6) Approval for the underwriting of reinsurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on January 19, 2016 and approved on March 11, 2016.
- 7) Approval for the commencement of related services
Pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on January 19, 2016 and approved on March 11, 2016.
- 8) Approval for the revision of the whole life insurance, etc.
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on March 31, 2017 and approved on June 19, 2017.
- 9) Approval for commissioned sales of life insurance products for corporate clients (term insurance with nursing care compensation for managers)
Pursuant to Article 138, Paragraph 3 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on March 31, 2017 and approved on June 19, 2017.
- 10) Approval for the underwriting of new insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on October 16, 2018 and approved on December 25, 2018.

Major Businesses

- (1) Life insurance businesses
- (2) Agency or administration services for other insurance companies (including foreign insurance companies) and other financial services companies; loan guarantees and other businesses supplemental to previously mentioned businesses
- (3) Trading of Japanese government bonds, local government bonds and government-guaranteed bonds; accepting subscriptions for local government bonds, corporate bonds and other bonds; commissioned management and other businesses provided for under the Insurance Business Act; and other life insurance businesses not covered by the Insurance Business Act but legally permissible
- (4) Management of Postal Life Insurance Policies under contract
- (5) Other business supplemental or related to previously mentioned businesses

Organization Chart

(As of April 1, 2019)



Message from CEO

About Japan Post Insurance

Value Creation

Corporate Governance

Corporate Information

Financial Statements

Paid-in Capital

Date	Gain (loss) on investments	Gain (loss) on capital after contribution	Outline
October 1, 2007	¥499,950 million	¥500,000 million	Capital increase by privatization

Total Number of Stocks

Total number of issuable stocks	2,400,000,000
Total number of issued stocks	600,000,000
Current period shareholders	160,437

Note: The total number of issued stocks decreased by 37,400,000 shares due to the cancellation of shares on May 31, 2019, pursuant to a resolution at a meeting of the Board of Directors held on May 15, 2019.

Condition of Stocks

(1) Class of stocks issued

Issued stocks	Class	Number of issued stocks	Contents
	Common stock	600,000,000	The number of shares composing one share unit is 100.

Note: The total number of issued stocks decreased by 37,400,000 shares due to the cancellation of shares on May 31, 2019, pursuant to a resolution at a meeting of the Board of Directors held on May 15, 2019.

(2) Major shareholders

Name of shareholder	Number of shares held and percentage of shares held	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	534,000,000	89.00%
THE BANK OF NEW YORK - JASDECNON - TREATY ACCOUNT	4,483,478	0.75%
Japan Trustee Services Bank, Ltd. (Trust Account)	3,585,700	0.60%
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,579,200	0.60%
Japan Post Insurance Employee Shareholding Association	2,252,000	0.38%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,787,200	0.30%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,460,900	0.24%
JP MORGAN CHASE BANK 385151	993,780	0.17%
Japan Trustee Services Bank, Ltd. (Trust Account 1)	970,000	0.16%
Japan Trustee Services Bank, Ltd. (Trust Account 2)	913,100	0.15%

Notes: 1. Percentage of shares held is rounded to two decimal places.

2. The ratio of the shares held by Japan Post Holdings Co., Ltd. to the total number of issued stocks (excluding treasury stock) of the Company declined from the previous 89% to around 64% due to the secondary offering of stocks and the acquisition of treasury stock (April 2019).

Principal Shareholder

Name	Address of main place of business or sales	Paid-in capital or investment	Business outline	Date of establishment	Percentage of owned shares included in the total number of shares
Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Strategy formulation of Group management	January 23, 2006	89.00%

Note: The ratio of the shares held by Japan Post Holdings Co., Ltd. to the total number of issued stocks (excluding treasury stock) of the Company decreased from the previous 89% to around 64% due to the secondary offering of stocks and the acquisition of treasury stock (April 2019).

Accounting Advisor

Not applicable.

Independent Auditor

The Independent Auditor in the fiscal year ended March 31, 2019 was as follows.
KPMG AZSA LLC

(Designated Limited Liability Partners, Engagement Partners)

Certified Public Accountant Yukihiisa Tatsumi

Certified Public Accountant Noriyuki Akiyama

Certified Public Accountant Takahiro Toyama

Total Number of Employees and Conditions of Employment

(Unit: persons, years)

Category	As of the end of FY2018/3	As of the end of FY2019/3	FY2018/3	FY2019/3	As of the end of FY2018/3		As of the end of FY2019/3	
	Total	Total	Staff employed	Staff employed	Average age	Average years of service	Average age	Average years of service
In-house employees	6,342	6,463	303	355	38.7	14.6	39.0	14.7
(Male)	3,320	3,324	124	131	41.9	17.9	42.3	18.0
(Female)	3,022	3,139	179	224	35.3	11.0	35.6	11.2
Sales employees	1,148	1,154	47	41	39.2	14.7	38.9	14.4
(Male)	981	983	39	35	40.8	16.3	40.4	15.9
(Female)	167	171	8	6	30.0	5.6	30.3	6.0

Notes: 1. The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd. but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures exclude non-regular employees (including indefinite-term employees based on the indefinite-term employment conversion system).

2. Average number of years of service represents the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.

3. Average age and average years of service are based on attained ages as of March 31, 2019, and truncated to the first decimal place.

Average Monthly Salary (In-house employees)

(Thousands of yen)

Category	March 2018	March 2019
In-house employees	353	356

Note: Average monthly salary represents the pre-tax regular salary for March 2019, which excludes bonuses and overtime allowances.

Average Monthly Salary (Sales employees)

(Thousands of yen)

Category	March 2018	March 2019
Sales employees	297	299

Note: Average monthly salary represents the pre-tax regular salary for March 2019, which excludes bonuses and overtime allowances.

Summary of the Subsidiaries

(1) Major Businesses and the Organizational Structure

Number of consolidated subsidiaries: One

(2) Subsidiaries

Name	Location	Amount of capital stock	Description of business	Date of establishment	Ratio of the voting rights in the subsidiary held by the Company against the voting rights held by all shareholders or equity holders	Ratio of the voting rights in the subsidiary held by the subsidiaries of the Company against the voting rights held by all shareholders or equity holders
JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500 million	Commissioning of design, development, maintenance and operation of information systems	March 8, 1985 (Date of share acquisition: October 3, 2011)	100 %	—

(3) Outline of Business in the Most Recent Fiscal Year

JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. is mainly engaged in the design, development and maintenance of software for systems that support the Company's business activities. In the fiscal year ended March 31, 2019, the subsidiary worked together with the Company to steadily promote projects such as developing the next-generation open systems as well as to make efforts to increase personnel and pursue optimal costs, among others.

Major Insurance Products for Individuals

(As of April 1, 2019)

	Purpose of Policy	Nickname / Product Name
Whole life insurance	For lifetime coverage	<i>Shin Nagaiki Kun</i> (flat-type) (fixed amount type whole life insurance), <i>Shin Nagaiki Kun</i> (flat-type) (low cash value) (fixed amount type whole life insurance (low cash value))
	For balanced lifetime coverage	<i>Shin Nagaiki Kun</i> (balance-type, double) (double-type whole life insurance), <i>Shin Nagaiki Kun</i> (balance-type, double) (low cash value) (double-type whole life insurance (low cash value)), <i>Shin Nagaiki Kun</i> (balance-type, fivefold) (fivefold-type whole life insurance), <i>Shin Nagaiki Kun</i> (balance-type, fivefold) (low cash value) (fivefold-type whole life insurance (low cash value))
	For lifetime coverage with perks	<i>Shin Nagaiki Kun</i> (special-type) (special whole life insurance), <i>Shin Nagaiki Kun</i> (special-type) (low cash value) (special whole life insurance (low cash value))
	For lifetime coverage for those with chronic diseases	<i>Kampo ni Omakase</i> (whole life type) (ordinary whole life insurance with relaxed underwriting criteria), <i>Kampo ni Omakase</i> (whole life type) (low cash value) (ordinary whole life insurance with relaxed underwriting criteria (low cash value))
Educational endowment insurance	For preparing for educational funds	<i>Hajime no Kampo</i> educational (endowment insurance (H24))
Endowment insurance	For coverage and benefits at maturity	<i>Shin Free Plan</i> , <i>Shin Free Plan</i> (short-term premium payment) (ordinary endowment insurance)
	For full coverage and benefits at maturity	<i>Shin Free Plan</i> (double benefit) (double-type special endowment insurance), <i>Shin Free Plan</i> (fivefold benefit) (fivefold-type special endowment insurance), <i>Shin Free Plan</i> (tenfold benefit) (tenfold-type special endowment insurance)
	For coverage and benefits at maturity for those with chronic diseases	<i>Kampo ni Omakase</i> (maturity type) (ordinary endowment insurance with relaxed underwriting criteria)
Term insurance	For large coverage with lower burden	<i>Shin Ordinary Term Insurance</i> (ordinary term insurance)
Longevity support insurance	For preparing for longevity risk with surplus funds	<i>Choju no Shiawase</i> (longevity support insurance (low cash value))
Asset-formation insurance	For asset formation by workers	Asset-formation savings insurance, asset-formation housing funding insurance, asset-formation whole life annuities

Major Insurance Products for Corporate Clients

	Nickname / Product Name
Own products	<i>Shin Free Plan</i> (ordinary endowment insurance) <i>Shin Free Plan</i> (double, fivefold and tenfold benefits) (special endowment insurance) <i>Kampo ni Omakase</i> (maturity type) (ordinary endowment insurance with relaxed underwriting criteria)
	<i>Shin Ordinary Term Insurance</i> (ordinary term insurance)
Products sold on commission (Term insurance)	NN Life Insurance Company, Ltd. Quality (term insurance), Smart Term (no cash value term insurance) and Term insurance/Increasing term insurance
	SUMITOMO LIFE INSURANCE COMPANY Term life insurance Emblem YOU Premium (low cash value term insurance without a dividend)
	The Dai-ichi Life Insurance Company, Limited Success (long-term life insurance 2018), Just (no cash value term insurance 2018), Majesty (increasing term life insurance 2018) and Exceed (term insurance for disability with periodical fixed benefit 2018)
	Tokio Marine & Nichido Life Insurance Co., Ltd. Term Life Insurance [without dividend], Nagawari Teiki (Term Life Insurance with special provisions for lower surrender benefits [without dividend]), Increasing Term Life Insurance with lower surrender benefits [without dividend] and Term Life Insurance with Disaster Coverage Period [without dividend]
	Nippon Life Insurance Company Nissay Long-Term Term Insurance, Nissay Increasing Term Insurance, Nissay Long-Term Insurance with Low Surrender Benefits, Nissay Term Life Insurance, Long-term life coverage with period of extensive coverage for accidents insurance
	The Neo First Life Insurance Company, Limited Limited term security for fulfilling of accidental death term insurance
	Mitsui Sumitomo Aioi Life Insurance Company, Limited Term Life Insurance, Term Life Insurance (No Surrender Value) and Increasing Term Life Insurance
	Meiji Yasuda Life Insurance Company New term life insurance E (New term life insurance with interest dividends every five years), New increasing term life insurance and Increasing term life insurance with three-year disaster coverage with dividends every five years (low cash value)
	MetLife Insurance K. K. Long-term Level term insurance (H19) and Non Participation Level term insurance
	Aflac Life Insurance Japan Ltd. Days 1—Cancer insurance for daily living (cancer insurance with low or no cash value 2018), Days supporting you—Cancer insurance for daily living (special cancer insurance with no cash value)
Products sold on commission (General welfare group term insurance)	MetLife Insurance K. K. General welfare group term insurance and nonparticipating group insurance (general welfare group term insurance without a dividend)

Notes: 1. The company names are listed in the order of the Japanese syllabary.

2. The riders that can be added to the above products are limited.

*As of March 31, 2019, we have stopped handling products sold on commission (term insurance). The products we offer may change in the future.

Major Riders

Name	Outline
Non-participating accidental rider	Offers provision for death or disability due to an unexpected accident
Non-participating injury medical care rider	Offers provision for hospitalization, surgery and radiation therapy as prescribed in the rider due to an unexpected accident
Non-participating general medical care rider	Offers provision for hospitalization, surgery and radiation therapy as prescribed in the rider due to illness or an unexpected accident
Non-participating general medical care rider with relaxed underwriting criteria	Offers provision for hospitalization, surgery and radiation therapy as prescribed in the rider due to illness or an unexpected accident with relaxed underwriting criteria
Non-participating advanced medical care rider	Offers provision for treatment that falls under advanced medical care received due to illness or an unexpected accident

Note: For details, please be sure to see the Product Leaflet, the Insurance Design Document (Contract Outline), Precautions about Insurance Contracts (Information Calling for Attention), and Contract Guidelines and Policy Conditions.

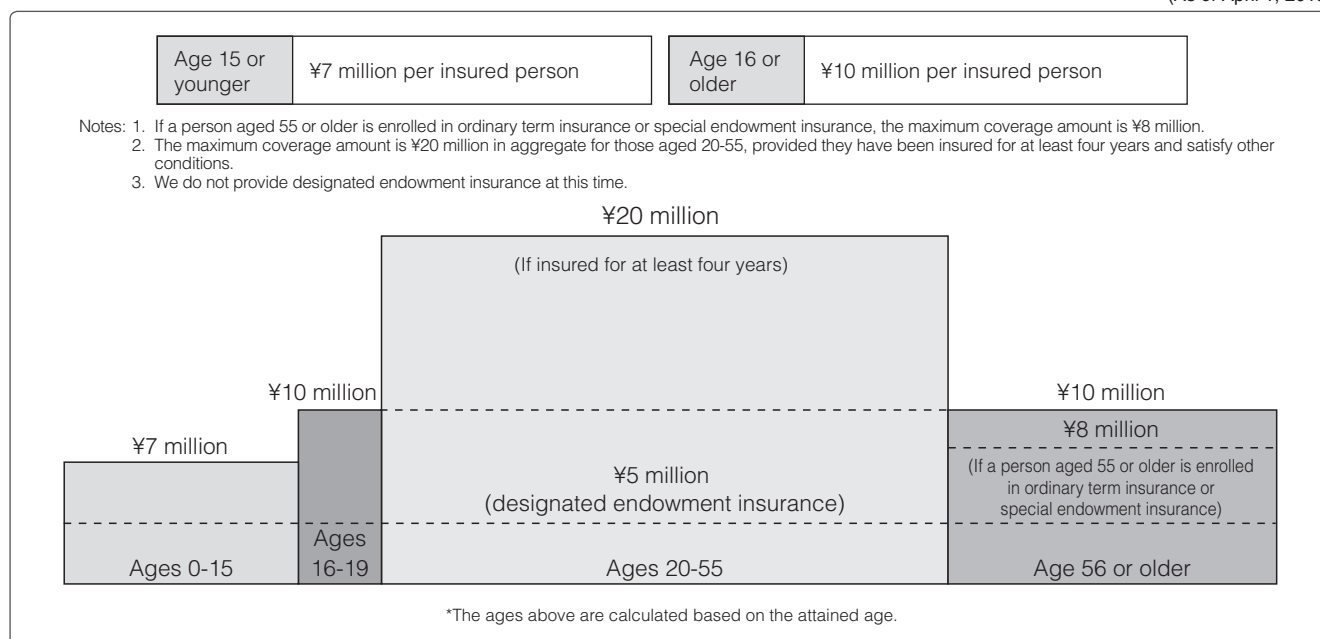
Maximum Amount of Insurance Coverage

For the insurance policies we offer, the maximum amount of insurance coverage per insured person is stipulated by Article 137 of the Postal Service Privatization Act and other regulations. Any application for insurance coverage exceeding the maximum amount shall be declined. If such excess in coverage is found after the insurance policy or rider is signed, such contract shall be cancelled.

Persons insured under Postal Life Insurance, which was succeeded by the Management Network from Japan Post, can be insured by our policy up to the amount calculated by deducting the insured amount of the Postal Life Insurance from the maximum amount of insurance coverage.

Maximum Coverage Amount of the Basic Insurance Policy

(As of April 1, 2019)



Note: In addition to the maximum coverage amounts stipulated by the above-mentioned law, there is a certain range of limitation on the maximum insurance coverage according to the age of the insured person or type of insurance, such as a limitation on the insurance amount if the attained age of the insured person is less than 15 years of age.

Maximum Amount of Insurance Coverage for Riders

Type of rider	Maximum amount of insurance coverage	Notes
(Accidental rider)	¥10 million in aggregate per insured person	<ul style="list-style-type: none"> In addition to the maximum coverage amounts stipulated by laws and regulations, there is a certain range of limitation on the insurance amount of the rider that can be added, according to the type of basic insurance policy.
Non-participating accidental rider		
(Nursing care rider)		
(Accident hospitalization rider)	¥10 million in aggregate per insured person	<ul style="list-style-type: none"> The accidental rider, non-participating accidental rider, and nursing care rider are under a separate heading. In addition to the maximum coverage amounts stipulated by laws and regulations, there is a certain range of limitation on the insurance amount of the rider that can be added, according to the type of basic insurance policy.
(Illness hospitalization rider)		
(Illness and accident hospitalization rider)		
(Non-participating accident hospitalization rider)		
(Non-participating illness and accident hospitalization rider)		
Non-participating injury medical care rider		
Non-participating general medical care rider		
Non-participating general medical care rider with relaxed underwriting criteria		
Non-participating advanced medical care rider		

We do not provide riders at this time.

Briefing on Important Matters/Provision of Literature about Disadvantageous Information

We will suggest policies upon understanding the will of the customer regarding coverage expected in insurance products. To prevent customers from suffering disadvantages due to not being informed adequately about insurance products and systems, we provide a prior briefing on the content of an insurance policy, including the policy coverage, the limitations on benefit payments, amount of insurance coverage and the duty of declaration. To that end, we deliver the summaries that explain items we would especially like

customers to confirm, including an “Insurance Design Document (Contract Outline)” and “Precautions about Insurance Contracts (Information Calling for Attention),” while making explanations.

Please be sure to review the “Insurance Design Document (Contract Outline)” and the “Precautions about the Insurance Contract (Information Calling for Attention),” and confirm that you understand the content, as well as that of the “Contract Guidelines and Policy Conditions,” before applying for enrollment.

Notice of Policy Details

Japan Post Insurance sends the “Notice of Policy Details” to each policyholder in October every year, together with the “Certificate of Premium Payment,” so that policyholders can reconfirm their policies’ details and update the information therein if necessary. This Notice serves as information to ensure that policyholders can feel secure about continuing their policy contracts and that insurance benefits can be received without fail.

The Notice contains information such as the bank account for the receipt of insurance benefits and other benefits, the designation of the beneficiary of insurance benefits and registered family members, the coverage of the insurance policy held, the premiums paid, the policyholder dividend and the status of loans to the policyholder, so customers can confirm the content of the policy.

Education for Sales Personnel and Insurance Solicitation Agents

We state in our Solicitation Policy that we will make efforts to raise product knowledge and the consulting capabilities of all executives and employees. Accordingly, we are making efforts to raise consulting-based sales

skills in accordance with the life plan of each and every individual customer by providing training and education for sales personnel and agents.

Sales Personnel

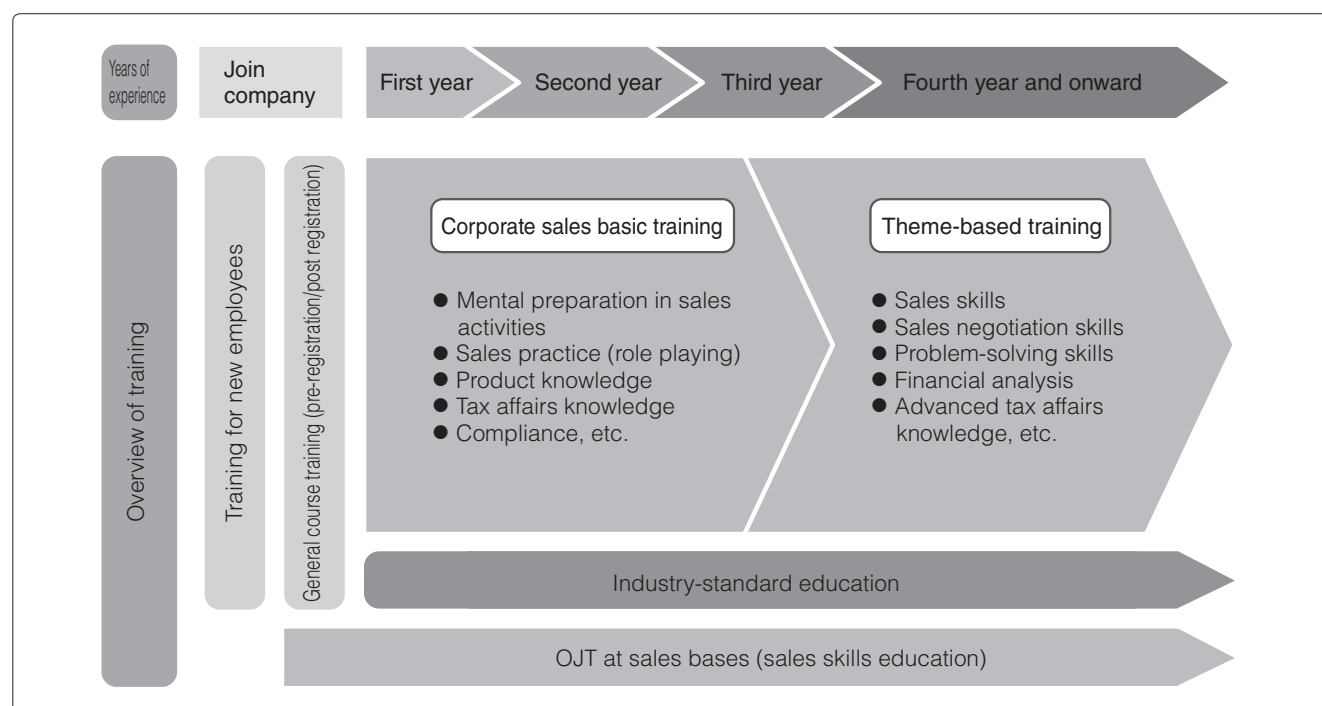
Sales personnel at directly-managed offices undertake insurance solicitations mainly targeting the corporate and worksite markets.

Overview of Training

Through the Kampo Instruction College, an education and training program for Japan Post Insurance's sales personnel, we work to develop sales personnel who possess advanced knowledge and a sense of ethics to ensure that personnel accurately respond to the needs of corporate customers.

We have positioned the three years after new employees join the Company as the period for basic training. During this time, through mass training and

industry-standard education held at the head office, sales personnel acquire the knowledge and skills needed to undertake insurance solicitations in the corporate and worksite markets. From the fourth year onward, we implement various types of training based on specific themes with the aim of developing human resources who are able to demonstrate high-quality consulting-sales abilities.



Insurance Solicitation Agents

We conclude life insurance sales and maintenance agreements with Japan Post Co. and the operators of contracted post offices and carry out insurance

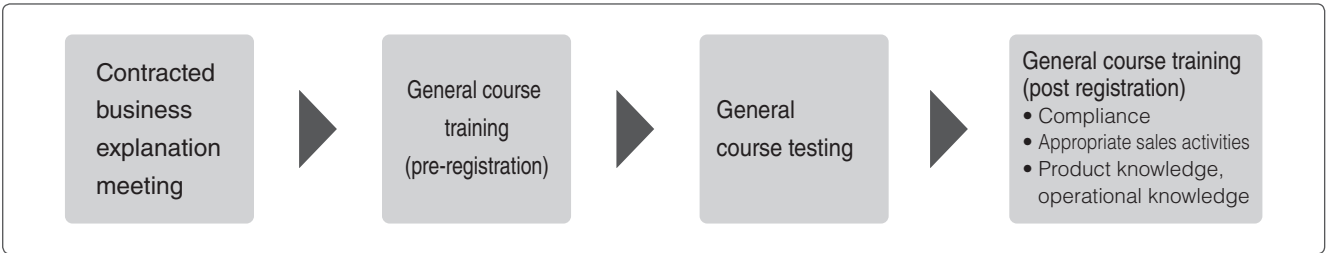
soliciting via the nationwide network of post offices, primarily targeting the individual market for households and small- and mid-sized companies.

Overview of Training ●

Employees of Japan Post Co. who involve in insurance solicitation are provided with training aimed at ensuring thoroughgoing compliance, appropriate sales activities and enhanced operational knowledge.

In addition, we provide support that includes

dispatching our employees as instructors for training and other activities implemented by Japan Post Co.



Life Insurance Policyholders Protection Corporation of Japan

Unlike the Postal Life Insurance Policies before the privatization, the life insurance policies of Japan Post Insurance after the privatization do not involve government guarantees for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.

● Life Insurance Policyholders Protection Corporation of Japan

Life Insurance Policyholders Protection Corporation of Japan ("Protection Corporation") is a corporation established pursuant to the Insurance Business Act. It serves as a mutual assistance mechanism for the purpose of life insurance policyholder protection in the event of the default of a member life insurance company. The Protection Corporation engages in processes and measures including financial support for facilitating the transfer of the insurance portfolio from the insurer in default, along with the succeeding insurer's general business administration, underwriting of the transferred portfolio and financial support for the payment of insurance claims covered under the policyholder protection scheme, as well as the purchase of rights of claim for insurance concerned, in an effort to ensure policyholder protection, thereby sustaining the credibility of the life insurance industry.

Because of the nature of life insurance policies, taking out a new insurance policy under the same conditions as the insurer in default could involve some difficulty due to the policyholder's age and health status. Therefore, in the event of the default of an insurance company, the Protection Corporation provides financial support for the transfer of the insurance portfolio, thereby ensuring continuous insurance coverage for the policyholder.

The portfolio subject to transfer covered under the policyholder protection scheme must, according to the provisions of the Insurance Business Act, etc., comprise life insurance policies originally written in Japan (excluding those associated with the specified special account ⁽¹⁾ for performance-linked insurance contracts), in which the limits of indemnity are set to be equivalent to 90% of the relevant policy reserve, etc. ⁽²⁾, except for the high assumed interest rate

policies ⁽³⁾ (which does not mean that the policyholder protection scheme provides 90% of the level of protection provided by the original insurance claims or annuities ⁽⁴⁾).

The transfer of the insurance portfolio might involve, apart from the reduction in policy reserve, etc., changes in experience assumptions (including assumed interest rate, assumed rate of mortality and assumed rate of expenses) that serve as the basis of calculating policy terms and conditions, in order to ensure adequate maintenance of the insurance portfolio with reasonable security on a continuous basis, which could entail a reduction in the level of protection provided by the original insurance policies or annuities. Furthermore, special early surrender loading (involving a special surrender charge apart from the normal surrender charge for a certain period of time, for the purpose of sustaining a group of insured parties and the insurance policies associated therewith) might be established.

*1 This refers to a special account for the insurance policies that do not involve minimum guarantees (such as guaranteed minimum death benefit and guaranteed minimum maturity benefit) of the insurance policies involving the establishment of a special account. Corporate reorganization procedures for the insurer in default might be based on the preparation of a reorganization plan without involving a reduction in the policy reserve, etc., for the insurance policies concerned (whether implementing such reduction or not shall be determined in the course of an individual reorganization procedure).

*2 Policy reserve, etc. refers to the reserve funded based on insurance premiums and investment proceeds for the future payment of insurance claims, annuities and benefits.

*3 This refers to the policies with an assumed interest rate constantly beyond a basic interest rate ^(Note 1) in the five years prior to the default ^(Note 2). For such policies, the limit of indemnity for the policy reserve, etc. shall be as follows, provided, however, that such limit shall not go below the limit of reimbursement in the case where no financial support is provided to the insurer in default.

*4 Likewise, it does not mean that the Protection Corporation provides 90% of the level of the guaranteed minimum maturity benefit originally provided under the individual variable annuity.

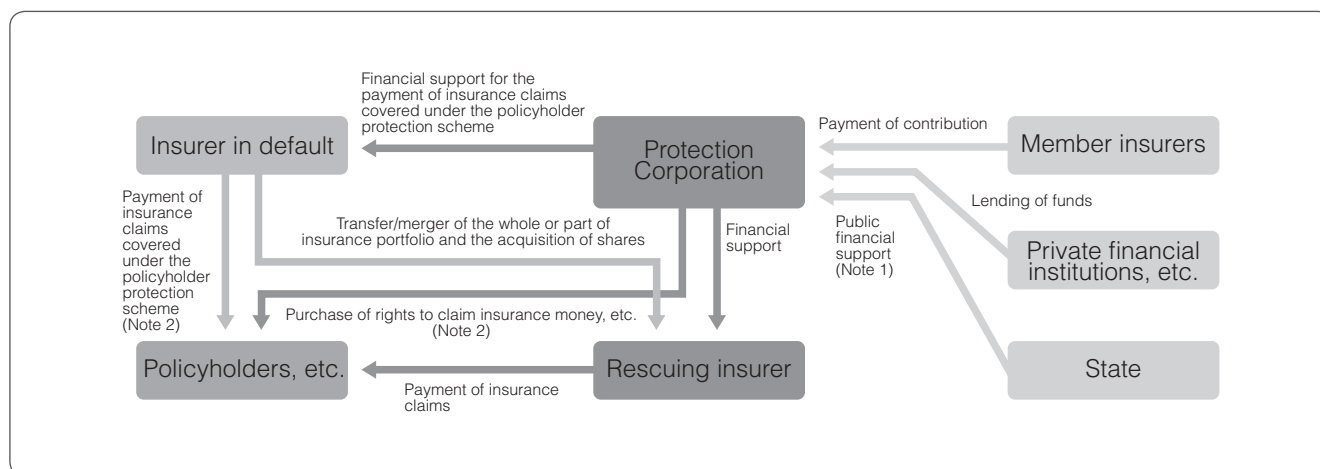
$$\text{Indemnity ratio in the high assumed interest rate policies} = 90\% - \frac{[\text{aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)}]}{2}$$

Notes: 1. The basic interest rate shall be determined by the Commissioner of the Financial Services Agency and the Minister of Finance, based on the average rate of investment returns in the past five years at life insurance companies. The current basic interest rate is 3% (information about the current basic interest rate is provided on our website).

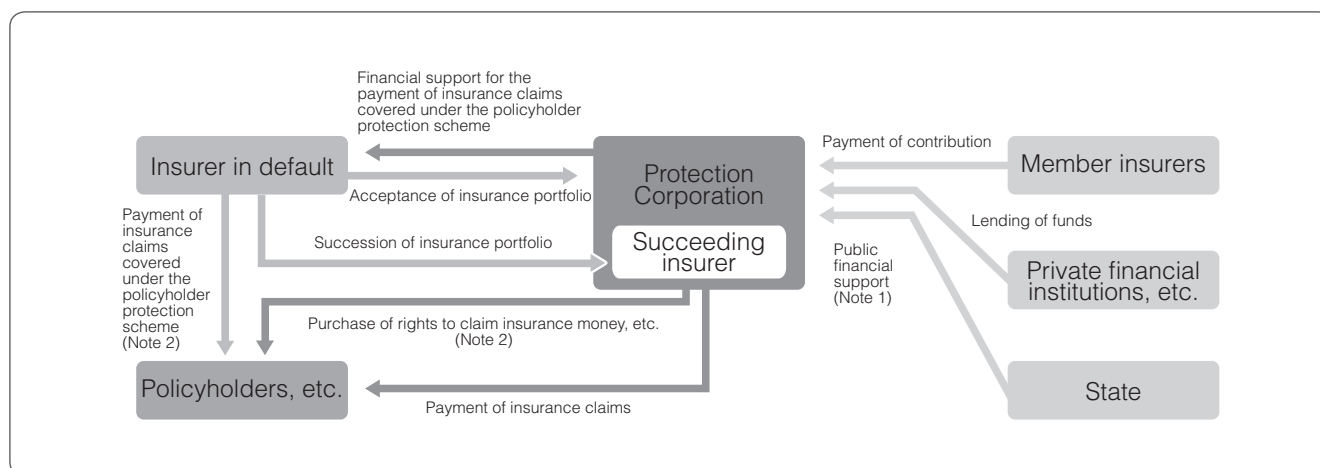
2. In the case where different assumed interest rates apply to the basic coverage and riders under one policy, each such basic coverage and rider applied by a different assumed interest rate shall be regarded as an independent insurance policy, and subject to the evaluation to determine whether it constitutes a high assumed interest rate policy. Meanwhile, in the case of a collective insurance policy such as a group insurance policy where a premium is paid by each insured individual to whom a different assumed interest rate applies, each such insured individual is considered to have taken out an independent insurance policy individually, and is subject to the evaluation regarding whether or not such independent individual policy constitutes a high assumed interest rate policy. However, in the case of defined contribution plan products, each insured individual is subject to the evaluation regarding whether or not he/she is a holder of a high assumed interest rate policy, regardless of whether he/she pays the premium.

● Illustrated Outline of the Scheme

In the case where a rescuing insurer appears



In the case where no rescuing insurer appears



Notes: 1. The aforementioned "public financial support" is provided in the form of a government measure against the default of a life insurance company in the period up to the end of March 2022, approved through deliberation in the Diet, in the case where contributions by the member insurers fail to cover the cost for the financial support.

2. This refers to the payment of insurance claims, covered under the policyholder protection scheme based on insurable events during the default proceedings, as well as the Protection Corporation's purchase of rights to claim insurance money, etc. associated with the insurance policies covered under the policyholder protection scheme. In such instances, the payment ratio and purchase ratio are the same as the ratio of the limit of indemnity for policy reserve, etc. (The ratios in the case of high assumed interest rate policies are as described in (*).)

* All descriptions of the scheme, including the scope and the limit of indemnity of the policies covered under the policyholder protection scheme, are based on current laws and regulations, and could be subject to change in the future in accordance with revisions of relevant laws and regulations.

[Reference] Government guarantee for the Postal Life Insurance Policies

The administration for the Postal Life Insurance Policies taken out before the privatization will be succeeded and managed by the Management Network until expiry. The government guarantee for the payment of insurance claims associated with them will continue until those policies expire.

Unlike the Postal Life Insurance Policies, the life insurance policies of Japan Post Insurance do not involve a government guarantee for the payment of insurance claims. The policyholders' protection scheme applies to the life insurance policies in the same way as other life insurance companies.

Quantity and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2018 to March 31, 2019 was as follows.

Note: We define all expressions of customer dissatisfaction as "complaints." The number of complaints includes complaints related to Postal Life Insurance management operations.

Content	Fiscal year ended March 31, 2019		Major examples
	Number of complaints	%	
New policies (Enrollment in insurance policies)	24,928	25.1%	<ul style="list-style-type: none"> · Dissatisfaction with explanation at time of enrollment · Dissatisfaction with underwriting examination
Collection of premiums (Payments of premiums, etc.)	8,340	8.4%	<ul style="list-style-type: none"> · Dissatisfaction with bank account transfers and deposits
Policy maintenance (Procedures, dividends and other issues following enrollment in a policy)	21,041	21.2%	<ul style="list-style-type: none"> · Dissatisfaction with surrender procedures · Dissatisfaction with change of name or address
Insurance benefits (Payments of insurance benefits)	31,889	32.1%	<ul style="list-style-type: none"> · Dissatisfaction with benefit payment procedures · Dissatisfaction with payment procedures for maturity benefits
Other (Attitude and manners)	13,135	13.2%	<ul style="list-style-type: none"> · Dissatisfaction with attitude and manners of sales personnel · Dissatisfaction with after-sales service
Total	99,333	100.0%	

Compliments and Positive Comments

During the period from April 1, 2018 to March 31, 2019, we received a total of 35,229 compliments and positive comments from our customers.

Sample of customer comments

- When applying for insurance, I was informed about the Family Registration Scheme. It was explained to me that if the policyholder could not be contacted due to an accident or if various notifications did not reach him or her, a registered family member would be contacted. I felt that this system would provide a peace of mind in unexpected circumstances, and completed the registration procedures.
- Thank you for visiting my house as part of "Feel Secure with Kampo" activities. The salesperson explained my current insurance coverage and I was able to refresh my understanding of the policy. The salesperson took care of my business kindly while we chatted, and I felt that this was someone I could really rely on. I look forward to dealing with Japan Post Insurance in the future.

Examples of Improvement Based on Our Customers' Comments

Customer comment	Improvement
I applied for an insurance policy but was declined. I would like you to sell insurance that is easily accessible to people who have previously been ill.	<p>In April 2019, we launched <i>Kampo ni Omakase</i>, products with relaxed underwriting criteria that makes it easier to enroll for those with health concerns. We set declaration items that allow as many people as possible to enroll, including those who have chronic diseases such as diabetes or past illness. In some cases, partial coverage may be available for illnesses that occurred before enrollment in the insurance policy and worsened or recurred after enrollment.</p> <p>Note: Insurance premiums are higher than our other insurance products and some coverage is reduced.</p>
I would feel more secure if there were products that covered advanced medical treatment that involves high costs.	<p>In April 2019, we launched a non-participation advanced medical rider (no cash value), which pays an amount (up to ¥3 million in total) equivalent to the fully self-paid amount not covered by public health insurance system benefits, and the technical fees for advanced medical treatment* that can be very expensive, in the case of receiving medical treatment that falls under the scope of advanced medical treatment.</p> <p>*Medical technologies specified by the Minister of Health, Labour and Welfare from among new treatment or therapies being studied and developed, and that are at the stage of being evaluated to determine whether they should be covered by public health insurance in the future.</p> <p>Note: Subject to conditions, including that the advanced medical rider can be added only to basic insurance policies to which the comprehensive medical rider has been added.</p>
I designated a bank account for insurance, but there were so many items that I had to fill in, which was tedious. Can something be done about that?	<p>We expanded the scope of the insurance procedure support system introduced in October 2018, and improved the procedures so that bank accounts for insurance can be designated or changed simply by filling in the date of notification and a signature (or signing and seal).</p> <p>Note: The insurance procedure support system was introduced in October 2018 to allow procedures to be carried out smoothly. Employees enter information obtained from customers into a mobile device, which outputs a payment claim form with the required items already filled in. In principle, customers only have to fill out the date of the claim and their signature (or signing and seal).</p>

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Notes:

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.

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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:

1. Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%.
2. No scheduled redemption is due within 5 years after the end of the year ended March 31, 2019.
3. 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

	Thousands of shares			
<u>Year ended March 31, 2019</u>	April 1, 2018	Increase	Decrease	March 31, 2019
Shares issued:				
Common stock	600,000	—	—	600,000
Total	600,000	—	—	600,000
Treasury stock				
Common stock	198	—	6	191
Total	198	—	6	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.

<u>Year ended March 31, 2018</u>	Thousands of shares			
	April 1, 2017	Increase	Decrease	March 31, 2018
Shares issued:				
Common stock	600,000	—	—	600,000
Total	600,000	—	—	600,000
Treasury stock				
Common stock	221	—	23	198
Total	221	—	23	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					
						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, 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”)

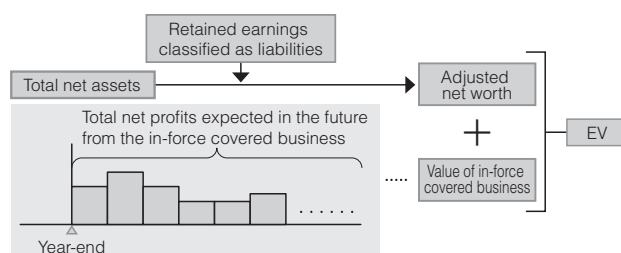
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

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:

$$(\text{Number of/policy amount for policies in force at the beginning of fiscal year} + \text{number of/policy amount for policies in force at the end of fiscal year} + \text{the number of/policy amount for policies filing full-paid rider claim}) \div 2$$

(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.

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The information in this Annual Report is as of March 31, 2019, unless expressly stated otherwise.

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