

Financial Statements

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- Figures (except for % and ‰) shown in this Annual Report have been truncated, with exceptions as indicated.
- [-] 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, 2020

Regarding the key business results of the Company for the fiscal year ended March 31, 2020, on the sales front, annualized premiums from new policies for both individual insurance and third-sector insurance fell significantly year on year, amounting to ¥146.9 billion (58.2% decrease year on year) and ¥22.1 billion (64.1% decrease year on year), respectively. This was mainly due to refraining from making proactive proposals for our products in response to solicitation quality issues. As a result, annualized premiums from policies in force also decreased for both individual insurance and third-sector insurance, standing at ¥4,318.6 billion (7.7% decrease year on year) (including reinsured Postal Life Insurance Policies (insurance)) and ¥715.5 billion (5.0% decrease year on year) (including reinsured Postal Life Insurance Policies), respectively. In asset management, we secured a positive spread of ¥80.4 billion (37.6% increase year on year) due to our continuous efforts to diversify our investment assets under the current low interest rate environment.

Toward the end of the fiscal year ended March 31, 2020, the COVID-19 pandemic significantly impacted people's lives and business management. In light of this emergency, the Company has implemented various measures to fulfill its social responsibilities as a life insurance company, including the reduction or exemption of interest rates applicable to policy loans excluding premium loans, and double payment of insurance benefits in the event of death due to COVID-19.

Ordinary income amounted to ¥7,211.4 billion (8.9% decrease year on year), comprising the sum of insurance premiums and others of ¥3,245.5 billion (18.0% decrease year on year), investment income of ¥1,137.7 billion (5.5% decrease year on year) and other ordinary income of ¥2,828.0 billion (2.8% increase year on year).

Ordinary expenses amounted to ¥6,924.8 billion (9.5% decrease year on year), comprising the sum of insurance claims and others of ¥6,191.3 billion (9.9% decrease year on year), investment expenses of ¥124.0 billion (15.1% decrease year on year), operating expenses of ¥473.8 billion (8.8% decrease year on year), other ordinary expenses of ¥135.5 billion (15.8% increase year on year) and others.

As a result, ordinary profit amounted to ¥286.6 billion (8.2% increase year on year), and net income attributable to Japan Post Insurance amounted to ¥150.6 billion (25.1% 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, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and deposits (Notes 3 and 25)	¥ 1,410,298	¥ 917,708	\$ 12,959
Call loans (Note 25)	380,000	150,000	3,492
Receivables under securities borrowing transactions (Note 25)	3,191,710	2,792,202	29,327
Monetary claims bought (Note 25)	318,581	354,958	2,927
Money held in trust (Notes 4 and 25)	3,056,072	2,787,555	28,081
Securities (Notes 4, 5 and 25)	55,870,557	58,451,581	513,375
Loans (Notes 6 and 25)	5,662,748	6,786,074	52,033
Tangible fixed assets (Note 7):			
Land	47,828	48,008	439
Buildings	41,710	43,246	383
Leased assets	2,203	2,313	20
Construction in progress	176	25	2
Other tangible fixed assets	18,300	14,827	168
Total tangible fixed assets	110,219	108,422	1,013
Intangible fixed assets:			
Software	134,993	153,252	1,240
Other intangible fixed assets	16	18	0
Total intangible fixed assets	135,010	153,271	1,241
Agency accounts receivable	45,587	21,960	419
Reinsurance receivables	4,057	3,872	37
Other assets (Notes 5 and 6)	306,596	355,776	2,817
Deferred tax assets (Note 15)	1,173,789	1,022,091	10,786
Reserve for possible loan losses	(448)	(459)	(4)
Total assets	¥ 71,664,781	¥ 73,905,017	\$ 658,502
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 8)	¥ 461,224	¥ 519,568	\$ 4,238
Policy reserves (Notes 8 and 13)	62,293,166	65,060,549	572,390
Reserve for policyholder dividends (Note 10)	1,437,535	1,513,634	13,209
Total policy reserves and others	64,191,926	67,093,751	589,837
Reinsurance payables	6,595	6,470	61
Bonds payable (Notes 11 and 25)	100,000	100,000	919
Payables under securities lending transactions (Notes 5, 11 and 25)	4,290,140	3,422,810	39,421
Other liabilities (Notes 6, 11 and 14)	193,449	183,889	1,778
Reserve for insurance claims and others	29,722	—	273
Liability for retirement benefits (Note 12)	66,060	65,262	607
Reserve for management board benefit trust	164	203	2
Reserve for price fluctuations (Note 13)	858,339	897,492	7,887
Total liabilities	¥ 69,736,400	¥ 71,769,880	\$ 640,783
NET ASSETS (Note 16):			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,594
Capital surplus	405,044	500,044	3,722
Retained earnings	756,665	675,526	6,953
Treasury stock	(422)	(450)	(4)
Total shareholders' equity	1,661,286	1,675,120	15,265
Net unrealized gains (losses) on available-for-sale securities	264,009	456,694	2,426
Net deferred gains (losses) on hedges	16	33	0
Accumulated adjustments for retirement benefits	3,067	3,289	28
Total accumulated other comprehensive income	267,094	460,017	2,454
Total net assets	1,928,380	2,135,137	17,719
Total liabilities and net assets	¥ 71,664,781	¥ 73,905,017	\$ 658,502

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
ORDINARY INCOME:			
Insurance premiums and others (Note 19)	¥ 3,245,541	¥ 3,959,928	\$ 29,822
Investment income:			
Interest and dividend income	1,049,804	1,085,969	9,646
Gains on money held in trust	51,560	78,902	474
Gains on sales of securities	35,699	38,981	328
Gains on redemption of securities	614	395	6
Reversal of reserve for possible loan losses	8	14	0
Other investment income	101	165	1
Total investment income	1,137,789	1,204,428	10,455
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 18)	58,343	28,628	536
Reversal of policy reserves (Note 18)	2,767,383	2,716,748	25,428
Other ordinary income	2,348	6,921	22
Total other ordinary income	2,828,074	2,752,298	25,986
Total ordinary income	7,211,405	7,916,655	66,263
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 20)	4,889,175	5,489,510	44,925
Annuity payments	394,005	400,623	3,620
Benefits	110,254	87,452	1,013
Surrender benefits	602,583	645,211	5,537
Other refunds	171,590	222,902	1,577
Reinsurance premiums	23,760	23,193	218
Total insurance claims and other	6,191,369	6,868,893	56,890
Provision for interest on policyholder dividends	8	7	0
Investment expenses:			
Interest expenses	2,132	1,064	20
Losses on sales of securities	32,020	62,255	294
Losses on valuation of securities	2,689	—	25
Losses on redemption of securities	6,847	4,762	63
Losses on derivative financial instruments	74,799	73,381	687
Losses on foreign exchanges	2,085	1,124	19
Other investment expenses	3,425	3,417	31
Total investment expenses	124,000	146,005	1,139
Operating expenses (Note 17)	473,871	519,840	4,354
Other ordinary expenses	135,553	117,038	1,246
Total ordinary expenses	6,924,803	7,651,785	63,630
Ordinary profit	286,601	264,870	2,633

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
EXTRAORDINARY GAINS (Note 21)	¥ 39,546	¥ 19,251	\$ 363
EXTRAORDINARY LOSSES (Note 22)	303	1,709	3
Provision for reserve for policyholder dividends (Note 23)	109,236	111,806	1,004
Income before income taxes	216,607	170,605	1,990
Income taxes (Note 15):			
Current	143,539	139,586	1,319
Deferred	(77,618)	(89,461)	(713)
Total income taxes	65,920	50,125	606
Net income	¥ 150,687	¥ 120,480	\$ 1,385
Net income attributable to non-controlling interests	¥ —	¥ —	\$ —
Net income attributable to Japan Post Insurance	150,687	120,480	1,385

	Yen		U.S. Dollars
Per share of common stock (Note 30):			
Basic net income	¥ 267.40	¥ 200.86	\$ 2.46
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, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
Net income	¥ 150,687	¥ 120,480	\$ 1,385
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on available-for-sale securities	(192,684)	52,780	(1,771)
Net deferred gains (losses) on hedges	(16)	0	(0)
Adjustments for retirement benefits	(221)	(466)	(2)
Total other comprehensive income (loss)	(192,923)	52,315	(1,773)
Comprehensive income (loss)	¥ (42,235)	¥ 172,795	\$ (388)
Total comprehensive income (loss) attributable to:			
Japan Post Insurance	¥ (42,235)	¥ 172,795	\$ (388)
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, 2020 AND 2019

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 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
Changes in the fiscal year:					
Cash dividends			(64,578)		(64,578)
Net income attributable to Japan Post Insurance			150,687		150,687
Purchases of treasury stock				(99,999)	(99,999)
Disposals of treasury stock				57	57
Cancellation of treasury stock		(99,970)		99,970	—
Transfer from retained earnings to capital surplus		4,970	(4,970)		—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(95,000)	81,138	28	(13,833)
BALANCE, MARCH 31, 2020	¥ 500,000	¥ 405,044	¥ 756,665	¥ (422)	¥ 1,661,286

	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, 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
Changes in the fiscal year:					
Cash dividends					(64,578)
Net income attributable to Japan Post Insurance					150,687
Purchases of treasury stock					(99,999)
Disposals of treasury stock					57
Cancellation of treasury stock					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity in the fiscal year	(192,684)	(16)	(221)	(192,923)	(192,923)
Net changes in the fiscal year	(192,684)	(16)	(221)	(192,923)	(206,756)
BALANCE, MARCH 31, 2020	¥ 264,009	¥ 16	¥ 3,067	¥ 267,094	¥ 1,928,380

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, 2019	\$ 4,594	\$ 4,595	\$ 6,207	\$ (4)	\$ 15,392
Changes in the fiscal year:					
Cash dividends			(593)		(593)
Net income attributable to Japan Post Insurance			1,385		1,385
Purchases of treasury stock				(919)	(919)
Disposals of treasury stock				1	1
Cancellation of treasury stock		(919)		919	—
Transfer from retained earnings to capital surplus		46	(46)		—
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(873)	746	0	(127)
BALANCE, MARCH 31, 2020	\$ 4,594	\$ 3,722	\$ 6,953	\$ (4)	\$ 15,265

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, 2019	\$ 4,196	\$ 0	\$ 30	\$ 4,227	\$ 19,619
Changes in the fiscal year:					
Cash dividends					(593)
Net income attributable to Japan Post Insurance					1,385
Purchases of treasury stock					(919)
Disposals of treasury stock					1
Cancellation of treasury stock					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity in the fiscal year	(1,771)	(0)	(2)	(1,773)	(1,773)
Net changes in the fiscal year	(1,771)	(0)	(2)	(1,773)	(1,900)
BALANCE, MARCH 31, 2020	\$ 2,426	\$ 0	\$ 28	\$ 2,454	\$ 17,719

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 216,607	¥ 170,605	\$ 1,990
Depreciation and amortization	57,496	58,076	528
Impairment loss	—	1,088	—
Net change in reserve for outstanding claims	(58,343)	(28,628)	(536)
Net change in policy reserves	(2,767,383)	(2,716,748)	(25,428)
Provision for interest on policyholder dividends	8	7	0
Provision for reserve for policyholder dividends	109,236	111,806	1,004
Net change in reserve for possible loan losses	(10)	(236)	(0)
Net change in reserve for insurance claims and others	29,722	—	273
Net change in liability for retirement benefits	798	1,522	7
Net change in reserve for management board benefit trust	(38)	30	(0)
Net change in reserve for price fluctuations	(39,152)	(19,251)	(360)
Interest and dividend income (accrual basis)	(1,049,804)	(1,085,969)	(9,646)
Net (gains) losses on securities	5,243	27,640	48
Interest expenses (accrual basis)	2,132	1,064	20
Net (gains) losses on foreign exchanges	2,085	1,124	19
Net (gains) losses on tangible fixed assets	(272)	394	(2)
Net change in agency accounts receivable	(23,627)	11,754	(217)
Net change in reinsurance receivables	(185)	(645)	(2)
Net change in other assets (excluding those related to investing activities and financing activities)	47,682	3,775	438
Net change in reinsurance payables	125	436	1
Net change in other liabilities (excluding those related to investing activities and financing activities)	(23,353)	6,616	(215)
Other, net	26,826	(2,744)	246
Subtotal	(3,464,204)	(3,458,277)	(31,831)
Interest and dividend received (cash basis)	1,168,879	1,170,197	10,740
Interest paid (cash basis)	(2,080)	(863)	(19)
Policyholder dividends paid	(185,042)	(220,769)	(1,700)
Income taxes paid	(107,767)	(181,996)	(990)
Net cash used in operating activities	¥ (2,590,214)	¥ (2,691,710)	\$ (23,801)

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (8,110,000)	¥ (8,535,000)	\$ (74,520)
Proceeds from redemption of call loans	7,880,000	8,650,000	72,407
Net change in receivables under securities borrowing transactions	(399,508)	504,020	(3,671)
Purchases of monetary claims bought	(1,524,997)	(1,319,999)	(14,013)
Proceeds from sale and redemption of monetary claims bought	1,561,185	1,141,145	14,345
Purchases of money held in trust	(578,400)	(380,229)	(5,315)
Proceeds from decrease in money held in trust	26,627	352,235	245
Purchases of securities	(2,089,450)	(3,946,108)	(19,199)
Proceeds from sale and redemption of securities	4,484,366	5,761,118	41,205
Payments for loans	(718,896)	(890,808)	(6,606)
Proceeds from collection of loans	1,842,215	1,731,605	16,927
Net change in payables under securities lending transactions	867,329	(240,736)	7,970
Other, net	53,220	(111,644)	489
Total of net cash provided by investment transactions	3,293,691	2,715,597	30,265
Total of net cash provided by operating activities and investment transactions	703,477	23,887	6,464
Purchases of tangible fixed assets	(10,040)	(27,026)	(92)
Proceeds from sales of tangible fixed assets	573	6	5
Purchases of intangible fixed assets	(36,618)	(35,297)	(336)
Other, net	603	(275)	6
Net cash provided by investing activities	3,248,209	2,653,004	29,847
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease obligations	(875)	(698)	(8)
Proceeds from issuance of bonds	—	99,398	—
Purchases of treasury stock	(99,999)	—	(919)
Dividends paid	(64,529)	(40,790)	(593)
Net cash provided by (used in) financing activities	(165,405)	57,909	(1,520)
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net change in cash and cash equivalents	492,590	19,203	4,526
Cash and cash equivalents at the beginning of the year	917,708	898,504	8,432
Cash and cash equivalents at the end of the year (Note 3)	¥ 1,410,298	¥ 917,708	\$ 12,959

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

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, the 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 the 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 ¥108.83 to US\$1, the approximate rate of exchange as of March 31, 2020. 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 2020 (3 in 2019) 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 the "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, 2020 and 2019, were ¥49 million (\$0 million) and ¥232 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 (Public notice 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 Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter the "Management Network"), which is an independent administrative institution. As a result, the amounts of provision for the additional policy reserves for the years ended March 31, 2020 and 2019, were ¥176,734 million (\$1,624 million) and ¥179,882 million, respectively.

The Management Network 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 Network.

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 Network under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(8) Reserve for Insurance Claims and Others

With regard to policies that have been discovered through investigations to have likely caused disadvantages to customers in a way that was not in line with their intentions, reserve for insurance claims and others is provided in the projected amount of insurance claims and others arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

(9) 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.

(10) 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.

(11) Reserve for Price Fluctuations

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

(12) 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.

(13) Consolidated Statement of Cash Flows

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

(14) Consumption Taxes

All figures are net of consumption taxes.

(15) Unadopted Accounting Standards, etc.

- "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)

- "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)

- "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)

- "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1) Outline

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter collectively the "Accounting Standard for Fair Value Measurement, etc.") have been developed in order to enhance the comparability of accounting standards with international accounting standards. Consequently, guidance, etc., for fair value measurement have been issued. The Accounting Standard for Fair Value Measurement, etc., shall apply to the fair values of the following items:

- Financial instruments in the "Accounting Standard for Financial Instruments"

Additionally, the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised and the notes to the breakdown, etc., of the fair value of financial instruments by level and other items have been established.

2) Scheduled date of adoption

Scheduled to be adopted from the beginning of the year ending March 31, 2022.

3) Impact of adoption of the accounting standards

The impact is under assessment at the time of preparing these consolidated financial statements.

(16) Additional Information

1) 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, 2020 and 2019, was ¥393 million (\$4 million) and ¥450 million, respectively, while the number of such treasury stock was 166 thousand shares and 191 thousand shares, respectively.

2) Investigation into the Company's handling of insurance policies and the remedial measures involved

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. Consequently, the Company has been conducting investigations using appropriate procedures, by providing explanations to and receiving advice from the Special Investigative Committee composed of neutral and fair external experts, regarding the methods for confirming customers' intentions as well as for analyzing the information obtained.

The investigations included the investigation of specified rewriting cases (the investigation to grasp the situation of customers likely to have suffered disadvantages from the rewriting of policies), and the investigation of all insurance policies (the investigation where the Company sent notification documents with reply cards to customers of all other policies that were not subject to the investigation of specified rewriting cases, asking them to reconfirm their intentions and to let the Company know of any points it should be aware of, whereby the Company made necessary responses and investigations according to the results of the reconfirmation, and the investigation of such cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of customers, judging from the type of the policies).

In consideration of the results of these investigations obtained by the end of the fiscal year ended March 31, 2020, the Company has reasonably estimated insurance-related expenses at ¥29,722 million (\$273 million)

to be incurred due to the refund of premiums and payments of insurance claims necessary for the future reinstatement of policies, as of March 31, 2020. These expenses were recorded under reserve for insurance claims and others.

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. Following the administrative dispositions, a business improvement plan was formulated and it was submitted to the Financial Services Agency of Japan as of January 31, 2020. The Company accepts the seriousness of administrative dispositions and is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts.

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2020 and 2019, and cash and deposits in the consolidated balance sheets as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Cash and deposits	¥ 1,410,298	¥ 917,708	\$ 12,959
Cash and cash equivalents at the end of the year	¥ 1,410,298	¥ 917,708	\$ 12,959

4. SECURITIES

(1) Securities

Securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Japanese government bonds	¥ 36,730,786	¥ 38,041,414	\$ 337,506
Japanese local government bonds	6,737,380	7,524,415	61,907
Japanese corporate bonds	5,486,350	5,562,928	50,412
Stocks	285,991	205,584	2,628
Foreign securities	4,687,342	5,284,936	43,070
Other	1,942,706	1,832,301	17,851
Total	¥ 55,870,557	¥ 58,451,581	\$ 513,375

Investments in affiliates included in "Stocks" and "Other" as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Stocks (included in "Stocks")	¥ 495	¥ 495	\$ 5
Investments in capital (included in "Other")	9,427	4,511	87
Total	¥ 9,923	¥ 5,006	\$ 91

Securities lent under lending agreements in the amount of ¥4,872,448 million (\$44,771 million) and ¥3,710,368 million were included in "Securities" in the consolidated balance sheets as of March 31, 2020 and 2019, 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 ¥3,545,026 million (\$32,574 million) and ¥3,193,785 million as of March 31, 2020 and 2019, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Consolidated balance sheet amount	¥ 9,574,646	¥ 10,570,049	\$ 87,978
Fair value	10,578,535	11,724,384	97,202

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)

2020					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	¥ 35,637,724	¥ 41,855,150	¥ 6,217,425	¥ 6,217,504	¥ (79)
Japanese government bonds	28,216,592	34,000,585	5,783,993	5,783,993	—
Japanese local government bonds	5,216,321	5,487,564	271,242	271,321	(79)
Japanese corporate bonds	2,204,810	2,367,000	162,189	162,189	—
Foreign securities	98,000	98,238	238	238	—
Foreign bonds	98,000	98,238	238	238	—
Total	¥ 35,735,724	¥ 41,953,389	¥ 6,217,664	¥ 6,217,743	¥ (79)

(Millions of Yen)

2019					
March 31	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 U.S. Dollars)

2020					
March 31	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds	\$ 327,462	\$ 384,592	\$ 57,130	\$ 57,130	\$ (1)
Japanese government bonds	259,272	312,419	53,147	53,147	—
Japanese local government bonds	47,931	50,423	2,492	2,493	(1)
Japanese corporate bonds	20,259	21,750	1,490	1,490	—
Foreign securities	900	903	2	2	—
Foreign bonds	900	903	2	2	—
Total	\$ 328,363	\$ 385,495	\$ 57,132	\$ 57,133	\$ (1)

2) Policy-reserve-matching bonds

(Millions of Yen)

March 31

Bonds	
Japanese government bonds	
Japanese local government bonds	
Japanese corporate bonds	
Total	

2020				
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
¥ 9,574,646	¥ 10,578,535	¥ 1,003,888	¥ 1,007,456	¥ (3,567)
8,166,779	9,106,225	939,445	939,446	(0)
570,267	595,338	25,070	25,124	(53)
837,599	876,971	39,372	42,885	(3,513)
¥ 9,574,646	¥ 10,578,535	¥ 1,003,888	¥ 1,007,456	¥ (3,567)

(Millions of Yen)

March 31

Bonds	
Japanese government bonds	
Japanese local government bonds	
Japanese corporate bonds	
Total	

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)
9,429,778	10,520,296	1,090,518	1,091,024	(506)
552,443	580,239	27,795	27,825	(29)
587,826	623,848	36,021	36,033	(12)
¥ 10,570,049	¥ 11,724,384	¥ 1,154,334	¥ 1,154,883	¥ (548)

(Millions of U.S. Dollars)

March 31

Bonds	
Japanese government bonds	
Japanese local government bonds	
Japanese corporate bonds	
Total	

2020				
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
\$ 87,978	\$ 97,202	\$ 9,224	\$ 9,257	\$ (33)
75,042	83,674	8,632	8,632	(0)
5,240	5,470	230	231	(0)
7,696	8,058	362	394	(32)
\$ 87,978	\$ 97,202	\$ 9,224	\$ 9,257	\$ (33)

3) Available-for-sale securities

(Millions of Yen)

	2020				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	¥ 3,742,144	¥ 3,700,415	¥ 41,729	¥ 46,711	¥ (4,981)
Japanese government bonds	347,414	340,299	7,115	7,223	(108)
Japanese local government bonds	950,791	948,633	2,158	2,657	(499)
Japanese corporate bonds	2,443,939	2,411,482	32,456	36,831	(4,374)
Stocks	281,256	322,068	(40,811)	3,885	(44,697)
Foreign securities	4,589,342	4,221,663	367,679	378,826	(11,146)
Foreign bonds	4,424,175	4,048,995	375,180	378,559	(3,379)
Foreign other securities	165,167	172,668	(7,500)	266	(7,766)
Other ¹	2,786,861	2,858,425	(71,564)	17,886	(89,450)
Total	¥ 11,399,605	¥ 11,102,572	¥ 297,033	¥ 447,309	¥ (150,276)

(Millions of Yen)

	2019				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
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 ²	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 U.S. Dollars)

	2020				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	\$ 34,385	\$ 34,002	\$ 383	\$ 429	\$ (46)
Japanese government bonds	3,192	3,127	65	66	(1)
Japanese local government bonds	8,736	8,717	20	24	(5)
Japanese corporate bonds	22,456	22,158	298	338	(40)
Stocks	2,584	2,959	(375)	36	(411)
Foreign securities	42,170	38,791	3,378	3,481	(102)
Foreign bonds	40,652	37,205	3,447	3,478	(31)
Foreign other securities	1,518	1,587	(69)	2	(71)
Other ¹	25,607	26,265	(658)	164	(822)
Total	\$ 104,747	\$ 102,018	\$ 2,729	\$ 4,110	\$ (1,381)

Notes:

1. "Other" includes negotiable certificates of deposit (cost: ¥535,000 million (\$4,916 million), consolidated balance sheet amount: ¥535,000 million (\$4,916 million)) presented as "Cash and deposits" in the consolidated balance sheet, and monetary claims bought (cost: ¥316,576 million (\$2,909 million), consolidated balance sheet amount: ¥318,581 million (\$2,927 million)) as of March 31, 2020.

2. "Other" includes negotiable certificates of deposit (cost: ¥405,000 million, consolidated balance sheet amount: ¥405,000 million) presented as "Cash and deposits" in the consolidated balance sheet, and monetary claims bought (cost: ¥352,762 million, consolidated balance sheet amount: ¥354,958 million) as of March 31, 2019.

4) Policy-reserve-matching bonds sold for the years ended March 31, 2020 and 2019

(Millions of Yen)

March 31

Bonds
Japanese government bonds
Total

2020		
Sales	Gains	Losses
¥ 198,497	¥ 5,779	¥ —
198,497	5,779	—
¥ 198,497	¥ 5,779	¥ —

(Millions of U.S. Dollars)

March 31

Bonds
Japanese government bonds
Total

2020		
Sales	Gains	Losses
\$ 1,824	\$ 53	\$ —
1,824	53	—
\$ 1,824	\$ 53	\$ —

No policy-reserve-matching bonds were sold for the year ended March 31, 2019.

5) Available-for-sale securities sold for the years ended March 31, 2020 and 2019

(Millions of Yen)

March 31

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

2020		
Sales	Gains	Losses
¥ 201,051	¥ 6,878	¥ (802)
111,423	6,597	—
—	—	—
89,627	280	(802)
92,583	6,730	(11,204)
743,189	16,310	(18,307)
725,995	16,310	(18,166)
17,193	—	(140)
134,112	—	(1,705)
¥ 1,170,936	¥ 29,919	¥ (32,020)

(Millions of Yen)

March 31

Bonds
Japanese government 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 U.S. Dollars)

March 31

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

2020		
Sales	Gains	Losses
\$ 1,847	\$ 63	\$ (7)
1,024	61	—
—	—	—
824	3	(7)
851	62	(103)
6,829	150	(168)
6,671	150	(167)
158	—	(1)
1,232	—	(16)
\$ 10,759	\$ 275	\$ (294)

6) Securities for which losses on valuation were recognized

The Group recognized losses on valuation of available-for-sale securities with fair values of ¥2,689 million (\$25 million) for the year ended March 31, 2020. No losses on valuation of securities were recognized for the year ended March 31, 2019.

Available-for-sale securities 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 their credit standing is deemed to be below a certain level, shall be subjected to recognition of losses on valuation, unless fair values are deemed likely to recover to the acquisition costs.

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

(Millions of Yen)

		2020				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 2,744.305	¥ 2,671.219	¥ 73.086	¥ 339.561	¥ (266.474)

(Millions of Yen)

		2019				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31		¥ 2,627,236	¥ 2,234,377	¥ 392,859	¥ 454,931	¥ (62,071)
	Specified money held in trust					

(Millions of U.S. Dollars)

		2020				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31						
Specified money held in trust		\$ 25,216	\$ 24,545	\$ 672	\$ 3,120	\$ (2,449)

Note:

The Group recognized losses on valuation of ¥32,103 million (\$295 million) and ¥10,860 million for the years ended March 31, 2020 and 2019, 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.

For stocks other than the above, those 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, 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, 2020 and 2019, consisted of the following:

		Millions of Yen		Millions of U.S. Dollars
March 31		2020	2019	2020
Assets pledged as collateral:				
Securities		¥ 3,622,145	¥ 2,900,087	\$ 33,283
Liabilities corresponding to assets pledged as collateral:				
Payables under securities lending transactions		4,290,140	3,422,810	39,421

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
March 31		2020	2019	2020
Securities		¥ 480,477	¥ 388,753	\$ 4,415
Cash collateral paid for financial instruments		2,319	—	21

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, 2020 and 2019. 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, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Amount of unused commitments	¥ 17,717	¥ 14,751	\$ 163

With respect to loans (loans to the Management Network) maturing at the end of the year ended March 31, 2019, 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 year ended March 31, 2019, fell on a bank holiday. Of the loans to the Management Network, those repaid in advance are recorded in "Other liabilities (suspense receipt)" as the due date had not arrived. Loans (loans to the Management Network) 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, were as follows:

	Millions of Yen
	2019
March 31	
Loans (loans to the Management Network)	¥ 377,726
Other assets (accrued income)	54,865
Other liabilities (suspense receipt)	12,822

Note: The end of the year ended March 31, 2020, did not fall on a bank holiday.

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2020 and 2019, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Accumulated depreciation	¥ 45,479	¥ 39,302	\$ 418

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, 2020 and 2019, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Reserve for outstanding claims—ceded	¥ 473	¥ 454	\$ 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, 2020 and 2019, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Policy reserves—ceded	¥ 967	¥ 985	\$ 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 ¥34,524 million (\$317 million) and ¥33,174 million as of March 31, 2020 and 2019, 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, 2020 and 2019, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at the beginning of the year	¥ 1,513,634	¥ 1,622,889	\$ 13,908
Policyholder dividends paid	(185,042)	(220,769)	(1,700)
Interest accrual	8	7	0
Reduction due to the acquisition of additional annuity	(301)	(300)	(3)
Provision for reserve for policyholder dividends	109,236	111,806	1,004
Balance at the end of the year	¥ 1,437,535	¥ 1,513,634	\$ 13,209

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

Bonds payable as of March 31, 2020 and 2019, were as follows:

March 31	Date of issuance	Millions of Yen		Millions of U.S. Dollars	Interest rate	Collateral	Maturity date
		2020	2019	2020			
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	¥ 100,000	\$ 919	1.00%	None	January 29, 2049
Total	—	¥ 100,000	¥ 100,000	\$ 919	—	—	—

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, 2020.
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, 2020 and 2019, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2020	2019	2020	2020	
Lease obligations	¥ 2,258	¥ 2,354	\$ 21	—	March 2027
Other interest-bearing debt:					
Payables under securities lending transactions	4,290,140	3,422,810	39,421	0.04%	—
Total	¥ 4,292,399	¥ 3,425,165	\$ 39,441	—	—

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, 2020, was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 669	\$ 6
Due after 1 year through 2 years	529	5
Due after 2 years through 3 years	411	4
Due after 3 years through 4 years	298	3
Due after 4 years through 5 years	199	2
Due after 5 years	150	1
Total	¥ 2,258	\$ 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, 2020 and 2019, was ¥376 million (\$3 million) and ¥369 million, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at the beginning of the year	¥ 65,262	¥ 63,739	\$ 600
Service cost	4,221	4,130	39
Interest cost	451	441	4
Actuarial differences	(279)	56	(3)
Benefits paid	(3,591)	(3,124)	(33)
Other	(2)	19	(0)
Balance at the end of the year	¥ 66,060	¥ 65,262	\$ 607

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
	2020	2019	2020
Unfunded retirement benefit obligations	¥ 66,060	¥ 65,262	\$ 607
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 66,060	¥ 65,262	\$ 607

3) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Service cost	¥ 4,221	¥ 4,130	\$ 39
Interest cost	451	441	4
Amortization of actuarial differences	(214)	(218)	(2)
Amortization of prior service cost	(373)	(373)	(3)
Other	115	105	1
Retirement benefit expenses of defined benefit plans	¥ 4,199	¥ 4,085	\$ 39

4) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Prior service cost	¥ (373)	¥ (373)	\$ (3)
Actuarial differences	65	(274)	1
Total	¥ (308)	¥ (648)	\$ (3)

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

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Unrecognized prior service cost	¥ 3,347	¥ 3,721	\$ 31
Unrecognized actuarial differences	913	848	8
Total	¥ 4,261	¥ 4,569	\$ 39

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2020 and 2019, were as follows:

Years ended March 31	2020	2019
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 Network 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 Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuations are provided for the category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Policy reserves (excluding contingency reserve)	¥ 33,324,093	¥ 35,566,089	\$ 306,203
Contingency reserve	1,320,677	1,491,491	12,135
Reserve for price fluctuations	631,990	661,836	5,807

14. DEPOSITS FROM THE MANAGEMENT NETWORK

"Other liabilities" in the consolidated balance sheets include deposits from the Management Network. Deposits from the Management Network 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 Network, which were deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy.

Deposits from the Management Network as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Deposits from the Management Network	¥ 42,231	¥ 43,948	\$ 388

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Deferred tax assets:			
Policy reserves	¥ 995,598	¥ 918,790	\$ 9,148
Reserve for price fluctuations	203,752	208,438	1,872
Reserve for outstanding claims	42,014	44,069	386
Liability for retirement benefits	18,537	18,310	170
Unrealized losses on available-for-sale securities	118,027	40,496	1,085
Other	35,567	21,963	327
Subtotal	1,413,497	1,252,069	12,988
Valuation allowance	(11,268)	(6,045)	(104)
Total deferred tax assets	1,402,228	1,246,023	12,885
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(219,330)	(215,786)	(2,015)
Other	(9,109)	(8,145)	(84)
Total deferred tax liabilities	(228,439)	(223,932)	(2,099)
Net deferred tax assets (liabilities)	¥ 1,173,789	¥ 1,022,091	\$ 10,786

Note: Valuation allowance increased by ¥5,223 million (\$48 million) mainly due to an increase in the valuation allowance for losses on valuation of securities of ¥5,233 million (\$48 million).

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% for the years ended March 31, 2020 and 2019.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the year ended March 31, 2020, was as follows:

Year ended March 31	2020
Statutory tax rate	28.00%
Changes in valuation allowance	2.41
Other	0.02
Effective income tax rate	30.43%

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

16. NET ASSETS

(1) Type and Number of Shares Issued

Year ended March 31, 2020	Thousands of shares		
	April 1, 2019	Increase	Decrease
Shares issued:			March 31, 2020
Common stock	600,000	–	37,400
Total	600,000	–	37,400
Treasury stock			
Common stock	191	37,411	37,424
Total	191	37,411	37,424

Notes:

- The decrease of 37,400 thousand shares in the number of shares issued was attributable to the cancellation of shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019.
- The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2020, included shares of the Company held in the BBT and was 191 thousand shares and 166 thousand shares, respectively.
- The increase of 37,411 thousand shares of treasury stock of common stock was attributable to the purchases of treasury stock based on the resolution at the Board of Directors' meeting held on April 4, 2019.
- The decrease of 37,424 thousand shares in the number of treasury stock was attributable to the cancellation of 37,400 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019, and the granting of 24 thousand shares via the BBT.

Year ended March 31, 2019	Thousands of shares			
	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.

(2) Information on Dividends

1) Dividends paid

Dividends paid for the year ended March 31, 2020

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, 2019	Common stock	¥ 43,200	\$ 397	¥ 72.00	\$ 0.66	March 31, 2019	June 18, 2019
Board of Directors' meeting held on November 14, 2019	Common stock	¥ 21,378	\$ 196	¥ 38.00	\$ 0.35	September 30, 2019	December 6, 2019

Notes:

1. Total amount of dividends based on the resolution at the Board of Directors' meeting held on May 15, 2019, includes ¥13 million (\$0 million) of dividends paid to shares of the Company held in the BBT and the amount of dividends per share includes a special dividend of ¥4 (\$0.04) per share.
2. The amount of dividends based on the resolution at the Board of Directors' meeting held on November 14, 2019, includes ¥6 million (\$0 million) of dividends paid to shares of the Company held in the BBT.

Dividends paid for the year ended March 31, 2019

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, 2018	Common stock	¥ 40,800	¥ 68.00	March 31, 2018	June 19, 2018

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 special dividend of ¥4 per share.

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, 2020

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, 2020	Common stock	¥ 21,378	\$ 196	Retained earnings	¥ 38.00	\$ 0.35	March 31, 2020	June 16, 2020

Note: Total amount of dividends includes ¥6 million (\$0 million) of dividends paid to shares of the Company held in the BBT.

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2020 and 2019, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Sales activity expenses	¥ 111,079	¥ 157,168	\$ 1,021
Sales administration expenses	15,003	18,154	138
General administration expenses	347,788	344,517	3,196
Total	¥ 473,871	¥ 519,840	\$ 4,354

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

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, 2020, was ¥18 million (\$0 million). 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.

The amount of reversal of policy reserves—ceded that is deducted from the calculation of reversal of policy reserves for the year ended March 31, 2020, was ¥18 million (\$0 million). The amount of provision for policy reserves—ceded that is added to the calculation of reversal of policy reserves for the year ended March 31, 2019, was ¥39 million.

19. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the years ended March 31, 2020 and 2019, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Insurance premiums	¥ 459,151	¥ 590,340	\$ 4,219

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the years ended March 31, 2020 and 2019, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Insurance claims	¥ 3,349,302	¥ 4,030,959	\$ 30,776

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2020 and 2019, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Gains on sales of fixed assets	¥ 393	¥ —	\$ 4
Reversal of reserve for price fluctuations	39,152	19,251	360
Total	¥ 39,546	¥ 19,251	\$ 363

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2020 and 2019, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Losses on sales and disposal of fixed assets	¥ 303	¥ 620	\$ 3
Losses on impairment of fixed assets	—	1,088	—
Total	¥ 303	¥ 1,709	\$ 3

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Network, for the years ended March 31, 2020 and 2019, was as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Provision for reserve for policyholder dividends	¥ 93,775	¥ 92,117	\$ 862

24. OTHER COMPREHENSIVE INCOME

The amount reclassified and the tax effect amounts related to other comprehensive income for the years ended March 31, 2020 and 2019, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (299,101)	¥ 64,969	\$ (2,748)
Reclassification adjustments	32,431	9,448	298
Before tax-effect adjustments	(266,670)	74,417	(2,450)
Tax effect	73,985	(21,636)	680
Net unrealized gains (losses) on available-for-sale securities	(192,684)	52,780	(1,771)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(22)	0	(0)
Reclassification adjustments	—	—	—
Before tax-effect adjustments	(22)	0	(0)
Tax effect	6	(0)	0
Net deferred gains (losses) on hedges	(16)	0	(0)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	279	(56)	3
Reclassification adjustments	(588)	(592)	(5)
Before tax-effect adjustments	(308)	(648)	(3)
Tax effect	86	182	1
Adjustments for retirement benefits	(221)	(466)	(2)
Total other comprehensive income (loss)	¥ (192,923)	¥ 52,315	\$ (1,773)

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 return-seeking assets (previously referred to as risk assets) including foreign bonds and stocks from the perspective of improving profitability and strengthening the risk management system.

Derivative transactions are used mainly as a hedging method against foreign exchange fluctuation risk and interest rate risk to our investment assets.

(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 identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk. Other derivative transactions are also used mainly for the purpose of hedging, and 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 concen-

tration 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, 2020 and 2019, 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 Network 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	

2020		
Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
¥ 1,410,298	¥ 1,410,298	¥ -
535,000	535,000	-
380,000	380,000	-
3,191,710	3,191,710	-
318,581	318,581	-
318,581	318,581	-
2,744,305	2,744,305	-
55,856,394	63,077,948	7,221,553
35,735,724	41,953,389	6,217,664
9,574,646	10,578,535	1,003,888
10,546,023	10,546,023	-
5,662,711	6,054,193	391,481
152,681	152,681	-
994,446	1,051,900	57,491
4,515,620	4,849,611	333,990
(36)	-	-
¥ 69,564,003	¥ 77,177,038	¥ 7,613,034
100,000	98,740	(1,260)
4,290,140	4,290,140	-
¥ 4,390,140	¥ 4,388,880	¥ (1,260)
¥ (2)	¥ (2)	¥ -
36,998	36,998	-
¥ 36,995	¥ 36,995	¥ -

(Millions of Yen)

	2019		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	¥ 917,708	¥ 917,708	¥ –
Available-for-sale securities (negotiable certificates of deposit)	405,000	405,000	–
2) Call loans	150,000	150,000	–
3) Receivables under securities borrowing transactions	2,792,202	2,792,202	–
4) Monetary claims bought	354,958	354,958	–
Available-for-sale securities	354,958	354,958	–
5) Money held in trust ¹	2,627,236	2,627,236	–
6) Securities	58,442,334	66,318,814	7,876,479
Held-to-maturity bonds	36,391,299	43,113,443	6,722,144
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334
Available-for-sale securities	11,480,985	11,480,985	–
7) Loans	6,786,029	7,304,801	518,772
Policy loans	144,566	144,566	–
Industrial and commercial loans ²	991,309	1,062,099	70,836
Loans to the Management Network ²	5,650,198	6,098,135	447,936
Reserve for possible loan losses ³	(45)	–	–
Total assets	¥ 72,070,470	¥ 80,465,722	¥ 8,395,251
1) Bonds payable	¥ 100,000	¥ 100,830	¥ 830
2) Payables under securities lending transactions	3,422,810	3,422,810	–
Total liabilities	¥ 3,522,810	¥ 3,523,640	¥ 830
Derivative transactions ⁴			
Hedge accounting not applied	¥ (490)	¥ (490)	¥ –
Hedge accounting applied	169	169	–
Total derivative transactions	¥ (320)	¥ (320)	¥ –

(Millions of U.S. Dollars)

	2020		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	\$ 12,959	\$ 12,959	\$ –
Available-for-sale securities (negotiable certificates of deposit)	4,916	4,916	–
2) Call loans	3,492	3,492	–
3) Receivables under securities borrowing transactions	29,327	29,327	–
4) Monetary claims bought	2,927	2,927	–
Available-for-sale securities	2,927	2,927	–
5) Money held in trust ¹	25,216	25,216	–
6) Securities	513,244	579,601	66,356
Held-to-maturity bonds	328,363	385,495	57,132
Policy-reserve-matching bonds	87,978	97,202	9,224
Available-for-sale securities	96,904	96,904	–
7) Loans	52,033	55,630	3,597
Policy loans	1,403	1,403	–
Industrial and commercial loans ²	9,138	9,666	528
Loans to the Management Network ²	41,492	44,561	3,069
Reserve for possible loan losses ³	(0)	–	–
Total assets	\$ 639,199	\$ 709,152	\$ 69,953
1) Bonds payable	\$ 919	\$ 907	\$ (12)
2) Payables under securities lending transactions	39,421	39,421	–
Total liabilities	\$ 40,339	\$ 40,328	\$ (12)
Derivative transactions ⁴			
Hedge accounting not applied	\$ (0)	\$ (0)	\$ –
Hedge accounting applied	340	340	–
Total derivative transactions	\$ 340	\$ 340	\$ –

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 keeping in possession.

7) Loans

For policy loans and those included in loans to the Management Network 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 Network (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, etc., 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 where partnership assets comprise primarily unlisted stocks, etc., are not included in "Assets 6) Securities," as the fair values are deemed extremely difficult to determine.

Millions of Yen		Millions of U.S. Dollars
2020	2019	2020
¥ 311,766	¥ 160,318	\$ 2,865
14,162	9,246	130
4,735	4,735	44
9,427	4,511	87
¥ 325,929	¥ 169,565	\$ 2,995

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

(Millions of Yen)

	2020			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	¥ 1,409,812	¥ —	¥ —	¥ —
Call loans	380,000	—	—	—
Receivables under securities borrowing transactions	3,191,710	—	—	—
Monetary claims bought	295,000	—	—	21,577
Securities	2,230,230	9,591,623	14,025,937	26,583,415
Held-to-maturity bonds	1,475,873	4,806,182	8,406,920	20,575,151
Bonds	1,377,873	4,806,182	8,406,920	20,575,151
Japanese government bonds	75,700	1,170,100	8,107,700	18,400,300
Japanese local government bonds	1,112,901	2,736,211	250,620	1,109,691
Japanese corporate bonds	189,272	899,871	48,600	1,065,160
Foreign securities	98,000	—	—	—
Policy-reserve-matching bonds	416,864	3,003,336	2,369,100	3,572,773
Bonds	416,864	3,003,336	2,369,100	3,572,773
Japanese government bonds	377,000	2,631,100	2,361,600	2,589,200
Japanese local government bonds	25,090	306,238	400	238,173
Japanese corporate bonds	14,774	65,998	7,100	745,400
Available-for-sale securities with maturities	337,492	1,782,104	3,249,917	2,435,491
Bonds	308,797	737,396	1,414,651	1,228,801
Japanese government bonds	—	—	—	340,200
Japanese local government bonds	68,977	169,581	552,118	153,566
Japanese corporate bonds	239,820	567,814	862,532	735,034
Foreign securities	28,695	1,044,708	1,835,266	1,191,933
Other securities	—	—	—	14,755
Loans	1,119,837	2,381,209	1,393,775	768,317
Total	¥ 8,626,591	¥ 11,972,833	¥ 15,419,713	¥ 27,373,311

(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 U.S. Dollars)

	2020			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	\$ 12,954	\$ –	\$ –	\$ –
Call loans	3,492	–	–	–
Receivables under securities borrowing transactions	29,327	–	–	–
Monetary claims bought	2,711	–	–	198
Securities	20,493	88,134	128,879	244,266
Held-to-maturity bonds	13,561	44,162	77,248	189,058
Bonds	12,661	44,162	77,248	189,058
Japanese government bonds	696	10,752	74,499	169,074
Japanese local government bonds	10,226	25,142	2,303	10,197
Japanese corporate bonds	1,739	8,269	447	9,787
Foreign securities	900	–	–	–
Policy-reserve-matching bonds	3,830	27,597	21,769	32,829
Bonds	3,830	27,597	21,769	32,829
Japanese government bonds	3,464	24,176	21,700	23,791
Japanese local government bonds	231	2,814	4	2,188
Japanese corporate bonds	136	606	65	6,849
Available-for-sale securities with maturities	3,101	16,375	29,862	22,379
Bonds	2,837	6,776	12,999	11,291
Japanese government bonds	–	–	–	3,126
Japanese local government bonds	634	1,558	5,073	1,411
Japanese corporate bonds	2,204	5,217	7,925	6,754
Foreign securities	264	9,599	16,864	10,952
Other securities	–	–	–	136
Loans	10,290	21,880	12,807	7,060
Total	\$ 79,267	\$ 110,014	\$ 141,686	\$ 251,524

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

(Millions of Yen)

	2020					
	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	4,290,140	–	–	–	–	–
Total	¥ 4,290,140	¥ –	¥ –	¥ –	¥ –	¥ 100,000

(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 U.S. Dollars)

	2020					
	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	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 919
Payables under securities lending transactions	39,421	–	–	–	–	–
Total	\$ 39,421	\$ –	\$ –	\$ –	\$ –	\$ 919

26. DERIVATIVE TRANSACTIONS

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

Currency-related derivatives

(Millions of Yen)

March 31		2020			
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	¥ 204	¥ –	¥ (2)	¥ (2)
	U.S. dollars	204	–	(2)	(2)
	Total				¥ (2)

(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 U.S. dollars)

March 31		2020			
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	\$ 2	\$ –	\$ (0)	\$ (0)
	U.S. dollars	2	–	(0)	(0)
	Total				\$ (0)

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			2020		
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	¥ 3,382,993	¥ –	¥ 36,973
	U.S. dollars		2,093,405	–	(32,310)
	Euros		523,596	–	6,238
	Australian dollars		256,452	–	30,310
	Other		509,538	–	32,734
	Total				¥ 36,973

(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 U.S. Dollars)

March 31			2020		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold		\$ 31,085	\$ —	\$ 340
	U.S. dollars		19,236	—	(297)
	Euros		4,811	—	57
	Australian dollars		2,356	—	279
	Other		4,682	—	301
Total					\$ 340

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			2020		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		¥ 6,150	¥ 3,900	¥ 24
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		26,050	23,950	— ²
Total					¥ 24

(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:	Loans			
	Receivable fixed rate/ Payable floating rate		¥ 6,150	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		30,100	26,050	— ²
		Total			¥ 47

(Millions of U.S. Dollars)

March 31			2020		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		\$ 57	\$ 36	\$ 0
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		239	220	— 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, 2020 and 2019, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 5,749	¥ 5,871	\$ 53
Due after 1 year	40,433	38,557	372
Total	¥ 46,183	¥ 44,428	\$ 424

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

No losses on impairment of fixed assets were recognized for the year ended March 31, 2020.

This information is not presented for the year ended March 31, 2019, 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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

29. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2020 and 2019, were as follows:

2020										
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 (\$32,160 million)	Formulation of group management strategy	Directly owned 64.48%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥2,958 million (\$27 million)	Accounts payable—other	¥271 million (\$2 million)
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million (\$3,675 million)	Postal and Logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥248,798 million (\$2,286 million)	Agency accounts payable	¥15,416 million (\$142 million)
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	Formulation of group management strategy	Directly owned 89.00%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥3,076 million	Accounts payable—other	¥276 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	¥358,100 million	Agency accounts payable	¥40,615 million

Notes:

- 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.
- 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.
- Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.
- In addition to the above, from the year ended March 31, 2020, of the expenses required for the maintenance of the post office network, those expenses that are essential to ensuring the provision of universal services will be covered by the funds provided to JAPAN POST Co., Ltd., from the Management Network using the contributions from the Company and JAPAN POST BANK Co., Ltd., as funds, with the exception of the amount to be borne by JAPAN POST Co., Ltd., in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network. In the year ended March 31, 2020, the contributions paid by the Company to the Management Network amounted to ¥57,574 million (\$529 million).

(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
2020	2019	2020
¥ 3,428.71	¥ 3,559.70	\$ 31.51

Years ended March 31

Net income per share

Yen		U.S. Dollars
2020	2019	2020
¥ 267.40	¥ 200.86	\$ 2.46

Notes:

1. Diluted net income per share is not presented for the years ended March 31, 2020 and 2019, 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
2020	2019	2020
¥ 150,687	¥ 120,480	\$ 1,385
—	—	—
¥ 150,687	¥ 120,480	\$ 1,385

Years ended March 31

Average number of common stock during the fiscal year

Thousands of shares	
2020	2019
563,533	599,808

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
2020	2019	2020
¥ 1,928,380	¥ 2,135,137	\$ 17,719
—	—	—
¥ 1,928,380	¥ 2,135,137	\$ 17,719

March 31

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

Thousands of shares	
2020	2019
562,422	599,808

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, 2020 and 2019, was 176,573 shares and 191,857 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, 2020 and 2019, was 166,900 shares and 191,400 shares, respectively.

31. SUBSEQUENT EVENTS

None.

Independent Auditor's Report



Independent auditor's report

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

Opinion

We have audited the accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. ("the Company") and its consolidated subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ TATSUMI Yukihiisa

Designated Engagement Partner

Certified Public Accountant

/S/ KANNO Masako

Designated Engagement Partner

Certified Public Accountant

/S/ SATO Eihiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 12, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

3 Non-Consolidated Financial Statements

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

MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
ASSETS:			
Cash and deposits:			
Cash	¥ 485	¥ 861	\$ 4
Deposits	1,406,154	910,481	12,921
Total cash and deposits	1,406,640	911,343	12,925
Call loans	380,000	150,000	3,492
Receivables under securities borrowing transactions	3,191,710	2,792,202	29,327
Monetary claims bought	318,581	354,958	2,927
Money held in trust	3,056,072	2,787,555	28,081
Securities (Notes 3 and 4):			
Japanese government bonds	36,730,786	38,041,414	337,506
Japanese local government bonds	6,737,380	7,524,415	61,907
Japanese corporate bonds	5,486,350	5,562,928	50,412
Stocks	286,975	206,568	2,637
Foreign securities	4,687,342	5,284,936	43,070
Other securities	1,942,706	1,832,301	17,851
Total securities	55,871,541	58,452,565	513,384
Loans (Note 5):			
Policy loans	152,681	144,566	1,403
Industrial and commercial loans	994,446	991,309	9,138
Loans to the Management Network	4,515,620	5,650,198	41,492
Total loans	5,662,748	6,786,074	52,033
Tangible fixed assets (Note 26):			
Land	47,828	48,008	439
Buildings	41,556	43,078	382
Leased assets	2,007	2,117	18
Construction in progress	176	—	2
Other tangible fixed assets	18,135	14,659	167
Total tangible fixed assets	109,704	107,865	1,008
Intangible fixed assets (Note 26):			
Software	140,679	158,555	1,293
Other intangible fixed assets	16	18	0
Total intangible fixed assets	140,696	158,574	1,293
Agency accounts receivable	45,587	21,960	419
Reinsurance receivables	4,057	3,872	37
Other assets:			
Accounts receivable	70,594	117,969	649
Prepaid expenses (Note 26)	2,285	2,293	21
Accrued income (Note 5)	149,756	209,791	1,376
Money on deposit	6,896	7,208	63
Derivative financial instruments	72,301	14,908	664
Cash collateral paid for financial instruments (Note 4)	2,319	—	21
Suspense payments	916	1,652	8
Other assets	1,685	2,240	15
Total other assets	306,755	356,063	2,819
Deferred tax assets (Note 12)	1,173,751	1,021,999	10,785
Reserve for possible loan losses (Note 26)	(448)	(459)	(4)
Total assets	¥ 71,667,398	¥ 73,904,576	\$ 658,526

See accompanying notes to non-consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 6)	¥ 461,224	¥ 519,568	\$ 4,238
Policy reserves (Notes 6 and 9)	62,293,166	65,060,549	572,390
Reserve for policyholder dividends (Note 8)	1,437,535	1,513,634	13,209
Total policy reserves and others	64,191,926	67,093,751	589,837
Reinsurance payables	6,595	6,470	61
Bonds payable (Note 10)	100,000	100,000	919
Other liabilities:			
Payables under securities lending transactions (Note 4)	4,290,140	3,422,810	39,421
Income taxes payable	62,298	44,161	572
Accounts payable	18,175	16,615	167
Accrued expenses	24,756	33,226	227
Deposits received	2,247	2,483	21
Deposits from the Management Network (Note 11)	42,231	43,948	388
Guarantee deposits received	73	73	1
Derivative financial instruments	35,305	15,228	324
Lease obligations	2,095	2,140	19
Asset retirement obligation	5	5	0
Suspense receipt (Note 5)	829	19,717	8
Other liabilities	7,183	5,232	66
Total other liabilities	4,485,343	3,605,644	41,214
Reserve for insurance claims and others (Note 26)	29,722	—	273
Reserve for employees' retirement benefits	68,831	68,450	632
Reserve for management board benefit trust (Note 26)	164	203	2
Reserve for price fluctuations (Notes 9 and 26)	858,339	897,492	7,887
Total liabilities	¥ 69,740,924	¥ 71,772,012	\$ 640,824
NET ASSETS:			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,594
Capital surplus:			
Legal capital surplus	405,044	405,044	3,722
Other capital surplus	—	95,000	—
Total capital surplus	405,044	500,044	3,722
Retained earnings:			
Legal retained earnings	60,485	47,569	556
Other retained earnings:			
Reserve for reduction entry of real estate	5,545	5,805	51
Retained earnings brought forward	691,794	622,867	6,357
Total other retained earnings	697,340	628,672	6,408
Total retained earnings	757,826	676,242	6,963
Treasury stock	(422)	(450)	(4)
Total shareholders' equity	1,662,447	1,675,836	15,276
Net unrealized gains (losses) on available-for-sale securities	264,009	456,694	2,426
Net deferred gains (losses) on hedges	16	33	0
Total valuation and translation adjustments	264,026	456,727	2,426
Total net assets	1,926,474	2,132,564	17,702
Total liabilities and net assets	¥ 71,667,398	¥ 73,904,576	\$ 658,526

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020	2019	2020
ORDINARY INCOME:			
Insurance premiums and others:			
Insurance premiums (Note 14)	¥ 3,229,518	¥ 3,945,380	\$ 29,675
Reinsurance income	16,022	14,548	147
Total insurance premiums and others	3,245,541	3,959,928	29,822
Investment income:			
Interest and dividend income:			
Interest on deposits	23	15	0
Interest and dividends on securities	924,098	941,377	8,491
Interest on loans	14,684	14,158	135
Interest on loans to the Management Network	105,830	124,096	972
Other interest and dividend income	5,167	6,322	47
Total interest and dividend income	1,049,804	1,085,969	9,646
Gains on money held in trust (Note 16)	51,560	78,902	474
Gains on sales of securities (Note 17)	35,699	38,981	328
Gains on redemption of securities	614	395	6
Reversal of reserve for possible loan losses	8	14	0
Other investment income	101	165	1
Total investment income	1,137,789	1,204,428	10,455
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 13)	58,343	28,628	536
Reversal of policy reserves (Note 13)	2,767,383	2,716,748	25,428
Other ordinary income	2,346	6,919	22
Total other ordinary income	2,828,072	2,752,296	25,986
Total ordinary income	7,211,403	7,916,654	66,263
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 15)	4,889,175	5,489,510	44,925
Annuity payments	394,005	400,623	3,620
Benefits	110,254	87,452	1,013
Surrender benefits	602,583	645,211	5,537
Other refunds	171,590	222,902	1,577
Reinsurance premiums	23,760	23,193	218
Total insurance claims and other	6,191,369	6,868,893	56,890
Provision for interest on policyholder dividends	8	7	0
Investment expenses:			
Interest expenses	2,130	1,064	20
Losses on sales of securities (Note 18)	32,020	62,255	294
Losses on valuation of securities (Note 19)	2,689	—	25
Losses on redemption of securities	6,847	4,762	63
Losses on derivative financial instruments (Note 20)	74,799	73,381	687
Losses on foreign exchanges	2,085	1,124	19
Other investment expenses	3,425	3,417	31
Total investment expenses	123,999	146,004	1,139
Operating expenses (Note 26)	472,177	518,416	4,339
Other ordinary expenses:			
Taxes	43,974	51,515	404
Depreciation and amortization	59,125	59,377	543
Provision for reserve for insurance claims and others	29,722	—	273
Provision for reserve for employees' retirement benefits	262	653	2
Other ordinary expenses	3,934	6,640	36
Total other ordinary expenses	137,018	118,187	1,259
Total ordinary expenses	6,924,573	7,651,510	63,627
Ordinary profit	286,829	265,143	2,636
EXTRAORDINARY GAINS (Note 21)	¥ 39,546	¥ 19,251	\$ 363
EXTRAORDINARY LOSSES (Note 22)	303	1,708	3
Provision for reserve for policyholder dividends (Note 23)	109,236	111,806	1,004
Income before income taxes	216,835	170,879	1,992
Income taxes (Note 12):			
Current	143,463	139,421	1,318
Deferred	(77,759)	(89,499)	(714)
Total income taxes	65,703	49,921	604
Net income	¥ 151,132	¥ 120,958	\$ 1,389

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, 2020 AND 2019

	Millions of Yen									
	Shareholders' equity									
	Capital surplus				Legal retained earnings	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Reserve for reduction entry of real estate	Retained earnings brought forward		
BALANCE, APRIL 1, 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
Changes in the fiscal year:										
Cash dividends					12,915		(77,494)	(64,578)		(64,578)
Net income							151,132	151,132		151,132
Purchases of treasury stock									(99,999)	(99,999)
Disposals of treasury stock									57	57
Cancellation of treasury stock			(99,970)	(99,970)					99,970	-
Reversal of reserve for reduction entry of real estate						(259)	259	-		-
Transfer from retained earnings to capital surplus			4,970	4,970			(4,970)	(4,970)		-
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	-	-	(95,000)	(95,000)	12,915	(259)	68,927	81,583	28	(13,388)
BALANCE, MARCH 31, 2020	¥ 500,000	¥ 405,044	¥ -	¥ 405,044	¥ 60,485	¥ 5,545	¥ 691,794	¥ 757,826	¥ (422)	¥1,662,447

	Millions of Yen							
	Valuation and translation adjustments				Total net assets			
	Net unrealized gains (losses) on available-for- sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments					
BALANCE, APRIL 1, 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
Changes in the fiscal year:								
Cash dividends								(64,578)
Net income								151,132
Purchases of treasury stock								(99,999)
Disposals of treasury stock								57
Cancellation of treasury stock								—
Reversal of reserve for reduction entry of real estate								—
Transfer from retained earnings to capital surplus								—
Net changes in items other than shareholders' equity in the fiscal year		(192,684)		(16)		(192,701)		(192,701)
Net changes in the fiscal year		(192,684)		(16)		(192,701)		(206,089)
BALANCE, MARCH 31, 2020	¥	264,009	¥	16	¥	264,026	¥	1,926,474

See accompanying notes to non-consolidated financial statements.

Millions of U.S. Dollars (Note 1)

	Shareholders' equity									
	Capital surplus				Retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
						Reserve for reduction entry of real estate	Retained earnings brought forward			
BALANCE, MARCH 31, 2019	\$ 4,594	\$ 3,722	\$ 873	\$ 4,595	\$ 437	\$ 53	\$ 5,723	\$ 6,214	\$ (4)	\$ 15,399
Changes in the fiscal year:										
Cash dividends					119		(712)	(593)		(593)
Net income							1,389	1,389		1,389
Purchases of treasury stock									(919)	(919)
Disposals of treasury stock									1	1
Cancellation of treasury stock			(919)	(919)					919	—
Reversal of reserve for reduction entry of real estate						(2)	2	—		—
Transfer from retained earnings to capital surplus			46	46			(46)	(46)		—
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	—	—	(873)	(873)	119	(2)	633	750	0	(123)
BALANCE, MARCH 31, 2020	\$ 4,594	\$ 3,722	\$ —	\$ 3,722	\$ 556	\$ 51	\$ 6,357	\$ 6,963	\$ (4)	\$ 15,276

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, 2019	\$ 4,196	\$ 0	\$ 4,197	\$ 19,595
Changes in the fiscal year:				
Cash dividends				(593)
Net income				1,389
Purchases of treasury stock				(919)
Disposals of treasury stock				1
Cancellation of treasury stock				—
Reversal of reserve for reduction entry of real estate				—
Transfer from retained earnings to capital surplus				—
Net changes in items other than shareholders' equity in the fiscal year	(1,771)	(0)	(1,771)	(1,771)
Net changes in the fiscal year	(1,771)	(0)	(1,771)	(1,894)
BALANCE, MARCH 31, 2020	\$ 2,426	\$ 0	\$ 2,426	\$ 17,702

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

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, the 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 the 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 ¥108.83 to US\$1, the approximate rate of exchange as of March 31, 2020. 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 the "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, 2020 and 2019, were ¥49 million (\$0 million) and ¥232 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 (Public notice 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 Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter the "Management Network"), which is an independent administrative institution. As a result, the amounts of provision for the additional policy reserves for the years ended March 31, 2020 and 2019, were ¥176,734 million (\$1,624 million) and ¥179,882 million, respectively.

The Management Network 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 Network.

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 Network under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(7) Reserve for Insurance Claims and Others

With regard to policies that have been discovered through investigations to have likely caused disadvantages to customers in a way that was not in line with their intentions, reserve for insurance claims and others is provided in the projected amount of insurance claims and others arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

(8) 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.

(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 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) Consumption Taxes

All figures are net of consumption taxes.

(13) Additional Information

1) 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 (16) "Additional Information" of the consolidated financial statements as of and for the year ended March 31, 2020.

2) Investigation into the Company's handling of insurance policies and the remedial measures involved

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. Consequently, the Company has been conducting investigations using appropriate procedures, by providing explanations to and receiving advice from the Special Investigative Committee composed of neutral and fair external experts, regarding the methods for confirming customers' intentions as well as for analyzing the information obtained.

The investigations included the investigation of specified rewriting cases (the investigation to grasp the situation of customers likely to have suffered disadvantages from the rewriting of policies), and the investigation of all insurance policies (the investigation

where the Company sent notification documents with reply cards to customers of all other policies that were not subject to the investigation of specified rewriting cases, asking them to reconfirm their intentions and to let the Company know of any points it should be aware of, whereby the Company made necessary responses and investigations according to the results of the reconfirmation, and the investigation of such cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of customers, judging from the type of the policies).

In consideration of the results of these investigations obtained by the end of the fiscal year ended March 31, 2020, the Company has reasonably estimated insurance-related expenses at ¥29,722 million (\$273 million) to be incurred due to the refund of premiums and payments of insurance claims necessary for the future reinstatement of policies, as of March 31, 2020. These expenses were recorded under reserve for insurance claims and others.

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. Following the administrative dispositions, a business improvement plan was formulated and it was submitted to the Financial Services Agency of Japan as of January 31, 2020. The Company accepts the seriousness of administrative dispositions and is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts.

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, 2020 and 2019, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
March 31	2020	2019	2020
Equities of subsidiaries	¥ 984	¥ 984	\$ 9
Equities of affiliates	495	495	5
Investments in capital of affiliates	9,427	4,511	87

Securities lent under lending agreements in the amount of ¥4,872,448 million (\$44,771 million) and ¥3,710,368 million were included in "Securities" in the balance sheets as of March 31, 2020 and 2019, 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 ¥3,545,026 million (\$32,574 million) and ¥3,193,785 million as of March 31, 2020 and 2019, respectively.

(2) Policy-Reserve-Matching Bonds

The balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2020	2019	2020
Balance sheet amount	¥ 9,574,646	¥ 10,570,049	\$ 87,978
Fair value	10,578,535	11,724,384	97,202

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, 2020 and 2019, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
March 31	2020	2019	2020
Assets pledged as collateral:			
Securities	¥ 3,622,145	¥ 2,900,087	\$ 33,283
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	4,290,140	3,422,810	39,421

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
March 31	2020	2019	2020
Securities	¥ 480,477	¥ 388,753	\$ 4,415
Cash collateral paid for financial instruments	2,319	—	21

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, 2020 and 2019. 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, 2020 and 2019, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
	¥ 17,717	¥ 14,751	\$ 163
Amount of unused commitments			

With respect to loans to the Management Network maturing at the end of the year ended March 31, 2019, 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 year ended March 31, 2019, fell on a bank holiday. Of the loans to the Management Network, those repaid in advance are recorded in "Suspense receipt" as the due date had not arrived. Loans to the Management Network 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, were as follows:

March 31	Millions of Yen
	2019
Loans to the Management Network	¥ 377,726
Accrued income	54,865
Suspense receipt	12,822

Note: The end of the year ended March 31, 2020, did not fall on a bank holiday.

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, 2020 and 2019, was as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
	¥ 473	¥ 454	\$ 4
Reserve for outstanding claims—ceded			

The policy reserves for reinsured part defined in Article 71, Paragraph 1, of the said Ordinance (hereinafter "policy reserves—ceded") as of March 31, 2020 and 2019, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
	¥ 967	¥ 985	\$ 9
Policy reserves—ceded			

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 ¥34,524 million (\$317 million) and ¥33,174 million, as of March 31, 2020 and 2019, 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, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
Years ended March 31	2020	2019	2020
Balance at the beginning of the year	¥ 1,513,634	¥ 1,622,889	\$ 13,908
Policyholder dividends paid	(185,042)	(220,769)	(1,700)
Interest accrual	8	7	0
Reduction due to the acquisition of additional annuity	(301)	(300)	(3)
Provision for reserve for policyholder dividends	109,236	111,806	1,004
Balance at the end of the year	¥ 1,437,535	¥ 1,513,634	\$ 13,209

9. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, 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 Organization for Postal Savings, Postal Life Insurance and Post Office Network (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, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2020	2019	2020
Policy reserves (excluding contingency reserve)	¥ 33,324,093	¥ 35,566,089	\$ 306,203
Contingency reserve	1,320,677	1,491,491	12,135
Reserve for price fluctuations	631,990	661,836	5,807

10. BONDS PAYABLE

Bonds payable, which are subordinated bonds stipulating that their priorities are ranked behind other obligations, as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	2020	2019	2020
Subordinated bonds	¥ 100,000	¥ 100,000	\$ 919

11. DEPOSITS FROM THE MANAGEMENT NETWORK

Deposits from the Management Network 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 Network, which were deposited at the time of privatization based on the outsourcing agreements with the Management Network 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, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Deferred tax assets:			
Policy reserves	¥ 995,598	¥ 918,790	\$ 9,148
Reserve for price fluctuations	203,752	208,438	1,872
Reserve for outstanding claims	42,014	44,069	386
Reserve for employees' retirement benefits	19,274	19,167	177
Unrealized losses on available-for-sale securities	118,027	40,496	1,085
Other	34,768	20,990	319
Subtotal	1,413,436	1,251,953	12,988
Valuation allowance	(11,254)	(6,031)	(103)
Total deferred tax assets	1,402,181	1,245,922	12,884
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(219,330)	(215,786)	(2,015)
Other	(9,099)	(8,136)	(84)
Total deferred tax liabilities	(228,430)	(223,922)	(2,099)
Net deferred tax assets (liabilities)	¥ 1,173,751	¥ 1,021,999	\$ 10,785

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% for the years ended March 31, 2020 and 2019.

Reconciliation of the effective income tax rate reflected in the accompanying non-consolidated statements of income to the statutory tax rate for the year ended March 31, 2020, was as follows:

Year ended March 31	2020
Statutory tax rate	28.00%
Changes in valuation allowance	2.41
Other	(0.11)
Effective income tax rate	30.30%

Note: Reconciliation of the statutory tax rate and the effective income tax rate for the year ended March 31, 2019, 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 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, 2020, was ¥18 million (\$0 million). 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.

The amount of reversal of policy reserves—ceded that is deducted from the calculation of reversal of policy reserves for the year ended March 31, 2020, was ¥18 million (\$0 million). The amount of provision for policy reserves—ceded that is added to the calculation of reversal of policy reserves for the year ended March 31, 2019, was ¥39 million.

14. INSURANCE PREMIUMS

Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums for the years ended March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Years ended March 31			
Insurance premiums	¥ 459,151	¥ 590,340	\$ 4,219

15. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the years ended March 31, 2020 and 2019, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Insurance claims	¥ 3,349,302	¥ 4,030,959	\$ 30,776

16. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included losses on valuation of ¥32,103 million (\$295 million) and ¥10,860 million for the years ended March 31, 2020 and 2019, respectively.

17. GAINS ON SALES OF SECURITIES

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japanese government bonds, etc.	¥ 12,657	¥ 1,204	\$ 116
Stocks	6,730	7,594	62
Foreign securities	16,310	30,181	150

18. LOSSES ON SALES OF SECURITIES

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Japanese government bonds, etc.	¥ 802	¥ 2,876	\$ 7
Stocks	11,204	10,157	103
Foreign securities	18,307	48,160	168
Other securities	1,705	1,059	16

19. LOSSES ON VALUATION OF SECURITIES

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Foreign securities	¥ 2,689	¥ —	\$ 25

20. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included gains on valuation of ¥36,971 million (\$340 million) for the year ended March 31, 2020, and losses on valuation of ¥367 million for the year ended March 31, 2019.

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2020 and 2019, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Gains on sales of fixed assets	¥ 393	¥ —	\$ 4
Reversal of reserve for price fluctuations	39,152	19,251	360
Total	¥ 39,546	¥ 19,251	\$ 363

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2020 and 2019, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Years ended March 31			
Losses on sales and disposal of fixed assets	¥ 303	¥ 619	\$ 3
Losses on impairment of fixed assets	—	1,088	—
Total	¥ 303	¥ 1,708	\$ 3

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Management Network, for the years ended March 31, 2020 and 2019, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Years ended March 31			
Provision for reserve for policyholder dividends	¥ 93,775	¥ 92,117	\$ 862

24. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2020 and 2019, and outstanding balances arising from such transactions as of March 31, 2020 and 2019, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Years ended March 31			
Income	¥ 0	¥ 6	\$ 0
Expenses	14,505	13,910	133

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
Monetary claims	¥ 367	¥ 418	\$ 3
Monetary obligations	14,803	16,189	136

25. SUBSEQUENT EVENTS

None.

26. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Sales activity expenses:	¥ 111,079	¥ 157,168	\$ 1,021
Field sales staff-related expenses	10,102	10,958	93
Sales agencies-related expenses	100,976	146,209	928
Selection expenses of policyholders	0	0	0
Sales administration expenses:	15,003	18,154	138
Management of sales agencies	10,363	10,286	95
Training and education of sales staff	28	29	0
Advertising	4,611	7,838	42
General administration expenses:	346,095	343,093	3,180
Personnel expenses	48,752	47,548	448
Property expenses	294,868	293,167	2,709
Donation, contribution and miscellaneous dues	983	500	9
Obligations	2,474	2,377	23
Total	¥ 472,177	¥ 518,416	\$ 4,339

Notes:

1. "Property expenses" include consignment costs related to the maintenance and control of insurance policies, IT-system-related costs and contributions based on Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.
2. "Obligations" are 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, 2020						
	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	¥ —	¥ —	¥ —	¥ 47,828	¥ —	¥ —	¥ 47,828
Buildings	—	—	—	63,895	22,338	3,278	41,556
Leased assets	—	—	—	4,265	2,257	675	2,007
Construction in progress	—	—	—	176	—	—	176
Other	—	—	—	38,781	20,645	4,185	18,135
Total tangible fixed assets	—	—	—	154,946	45,242	8,139	109,704
Intangible fixed assets:							
Software	—	—	—	492,322	351,643	50,931	140,679
Other	—	—	—	30	13	2	16
Total intangible fixed assets	—	—	—	492,353	351,657	50,934	140,696
Long-term prepaid expenses	615	102	7	709	380	52	329
Deferred assets	—	—	—	—	—	—	—

Millions of Yen								
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	¥	—	¥	—	¥	—	¥	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 U.S. Dollars								
Year ended March 31, 2020								
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	\$	—	\$	—	\$	—	\$	439
Buildings	—	—	—	587	205	30	—	382
Leased assets	—	—	—	39	21	6	—	18
Construction in progress	—	—	—	2	—	—	—	2
Other	—	—	—	356	190	38	—	167
Total tangible fixed assets	—	—	—	1,424	416	75	—	1,008
Intangible fixed assets:								
Software	—	—	—	4,524	3,231	468	—	1,293
Other	—	—	—	0	0	0	—	0
Total intangible fixed assets	—	—	—	4,524	3,231	468	—	1,293
Long-term prepaid expenses	6	1	0	7	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, 2020					
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance
Reserve for possible loan losses	¥ 459	¥ 448	¥ 33	¥ 426	¥ 448
General reserve	45	37	—	45	37
Specific reserve	413	411	33	380	411
Reserve for insurance claims and others	—	29,722	—	—	29,722
Reserve for management board benefit trust	203	—	32	6	164
Reserve for price fluctuations	897,492	19,375	58,528	—	858,339

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 U.S. Dollars					
Year ended March 31, 2020					
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance
Reserve for possible loan losses	\$ 4	\$ 4	\$ 0	\$ 4	\$ 4
General reserve	0	0	—	0	0
Specific reserve	4	4	0	3	4
Reserve for insurance claims and others	—	273	—	—	273
Reserve for management board benefit trust	2	—	0	0	2
Reserve for price fluctuations	8,247	178	538	—	7,887

Notes:

1. Decrease (for other reasons) of reserve for possible loan losses represents the reversed amount of the unused balance of the previous year's reserve.
2. Decrease (for other reasons) of reserve for management board benefit trust is due to a decrease in the projected amount.

Independent Auditor's Report



Independent auditor's report

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

Opinion

We have audited the accompanying non-consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. ("the Company"), which comprise the non-consolidated balance sheets as at March 31, 2020 and 2019, the non-consolidated statements of income, changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2020 and 2019, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

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.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2020 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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ TATSUMI Yukihiisa

Designated Engagement Partner

Certified Public Accountant

/S/ KANNO Masako

Designated Engagement Partner

Certified Public Accountant

/S/ SATO Eihiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 12, 2020

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

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	2019	2020
Total amount of solvency margin (A)	¥ 5,647,874	¥ 5,161,600
Capital stock, etc.	1,631,920	1,639,908
Reserve for price fluctuations	897,492	858,339
Contingency reserve	1,962,755	1,797,366
Catastrophe loss reserve	—	—
General reserve for possible loan losses	45	37
(Net unrealized gains (losses) on available-for-sale securities (before taxes)·Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	568,785	328,782
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,336)	19
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	4,569	4,261
Excess of continued Zillmerized reserve	489,649	442,807
Capital raised through debt financing	100,000	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	—	—
Deductions	(5,006)	(9,923)
Other	—	—
Total amount of risk (B)	949,323	963,888
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$		
Insurance risk R ₁	142,209	137,197
General insurance risk R ₅	—	—
Catastrophe risk R ₆	—	—
Underwriting risk of third-sector insurance R ₈	59,172	54,172
Small amount and short-term insurance risk R ₉	—	—
Anticipated yield risk R ₂	141,866	136,652
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	763,194	785,317
Business management risk R ₄	22,128	22,266
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.8%	1,070.9%

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		2019	2020
	Bankrupt or quasi-bankrupt loans	¥ —	¥ —
	Doubtful loans	—	—
	Substandard loans	—	—
	Subtotal	—	—
	(Percentage in total)	(—)	(—)
	Normal loans	7,976,887	7,412,339
	Total	7,976,887	7,412,339

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, 2019 and 2020.

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

There were no such outstanding balances as of March 31, 2019 and 2020.

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

(Millions of yen)

As of March 31	2019	2020
Total amount of solvency margin (A)	¥ 5,649,027	¥ 5,168,422
Capital stock, etc.	1,632,636	1,641,069
Reserve for price fluctuations	897,492	858,339
Contingency reserve	1,962,755	1,797,366
General reserve for possible loan losses	45	37
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	568,785	328,782
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,336)	19
Excess of continued Zillmerized reserve	489,649	442,807
Capital raised through debt financing	100,000	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)	950,952	967,023
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Insurance risk R ₁	142,209	137,197
Underwriting risk of third-sector insurance R ₈	59,172	54,172
Anticipated yield risk R ₂	141,866	136,652
Minimum guarantee risk R ₇	—	—
Investment risk R ₃	764,830	788,454
Business management risk R ₄	22,161	22,329
Solvency margin ratio (A) — × 100 (1/2) × (B)	1,188.0%	1,068.9%

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	2019	2020
Real net assets	¥ 13,531,906	¥ 12,347,875
[Ratio to general account assets]	[18.3]	[17.2]

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, 2019 and 2020.

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

(Millions of yen)

As of March 31	2019					2020				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	¥ 36,391,299	¥ 43,113,443	¥ 6,722,144	¥ 6,722,582	¥ 438	¥35,735,724	¥41,953,389	¥6,217,664	¥6,217,743	¥ 79
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334	1,154,883	548	9,574,646	10,578,535	1,003,888	1,007,456	3,567
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	14,191,166	14,824,637	633,471	776,624	143,152	13,651,666	14,021,785	370,119	786,871	416,751
Corporate and government bonds	4,197,397	4,265,410	68,012	69,713	1,701	3,700,415	3,742,144	41,729	46,711	4,981
Domestic stocks	1,475,620	1,756,060	280,440	355,130	74,690	1,710,037	1,765,197	55,159	265,192	210,032
Foreign securities	5,503,242	5,778,632	275,390	326,368	50,978	4,754,442	5,159,292	404,849	448,638	43,788
Foreign corporate and government bonds	4,826,642	5,010,788	184,146	230,918	46,772	4,048,995	4,424,175	375,180	378,559	3,379
Foreign stocks and other securities	676,599	767,843	91,243	95,450	4,206	705,447	735,117	29,669	70,078	40,409
Other securities	2,257,142	2,264,575	7,432	23,214	15,781	2,635,194	2,501,569	(133,625)	24,323	157,948
Monetary claims bought	352,762	354,958	2,196	2,196	—	316,576	318,581	2,005	2,005	—
Negotiable certificates of deposit	405,000	405,000	—	—	—	535,000	535,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	61,152,515	69,662,466	8,509,950	8,654,090	144,139	58,962,037	66,553,710	7,591,672	8,012,071	420,398
Corporate and government bonds	51,060,746	59,003,919	7,943,172	7,945,860	2,688	48,912,786	56,175,830	7,263,044	7,271,672	8,628
Domestic stocks	1,475,620	1,756,060	280,440	355,130	74,690	1,710,037	1,765,197	55,159	265,192	210,032
Foreign securities	5,601,242	5,877,951	276,709	327,687	50,978	4,852,442	5,257,531	405,088	448,877	43,788
Foreign corporate and government bonds	4,924,642	5,110,107	185,465	232,237	46,772	4,146,995	4,522,414	375,418	378,798	3,379
Foreign stocks and other securities	676,599	767,843	91,243	95,450	4,206	705,447	735,117	29,669	70,078	40,409
Other securities	2,257,142	2,264,575	7,432	23,214	15,781	2,635,194	2,501,569	(133,625)	24,323	157,948
Monetary claims bought	352,762	354,958	2,196	2,196	—	316,576	318,581	2,005	2,005	—
Negotiable certificates of deposit	405,000	405,000	—	—	—	535,000	535,000	—	—	—
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 ¥2,549,094 million with net unrealized gains of ¥73,086 million as of March 31, 2020 and ¥2,190,833 million with net unrealized gains of ¥392,859 million as of March 31, 2019.

○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2019			2020		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 36,272,504	¥ 42,995,086	¥ 6,722,582	¥ 35,729,524	¥ 41,947,268	¥ 6,217,743
Corporate and government bonds	36,174,504	42,895,767	6,721,263	35,631,524	41,849,029	6,217,504
Foreign securities	98,000	99,319	1,319	98,000	98,238	238
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	118,795	118,357	(438)	6,200	6,120	(79)
Corporate and government bonds	118,795	118,357	(438)	6,200	6,120	(79)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2019			2020		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 10,521,279	¥ 11,676,162	¥ 1,154,883	¥ 9,322,412	¥ 10,329,868	¥ 1,007,456
Corporate and government bonds	10,521,279	11,676,162	1,154,883	9,322,412	10,329,868	1,007,456
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which fair value does not exceed the balance sheet amount	48,770	48,221	(548)	252,234	248,667	(3,567)
Corporate and government bonds	48,770	48,221	(548)	252,234	248,667	(3,567)
Foreign securities	—	—	—	—	—	—
Other	—	—	—	—	—	—

○ Available-for-sale securities

(Millions of yen)

As of March 31	2019			2020		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 8,024,434	¥ 8,346,127	¥ 321,693	¥ 7,489,235	¥ 7,936,545	¥ 447,309
Corporate and government bonds	3,993,200	4,062,914	69,713	2,834,438	2,881,150	46,711
Domestic stocks	64,387	70,824	6,436	60,634	64,520	3,885
Foreign securities	3,341,886	3,572,999	231,113	3,885,173	4,263,999	378,826
Other securities	602,197	614,430	12,232	687,411	703,292	15,880
Monetary claims bought	22,762	24,958	2,196	21,577	23,583	2,005
Negotiable certificates of deposit	—	—	—	—	—	—
Other	—	—	—	—	—	—
Those for which the balance sheet amount does not exceed book value	3,975,898	3,894,817	(81,081)	3,613,336	3,463,059	(150,276)
Corporate and government bonds	204,197	202,495	(1,701)	865,976	860,994	(4,981)
Domestic stocks	147,337	130,024	(17,312)	261,433	216,735	(44,697)
Foreign securities	1,664,756	1,613,936	(50,819)	336,489	325,343	(11,146)
Other securities	1,224,606	1,213,360	(11,246)	1,319,437	1,229,986	(89,450)
Monetary claims bought	329,999	329,999	—	294,998	294,998	—
Negotiable certificates of deposit	405,000	405,000	—	535,000	535,000	—
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	2019	2020
Held-to-maturity bonds	¥ –	¥ –
Unlisted foreign bonds	–	–
Other	–	–
Policy-reserve-matching bonds	–	–
Equities of subsidiaries and affiliates	5,990	10,907
Available-for-sale securities	161,193	305,190
Unlisted domestic stocks (excluding OTC traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC traded equities)	–	–
Unlisted foreign bonds	–	–
Other	156,953	300,951
Total	167,184	316,098

Notes:

1. This table includes money held in trust other than trading securities (¥156,953 million as of March 31, 2019 and ¥300,951 million as of March 31, 2020).
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: ¥1,440 million as of March 31, 2019 and ¥4,633 million as of March 31, 2020.

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

(Millions of yen)

As of March 31	2019					2020				
	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	¥ 2,627,236	¥ 2,627,236	¥ –	¥ –	¥ –	¥ 2,744,305	¥ 2,744,305	¥ –	¥ –	¥ –

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥160,318 million as of March 31, 2019 and ¥311,766 million as of March 31, 2020).

1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2019 and 2020.

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	2019					2020				
	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	2,234,377	2,627,236	392,859	454,931	62,071	2,671,219	2,744,305	73,086	339,561	266,474
Domestic stocks	1,263,894	1,555,211	291,316	348,694	57,377	1,387,969	1,483,941	95,971	261,306	165,334
Foreign stocks	269,669	345,537	75,868	75,868	–	297,237	323,512	26,275	52,834	26,558
Foreign bonds	528,080	550,314	22,234	26,508	4,274	736,002	698,499	(37,503)	23,453	60,956
Other	172,732	176,172	3,440	3,859	419	250,009	238,353	(11,656)	1,967	13,623

Notes:

1. Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥160,318 million as of March 31, 2019 and ¥311,766 million as of March 31, 2020).
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:

- Currency-related: Foreign exchange contracts and currency option transactions
- Interest rate-related: Interest rate swaps
- Bond-related: Over-the-counter bond options

(ii) Policy for using derivative transactions

The Company uses derivative transactions primarily for the purpose of hedging interest rate risk and foreign exchange fluctuation risk of our investment assets.

(iii) Purposes of the use of derivative transactions

The Company mainly 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 fix 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 foreign exchange rates and interest rates) and credit risk (risks of transaction partners’ default, including bankruptcy).

The Company uses derivative transactions primarily for the purpose 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, which sets out the investment policies of derivative transactions, and uses derivative transactions primarily for hedging 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:

[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 prices offered by the financial institutions.

[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.

[Over-the-counter bond options]

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

– Additional notes about net unrealized gains (losses)

We use derivative transactions primarily as a means to hedge the market risk of our investment assets, 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, 2019	¥ 1,210	¥ (367)	¥ –	¥ –	¥ –	¥ 842
Portion with hedge accounting applied	1,210	122	–	–	–	1,332
Portion with hedge accounting not applied	–	(490)	–	–	–	(490)
As of March 31, 2020	980	36,971	–	–	–	37,952
Portion with hedge accounting applied	980	36,973	–	–	–	37,954
Portion with hedge accounting not applied	–	(2)	–	–	–	(2)

Notes:

- 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.
- Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥36,973 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2020 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, 2019 and 2020.

(iii) Currency-related derivatives

(Millions of yen)

Category	Type	As of March 31, 2019				As of March 31, 2020			
		Contract amount, etc.		Fair value	Net unrealized gains (losses)	Contract amount, etc.		Fair value	Net unrealized gains (losses)
			Due after 1 year				Due after 1 year		
Over-the-counter	Foreign currency exchange contracts								
	Sold	¥43,936	¥ –	¥ (490)	¥ (490)	¥ 204	¥ –	¥ (2)	¥ (2)
	U.S. dollars	43,936	–	(490)	(490)	204	–	(2)	(2)
	Purchased	–	–	–	–	–	–	–	–
Total					(490)				(2)

Notes:

- Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
- 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, 2019 and 2020.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2019 and 2020.

(vi) Others

There were no such outstanding balances as of March 31, 2019 and 2020.

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, 2019			As of March 31, 2020		
			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	¥ 6,150	¥ 6,150	¥ 47	¥ 6,150	¥ 3,900	¥ 24
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate/Payable floating rate	Loans	30,100	26,050	1,162	26,050	23,950	956
Total					1,210			980

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, 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	—	—	—	—	—	—	—
As of March 31, 2020	4,350	8,600	14,250	5,000	—	—	32,200
Fixed receipt swap notional principal	4,350	8,600	14,250	5,000	—	—	32,200
Average fixed interest receipt	0.55	0.61	0.92	1.12	—	—	0.82
Average floating interest payment	0.05	0.07	0.06	0.08	—	—	0.06
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, 2019			As of March 31, 2020		
			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		¥ 3,879,964	¥ –	¥ 122	¥ 3,382,993	¥ –	¥ 36,973
	U.S. dollars	Available-for-sale securities	2,621,488	–	1,452	2,093,405	–	(32,310)
	Euros		568,644	–	1,222	523,596	–	6,238
	Australian dollars		246,076	–	(2,185)	256,452	–	30,310
	Other		443,754	–	(366)	509,538	–	32,734
	Purchased		–	–	–	–	–	–
Total					122			36,973

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, 2019 and 2020.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2019 and 2020.

(vi) Others

There were no such outstanding balances as of March 31, 2019 and 2020.

5-7 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31	2019	2020
Core income	¥ 7,891,925	¥ 7,213,587
Insurance premiums and others	3,959,928	3,245,541
Investment income	1,151,410	1,128,627
Other ordinary income	2,780,586	2,839,418
Reversal of policy reserves	2,745,037	2,778,729
Core expenses	7,514,749	6,812,978
Insurance claims and others	6,868,893	6,191,369
Provision for policy reserves and others	7	8
Investment expenses	9,243	12,403
Operating expenses	518,416	472,177
Other ordinary expenses	118,187	137,018
Core profit A	377,176	400,609
Capital gains	117,883	87,260
Gains on money held in trust	78,902	51,560
Gains on trading securities	—	—
Gains on sales of securities	38,981	35,699
Gains on derivative financial instruments	—	—
Gains on foreign exchanges	—	—
Other capital gains	—	—
Capital losses	201,626	189,693
Losses on money held in trust	—	—
Losses on trading securities	—	—
Losses on sales of securities	62,255	32,020
Losses on valuation of securities	—	2,689
Losses on derivative financial instruments	73,381	74,799
Losses on foreign exchanges	1,124	2,085
Other capital losses	64,865	78,097
Net capital gains (losses) B	(83,743)	(102,433)
Core profit including net capital gains (losses) A+B	293,433	298,175
Other one-time gains	151,592	165,388
Reinsurance income	—	—
Reversal of contingency reserve	151,592	165,388
Reversal of specific reserve for possible loan losses	—	—
Other	—	—
Other one-time losses	179,882	176,734
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	179,882	176,734
Other one-time profits (losses) C	(28,289)	(11,345)
Ordinary profit A+B+C	265,143	286,829

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 (¥64,865 million for 2019 and ¥78,097 million for 2020) 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 (¥179,882 million for 2019 and ¥176,734 million for 2020).

(Reference) Breakdown of Core Profit

(Millions of yen)

For the years ended March 31	2019	2020
Core profit	¥ 377,176	¥ 400,609
Spread (positive/negative spread)	58,460	80,466
Core profit attributable to life insurance activities	318,715	320,142

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, 2020, there was a positive spread of ¥80.4 billion.

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

$$\begin{array}{lcl} \text{Positive spread} & = & [\text{investment return on core profit} - \text{average assumed rate of return}] \times \text{general account policy reserves} \\ \text{¥80.4 billion} & & [1.82\%] \quad [1.69\%] \quad \text{¥61,278.9 billion} \end{array}$$

- 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	2016	2017	2018	2019	2020
Ordinary income	¥ 9,605.8	¥ 8,659.4	¥ 7,952.9	¥ 7,916.6	¥ 7,211.4
Ordinary profit	413.0	279.3	308.8	265.1	286.8
Core profit	464.2	390.0	386.1	377.1	400.6
Net income	86.3	88.5	104.3	120.9	151.1
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(600,000)	(600,000)	(600,000)	(600,000)	(562,600)
Total assets	81,543.6	80,336.4	76,832.5	73,904.5	71,667.3
Separate account	—	—	—	—	—
Policy reserves	72,362.5	70,175.2	67,777.2	65,060.5	62,293.1
Loans	8,978.4	8,060.9	7,627.1	6,786.0	5,662.7
Securities	63,610.8	63,486.2	60,131.8	58,452.5	55,871.5
Solvency margin ratio (%)	1,568.1%	1,289.1%	1,130.5%	1,188.0%	1,068.9%
Number of employees (persons)	7,378	7,424	7,490	7,617	7,638
Policy amount in force	47,882.7	53,229.1	55,102.2	55,331.3	51,846.2
Individual insurance	44,406.2	50,097.9	52,359.7	53,001.8	49,915.5
Individual annuities	3,476.4	3,131.1	2,742.5	2,329.4	1,930.6
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.

As of May 31, 2019, the number of shares issued decreased by 37,400 thousand shares, due to the cancellation of treasury stock.

2. "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	2019				2020			
	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	18,095,226	101.0%	¥ 53,001,882	101.2%	17,163,300	94.8%	¥ 49,915,586	94.2%
Individual annuities	1,268,171	95.1	2,329,471	84.9	1,164,059	91.8	1,930,642	82.9
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	2019						2020					
	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	1,711,410	98.4%	¥ 5,563,886	101.8%	¥ 5,563,886	–	644,499	37.7%	¥ 1,893,727	34.0%	¥ 1,893,727	–
Individual annuities	406	63.3	1,974	65.8	1,974	–	549	135.2	3,527	178.7	3,527	–
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	2019		2020	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 3,363,941	99.9%	¥ 3,144,610	93.5%
Individual annuities	452,478	92.1	412,062	91.1
Total	¥ 3,816,419	98.9	¥ 3,556,673	93.2
Medical coverage, living benefits and other	410,929	107.5	393,881	95.9

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	2019		2020	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 351,398	93.4%	¥ 146,966	41.8%
Individual annuities	171	64.8	314	183.6
Total	¥ 351,570	93.4	¥ 147,280	41.9
Medical coverage, living benefits and other	61,618	104.1	22,132	35.9

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	2019		2020	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	1,711,410	¥ 5,563,886	644,499	¥ 1,893,727
Ordinary whole life insurance	636,106	1,954,761	163,628	502,026
Fixed amount type	231,280	459,720	60,445	119,377
Increased amount type	404,826	1,495,041	103,183	382,648
(Inclusive) Ordinary whole life insurance (low cash value)	134,920	366,532	31,100	83,323
Fixed amount type	62,621	121,544	14,583	27,939
Increased amount type	72,299	244,987	16,517	55,383
Ordinary whole life insurance with relaxed underwriting criteria	—	—	64,491	60,207
(Inclusive) Ordinary whole life insurance with relaxed underwriting criteria (low cash value)	—	—	13,094	10,741
Special whole life insurance	102,765	372,244	24,918	89,608
(Inclusive) Special whole life insurance (low cash value)	25,082	88,410	5,558	19,599
Ordinary term insurance	2,742	5,865	767	1,604
Ordinary endowment insurance	447,018	1,338,130	189,254	616,914
Ordinary endowment insurance with relaxed underwriting criteria	—	—	33,837	34,405
Special endowment insurance	394,335	1,635,460	121,460	495,456
Designated endowment insurance	653	836	8	10
Educational endowment insurance (H24)	127,791	256,587	46,136	93,494
Individual annuities	406	¥ 1,974	549	¥ 3,527
Longevity support insurance (low cash value)	406	1,974	549	3,527
Asset-formation insurance	2	¥ 0	2	¥ 0
Asset-formation savings insurance	2	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) Policies in Force by Product

(Number of policies, millions of yen)

As of March 31	2019		2020	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	18,095,226	¥ 53,001,882	17,163,300	¥ 49,915,586
Ordinary whole life insurance	3,566,628	11,016,442	3,473,737	10,600,951
Fixed amount type	1,296,811	2,941,955	1,261,517	2,834,704
Increased amount type	2,269,817	8,074,487	2,212,220	7,766,247
(Inclusive) Ordinary whole life insurance (low cash value)	206,815	556,571	218,490	586,198
Fixed amount type	95,091	185,211	99,891	193,727
Increased amount type	111,724	371,360	118,599	392,470
Ordinary whole life insurance with relaxed underwriting criteria	—	—	57,768	53,214
(Inclusive) Ordinary whole life insurance with relaxed underwriting criteria (low cash value)	—	—	11,782	9,574
Special whole life insurance	1,942,657	6,537,779	1,893,885	6,319,678
(Inclusive) Special whole life insurance (low cash value)	38,942	133,950	41,453	142,074
Whole life insurance with nursing care benefit	110	288	108	261
Ordinary term insurance	5,673	19,516	5,402	21,165
Ordinary endowment insurance	6,528,280	16,923,823	5,936,109	15,407,654
Ordinary endowment insurance with relaxed underwriting criteria	—	—	31,095	31,713
Special endowment insurance	3,216,983	12,881,483	2,975,441	11,925,917
Designated endowment insurance	45,957	85,729	34,299	65,212
Educational endowment insurance	1,057,806	1,885,640	1,021,115	1,838,202
Educational endowment insurance with scholarship annuity	84,392	163,039	81,928	158,511
Educational endowment insurance (H24)	1,646,355	3,486,538	1,652,038	3,491,595
Husband-and-wife insurance	34	101	34	101
Whole life insurance with whole life annuity	350	1,494	340	1,402
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3
Individual annuities	1,268,171	¥ 2,329,471	1,164,059	¥ 1,930,642
Longevity support insurance (low cash value)	950	4,511	1,334	7,090
Immediate whole life annuity	937	3,521	872	3,241
Deferred whole life annuity	9,827	76,764	9,668	75,305
Whole life annuity with additional nursing annuity	5	51	5	51
Immediate term annuity	317,912	307,548	254,666	206,342
Deferred term annuity	938,529	1,937,001	897,504	1,638,554
Immediate husband-and-wife annuity	1	3	1	3
Deferred husband-and-wife annuity	10	70	9	54
Asset-formation insurance	86	¥ 86	61	¥ 64
Asset-formation savings insurance	82	82	57	59
Asset-formation housing funding insurance	4	4	4	5
Asset-formation annuities	12	¥ 51	11	¥ 47
Asset-formation whole life annuity	12	51	11	47

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	
			2019	2020
Death benefit	General death	Individual insurance	¥ 49,515,343	¥ 46,423,990
		Individual annuities	—	—
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	73,624,135	67,322,726
	Accidental death	Individual insurance	[60,702,433]	[58,397,757]
		Individual annuities	[13,645]	[12,460]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[106,663,268]	[99,297,614]
	Other conditional death	Individual insurance	[—]	[—]
		Individual annuities	[—]	[—]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[—]	[—]
Survival benefit	Maturity/living benefits	Individual insurance	3,486,538	3,491,595
		Individual annuities	583,096	441,993
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	5,857,305	5,509,104
	Annuities	Individual insurance	[20,042]	[19,493]
		Individual annuities	[454,865]	[419,888]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[1,119,867]	[1,002,768]
	Others	Individual insurance	—	—
		Individual annuities	1,746,375	1,488,648
		Group insurance	—	—
		Group annuities	—	—
		Net, including others	10,785,233	10,506,515
Hospitalization benefit	Hospitalization due to accident	Individual insurance	[52,905]	[49,644]
		Individual annuities	[33]	[30]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[91,286]	[83,908]
	Hospitalization due to illness	Individual insurance	[52,327]	[49,146]
		Individual annuities	[8]	[7]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[90,587]	[83,308]
	Other conditional hospitalization	Individual insurance	[7,101]	[6,404]
		Individual annuities	[5]	[4]
		Group insurance	[—]	[—]
		Group annuities	[—]	[—]
		Net, including others	[11,188]	[10,219]

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	
		2019	2020
Disability benefit	Individual insurance	[11,045,043]	[10,317,191]
	Individual annuities	[3,757]	[3,441]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[20,908,807]	[19,137,690]
Surgery benefit	Individual insurance	[13,464,905]	[12,883,121]
	Individual annuities	[6,112]	[5,637]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[24,283,260]	[22,929,616]

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	
		2019	2020
Death protection insurance	Whole life insurance	¥ 17,554,511	¥ 16,974,106
	Whole life insurance with term rider	—	—
	Term insurance	19,516	21,165
	Net, including others	17,575,525	16,996,677
Mixed insurance	Endowment insurance	29,891,036	27,430,498
	Endowment insurance with term rider	—	—
	Term insurance with living benefits	—	—
	Net, including others	31,939,817	29,427,313
Pure endowment insurance		3,486,538	3,491,595
Annuities	Individual annuities	2,329,471	1,930,642
Accident/illness riders	Accident rider	26,320,372	23,766,485
	Nursing care rider	190	188
	Accident hospitalization rider	3	2
	Illness hospitalization rider	0	0
	Illness and accident hospitalization rider	597	552
	Non-participating accident hospitalization rider	530	428
	Non-participating illness and accident hospitalization rider	41,710	37,658
	Non-participating accidental rider	4,234,582	4,760,829
	Non-participating injury medical care rider	69	89
	Non-participating general medical care rider	10,027	10,812
	Non-participating general medical care rider with relaxed underwriting criteria	—	130
	Non-participating advanced medical care rider	—	(Number of policies) 143,449

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/medical riders" are the amounts of daily hospitalization benefits.
3. The figure for "non-participating advanced medical care rider" represents the number of policies.

(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	
		2019	2020
Death protection insurance	Whole life insurance	¥ 804,785	¥ 788,598
	Whole life insurance with term rider	—	—
	Term insurance	206	195
	Net, including others	805,100	788,898
Mixed insurance	Endowment insurance	2,186,899	1,989,087
	Endowment insurance with term rider	—	—
	Term insurance with living benefits	—	—
	Net, including others	2,323,810	2,120,346
Pure endowment insurance		235,030	235,365
Annuities	Individual annuities	452,478	412,062

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”)

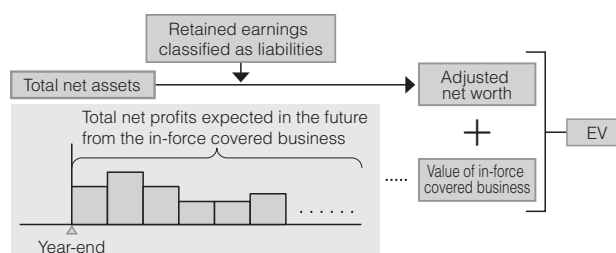
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

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	2019	2020	
			Increase (Decrease)
EV	¥ 3,925.7	¥ 3,324.2	¥ (601.5)
Adjusted net worth	2,237.1	2,212.4	(24.7)
Total net assets on the balance sheet (Note 1)	1,675.5	1,661.6	(13.8)
Reserve for price fluctuations (Note 2)	235.6	226.3	(9.3)
Contingency reserve (Note 2)	471.2	476.6	5.4
Others (Note 3)	73.0	61.8	(11.1)
Tax effect on the above	(218.4)	(214.1)	4.2
Value of in-force covered business	1,688.6	1,111.8	(576.7)
Certainty equivalent present value of future profits	2,131.5	1,806.7	(324.7)
Time value of financial options and guarantees	(297.9)	(456.0)	(158.1)
Cost of holding required capital	(0.0)	(0.0)	(0.0)
Allowance for non-hedgeable risk	(144.9)	(238.8)	(93.9)

For the years ended March 31	2019	2020	
			Increase (Decrease)
Value of new business (Note 4)	¥ 223.8	¥ 60.6	¥ (163.1)
Certainty equivalent present value of future profits	239.9	70.1	(169.8)
Time value of financial options and guarantees	(7.5)	(5.7)	1.8
Cost of holding required capital	(0.0)	(0.0)	0.0
Allowance for non-hedgeable risk	(8.5)	(3.7)	4.8

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, 2019	¥ 2,237.1	¥ 1,688.6	¥ 3,925.7
(1) Opening adjustments	(164.5)	—	(164.5)
Values as of March 31, 2019 after adjustment	¥ 2,072.5	¥ 1,688.6	¥ 3,761.2
(2) Value of new business	—	60.6	60.6
(3) Expected existing business contribution (risk-free rate)	(2.9)	68.3	65.3
(4) Expected existing business contribution (in excess of risk-free rate)	4.0	51.9	56.0
(5) Expected transfer from value of in-force covered business to adjusted net worth	119.9	(119.9)	—
On in-force at the beginning of the fiscal year	133.5	(133.5)	—
On new business	(13.6)	13.6	—
(6) Non-economic experience variances	28.9	(40.2)	(11.2)
(7) Non-economic assumption changes	—	(276.8)	(276.8)
(8) Economic variances	(10.1)	(320.6)	(330.8)
Values as of March 31, 2020	¥ 2,212.4	¥ 1,111.8	¥ 3,324.2

3) Sensitivities

(Billions of yen)

Assumptions		EV		Value of new business	
			Change in EV		Change in value of new business
Base Scenario	March 31, 2020	¥ 3,324.2	¥ —	¥ 60.6	¥ —
Sensitivity 1	50bp increase in risk-free rate (Note 1)	3,677.7	353.4	78.7	18.1
Sensitivity 2	50bp decrease in risk-free rate (Notes 1 and 2)	2,769.6	(554.5)	34.0	(26.5)
Sensitivity 3	10% decrease in equity and real estate value	3,205.0	(119.2)	60.6	—
Sensitivity 4	10% decrease in maintenance expenses	3,587.1	262.9	65.8	5.2
Sensitivity 5	10% decrease in surrender and lapse rates	3,321.8	(2.4)	63.3	2.6
Sensitivity 6	5% decrease in claim incidence rates for life business	3,465.8	141.6	66.0	5.4
Sensitivity 7	5% decrease in claim incidence rates for annuity business	3,165.1	(159.1)	60.6	(0.0)
Sensitivity 8	Change the required capital to statutory minimum	3,324.2	0.0	60.6	0.0
Sensitivity 9	25% increase in implied volatilities of equity and real estate values	3,208.7	(115.4)	60.0	(0.5)
Sensitivity 10	25% increase in implied volatilities of swaptions	3,252.1	(72.1)	61.5	0.8

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 3.8% for the fiscal years ended March 31, 2019 and 2020, respectively, 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, 2019	March 31, 2020	Fiscal year ended March 31, 2019 (Rate at December 31, 2018)	Fiscal year ended March 31, 2020 (Rate at December 31, 2019)
1	(0.178)%	(0.150)%	(0.148)%	(0.129)%
2	(0.183)%	(0.130)%	(0.139)%	(0.134)%
3	(0.195)%	(0.148)%	(0.155)%	(0.139)%
4	(0.211)%	(0.119)%	(0.158)%	(0.133)%
5	(0.202)%	(0.115)%	(0.152)%	(0.130)%
10	(0.081)%	0.032%	0.014%	(0.015)%
15	0.165%	0.286%	0.297%	0.154%
20	0.358%	0.319%	0.530%	0.285%
25	0.492%	0.405%	0.690%	0.379%
30	0.538%	0.427%	0.765%	0.421%
40	0.981%	0.923%	1.186%	0.932%
50	1.446%	1.455%	1.614%	1.463%
60	1.782%	1.837%	1.921%	1.845%

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/2020/en_news_id000098.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	2019				2020			
	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	18,095,226	1.0%	¥ 53,001,882	1.2%	17,163,300	(5.2)%	¥ 49,915,586	(5.8)%
Death protection insurance	5,515,419	8.3	17,575,525	7.0	5,431,241	(1.5)	16,996,677	(3.3)
Mixed insurance	10,933,452	(3.1)	31,939,817	(2.1)	10,080,021	(7.8)	29,427,313	(7.9)
Pure endowment insurance	1,646,355	6.1	3,486,538	5.5	1,652,038	0.3	3,491,595	0.1
Individual annuities	1,268,171	(4.9)	2,329,471	(15.1)	1,164,059	(8.2)	1,930,642	(17.1)
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	86	(20.4)	86	(14.1)	61	(29.1)	64	(25.5)
Asset-formation annuities	12	(7.7)	51	(7.5)	11	(8.3)	47	(8.7)

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	2019				2020			
	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	1,711,410	(1.6)%	¥ 5,563,886	1.8%	644,499	(62.3)%	¥ 1,893,727	(66.0)%
Death protection insurance	741,613	(3.8)	2,332,871	0.3	253,804	(65.8)	653,446	(72.0)
Mixed insurance	842,006	1.2	2,974,427	4.0	344,559	(59.1)	1,146,785	(61.4)
Pure endowment insurance	127,791	(6.4)	256,587	(8.1)	46,136	(63.9)	93,494	(63.6)
Individual annuities	406	(36.7)	1,974	(34.2)	549	35.2	3,527	78.7
Group insurance	—	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—	—
Asset-formation insurance	2	(33.3)	0	(31.8)	2	0.0	0	(66.7)
Asset-formation annuities	—	—	—	—	—	—	—	—

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, 2019	For the year ended March 31, 2020	As of March 31, 2019	As of March 31, 2020
Individual insurance	¥ 3,251	¥ 2,938	¥ 2,929	¥ 2,908
Death protection insurance	3,145	2,574	3,186	3,129
Mixed insurance	3,532	3,328	2,921	2,919
Pure endowment insurance	2,007	2,026	2,117	2,113

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

(%)

For the years ended March 31	2019	2020
Individual insurance	10.6%	3.6%
Individual annuities	0.1	0.2
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	2019	2020
Individual insurance	5.5%	5.1%
Individual annuities	1.0	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	2019	2020
Individual insurance	¥ 240,249	¥ 254,427

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	2019	2020
In terms of number of policies	1.87‰	2.02‰
In terms of policy amount	1.51	1.63

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		2019	2020
Accident death benefit policy	In terms of number of policies	0.12‰	0.10‰
	In terms of policy amount	0.09	0.09
Disability benefit policy	In terms of number of policies	0.23	0.25
	In terms of policy amount	0.06	0.07
Accident hospitalization benefit policy	In terms of number of policies	5.73	5.99
	In terms of policy amount	0.17	0.19
Illness hospitalization benefit policy	In terms of number of policies	45.37	48.20
	In terms of policy amount	0.95	1.01
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	33.58	37.29
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, 2019	For the year ended March 31, 2020
13.14%	14.62%

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

(Number of companies)

For the year ended March 31, 2019	For the year ended March 31, 2020
3	4

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, 2019	For the year ended March 31, 2020
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, 2019	For the year ended March 31, 2020
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)

For the year ended March 31, 2019	For the year ended March 31, 2020
¥ 3,278	¥ 3,432

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	2019	2020
Claim-filing ratio in third-sector insurance	39.7%	38.5%
Medical (Illness)	31.7	31.6
Cancer	—	—
Nursing care	68.9	62.3
Other	86.8	80.0

6-4 Accounting Data

(1) Reserve for Outstanding Claims

(Millions of yen)

As of March 31		2019	2020
Insurance claims	Death benefits	¥ 12,361	¥ 12,484
	Accidental benefits	2,300	2,164
	Serious disability benefits	1,413	1,298
	Maturity benefits	50,984	76,844
	Other	396,102	308,115
	Subtotal	463,162	400,908
Annuity payments		9,166	7,534
Benefits		22,554	23,647
Surrender benefits		22,059	28,035
Deferred insurance benefits payment		—	—
Net, including other reserve for outstanding claims		519,568	461,224

(2) Policy Reserves

(Millions of yen)

As of March 31		2019	2020
Policy reserves [excluding contingency reserve]	Individual insurance	¥ 25,254,454	¥ 25,282,332
	[General account]	[25,254,454]	[25,282,332]
	[Separate account]	[-]	[-]
	Individual annuities	2,277,140	1,889,285
	[General account]	[2,277,140]	[1,889,285]
	[Separate account]	[-]	[-]
	Group insurance	-	-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
	Group annuities	-	-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
	Other	35,566,198	33,324,181
	[General account]	[35,566,198]	[33,324,181]
	[Separate account]	[-]	[-]
	Subtotal	63,097,793	60,495,799
	[General account]	[63,097,793]	[60,495,799]
	[Separate account]	[-]	[-]
Contingency reserve		1,962,755	1,797,366
Total		65,060,549	62,293,166
[General account]		[65,060,549]	[62,293,166]
[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, 2019	¥ 53,742,836	¥ 9,354,956	¥ -	¥ 1,962,755	¥ 65,060,549
As of March 31, 2020	52,589,960	7,905,839	-	1,797,366	62,293,166

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

1) Reserving Method and Reserve Ratio for Policy Reserves

As of March 31		2019	2020
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	¥ 5,757,601	1.00%–1.50%
For the year ended March 31, 2012	3,061,749	0.80%–1.50%
For the year ended March 31, 2013	3,126,242	0.70%–1.50%
For the year ended March 31, 2014	3,102,516	0.70%–1.00%
For the year ended March 31, 2015	3,409,757	0.55%–1.00%
For the year ended March 31, 2016	2,898,248	0.50%–1.00%
For the year ended March 31, 2017	2,872,869	0.50%–1.00%
For the year ended March 31, 2018	1,533,928	0.25%
For the year ended March 31, 2019	1,090,342	0.25%
For the year ended March 31, 2020	318,360	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, 2019 and 2020.

(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 Policy Reserves for 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 the Level 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 for 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, 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]
For the year ended March 31, 2020							
Balance at the beginning of the fiscal year	100,226	1,244	–	–	–	1,412,163	1,513,634
Interest accrual	8	0	–	–	–	–	8
Reduction due to policyholder dividends paid	13,788	8	–	–	–	171,245	185,042
Reduction due to the acquisition of additional annuity	–	2	–	–	–	298	301
Provision for reserve for policyholder dividends	15,458	2	–	–	–	93,775	109,236
Balance at the end of the fiscal year	101,905	1,234	–	–	–	1,334,395	1,437,535
	[85,197]	[1,232]	[–]	[–]	[–]	[–]	[86,429]

Note: Figures within brackets “[]” are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Network (¥1,412,163 million for the year ended March 31, 2019 and ¥1,334,395 million for the year ended March 31, 2020) is scheduled to be distributed/paid to the Management Network, based on the reinsurance contract.

(8) Reserves

(Millions of yen)

For the years ended March 31		2019			2020		
		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	¥ 60	¥ 45	¥ (14)	¥ 45	¥ 37	¥ (8)
	Specific reserve for possible loan losses	634	413	(221)	413	411	(1)
	Reserve for specific foreign loans	–	–	–	–	–	–
Reserve for insurance claims and others		–	–	–	–	29,722	29,722
Reserve for employees' retirement benefits		67,649	68,450	801	68,450	68,831	380
Reserve for management board benefit trust		172	203	30	203	164	(38)
Reserve for price fluctuations		916,743	897,492	(19,251)	897,492	858,339	(39,152)

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, 2019 and 2020.

(10) Capital Stock, etc.

(Millions of yen)

		Balance at the beginning of the year ended March 31, 2020	Increase in the fiscal year	Decrease in the fiscal year	Balance at the end of the year ended March 31, 2020	Remarks
Capital stock		¥ 500,000	¥ –	¥ –	¥ 500,000	
Of which shares issued	[Common stock]	[600,000 thousand shares] 500,000	–	[37,400 thousand shares] –	[562,600 thousand shares] 500,000	Decrease due to cancellation of treasury stock
	Total	500,000	–	–	500,000	
Capital surplus	[Legal capital surplus]	405,044	–	–	405,044	
	[Other capital surplus]	95,000	–	95,000	–	Decrease due to cancellation of treasury stock
	Total	500,044	–	95,000	405,044	

(11) Premiums

(Millions of yen)

For the years ended March 31	2019	2020
Individual insurance	¥ 3,335,024	¥ 2,753,753
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	3,335,024	2,753,753
Individual annuities	18,095	14,072
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	18,095	14,072
Group insurance	–	–
Group annuities	–	–
Net, including other premiums	3,945,380	3,229,518

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		2019	2020
Individual insurance	First-year premiums	¥ 403,426	¥ 237,643
	Premiums for the following years	2,949,694	2,530,182
	Subtotal	3,353,120	2,767,826
Group insurance	First-year premiums	–	–
	Premiums for the following years	–	–
	Subtotal	–	–
Net, including other premiums	First-year premiums	404,282	238,434
	Premiums for the following years	3,541,097	2,991,083
	Total	3,945,380	3,229,518

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, 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
For the year ended March 31, 2020						
Individual insurance	80,344	5,551	2,015	1,450,927	–	1,538,838
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset- formation annuities	–	–	–	26	–	26
Other insurance	–	–	–	–	3,350,310	3,350,310
Total	80,344	5,551	2,015	1,450,954	3,350,310	4,889,175

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, 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
For the year ended March 31, 2020						
Individual insurance	33,789	2,517	787	710,162	—	747,255
Individual annuities	—	—	—	—	—	—
Group insurance	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	20	—	20
Other insurance	—	—	—	—	11,435,367	11,435,367
Total	33,789	2,517	787	710,182	11,435,367	12,182,642

Note: "Other insurance" includes receiving reinsurance.

(13) Annuities

(Millions of yen)

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

For the year ended March 31, 2020						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 80	¥ 393,924	¥ —	¥ —	¥ —	¥ —	¥ 394,005

(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, 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
For the year ended March 31, 2020							
Individual insurance	73	40,643	29,301	1,971	37,055	1,161	110,207
Individual annuities	—	26	10	10	—	0	47
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset- formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	73	40,669	29,311	1,981	37,055	1,162	110,254

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, 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
For the year ended March 31, 2020							
Individual insurance	129	784,233	436,208	2,557	156,749	16,593	1,396,469
Individual annuities	—	209	117	6	—	8	340
Group insurance	—	—	—	—	—	—	—
Group annuities	—	—	—	—	—	—	—
Asset-formation insurance, asset-formation annuities	—	—	—	—	—	—	—
Other insurance	—	—	—	—	—	—	—
Total	129	784,442	436,325	2,563	156,749	16,601	1,396,809

(15) Surrender Benefits

(Millions of yen)

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

For the year ended March 31, 2020						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 596,086	¥ 6,485	¥ —	¥ —	¥ 10	¥ —	¥ 602,583

(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, 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
For the year ended March 31, 2020					
Tangible fixed assets	106,941	8,139	45,242	61,699	42.3
Buildings	63,895	3,278	22,338	41,556	35.0
Leased assets	4,265	675	2,257	2,007	52.9
Other tangible fixed assets	38,781	4,185	20,645	18,135	53.2
Intangible fixed assets	492,353	50,934	351,657	140,696	71.4
Others	709	52	380	329	53.6
Total	600,005	59,125	397,280	202,725	66.2

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	2019	2020
Sales activity expenses	¥ 157,168	¥ 111,079
Sales administration expenses	18,154	15,003
General administration expenses	343,093	346,095
Total	518,416	472,177

Note: "General administration expenses" include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥2,377 million for the year ended March 31, 2019 and ¥2,474 million for the year ended March 31, 2020), pursuant to Article 259 of the Insurance Business Act.

(18) Taxes

(Millions of yen)

For the years ended March 31	2019	2020
National taxes	¥ 34,175	¥ 29,339
Consumption tax	30,315	26,390
Special local corporation tax	3,148	2,589
Stamp duty	635	358
Registration license tax	65	0
Other national taxes	10	0
Local taxes	17,339	14,635
Local consumption tax	8,180	7,282
Enterprise tax	7,558	6,213
Fixed property tax	1,078	890
Real estate acquisition tax	260	—
Business office tax	261	248
Other local taxes	0	—
Total	51,515	43,974

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, 2019 and 2020.

(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, 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
As of March 31, 2020							
Bonds payable	—	—	—	—	—	100,000	100,000
Payables under securities lending transactions	4,290,140	—	—	—	—	—	4,290,140
Total	4,290,140	—	—	—	—	100,000	4,390,140

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	2019			2020		
	Amount	Percentage	Increase/decrease	Amount	Percentage	Increase/decrease
Cash, deposits, call loans	¥ 1,061,343	1.4	¥ (97,847)	¥ 1,786,640	2.5	¥ 725,296
Receivables under resale agreements	—	—	—	—	—	—
Receivables under securities borrowing transactions	2,792,202	3.8	(504,020)	3,191,710	4.5	399,508
Monetary claims bought	354,958	0.5	178,889	318,581	0.4	(36,376)
Trading account securities	—	—	—	—	—	—
Money held in trust	2,787,555	3.8	(27,318)	3,056,072	4.3	268,516
Securities	58,452,565	79.1	(1,679,328)	55,871,541	78.0	(2,581,023)
Corporate and government bonds	51,128,759	69.2	(2,447,667)	48,954,516	68.3	(2,174,242)
Domestic stocks	206,568	0.3	10,189	286,975	0.4	80,406
Foreign securities	5,284,936	7.2	937,371	4,687,342	6.5	(597,593)
Foreign corporate and government bonds	5,108,788	6.9	873,303	4,522,175	6.3	(586,613)
Foreign stocks and other securities	176,147	0.2	64,068	165,167	0.2	(10,979)
Other securities	1,832,301	2.5	(179,222)	1,942,706	2.7	110,405
Loans	6,786,074	9.2	(841,072)	5,662,748	7.9	(1,123,326)
Policy loans	144,566	0.2	9,252	152,681	0.2	8,114
Industrial and commercial loans	991,309	1.3	72,257	994,446	1.4	3,136
Loans to the Management Network	5,650,198	7.6	(922,583)	4,515,620	6.3	(1,134,577)
Real estate	91,087	0.1	7,166	89,561	0.1	(1,525)
Investment property	—	—	—	—	—	—
Deferred tax assets	1,021,999	1.4	67,862	1,173,751	1.6	151,751
Other	557,248	0.8	(32,499)	517,239	0.7	(40,009)
Reserve for possible loan losses	(459)	(0.0)	236	(448)	(0.0)	10
General account total	73,904,576	100.0	(2,927,931)	71,667,398	100.0	(2,237,178)
Foreign-currency-denominated assets	5,513,137	7.5	764,624	4,980,015	6.9	(533,121)

Notes:

1. "Loans to the Management Network" includes lending to the Management Network (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	2019	2020
Cash, deposits and call loans	0.00%	0.00%
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	0.23	0.17
Trading account securities	—	—
Money held in trust	3.31	1.99
Securities	1.42	1.47
Corporate and government bonds	1.51	1.53
Domestic stocks	1.42	1.24
Foreign securities	0.83	0.97
Loans	2.00	1.94
Industrial and commercial loans	1.28	1.12
Real estate	—	—
General account total	1.42	1.41
Overseas loans and investments	0.94	1.21

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	2019	2020
Cash, deposits and call loans	¥ 914,084	¥ 871,393
Receivables under resale agreements	—	—
Receivables under securities borrowing transactions	—	—
Monetary claims bought	187,434	245,585
Trading account securities	—	—
Money held in trust	2,384,539	2,590,039
Securities	59,274,091	57,277,536
Corporate and government bonds	52,279,294	50,390,583
Domestic stocks	219,177	246,486
Foreign securities	4,884,171	4,817,411
Loans	6,978,997	6,225,901
Industrial and commercial loans	968,150	1,011,092
Real estate	90,860	90,107
General account total	74,314,735	72,010,400
Overseas loans and investments	5,709,425	5,618,940

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	2019	2020
Interest and dividend income	¥ 1,085,969	¥ 1,049,804
Gains on trading account securities	–	–
Gains on money held in trust	78,902	51,560
Gains on trading securities	–	–
Gains on sales of securities	38,981	35,699
Gains on redemption of securities	395	614
Gains on derivative financial instruments	–	–
Gains on foreign exchanges	–	–
Reversal of reserve for possible loan losses	14	8
Other investment income	165	101
Total	1,204,428	1,137,789

(5) Investment Expenses

(Millions of yen)

For the years ended March 31	2019	2020
Interest expenses	¥ 1,064	¥ 2,130
Losses on trading account securities	–	–
Losses on money held in trust	–	–
Losses on trading securities	–	–
Losses on sales of securities	62,255	32,020
Losses on valuation of securities	–	2,689
Losses on redemption of securities	4,762	6,847
Losses on derivative financial instruments	73,381	74,799
Losses on foreign exchanges	1,124	2,085
Provision for reserve for possible loan losses	–	–
Write-off loans	–	–
Depreciation of real estate for lease and other assets	–	–
Other investment expenses	3,417	3,425
Total	146,004	123,999

(6) Interest, Dividends and Other Income

(Millions of yen)

For the years ended March 31	2019	2020
Interest on deposits	¥ 15	¥ 23
Interest and dividends on securities	941,377	924,098
Interest on corporate and government bonds	793,659	762,037
Domestic stock dividends	5,870	7,646
Interest and dividends on foreign securities	131,495	129,742
Interest on loans	14,158	14,684
Interest on loans to the Management Network	124,096	105,830
Rent revenue from real estate	—	—
Net, including other income	1,085,969	1,049,804

(7) Gains on Sales of Securities

(Millions of yen)

For the years ended March 31	2019	2020
Japanese government bonds and other bonds	¥ 1,204	¥ 12,657
Domestic stocks and other securities	7,594	6,730
Foreign securities	30,181	16,310
Net, including other gains on sales of securities	38,981	35,699

(8) Losses on Sales of Securities

(Millions of yen)

For the years ended March 31	2019	2020
Japanese government bonds and other bonds	¥ 2,876	¥ 802
Domestic stocks and other securities	10,157	11,204
Foreign securities	48,160	18,307
Net, including other losses on sales of securities	62,255	32,020

(9) Losses on Valuation of Securities

(Millions of yen)

For the years ended March 31	2019	2020
Japanese government bonds and other bonds	¥ —	¥ —
Domestic stocks and other securities	—	—
Foreign securities	—	2,689
Net, including other gains on sales of securities	—	2,689

(10) Proprietary Trading Securities

Not applicable as of March 31, 2019 and 2020.

(11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2019 and 2020.

(12) Securities Composition

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
Corporate and government bonds	¥ 51,128,759	87.5	¥ 48,954,516	87.6
Japanese government bonds	38,041,414	65.1	36,730,786	65.7
Japanese local government bonds	7,524,415	12.9	6,737,380	12.1
Japanese corporate bonds	5,562,928	9.5	5,486,350	9.8
Public entity bonds	3,560,864	6.1	3,516,937	6.3
Domestic stocks	206,568	0.4	286,975	0.5
Foreign securities	5,284,936	9.0	4,687,342	8.4
Foreign corporate and government bonds	5,108,788	8.7	4,522,175	8.1
Foreign stocks and other securities	176,147	0.3	165,167	0.3
Other securities	1,832,301	3.1	1,942,706	3.5
Total	58,452,565	100.0	55,871,541	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, 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
Domestic 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	—	—	—	—	—	—	—
As of March 31, 2020	3,066,028	5,058,151	4,651,108	3,986,343	10,245,029	29,718,461	56,725,123
Securities	2,236,029	5,058,151	4,651,108	3,986,343	10,245,029	29,694,878	55,871,541
Japanese government bonds	455,383	1,939,008	1,884,588	2,732,186	7,764,053	21,955,566	36,730,786
Japanese local government bonds	1,207,198	1,862,098	1,352,690	567,258	239,569	1,508,564	6,737,380
Japanese corporate bonds	445,162	1,063,949	478,359	263,174	665,094	2,570,610	5,486,350
Domestic stocks	—	—	—	—	—	286,975	286,975
Foreign securities	128,285	193,095	935,470	423,724	1,576,312	1,430,454	4,687,342
Foreign corporate and government bonds	128,285	193,095	935,470	423,724	1,576,312	1,265,287	4,522,175
Foreign stocks and other securities	—	—	—	—	—	165,167	165,167
Other securities	—	—	—	—	—	1,942,706	1,942,706
Monetary claims bought	294,998	—	—	—	—	23,583	318,581
Negotiable certificates of deposit	535,000	—	—	—	—	—	535,000
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	2019	2020
Corporate and government bonds	1.52%	1.52%
Foreign corporate and government bonds	2.66	2.61

(15) Breakdown of Local Government Bonds by Region

(Millions of yen)

As of March 31	2019	2020
Hokkaido	¥ 150,368	¥ 144,133
Tohoku	75,784	62,937
Kanto	1,699,905	1,570,288
Chubu	806,047	703,516
Kinki	857,766	823,720
Chugoku	243,836	221,468
Shikoku	54,682	41,827
Kyushu	528,970	500,847
Other	3,107,053	2,668,640
Total	7,524,415	6,737,380

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

(16) Shareholdings by Industry Sector

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
Fishery, agriculture and forestry	¥ –	–	¥ –	–
Mining	–	–	842	0.3
Construction	8,455	4.1	7,435	2.6
Manufacturing				
Foods	3,937	1.9	2,118	0.7
Textiles and apparel	823	0.4	737	0.3
Pulp and paper	–	–	–	–
Chemicals	26,486	12.8	38,102	13.3
Pharmaceuticals	11,296	5.5	17,438	6.1
Oil and coal products	–	–	1,420	0.5
Rubber products	–	–	1,405	0.5
Glass and ceramic products	4,119	2.0	3,922	1.4
Iron and steel	–	–	–	–
Nonferrous metals	–	–	3,401	1.2
Metal products	–	–	2,291	0.8
Machinery	8,904	4.3	18,522	6.5
Electric appliances	21,438	10.4	36,472	12.7
Transportation equipment	9,269	4.5	7,109	2.5
Precision instruments	6,514	3.2	10,593	3.7
Other products	3,790	1.8	7,851	2.7
Electric power and gas	–	–	–	–
Transportation, information and communications				
Land transportation	12,317	6.0	12,647	4.4
Marine transportation	–	–	–	–
Air transportation	3,392	1.6	1,419	0.5
Warehousing and port transportation services	–	–	–	–
Information and communications	24,642	11.9	39,367	13.7
Trade and services				
Wholesale trade	13,855	6.7	22,554	7.9
Retail trade	18,452	8.9	16,855	5.9
Finance and insurance				
Banking	11,163	5.4	13,169	4.6
Securities and trading	495	0.2	495	0.2
Insurance	–	–	3,199	1.1
Other financial services	4,647	2.2	4,629	1.6
Real estate	1,493	0.7	5,862	2.0
Services	11,071	5.4	7,109	2.5
Total	206,568	100.0	286,975	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	2019	2020
Policy loans	¥ 144,566	¥ 152,681
Policyholder loans	144,565	152,680
Policy premium loans	1	1
Industrial and commercial loans	6,641,507	5,510,067
(Loans to non-residents)	(-)	(-)
Loans to companies	5,816,553	4,674,702
(Loans to domestic corporations)	(5,816,553)	(4,674,702)
Loans to state, international organizations and government organizations	-	-
Loans to public bodies and public businesses	824,954	835,365
Housing loans	-	-
Consumer loans	-	-
Other	-	-
Total	6,786,074	5,662,748

Note: Loans to the Management Network (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, 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
Total industrial and commercial loans as of March 31, 2020	761,372	1,517,225	1,069,770	713,597	680,111	767,989	5,510,067
Variable rate loans	4,592	9,525	15,175	5,925	1,388	4,112	40,721
Fixed rate loans	756,780	1,507,699	1,054,594	707,671	678,722	763,877	5,469,346

Notes:

1. "Fixed rate loans" includes loans to the Management Network (Postal Life Insurance Account).
2. Among the loans to the Management Network (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		2019		2020	
			Percentage		Percentage
Large companies	Number of borrowers	23	67.6	23	65.7
	Amount of loans	¥ 134,570	2.3	¥ 126,970	2.7
Medium-sized companies	Number of borrowers	—	—	—	—
	Amount of loans	¥ —	—	¥ —	—
Small companies	Number of borrowers	11	32.4	12	34.3
	Amount of loans	¥ 5,681,983	97.7	¥ 4,547,732	97.3
Total loans to domestic companies	Number of borrowers	34	100.0	35	100.0
	Amount of loans	¥ 5,816,553	100.0	¥ 4,674,702	100.0

Notes:

- Loans to the Management Network (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	2019		2020	
	Amount	Percentage	Amount	Percentage
Domestic				
Manufacturing	¥ 29,250	0.4	¥ 22,650	0.4
Foods	—	—	—	—
Textiles and apparel	—	—	—	—
Wood, wood products	—	—	—	—
Pulp and paper	11,950	0.2	8,950	0.2
Printing	—	—	—	—
Chemicals	8,650	0.1	6,100	0.1
Oil and coal products	1,650	0.0	600	0.0
Ceramics, soil and stone	7,000	0.1	7,000	0.1
Iron and steel	—	—	—	—
Nonferrous metals	—	—	—	—
Metal products	—	—	—	—
General purpose, production and industrial machinery	—	—	—	—
Electric appliances	—	—	—	—
Transportation equipment	—	—	—	—
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	8,248	0.1	19,582	0.4
Information and communications	2,750	0.0	2,750	0.0
Transportation and postal	37,493	0.6	31,611	0.6
Wholesale trade	40,900	0.6	39,900	0.7
Retail trade	—	—	—	—
Financing and insurance	5,675,198	85.5	4,535,620	82.3
Real estate	21,812	0.3	21,687	0.4
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	824,954	12.4	835,365	15.2
Individuals (residential/consumption/local taxes/other)	—	—	—	—
Total	6,641,507	100.0	5,510,067	100.0
Overseas				
Governments and public entities	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry, etc.	—	—	—	—
Total	—	—	—	—
Total industrial and commercial loans	6,641,507	100.0	5,510,067	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 Network (Postal Life Insurance Account) are classified as "financing 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.

(21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
Capital investments	¥ 695,052	10.5	¥ 711,821	12.9
Operations	5,946,455	89.5	4,798,246	87.1
Total	6,641,507	100.0	5,510,067	100.0

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

(22) Breakdown of Loans by Region

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
Hokkaido	¥ 3,000	0.0	¥ 2,901	0.1
Tohoku	45,651	0.7	43,523	0.8
Kanto	6,046,869	91.0	4,912,383	89.2
Chubu	181,850	2.7	194,282	3.5
Kinki	198,192	3.0	190,618	3.5
Chugoku	49,621	0.7	54,637	1.0
Shikoku	7,842	0.1	7,248	0.1
Kyushu	108,480	1.6	104,472	1.9
Total	6,641,507	100.0	5,510,067	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 Network (Postal Life Insurance Account) are classified under "Kanto," as the Network is located in Tokyo.

(23) Breakdown of Loans by Collateral

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
Secured loans	¥ 10,584	0.2	¥ 21,711	0.4
Loans secured by securities	—	—	—	—
Loans secured by real estate, movable property or foundation	—	—	—	—
Loans secured by nominative claims	10,584	0.2	21,711	0.4
Guaranteed loans	21,840	0.3	16,840	0.3
Credit loans	958,884	14.4	955,895	17.3
Other	5,650,198	85.1	4,515,620	82.0
Industrial and commercial loans	6,641,507	100.0	5,510,067	100.0
Subordinated loans	1,000	0.0	1,000	0.0

Note: Loans to the Management Network (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, 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)	–	–	–	–	–	–	–
For the year ended March 31, 2020							
Land	48,008	–	179	–	47,828	–	–
Buildings, net	43,078	1,818	62	3,278	41,556	22,338	35.0
Leased assets, net	2,117	568	3	675	2,007	2,257	52.9
Construction in progress	–	2,260	2,084	–	176	–	–
Others, net	14,659	7,755	94	4,185	18,135	20,645	53.2
Total	107,865	12,402	2,423	8,139	109,704	45,242	–
(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	2019	2020
Value of real estate holdings	¥ 91,087	¥ 89,561
For business operations	91,087	89,561
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	2019	2020
Tangible fixed assets	¥ –	¥ 393
Land	–	390
Buildings	–	2
Leased assets	–	–
Other assets	–	–
Intangible fixed assets	–	–
Others	–	–
Total	–	393
Includes rentals and other real estate	–	–

(26) Losses on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2019	2020
Tangible fixed assets	¥ 615	¥ 181
Land	—	—
Buildings	553	83
Leased assets	4	3
Other assets	58	94
Intangible fixed assets	3	122
Others	—	—
Total	619	303
Includes rentals and other real estate	—	—

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

Not applicable for the years ended March 31, 2019 and 2020.

(28) Overseas Loans and Investments

1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2019		2020	
		Amount	Percentage	Amount	Percentage
Foreign-currency-denominated assets	Foreign corporate and government bonds	¥ 5,073,472	82.6	¥ 4,250,940	76.1
	Foreign stocks	345,537	5.6	323,512	5.8
	Cash and cash equivalents	94,127	1.5	405,563	7.3
	Subtotal	5,513,137	89.8	4,980,015	89.1
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	627,408	10.2	606,909	10.9
	Subtotal	627,408	10.2	606,909	10.9
Net overseas loans and investments		6,140,545	100.0	5,586,925	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			
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
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	—	—	—	—
As of March 31, 2020	5,462,256	100.0	4,522,175	100.0	940,081	100.0	—	—
North America	3,387,006	62.0	3,089,472	68.3	297,533	31.6	—	—
Europe	873,964	16.0	837,936	18.5	36,028	3.8	—	—
Oceania	55,364	1.0	55,364	1.2	—	—	—	—
Asia	91,365	1.7	91,365	2.0	—	—	—	—
Central and South America	655,456	12.0	48,937	1.1	606,519	64.5	—	—
Middle East	—	—	—	—	—	—	—	—
Africa	—	—	—	—	—	—	—	—
International organization	399,099	7.3	399,099	8.8	—	—	—	—

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

(Millions of yen, %)

As of March 31	2019		2020	
	Amount	Percentage	Amount	Percentage
U.S. dollar	¥ 4,058,354	73.6	¥ 3,627,238	72.8
Euro	648,565	11.8	587,927	11.8
Australian dollar	331,123	6.0	229,497	4.6
Canadian dollar	159,609	2.9	153,378	3.1
Polish zloty	97,969	1.8	129,785	2.6
Swedish krona	104,410	1.9	115,010	2.3
New Zealand dollar	93,452	1.7	87,301	1.8
Singapore dollar	—	—	29,852	0.6
British pound	19,650	0.4	20,024	0.4
Total	5,513,137	100.0	4,980,015	100.0

(29) Yield on Overseas Loans and Investments

For the years ended March 31		2019	2020
Yield on overseas loans and investments		0.94	1.21

(%)

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

For the years ended March 31		2019	2020
Public bonds	Japanese government bonds	¥ —	¥ —
	Japanese local government bonds	—	—
	Public entity bonds	6	5
	Subtotal	6	5
Loans	Government organizations	—	—
	Public entities	144,982	51,669
	Subtotal	144,982	51,669
Total		144,988	51,674

(Millions of yen)

(31) Loan Interest Rates

Not applicable for the years ended March 31, 2019 and 2020

(32) Other Assets

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, 2019								
Other		¥ 2,240	¥ 2,489	¥ 4,601	¥ 4,850	¥ —	¥ 2,240	
Total		2,240	2,489	4,601	4,850	—	2,240	
For the year ended March 31, 2020								
Other		1,685	2,240	2,457	3,012	—	1,685	
Total		1,685	2,240	2,457	3,012	—	1,685	

(Millions of yen)

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, 2019 and 2020.

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

(Millions of yen)

As of March 31	2019					2020				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	¥ 36,391,299	¥ 43,113,443	¥ 6,722,144	¥ 6,722,582	¥ 438	¥35,735,724	¥41,953,389	¥6,217,664	¥6,217,743	¥ 79
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334	1,154,883	548	9,574,646	10,578,535	1,003,888	1,007,456	3,567
Equities of subsidiaries and affiliates	—	—	—	—	—	—	—	—	—	—
Available-for-sale securities	14,191,166	14,824,637	633,471	776,624	143,152	13,651,666	14,021,785	370,119	786,871	416,751
Corporate and government bonds	4,197,397	4,265,410	68,012	69,713	1,701	3,700,415	3,742,144	41,729	46,711	4,981
Domestic stocks	1,475,620	1,756,060	280,440	355,130	74,690	1,710,037	1,765,197	55,159	265,192	210,032
Foreign securities	5,503,242	5,778,632	275,390	326,368	50,978	4,754,442	5,159,292	404,849	448,638	43,788
Foreign corporate and government bonds	4,826,642	5,010,788	184,146	230,918	46,772	4,048,995	4,424,175	375,180	378,559	3,379
Foreign stocks and other securities	676,599	767,843	91,243	95,450	4,206	705,447	735,117	29,669	70,078	40,409
Other securities	2,257,142	2,264,575	7,432	23,214	15,781	2,635,194	2,501,569	(133,625)	24,323	157,948
Monetary claims bought	352,762	354,958	2,196	2,196	—	316,576	318,581	2,005	2,005	—
Negotiable certificates of deposit	405,000	405,000	—	—	—	535,000	535,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Total	61,152,515	69,662,466	8,509,950	8,654,090	144,139	58,962,037	66,553,710	7,591,672	8,012,071	420,398
Corporate and government bonds	51,060,746	59,003,919	7,943,172	7,945,860	2,688	48,912,786	56,175,830	7,263,044	7,271,672	8,628
Domestic stocks	1,475,620	1,756,060	280,440	355,130	74,690	1,710,037	1,765,197	55,159	265,192	210,032
Foreign securities	5,601,242	5,877,951	276,709	327,687	50,978	4,852,442	5,257,531	405,088	448,877	43,788
Foreign corporate and government bonds	4,924,642	5,110,107	185,465	232,237	46,772	4,146,995	4,522,414	375,418	378,798	3,379
Foreign stocks and other securities	676,599	767,843	91,243	95,450	4,206	705,447	735,117	29,669	70,078	40,409
Other securities	2,257,142	2,264,575	7,432	23,214	15,781	2,635,194	2,501,569	(133,625)	24,323	157,948
Monetary claims bought	352,762	354,958	2,196	2,196	—	316,576	318,581	2,005	2,005	—
Negotiable certificates of deposit	405,000	405,000	—	—	—	535,000	535,000	—	—	—
Other	—	—	—	—	—	—	—	—	—	—

Notes:

1. This table includes the handling of securities under the Financial Instruments and Exchange Act.
2. This table includes money held in trust other than trading securities and its book value was ¥2,549,094 million with net unrealized gains of ¥73,086 million as of March 31, 2020 and ¥2,190,833 million with net unrealized gains of ¥392,859 million as of March 31, 2019.

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	2019	2020
Held-to-maturity bonds	¥ —	¥ —
Unlisted foreign bonds	—	—
Other	—	—
Policy-reserve-matching bonds	—	—
Equities of subsidiaries and affiliates	5,990	10,907
Available-for-sale securities	161,193	305,190
Unlisted domestic stocks (excluding OTC-traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC-traded equities)	—	—
Unlisted foreign bonds	—	—
Other	156,953	300,951
Total	167,184	316,098

Notes:

1. This table includes money held in trust other than trading securities (¥156,953 million as of March 31, 2019 and ¥300,951 million as of March 31, 2020).
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: ¥1,440 million as of March 31, 2019 and ¥4,633 million as of March 31, 2020.

(2) Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2019					2020				
	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	¥2,627,236	¥2,627,236	¥ —	¥ —	¥ —	¥2,744,305	¥2,744,305	¥ —	¥ —	¥ —

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥160,318 million as of March 31, 2019 and ¥311,766 million as of March 31, 2020).

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, 2019 and 2020.

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	2019					2020				
	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	2,234,377	2,627,236	392,859	454,931	62,071	2,671,219	2,744,305	73,086	339,561	266,474
Domestic stocks	1,263,894	1,555,211	291,316	348,694	57,377	1,387,969	1,483,941	95,971	261,306	165,334
Foreign stocks	269,669	345,537	75,868	75,868	—	297,237	323,512	26,275	52,834	26,558
Foreign bonds	528,080	550,314	22,234	26,508	4,274	736,002	698,499	(37,503)	23,453	60,956
Other	172,732	176,172	3,440	3,859	419	250,009	238,353	(11,656)	1,967	13,623

Notes:

1. Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥160,318 million as of March 31, 2019 and ¥311,766 million as of March 31, 2020).
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, 2019							
Domestic stocks						¥ 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
As of March 31, 2020							
Domestic stocks						1,483,941	
Foreign securities						774,913	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						774,913	
Other securities						659,643	2,918,498

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	2019		2020	
	Amount	Percentage	Amount	Percentage
Japanese yen	¥ 2,102,916	76.8	¥ 2,190,226	75.0
U.S. dollar	582,806	21.3	667,211	22.9
Euro	48,647	1.8	56,834	1.9
Others	4,836	0.2	4,225	0.1
Total	2,739,206	100.0	2,918,498	100.0

Note: Includes 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	2019		2020	
	Fair value	Percentage	Fair value	Percentage
Fishery, agriculture and forestry	¥ 1,676	0.1	¥ 1,288	0.1
Mining	3,951	0.3	2,805	0.2
Construction	54,090	3.5	48,501	3.3
Manufacturing				
Foods	68,267	4.4	59,833	4.0
Textiles and apparel	9,600	0.6	7,947	0.5
Pulp and paper	3,914	0.3	3,036	0.2
Chemicals	114,314	7.4	108,991	7.3
Pharmaceuticals	85,679	5.5	81,769	5.5
Oil and coal products	8,950	0.6	6,313	0.4
Rubber products	20,806	1.3	16,114	1.1
Glass and ceramic products	12,336	0.8	11,682	0.8
Iron and steel	13,737	0.9	11,137	0.8
Nonferrous metals	14,125	0.9	11,117	0.7
Metal products	7,449	0.5	7,906	0.5
Machinery	77,357	5.0	72,457	4.9
Electric appliances	207,507	13.3	211,855	14.3
Transportation equipment	141,378	9.1	121,821	8.2
Precision instruments	29,222	1.9	34,973	2.4
Other products	27,670	1.8	29,609	2.0
Electric power and gas	26,531	1.7	20,878	1.4
Transportation, information and communications				
Land transportation	67,166	4.3	55,385	3.7
Marine transportation	1,898	0.1	1,603	0.1
Air transportation	10,012	0.6	6,496	0.4
Warehousing and port transportation services	2,429	0.2	2,127	0.1
Information and communications	143,494	9.2	159,812	10.8
Trade and services				
Wholesale trade	81,753	5.3	79,500	5.4
Retail trade	65,831	4.2	60,462	4.1
Finance and insurance				
Banking	86,863	5.6	69,836	4.7
Securities and trading	11,177	0.7	10,276	0.7
Insurance	36,891	2.4	55,149	3.7
Other financial services	19,152	1.2	19,369	1.3
Real estate	35,226	2.3	30,096	2.0
Services	64,745	4.2	63,779	4.3
Total	1,555,211	100.0	1,483,941	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, 2019	¥ 1,210	¥ (367)	¥ –	¥ –	¥ –	¥ 842
Portion with hedge accounting applied	1,210	122	–	–	–	1,332
Portion with hedge accounting not applied	–	(490)	–	–	–	(490)
As of March 31, 2020	980	36,971	–	–	–	37,952
Portion with hedge accounting applied	980	36,973	–	–	–	37,954
Portion with hedge accounting not applied	–	(2)	–	–	–	(2)

Notes:

1. 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.
2. Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥36,973 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2020 are accrued in the statement of income.

(ii) Interest rate related

(Millions of yen)

Category	As of March 31	2019				2020			
		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								
		¥ 36,250	¥ 32,200	¥ 1,210	¥ 1,210	¥ 32,200	¥ 27,850	¥ 980	¥ 980
Total					1,210				980

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, 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
As of March 31, 2020	4,350	8,600	14,250	5,000	–	–	32,200
Fixed receipt swap notional principal	4,350	8,600	14,250	5,000	–	–	32,200
Average fixed interest receipt	0.55	0.61	0.92	1.12	–	–	0.82
Average variable interest payment	0.05	0.07	0.06	0.08	–	–	0.06

(iii) Currency related

(Millions of yen)

Category	As of March 31	2019				2020			
		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	Foreign exchange forward contracts								
	Sold	¥3,923,901	¥ -	¥ (367)	¥ (367)	¥3,383,197	¥ -	¥ 36,971	¥ 36,971
	U.S. dollars	2,665,425	-	961	961	2,093,610	-	(32,312)	(32,312)
	Euros	568,644	-	1,222	1,222	523,596	-	6,238	6,238
	Australian dollars	246,076	-	(2,185)	(2,185)	256,452	-	30,310	30,310
	Other	443,754	-	(366)	(366)	509,538	-	32,734	32,734
	Purchased	-	-	-	-	-	-	-	-
	Total				(367)				36,971

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

There were no such outstanding balances as of March 31, 2019 and 2020.

(v) Bond related

There were no such outstanding balances as of March 31, 2019 and 2020.

(vi) Others

There were no such outstanding balances as of March 31, 2019 and 2020.

7 Indicators for Separate Accounts

Not applicable.