



Year ended March 31, 2020

Management Philosophy, Management Policy and Code of Conduct

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

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

Management Philosophy

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

Management Policy

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

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

Code of Conduct

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

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Editorial Policy

This Annual Report presents an overview of the Company, our business strategies, management issues and other information in an integrated manner that includes both financial and non-financial information in order to communicate clearly to our stakeholders the initiatives undertaken by Japan Post Insurance for sustainable value creation. This Annual Report was compiled with reference to the "International Integrated Reporting Framework" issued by the International Integrated Reporting Council (IIRC) and the "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation" issued by the Ministry of Economy, Trade and Industry. We also issue this Annual Report as disclosure materials prepared based on Article 111 of the Insurance Business Act.

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

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

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

2. Unless otherwise noted, statements in this report are based on information available at the time of preparing the report.

3. Unless otherwise noted, financial figures in this report are reported on a consolidated basis. Unless the context indicates otherwise, references in this report to "we," "us," "our," "the Company" or similar terms refer to Japan Post Insurance Co., Ltd.



We will devote ourselves
entirely to truly putting our
customers first and regaining
their trust as quickly as
possible.

I would like to express my sincere gratitude for your kind support of JAPAN POST INSURANCE Co., Ltd.

I would also like to extend my deepest sympathies and condolences to those who have been affected by the outbreak of coronavirus disease (COVID-19).

We received orders to partially suspend business (from January 1, 2020 to March 31, 2020) and improve business based on the Insurance Business Act from the Financial Services Agency of Japan on December 27, 2019 due to inappropriate insurance solicitation for our products, and we submitted a business improvement plan to the Financial Services Agency on January 31, 2020.

We deeply apologize to all of our customers and other stakeholders for the substantial concern caused by this situation.

We take these administrative dispositions very seriously and place top priority on the task of carrying out the business improvement plan as we work to establish customer-first business operations.

As President and CEO, I would like to set an example for all employees so as to encourage all-out efforts to build a new JAPAN POST INSURANCE that will implement customer-first business operations thoroughly in order to regain the trust of customers and other stakeholders.

We sincerely appreciate your continued support.

T. Senda Director and President, CEO,
Representative Executive Officer

Solicitation Quality Issues at the Company

Overview and Circumstances of the Issues

Following an internal investigation into the handling of customers' revisions of insurance coverage for products of Japan Post Insurance Co., Ltd., it was discovered that in some cases, revisions were carried out in a manner that might have been disadvantageous to customers, and not in line with their intentions.

We take this incident very seriously and have been working Company-wide to investigate and reinstate policies to improve solicitation quality.

In connection with these issues, together with Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd., we established a Special Investigation Committee comprised only of disinterested external experts in July 2019. The Committee thoroughly investigated the facts and underlying causes and made recommendations for improvement. Meanwhile, we reported the results of the investigations and future activities of the Japan Post Group.

In addition, we received orders from the Financial Services Agency of Japan to suspend business and improve business operations based on Article 132-1 of the Insurance Business Act on December 27, 2019, and during the period from January 1, 2020 to March 31, 2020, we suspended policy solicitations and entering into new insurance policies, except in response to voluntary requests from our customers, while we established a business improvement plan aimed at ensuring proper business operations and protecting policyholders, which was submitted to the Financial Services Agency on January 31, 2020. Since then, we regularly report on the progress of improvement to the Financial Services Agency.

We take these administrative dispositions very seriously, and position the implementation of the business improvement plan as our most important management issue as we will make Company-wide efforts to regain customers' trust. Rather than limiting ourselves to this business improvement plan, we will thoroughly implement the initiatives necessary to restore trust in the Japan Post Group and achieve customer-first business operations by seeking advice from outside experts and subjecting ourselves to stringent evaluation from a fair and neutral standpoint.

Administrative Dispositions by the Financial Services Agency against Japan Post Insurance

The Company received administrative dispositions (orders to suspend business and improve business operations) based on Article 132-1 of the Insurance Business Act from the Financial Services Agency on December 27, 2019. The overview of the administrative dispositions is as follows.

Overview of the administrative dispositions

Administrative dispositions (orders to suspend business and improve business operations) based on Article 132-1 of the Insurance Business Act

- (1) Suspend solicitation activities (for the purposes hereof, including consignments to insurance agents) and underwriting of Japan Post Insurance products from Wednesday, January 1, 2020 to Tuesday, March 31, 2020. (Excludes solicitation activities and underwriting upon voluntary application from customers. Also excludes activities that the Financial Services Agency approves separately as necessary operations from the perspective of policyholder protection.)
- (2) Implement initiatives as follows in order to ensure appropriate business operations and policyholder protection.
 1. Clarification of the responsibilities of management based on the dispositions
 2. Appropriate responses to customers such as identification of policies that may involve disadvantages to customers, investigations and reinstatement of policies
 3. Appropriate actions toward sales personnel found to have engaged in improper solicitation based on the investigations in 2. above (Includes increasing the strictness of criteria for fact-finding and for disciplinary action against sales personnel, and applying them thoroughly)
 4. Establish an appropriate sales promotion scheme (Includes setting sales targets based on actual sales to avoid encouraging rewriting of policies)
 5. Create a healthy corporate culture that puts a priority on compliance and policyholder protection (Includes creating an appropriate solicitation policy that is well understood by employees, and training for employees and sales personnel)
 6. Establish an appropriate solicitation quality control scheme (Includes the establishment of an effective control scheme for insurance agents)
 7. Strengthen governance drastically to implement and ensure the success of the initiatives above

Investigation of Policies Aimed at Restoring the Trust of Customers

Overview of the investigations of policies

With respect to the categories of cases for which we were able to identify potential disadvantages to customers that are not in line with their intentions after rewriting policies at the time of insurance terms review, we have conducted investigations to confirm the circumstances of the solicitation process in writing and through telephone calls and home visits (the investigations of specified rewriting cases). In addition, we conducted written surveys for all of our policies to confirm whether there were cases involving potential disadvantages to customers because customers' policies are not in line with their intentions (the investigation of all insurance policies).

Going forward, we will continue to do our utmost to regain the trust of customers.

1 Investigations of specified rewriting cases

For the categories of cases (categories A-F) for which we were able to identify potential disadvantages to customers that are not in line with their intentions, we extracted all cases from the data of past policy rewrites matching the relevant category (approximately 156 thousand customers in the five years prior to March 2019). We furthermore confirmed with the applicable customers the circumstances of the solicitation process and their intentions to reinstate the policies, and proceeded with procedures while putting the priority on compensating disadvantages experienced by affected customers. In addition, we conducted an investigation into the sales personnel concerned based on the results of the confirmation of circumstances of the solicitation process.

Category	Outline of specified cases to be investigated	Number of policyholders in scope of investigation
A	Rewriting cases in which the previous policy was cancelled but the new policy underwriting was declined	Approx. 18,000
B	Rewriting cases in which subsequent benefit payments were declined as a result of cancellation of the new policy due to breach of the duty to disclose important matters	Approx. 2,000
C	Rewriting cases in which sales personnel could have made more reasonable proposal such as switching riders or decreasing insurance amounts	Approx. 23,000
D	Cases in which the policy coverage and period did not change after rewriting, but the assumed rate of return decreased	Approx. 13,000
E	Cases of overlapping insurance because the previous policy was cancelled after the rewriting period (cancelled during the period seven to nine months after date of writing of the new policy)	Approx. 66,000
F	Cases in which the previous policy was cancelled during the period four to six months before the date of writing new policy	Approx. 35,000
Total		Approx. 156,000

2 Investigation of all insurance policies

For all policies besides those that were subject to the investigation of specified rewriting cases (approximately 30 million policies including cancelled policies for the past five years, and approximately 19 million customers), we investigated whether the policies enrolled in were in line with the intentions of customers via letters including reply postcards. We took necessary action and conducted investigations according to customer requests and opinions received from consultations through Call Centers, and the postcards that were sent back.

3 Additional investigations of all insurance policies

From February 2020, we began further investigations of all insurance policies to confirm customer dissatisfaction and opinions. We furthermore investigated the status of solicitation at the time and worked to compensate for any disadvantages to customers that have occurred.

A Investigation of multiple policies

Category	Scope of investigation (definition)	Number of policyholders in scope of investigation
Multiple policies	Cases in which a customer has enrolled in 10 or more new policies in the past five years, and 30% or more of them have been terminated (Indicates a cancellation, lapse, reduction or conversion to a fully paid insurance policy; the same applies in the table below.)	Approx. 6,000

B Investigation of policies except multiple policies

Category	Scope of investigation (definition)	Number of policyholders in scope of investigation
High insurance premium policies	Cases in which policyholders 65 years of age or older as of December 2019, who have paid monthly premiums of ¥100,000 or more, and have had at least one policy that was terminated a short period thereafter during the period from April 2014 to December 2019	Approx. 19,000
Policy rewriting involving a change of the insured	Cases in which a new policy with the same policyholder and a new insured person was entered into in the past five years, and the policy was terminated a short period thereafter	Approx. 27,000
Policy rewriting involving a change of the insurance type	Cases in which a policy was rewritten from an annuity to insurance in the past five years, or for which there has been repeated rewriting between annuity and insurance	Approx. 4,000
Policy rewriting using a system to shorten the maturities of existing contracts	Cases in the past five years in which the maturity has been shortened for an existing policy while applying for a new policy, but the underwriting of the new policy was declined	Approx. 4,000

Progress of investigation of policies

In regard to the investigations of specified rewriting cases and the investigations of all insurance policies, we have largely finished responding to customers as of the end of March 2020, except for cases that cannot be finished due to reasons attributable to customers. In addition, we are conducting additional investigations of all insurance policies mainly related to the circumstances of the solicitation process. (Please refer to our website for the status of the policy investigations. (<https://www.jp-life.japanpost.jp/IR/en/>))

In the course of our investigations of specified rewriting cases, we have confirmed with the applicable customers the circumstances of the solicitation process and their intentions to reinstate the policies or not. We have furthermore proceeded with procedures while putting priority on compensating disadvantages experienced by affected customers. In addition, we conducted an investigation into the sales personnel who accepted these policies, and largely completed it as of the end of April 2020. In the investigation of all insurance policies, we have been conducting sales personnel investigations and compensating customers for their disadvantages, for policies confirmed to have possibly violated laws and regulations or internal rules.

In addition to the above cases to be investigated, we will continue to carry out activities to regain customers' trust through follow-up activities, including confirmation of policy coverage of customers by listening carefully to customers' opinions and requests through home visits, and by aiming to sincerely compensate customers for disadvantages not in line with their intentions.

Overview of Key Measures of the Business Improvement Plan

We will make sure to implement the following preventive measures, which are set forth in the business improvement plan, based on findings in the business improvement order and recommendations from the Special Investigation Committee.

1. Establishing an appropriate sales promotion scheme

The following measures will be implemented to foster customer-first mindset throughout the Company, and to build a system in which the practice of insurance policy solicitation based on this mindset is appropriately evaluated.

(1) Creation and penetration of an appropriate solicitation policy	<p>In order to thoroughly implement basic actions based on the principle of providing insurance coverage founded on high ethical standards which take the original roles and mission of life insurance into account, we set a solicitation policy that reflects the customer-first philosophy in February 2020, and we announced this solicitation policy to customers in April 2020.</p> <p>In addition, we have defined our sales action principles, as the Standard of Japan Post Insurance Sales, based on the solicitation policy above, and we are providing ongoing training to sales personnel to instill this standard and to ensure an understanding of the code of conduct based on our customer-first philosophy.</p>
(2) Revision of the system of sales targets, etc.	<p>We do not to set sales targets for the fiscal year ending March 31, 2021, and when setting sales targets for the fiscal year ending March 31, 2022 and beyond, sales targets will be calculated based on the prospects for the life insurance market, etc., through discussion among the sales, corporate planning, and solicitation management departments by checking whether expected on-site sales capability potential include improper solicitation, and calculating by incorporating the impact of changes in the number of offsite sales personnel in the variables involved in setting various measures for the current and following fiscal years.</p> <p>In regard to the allocation of sales targets to branches of Japan Post Co., Ltd. and post offices, together with the optimization of the level of sales targets, we will check if the efforts of Japan Post Co., Ltd. are implemented appropriately. We have decided to revise our previous sales targets, which have heretofore overemphasized the monthly premium amounts for new contracts, and shift to sales targets that focus on recording the results on a stock basis, equally considering the monthly premium for new policies and cancelled policies to evaluate both new policies and policies in force. In addition, we have decided to abolish the recording of sales results for policy rewriting and to abolish the incentive payments for policy rewriting that are currently paid (at 50% of the allowances for normal new contract). Personnel evaluations will be also reviewed, including increasing the weight of evaluation criteria attributed to solicitation quality.</p>
(3) Improvement in the mechanisms for reviewing coverage	<p>In January 2020, we introduced a conditional cancellation system*¹ as a system to enable the adjustment of insurance policy content or products from a customer-first point of view. We are also proceeding with system development etc., for a policy conversion system*² to enable transitions to new policies without the cancellation of existing policies.</p> <p>*¹ The conditional cancellation system is a system to prevent disadvantages to the customer by having the cancellation of an existing policy take effect on the condition that a new policy is validly executed.</p> <p>*² The policy conversion system is a reviewing system in which the policy reserve for existing contracts is transferred to the policy reserve for new contracts.</p>

(4) Other measures	<p>In addition to (1) to (3) above, we will implement the following measures to instill customer-first sales.</p> <ul style="list-style-type: none"> a. Measures for solicitation of elderly customers Solicitations from sales personnel to customers aged 70 or older are suspended in principle. When accepting an application from such customers, we require a family member to be present upon application or to give prior explanation to a family member, and we have strengthened our handling of applications by obtaining prior consent from the insured person at the time of application. b. Product development We will consider the development of new products that meet our customers' insurance needs, including those of young adults and working age customers. c. Hearing the voices of our employees We have introduced a system that allows employees to directly make suggestions to the President, and started Dialogue with Management events, in which the management team of Japan Post Insurance visits branches and directly listens to the voices of front-line employees.
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2. Strengthening of the appropriate solicitation quality control scheme

We will implement the following checks and controls to prevent the occurrence of policies that are not in line with the intentions of customers.

(1) Strengthening systems at post offices, call centers, service centers, etc.	<ul style="list-style-type: none"> a. Multi-layered check system from policy applications to the conclusion of a contract In addition to expanding the pre-checking function for underwriting that detects applications for which there are doubts about solicitation quality, customers' intentions are confirmed in a multilayered manner by post office managers as well as the dedicated call center of Japan Post Insurance. At the time of the underwriting process, our service centers confirm whether or not the customer's intentions are met based on the application documents and the confirmation results of customer intentions. In addition, the system has been updated to display alert messages for policies that are in close proximity to the policy rewriting qualifying period, and a mechanism has been developed to prevent circumvention of required periods for policy rewriting. Moreover, we will set up a system that will enable us to easily confirm the customers' past policy enrollment and cancellation histories on our systems, and to develop a framework for utilizing customer information for solicitation quality control. b. Check system for receiving cancellation requests In additions to explanations and verifications by off-site sales personnel of post offices, the dedicated call center of Japan Post Insurance will confirm customers' intentions, items disadvantageous to customers, and whether an explanation has been provided.
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(2) Strengthen the systems of Head Office, etc.	<p>a. Strengthen the system for appropriate solicitation quality control</p> <p>(a) Review of functions of Head Office and branches, etc.</p> <p>We have transferred planning and guidance operations of the Head Office aimed at realizing appropriate solicitation activities, that have been so far conducted by the second line (compliance and solicitation management departments), to the first line (sales department). This transfer will hold the first line departments more accountable for sales activities focusing on the maintenance of the solicitation quality, while the second line departments focus on the verification of measures taken by the first line. Through this reorganization, we have established a system that will enable us to develop measures based on the customer-first philosophy under an appropriate check and balance mechanism. In addition, we have established a Compliance Investigation Office to integrate command functions over the investigation of improper solicitation activities and strengthened investigation functions.</p> <p>For branches, etc., in light of the fact that the focus has been on sales promotion in agency support, we will shift to agency support and guidance based on securing solicitation quality, and strengthen the system for investigation of the state of solicitation and appropriate solicitation guidance.</p> <p>(b) Detection of complaints</p> <p>We have begun various studies to establish a framework in which we will provide follow-up support responsibly from start to finish, by increasing our risk sensitivity to detect complaints potentially involving problems with the circumstance of solicitation, and by clarifying the roles of the relevant departments.</p> <p>b. Controls through increasing the strictness of criteria for fact-finding and disciplinary action</p> <p>We will conduct fact-finding that does not rely on confession, and started recording and keeping a voice record of the solicitation process on a trial basis in an effort to ensure transparency of the solicitation process. Furthermore, suspension of solicitation and warning have been added to the disciplinary actions against sales personnel, the strictness of criteria for disciplinary action has been increased to correspond with the degree of improper solicitation, and Japan Post Co., Ltd. has been requested to take rigorous disciplinary actions against the managers of sales personnel. Through these measures, we will strengthen control against improper solicitation.</p>
(3) Strengthen the Internal Audit Department	We will strengthen internal audit personnel, systems, and risk assessments, and enhance cooperation with the Audit Committee regarding internal audits.

3. Strengthening governance based on an accurate understanding of information

The management will appropriately understand risks and strengthen governance based on an accurate understanding of information, and we will establish a framework for thorough implementation of the PDCA cycle and steadily carry out and instill improvement measures to prevent recurrence.

(1) Strengthen the understanding of circumstances of the solicitation process and thoroughly implement the PDCA cycle	We have decided to verify the effectiveness of improvement measures by increasing our risk sensitivity and gathering, analyzing and holding in-depth discussions on a variety of information, such as complaints from customers.
(2) Strengthen the functions of the Board of Directors and the Audit Committee	<p>We reviewed the scope of matters to be resolved by the Board of Directors and also newly established “deliberation” which will leverage the expertise of Outside Directors from the resolution drafting stage as well as the existing “resolution” and “report.” Furthermore, in addition to holding the extraordinary meetings of the Board of Directors as necessary, we have established opportunities to enhance the exchange of opinions among Directors, such as by holding meetings of Outside Directors.</p> <p>We have made the advance agreement of the Audit Committee mandatory for the decision and amendment of the internal audit plan and important personnel appointments for the Internal Audit Department, and established a scheme that the Audit Committee would order an investigation on the verification of the actual state of the solicitation process and provide necessary advice to the executive officer in charge.</p>

Establishment of the JP Reform Execution Committee

Four Japan Post Group companies, Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. established the JP Reform Execution Committee on April 2, 2020 to seek advice from external experts from a fair and neutral standpoint in order to restore public confidence in the Japan Post Group.

The committee consists of the following five external experts who are disinterested in all companies of the Japan Post Group.

Chairperson	YAMAUCHI Hirotaka	Specially Appointed Professor, Graduate School of Business Administration, Hitotsubashi University
	KAJIKAWA Toru	Chairman, Grant Thornton Taiyo LLC
	NOMURA Shuya	Professor of Law, Chuo Law School
	MASUDA Etsuko	President, Japan Association of Consumer Affairs Specialists
	YOKOTA Tomoyuki	Attorney at law, Seiryō Law Office (Former Justice of the Supreme Court, Former Deputy Prosecutor-General of the Supreme Public Prosecutors Office)

The Committee will review the progress per recommendations from the Special Investigation Committee, and verify the effectiveness and adequacy of various measures taken by the Japan Post Group to restore trust.



We are determined to reform the corporate culture of Japan Post Insurance in order for us to be reborn in the true sense of the word.

SENDA Tetsuya Director and President, CEO,
Representative Executive Officer

Strong determination to regain trust

We sincerely apologize for causing a great deal of concern to our customers and many stakeholders. It is my great mission to regain the trust of each and every customer and other stakeholders of Japan Post Insurance as soon as possible, and to restore the credibility and brand power of post offices, our important partners.

When I was appointed as President, CEO and Representative Executive Officer on January 6, 2020, I conveyed three desires to all our employees in my New Year's address. The first was the need for a strong commitment by all employees to complete our investigations and response to customers while working together to overcome the situation we face. The second was the need to formulate a solid revitalization plan as a vision for our future after overcoming this crisis. The third was the importance of reviewing our corporate culture, implementing reform and improving governance. I reaffirmed my determination to rebuild Japan Post Insurance in the truest sense of the word through these three desires.

Commitment of striving to protect the well-being of all people

Over a century has passed since the predecessor of Japan Post Insurance, the Postal Life Insurance Service, was created in Japan in 1916. Our ability to provide simple life insurance for small coverage amounts to a large number of people through the familiar nationwide network of post offices, along with the fact that we have gained the people's patronage, are the assets and strength that sets us apart from other life insurance companies.

When we celebrated our 100th anniversary in

2016, I was an officer in charge of areas including corporate planning and public relations. I led the revision of our management philosophy to rethink what we should be and how to move forward over the next 100 years. The short phrase that was developed at that time —“Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.”— is the current management philosophy of Japan Post Insurance.

Although I held the impression that this was a bit of a stretch at first, as I came across this phrase over and over, I realized that it really was true.

Japan Post Insurance has relationships with not only more than 20 million insurance policyholders and insured persons but also their families and relatives, making up a significant number of people throughout Japan. It is not an exaggeration to say that we are here for all people, and I believe that our social role is significant as we are involved with so many individuals.

We protect and closely support many customers across Japan through our grassroots activities. At 76 of our 82 branches nationwide, excluding six branches that specialize in corporate sales, we have Agency Relations Divisions to support post offices as a system in place to provide sales/operational support and guidance. We have also been engaged in projects to strengthen management capabilities of post offices. However, reconsidering the matter at hand, I sometimes wonder if we have failed to make the meaning of our management philosophy fully understood. If we had become a company that was truly in line with our management philosophy, we would not have encountered the recent issues associated with improper solicitation.

Putting customer-first business operations into practice by reforming corporate culture

It is necessary for us to go back to the origins of our management philosophy and reconsider all aspects of our operations and communication, including customer service. I strongly feel that we need to promulgate the true meaning of our management philosophy throughout the Company again and actually implement our philosophy, using it as a compass to guide us in our efforts.

As stated in the investigation report received on December 18, 2019 from the Special Investigation Committee into the Insurance Policy Situation at Japan Post Insurance, the biggest factor in the selection of Japan Post Insurance is the trust that many of our policyholders have in our post offices, which are an important elements of society's infrastructure that is indispensable to people's lives. There is no prospect of revitalization unless we repair and restore that trust.

We received administrative dispositions from the Financial Services Agency of Japan pursuant to the Insurance Business Act on December 27, 2019. In response, we submitted a business improvement plan on January 31, 2020. We have taken seriously the comments and criticisms about sales targets that were not sufficiently achievable

or reasonable, insufficient awareness of compliance and customer protection, weak solicitation management systems and a lack of risk sensitivity. Furthermore, the plan covered core concrete measures to prevent improper solicitation, together with a progress report on the investigation of specified rewriting cases.

While it is important that we prevent improper solicitation by putting the check function to work, the possibility of similar cases in the future cannot be denied unless we also reform the underlying culture, including employee awareness and the corporate culture.

For this reason, I believe that we must first change the way we work and think. It is important that each and every employee, including members of management, has the power of imagination based on self-reflection as we ask ourselves questions such as: "Have we been managing our business from the perspective of the post office employees who are on the front lines of insurance product sales?" "Have the people at Japan Post Insurance and post offices been truly communicating with each other?" and "Have the post office employees been putting their trust in us in the first place?" If our management team does not self-reflect in this manner, the post office employees who are working hard on the front lines of insurance sales will not pay attention to Japan Post



Insurance. I believe that deepening the relationship between management and front-line employees will change the processes in our work, and will naturally lead to a true customer-first response as an organization.

Promoting the standardization of information to improve the speed of management

The key to reforming the corporate culture in cooperation with post offices on the front lines that come in contact with customers is the standardization of information. This includes two types of relationships, that between the management team and front-line employees at Japan Post Insurance, and that between Japan Post Insurance and Japan Post Co.

We are focusing in particular on two aspects of sharing information. The first is always disseminating information quickly. To this end, we have changed the frequency and size of meetings, and switched to a web and video conferencing system to increase opportunities for departments involved to communicate information and disseminate it widely to the front lines. If current problems and difficulties are shared, and people in the front lines understand the actions of the management team, the front lines should be able to think and act on their own.

The second thing is to give adequate answers in response to questions and suggestions from the front lines that arise in meetings. I am keenly aware that we might have neglected to respond with concrete answers in the past. Under such circumstances, a suggestion system would not function even if there was one in place. The culture will not change as long as there is a sense of resignation on the front lines, and people believe that management will not listen no matter what they say.

That is why I have created Direct Suggestions to the President as a new system at Japan Post Insurance that directly connects to me. I have begun to utilize this system while reading through the opinions of various employees and consulting with the departments in charge. The management team must consistently maintain the attitude that they are watching and will properly act when they need to act. We have to take responsibility for our response until the very end of all matters, and get the people in the front lines to really feel the changes we are making by repeating this process. Through such a process, I think a sense of unity will finally be created and generate positive feedback.

Meanwhile, I think it is important to restructure the relationship with Japan Post Co. and take it

one step further, so that it is possible to say what needs to be said and do what needs to be done with a certain sense of urgency. Formal dialogue among members of management used to take place about once a month, but we now hold discussions once or twice a week with a group of about five people, including top management. Important management issues are decided on an individual basis, including conditions and details thereof, by members of top management. The speed of management has been steadily increasing.

Aiming to establish new business models

For Japan Post Insurance, relationship of trust with post offices speaks volumes about the size of our customer base and gives us a significance that no other life insurance company can match. However, we must address two issues when considering our revitalization plan.

The first is our ability to support our customers. Insurance product enrollments encompass long periods of time. Moreover, in order to pay out claims in the event of an emergency, careful follow-up services and a thorough knowledge of the products are required. We need to build up the quality and number of employees capable of supporting customers.

The second is the content of our products. In addition to the long-term situation of an aging society and a shrinking population that Japan is facing, we must be sensitive to the changing needs of our customers as their working styles and their views on life change and become more diverse.

In dealing with these two issues, we must seriously consider what we can do to help customers. It is important to think of ways to complement and integrate with other companies, if it is in the best interest of our customers.

Providing steady support for customers in the face of uncertain times

The spread of COVID-19 is having a significant impact on Japanese society. We would like to extend our deepest sympathies and condolences to those who have been affected by the outbreak.

Japan Post Insurance places the highest priority on a swift response in line with its social mission as an insurance company. In addition to implementing special measures such that include omission of some necessary documents and other emergency measures, extension of the grace period for

premium payments and reduction or exemption of interest rates applicable to policy loans excluding premium loans. We have decided to pay out additional insurance benefits in the event of death due to COVID-19 on top of the death benefit (the “double payment of insurance benefits”).

I also sent a message to our employees to ensure that we protect ourselves, the Company, and society at large at the same time, from the perspective of putting lifesaving first. As an insurance company, it is our responsibility to continue business, which in turn leads to the protection of society.

I believe that society itself will change dramatically after COVID-19 is contained.

In recent years, not only infectious diseases but also large-scale natural disasters associated with climate change have become more prominent. This has shaken people's perceptions and feelings about life and health. We must ask ourselves how we can best support and respond to such feelings. This is another important mission of Japan Post Insurance.

Our business itself is closely connected to the sustainable growth of society

As a life insurance company, we have a highly public nature and are inextricably linked to the sustainable growth of society. In addition to providing fundamental protection for people's livelihoods, the business of Japan Post Insurance encompasses elements such as social contribution activities, health promotion activities and asset management as an institutional investor. We also recognize that helping to bring about a sustainable society through our business is a top management priority.

We are also strengthening our implementation system for the Sustainable Development Goals (SDGs), which were adopted by the United Nations in 2015, and for the environment, society and governance (ESG).

With the SDGs serving as a guidepost, we are further implementing measures to address individual priority issues such as risk management through health promotion and other measures, climate change adaptation and environmental protection, promotion of diversity and workstyle reforms.

Japan Post Insurance worked to promote the spread of the Radio Exercise Program established by Japan Post Insurance's predecessor, Postal Life Insurance Bureau of the Ministry of Communications in 1928. As Japanese society transitions to a super-aging society, the importance of promoting good health not only has remained unchanged but

also has increased even further from the perspective of extending healthy life expectancy. To support our customers' efforts to stay healthy, in January 2019, we began offering a new health support app, *Sukoyakanpo*, which provides content to motivate customers to stay healthy and continue enjoying their daily activities for health.

In asset management, we consider various factors of ESG in making investment decisions, in order to realize a sustainable society, improve investment results and reduce risks in the long-term. We invest in various projects including those responding to global warming as well as bonds to fight against COVID-19.

In any case, because our business is closely linked to the sustainable growth of society, it is clear that our fundamental stance on how to understand and incorporate the SDGs and ESGs in the core of our management is being questioned. From this standpoint, we must be sensitive to the changes of the times ahead, and at the same time, we must take a fresh look at our products and services in our core business and link them to the sustainable growth of society.

Increasing fundamental corporate value

We have many stakeholders, ranging from customers and investors to employees and partner companies. It is my responsibility to all of them to ensure their satisfaction as a representative of the Company.

To achieve this, it is important to listen carefully to and reflect on the thoughts and opinions of each stakeholder. I will continue to carefully build on this communication and present our plan for the revitalization and growth of Japan Post Insurance for the future.

While our top priority is to restore the trust of our customers, we view the fiscal year ending March 31, 2021 as the year in which we will formulate our future revitalization plan and our next Medium-term Management Plan. We will disclose information and operate transparently with regard to these efforts to enhance our essential corporate value.

I would like to ask for your continued support for Japan Post Insurance, as the entire Company, including Group companies, work together to rebuild as one.

Measures Amid the COVID-19 Pandemic

We would like to extend our deepest sympathies and condolences to those who have been affected by the outbreak of COVID-19.

As the spread of COVID-19 has become the dominant issue worldwide, we will continue to fulfill our social mission and functions as a life insurance company in this emergency, which is significantly impacting people's lives and business operations in Japan.

Actions to be implemented	Overview
Initiatives to support customers	<ul style="list-style-type: none"> ● Emergency treatment such as extending the grace period for premium payments, reducing or exempting interest rates applicable to policy loans excluding premium loans (rate of 0% applied during the loan period), and the omission of some necessary documents ● Payment of additional insurance benefits* in the event of death due to COVID-19 on top of the death benefit (the "double payment of insurance benefits") ● Payment of hospitalization benefits for the period of time that hospitalization was originally required, even in the following cases where medical institutions did not allow hospitalization due to the effects of COVID-19, upon submission of a doctor's certificate or other documentation <ul style="list-style-type: none"> - In the case of medical treatment in lodging or other facilities provided by the local government, or in the case of treatment at home - If the insured person is unable to be admitted to the hospital due to COVID-19 or other illness or injury that requires hospitalization for treatment, or if the insured person has to be discharged earlier than originally planned ● Videos related to Radio Exercise are available on YouTube for those forced to stay home due to the voluntary restraint on outings, to help them get exercise and improve their health
Ensuring appropriate business operations in this emergency	<ul style="list-style-type: none"> ● Carry out our important ongoing initiatives such as insurance claim surveys as well as premium payments appropriately, with due consideration for the safety and health of our employees ● With regard to asset management, we intend to secure a profit margin while monitoring trends in financial markets closely and maintaining financial soundness
Responding to lifestyle changes	<ul style="list-style-type: none"> ● In light of the increasing use of non-face-to-face services, we intend to make further use of digital technologies to improve the environment in which our insurance services including various claim procedures can be provided without any restrictions on time or location place
Initiatives as a responsible institutional investor	<ul style="list-style-type: none"> ● Purchase of bonds issued by international organizations in response to the COVID-19 (Please refer to page 51 for details)
Support for medical professionals	<ul style="list-style-type: none"> ● Four Japan Post Group companies contributed a total of ¥100 million to the Japanese Red Cross Society to support medical workers and activities to prevent the spread of infection

* Depending on the type of insurance policy, the double payment of insurance benefits might not apply. The double payment of insurance benefits does not apply if the insured person passes away before one year and six months has elapsed since the enrollment date (contract date).

Value Creation Process

As a member of the Japan Post Group, which provides services that entail a strong community role, Japan Post Insurance identifying social issues and needs and continuing to provide value to stakeholders.

Management Resources

(As of March 31, 2020)

Financial Capital

- Total assets (consolidated):
¥71,664.7 billion
- Consolidated solvency margin ratio:
1,070.9%
- Insurer financial strength ratings (S&P): **A**

Social and Relationship Capital

- Number of customers:
24.68 million

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

- Number of post offices engaged in life insurance solicitation:
20,037 offices

Human and Intellectual Capital

- Number of employees: **7,638**
- An IT system that manages policies for 24.68 million customers
- Utilization of AI in insurance claim payment examination operations and Call Centers

Natural Capital

- Consideration for the sustainability of global environmental resources
- CO₂ emissions: 20,355 t-CO₂

Note: The Company's emissions in FY2019/3

Sound financial base

Extremely large customer base

Sales offices centered on the nationwide network of post offices

Customer-first human resources

Information systems supporting customer service

Recognition of the Environment

- Declining birthrates and an aging society
- Diversification of lifestyles
- Evolution of medical technology and ICT
- Continuation of a historically low interest rate environment

Be a trustful partner for people, hand and endeavoring to protect



JAPAN POST INSURANCE

Kampo Sustainability Management

Protection against risks

- Insurance products
- Administrative services, etc.

Prevention of risks

- Health promotion
- Environmental protection, etc.

Aim to realize a sustainable society with peace of mind and are engaged

Management base supporting value

Initiatives in the final year of the Medium-term

Steady execution of policy investigations aimed at regaining the trust of customers

Implementation and instilling of improvement measures based on the business improvement plan

Key strategies and strengthening

Sales and product strategies

Asset management strategy

Administrative services strategy

Digitalization strategy

aims for sustainable enhancement of corporate value while contributing to the realization of a sustainable society by

always being close at
their well-being.

More affluent lifestyles

- Social and cultural activities
- Platinum Life Service, etc.

where people can live
in society

creation

Management Plan 2020



Restructuring of business
base and improvement of
corporate value

the management base

Human resources
strategy

Comprehensive risk
management (Enterprise
Risk Management (ERM))

Value Created and Shared with Stakeholders

(FY2020/3 results)

Customers

Providing basic insurance services
through the post office network

- Insurance claims and others:

¥6,191.3 billion

Shareholders and Investors

Improvement of corporate value through
sustainable growth

- Dividend per share: **¥76**
- Net income (consolidated): **¥150.6** billion

Note: Net income attributable to Japan Post Insurance

Local Communities and Society

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

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

Note: Number of events expected to be held every year

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

34 organizations

- CO₂ reduction rate: **38%**

Note: Compared with the base fiscal year (FY2014/3)

Employees

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

- Ratio of female managers: **11.9%**

Note: As of April 1, 2020

- Rate of annual paid leave taken: **93.9%**

Providing protection in
times of need



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



Supporting healthy and
fulfilling lifestyles



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



Strengthening the
management base for
sustainable value
creation



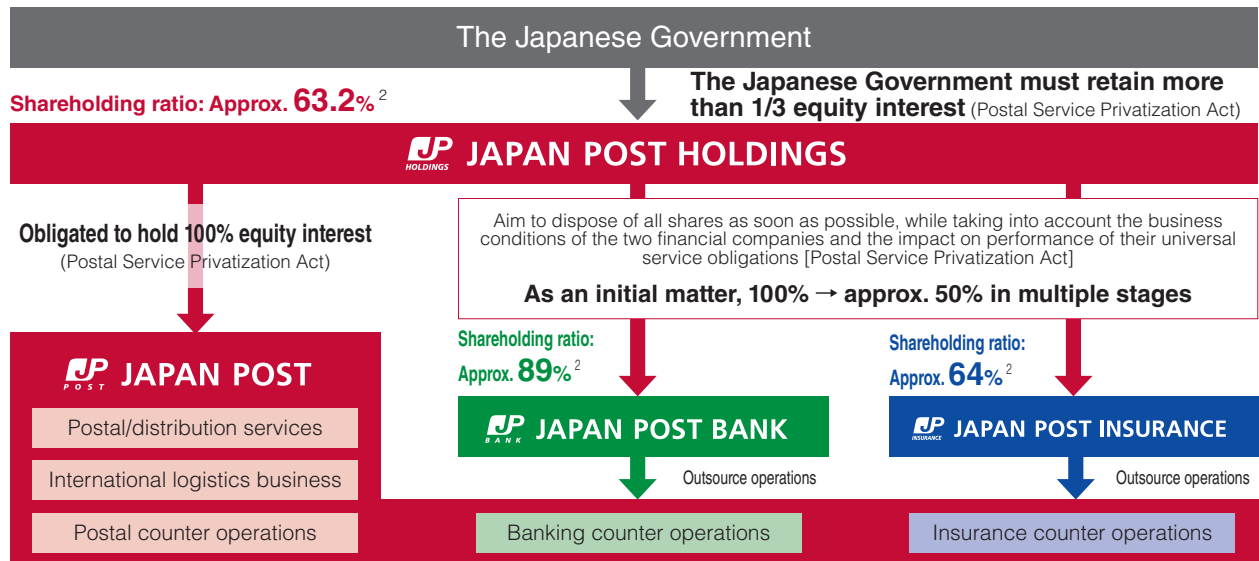
Diverse and energetic
organizations



Our Position within the Japan Post Group

Structure of the Japan Post Group

- The life insurance business, carried out by Japan Post Insurance, is one of the three main businesses of the Japan Post Group.
- In view of its universal service obligation, Japan Post Holdings aims to dispose of its entire equity interest in Japan Post Insurance and Japan Post Bank as soon as possible, in accordance with the Postal Service Privatization Act.¹



Notes: 1. Universal service refers to the obligation of Japan Post Holdings and Japan Post Co. to maintain a post office network to ensure that postal services, simple savings, transfer and receivables and payables settlement services, and easy-to-use life insurance services can be used uniformly at post offices via user-oriented simple methods, and that such services can be used in a universally fair manner in the future throughout Japan. Insurance counter operations include insurance solicitation for whole life insurance and endowment insurance, and accepting claims for payment of maturity and survival benefits for such insurance at post offices (Article 7-2 of the Postal Service Privatization Act and Article 5 of the Act on Japan Post Holdings Co., Ltd.).
2. Ratio of voting rights held to the total number of voting rights excluding treasury stock

Additional Restrictions under the Postal Service Privatization Act

- There are additional restrictions under the Postal Service Privatization Act to ensure fair competition with other life insurance companies.
- The additional restrictions will be relaxed and flexibility will increase with the disposal of 50% or more of the Company's shares held by Japan Post Holdings.

Item	Details
Additional restrictions on the two financial companies	<p>New operations</p> <ul style="list-style-type: none"> ● Currently a license system ● Advance notification system after disposing of 50% or more of the shares of the two financial companies
	<p>Maximum amount of insurance coverage</p> <ul style="list-style-type: none"> ● Prescribed by government ordinance Maximum amount of insurance coverage: ¥10 million in principle, and a cumulative total of ¥20 million after four years of enrollment (ages 20 to 55)
	<p>Lifting of restrictions</p> <ul style="list-style-type: none"> ● Regulations will be lifted by decision of the Prime Minister and the Minister for Internal Affairs and Communications, after disposing of all or 50% or more of the shares in the two financial companies

Provision of Services through Post Offices

- The Company has entered into an operations consignment agreement with Japan Post Co., which has a nationwide network of post offices, and sells life insurance through post offices nationwide.
- The Company pays Japan Post Co. commissions for insurance solicitation, maintenance and claim payment based on the operations consignment agreement.



Commissions for insurance solicitation, maintenance and claim payment

○ Commissions for insurance solicitation

Payment of commissions for insurance solicitation operations consigned to Japan Post Co. is mainly linked to new policies (solicitation results).

Commissions are calculated based on a formula generally used in the life insurance industry and are paid in installments over several years.

○ Commissions for maintenance and claim payment

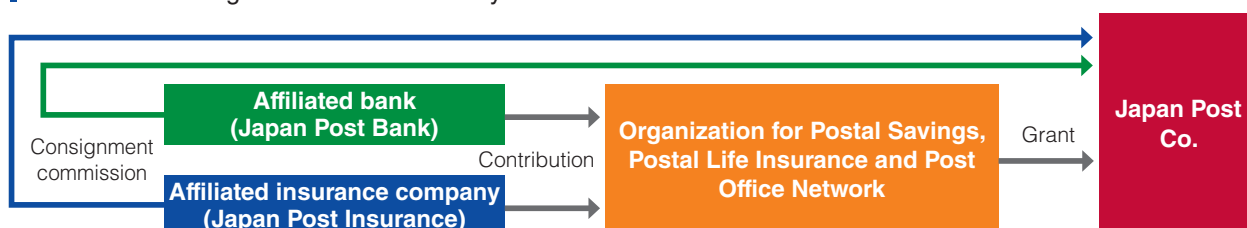
For maintenance and claim payment services consigned to Japan Post Co., a unit price is set and paid based on the processing time of the service at post offices.

Commissions include a commission proportional to the number of policies in force, the number of post offices, etc. (basic commission), and a commission based on the performance of the maintenance of policies in force and follow-up activities (incentive commission).

Overview of the Grant and Contribution System

- The Act to Partially Revise the Act on the Management Organization for Postal Savings and Postal Life Insurance was enacted on December 1, 2018.
- From the fiscal year ended March 31, 2020, the basic expenses required for the maintenance of the post office network will be covered by the funds provided to Japan Post Co. from the Organization for Postal Savings, Postal Life Insurance and Post Office Network using the contributions from Japan Post Insurance and Japan Post Bank.

Framework of the grant and contribution system



Our History

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

1885 Ministry of Communications

1885–1949

1916

- Commenced postal life insurance business

1926

- Commenced postal annuity business

1928

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



1949 Ministry of Posts and Telecommunications

1949–2001

1949

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

1951

- NHK started broadcasting the Radio Exercise No. 1 Program

1953

- Radio Exercise Summer Tour commenced

1962

- Festival of 10 Million People's Radio Exercise launched

1999

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



2001 Postal Service Agency 2003 Japan Post

2001–2006

2001

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

2003

- Japan Post was established

2005

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

2006

- Kampo Co., Ltd. was established



Japan Post Insurance and Radio Exercise —90 Years of Promoting Community Health—



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

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

In October 2019, Radio Exercise won the 2019 Good Design Long Life Design Award (sponsored by the Japan Institute of Design Promotion) as a design for action that is still being passed down.



**LONG
LIFE
DESIGN**

2007 JAPAN POST INSURANCE

2007—

2007

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

2008

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

2009

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

2011

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

2014

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

2015

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



2016

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

2017

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

2018

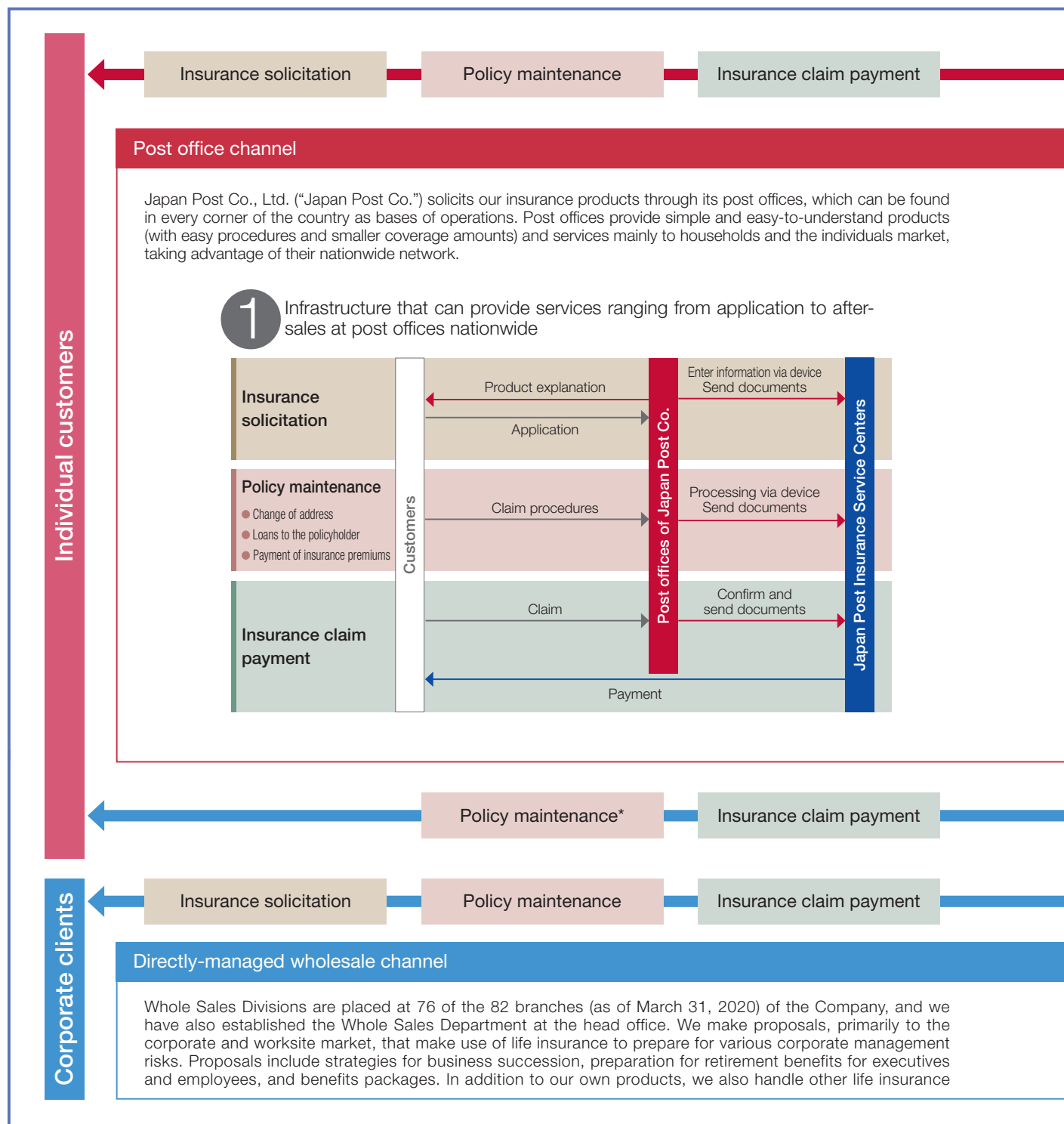
- Announcement of Medium-term Management Plan (FY2019/3–FY2021/3)

2019

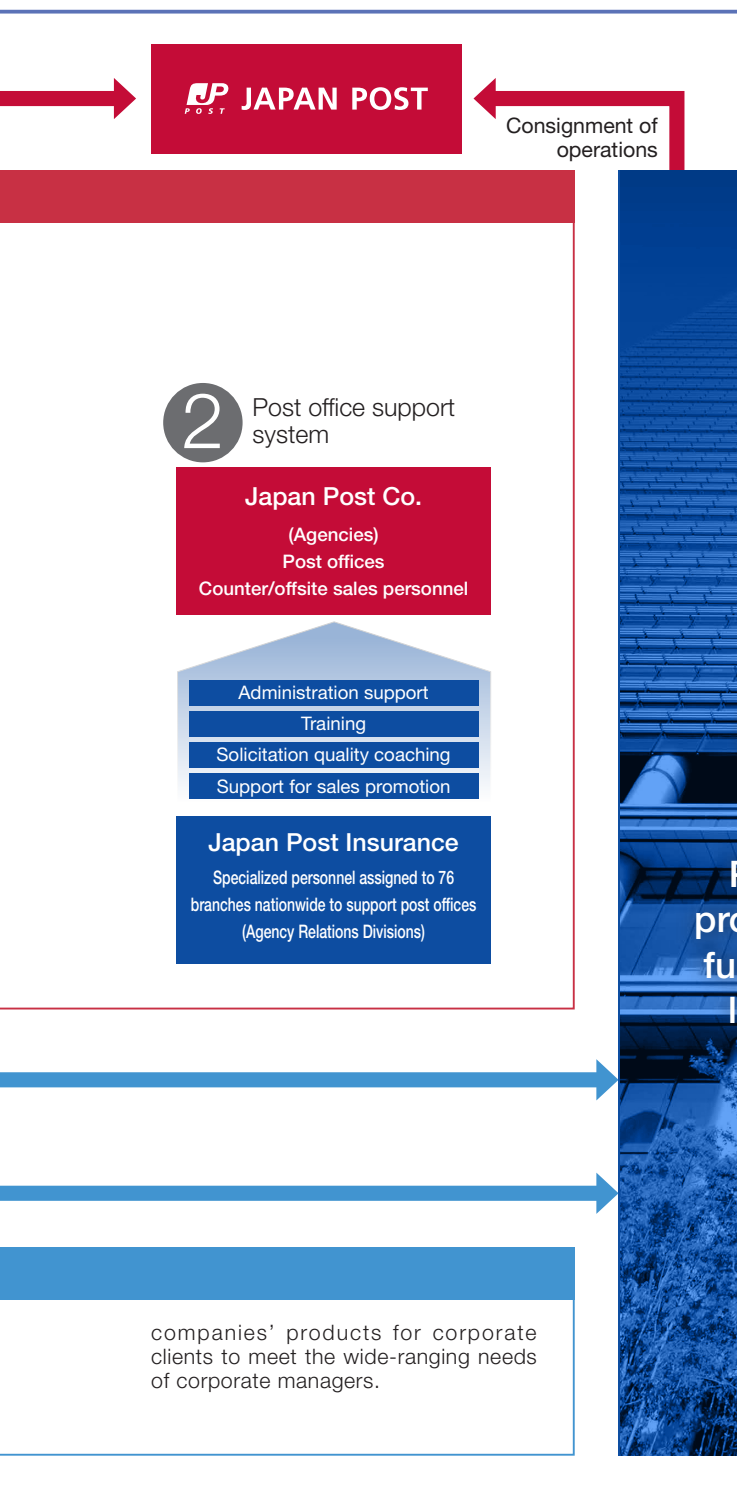
- Began providing *Sukoyakanpo* health support app
- Launched *Kampo ni Omakase*, products with relaxed underwriting criteria; and an advanced medical rider
- Secondary offering of common stock of the Company

Our Business Model

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



* We are promoting multi-accessibility for various claims by enabling some policy procedures via smartphones or computers.



CSR Activities
Health promotion support

- Promotion of Radio Exercise
- Health promotion services

Providing protection for fundamental livelihood

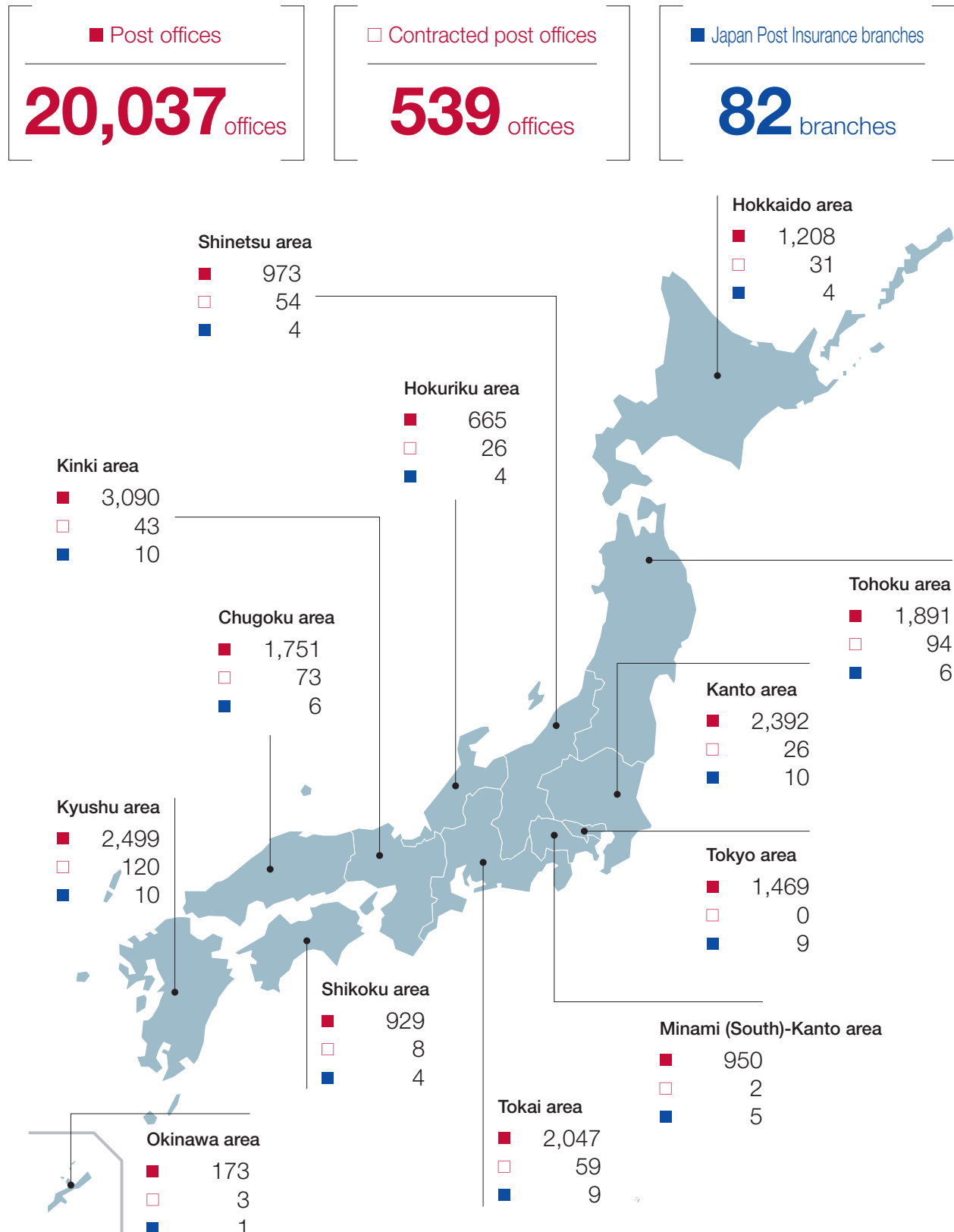
Asset Management

- Diversify asset portfolio within the scope of the risk buffer, based on ALM
- Investment based on an ESG perspective

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

Our Features

The Post Office Network and Japan Post Insurance Offices across Japan (As of March 31, 2020)



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

Products with Easy Procedures and Smaller Coverage Amounts

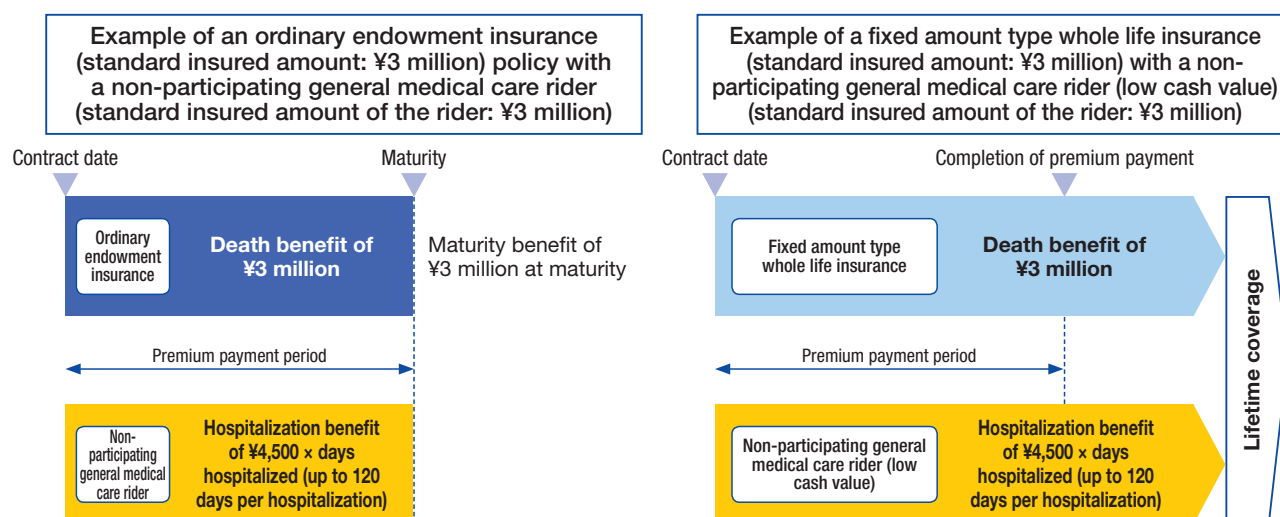
- The Company provides simple and easy-to-understand products (with easy procedures and smaller coverage amounts) and services, focusing on endowment insurance and whole life insurance, through the nationwide network of post offices.
- Our basic approach is to sell mainly endowment insurance and whole life insurance with medical riders.
- These products mainly have small coverage amounts, with an average policy amount of approximately ¥2.9 4 million per new policy.

No examination by physician is required (no medical examination) when applying for enrollment

Customers can enroll by reporting health status (with a declaration form)

No occupational restrictions

Examples of endowment insurance and whole life insurance policies with a medical rider

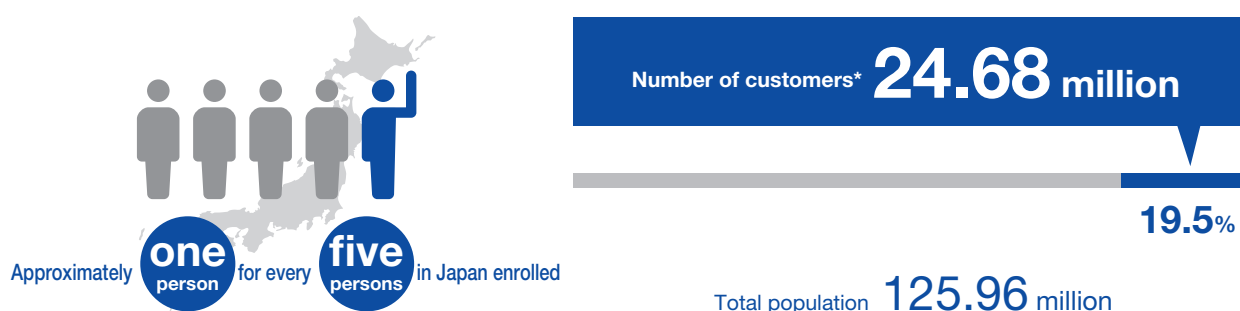


Note: The applicability of insured event for claim payment and the restrictions on payments stated in "Examples of endowment insurance and whole life insurance policies with a medical rider" show an outline of typical cases and matters, and actual details could vary.

Extremely Large Customer Base

Our approximately 24.68 million customers is equivalent to roughly 20% of Japan's population (approximately one in five people) (as of April 1, 2020).

Number of Japan Post Insurance customers



Source: Population Estimates (Statistics Bureau of Ministry of Internal Affairs and Communications; total population and breakdown by sex as of April 1, 2020 (provisional estimates)) <https://www.stat.go.jp/english/data/jinsui/index.html>

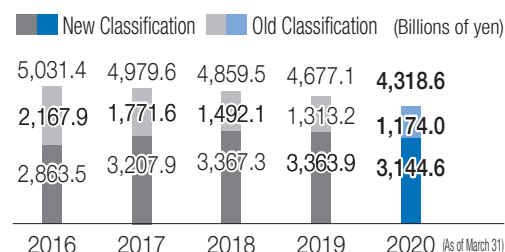
* The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by us).

Financial and Non-Financial Highlights

Financial Highlights

Annualized Premiums from Policies in Force (Individual Insurance) ^{1, 2}

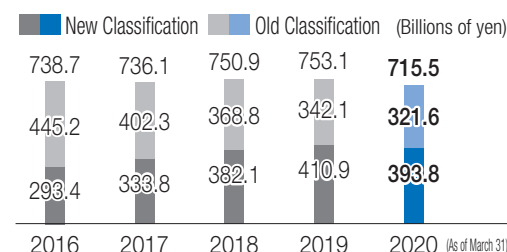
¥4,318.6 billion



As of March 31, 2020, annualized premiums from policies in force (individual insurance) amounted to ¥4,318.6 billion including reinsured Postal Life Insurance Policies (insurance), a 7.7% decrease year on year.

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

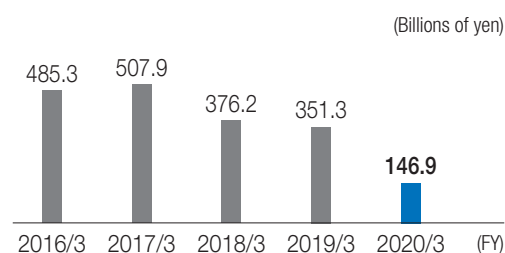
¥715.5 billion



As of March 31, 2020, annualized premiums from policies in force (third-sector insurance) amounted to ¥715.5 billion including reinsured Postal Life Insurance Policies, a 5.0% decrease year on year.

Annualized Premiums from New Policies (Individual Insurance)

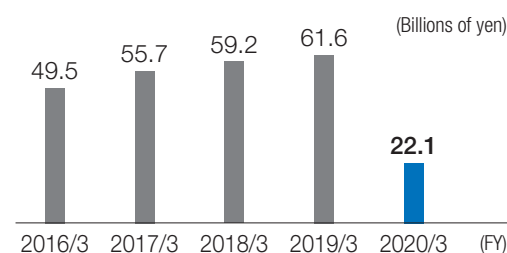
¥146.9 billion



During the fiscal year ended March 31, 2020, annualized premiums from new policies (individual insurance) amounted to ¥146.9 billion, a 58.2% decrease year on year, as a result of factors including refraining from making proactive sales efforts from mid-July 2019 and the suspension of business from January 2020.

Annualized Premiums from New Policies (Third-Sector Insurance)

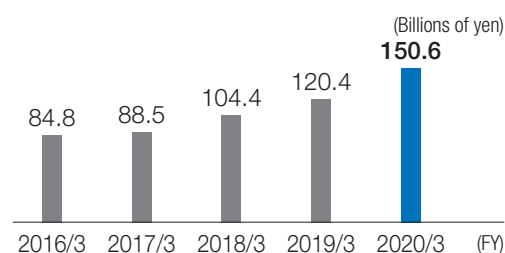
¥22.1 billion



During the fiscal year ended March 31, 2020, annualized premiums from new policies (third-sector insurance) amounted to ¥22.1 billion, a 64.1% decrease year on year (refer to "Annualized Premiums from New Policies (Individual Insurance)").

Net Income (Consolidated) ⁴

¥150.6 billion

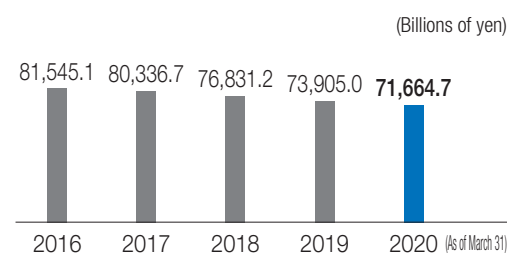


Net income in the fiscal year ended March 31, 2020 increased ¥30.2 billion (25.1%) year on year to ¥150.6 billion.

Although the monthly premiums we receive from customers to operate business are a fixed amount, the amount of commissions paid funded by the premiums are set unevenly, with initial payments set high. Therefore, the decrease in new policies (refer to "Annualized Premiums from New Policies (Individual Insurance)") led to a decrease in operating expenses. Other key reasons for the increase in net income included an increase in the positive spread in asset management.

Total Assets (Consolidated)

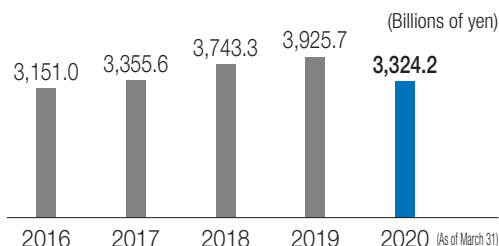
¥71,664.7 billion



The Company manages insurance premiums entrusted from customers and holds assets such as securities in order to provide for payments of insurance claims and others. Total assets as of March 31, 2020 amounted to ¥71,664.7 billion.

Embedded Value (EV)⁵

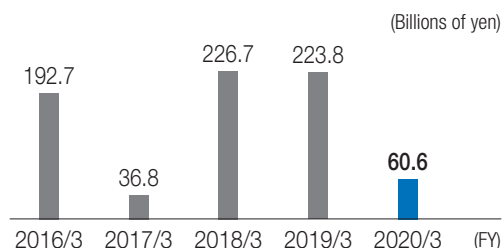
¥3,324.2 billion



Embedded value is one of the corporate value indicators for life insurance companies. The Company's EV as of March 31, 2020 was ¥3,324.2 billion, a ¥601.5 billion decrease year on year.

Value of New Business⁵

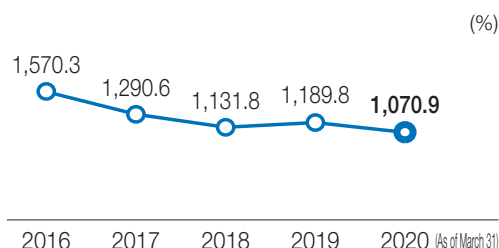
¥60.6 billion



The value of new business is the present value of future profits expected from new business. The value of new business in the fiscal year ended March 31, 2020 decreased ¥163.1 billion year on year to ¥60.6 billion, mainly due to a decrease in new policies (refer to "Annualized Premiums from New Policies (Individual Insurance)") and a decline in interest rates.

Consolidated Solvency Margin Ratio

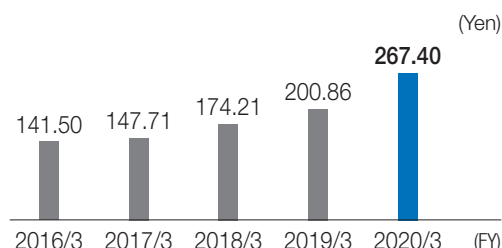
1,070.9%



Our consolidated solvency margin ratio as of March 31, 2020 remained high at 1,070.9%, significantly exceeding 200%, the criterion of prompt corrective action by the regulatory agency.

Earnings per Share (EPS)⁶

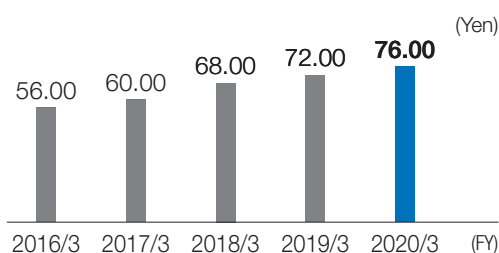
¥267.40



During the fiscal year ended March 31, 2020, earnings per share amounted to ¥267.40, a ¥66.54 increase year on year.

Dividend per Share (DPS)

¥76.00

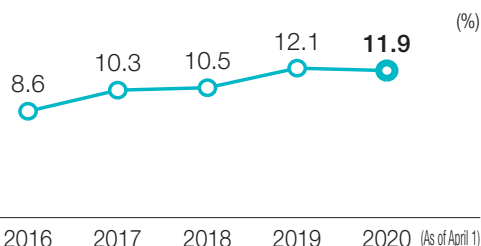


The dividend per share for the fiscal year ended March 31, 2020 was ¥76, an increase of ¥4 per share.

- Notes: 1. "New Classification" indicates policies in force underwritten by Japan Post Insurance, whereas "Old Classification" indicates Postal Life Insurance Policies that we received from the Management Network in the form of reinsurance.
2. The annualized premiums under "Old Classification" are calculated based on the same methods used for "New Classification."
3. "Third-sector insurance" includes annualized premiums corresponding to medical benefits (including hospitalization and surgery benefits).
4. Net income attributable to Japan Post Insurance
5. Please see pages 30 and 31 and 173-175 for the details of EV and the value of new business.
6. Figures for EPS are stated on a consolidated basis.

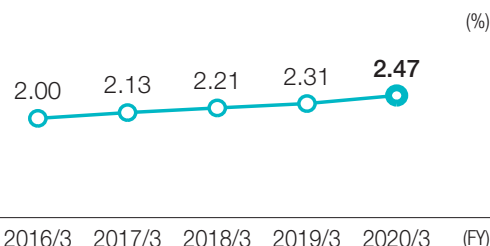
Non-Financial Highlights

Ratio of Female Managers

11.9%

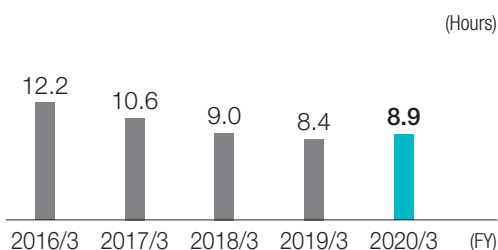
We strive to promote women's career activities as an important diversity promotion measure and conduct systematic training to support medium- to long-term career formation for female employees. We aim to increase the ratio of female managers to 14% or more by April 1, 2021 based on the Act Concerning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

Ratio of Employees with Disabilities

2.47%

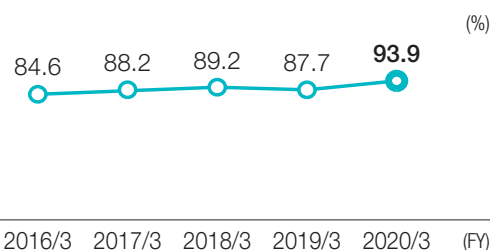
Based on the philosophy of respecting human rights and creating workplaces in which a diverse workforce can participate actively, we are actively promoting the employment of people with disabilities by setting targets at all of our locations nationwide, and are supporting their retention in the workplace.

Monthly Average Amount of Overtime per Employee

8.9 hours

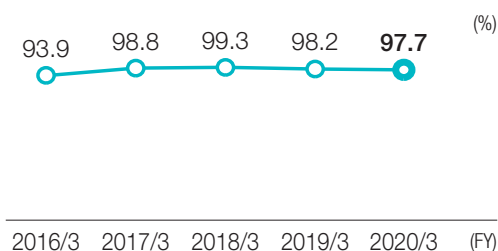
We are working to improve productivity and reduce overtime by promoting workstyle reform throughout the Company, and improving our operations by innovating and reviewing working methods.

Rate of Taking Paid Leave

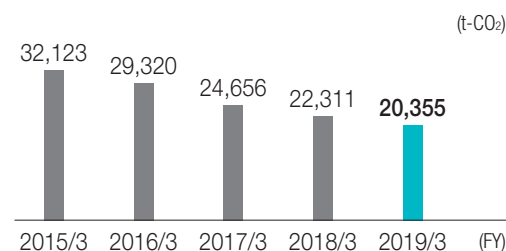
93.9%

We are working to promote the acquisition of paid leave, including the scheduled granting of paid leave to employees including managers, and encouraging the acquisition of consecutive leave days.

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

97.7%

We have established a program for continuous follow-up activities before and during childcare leave, and before and after returning to the workplace, to dispel the concerns of employees and create an environment that makes it easier for employees to return to work.

Carbon Dioxide (CO₂) Emissions⁷**20,355 t-CO₂**

During the fiscal year ended March 31, 2019, CO₂ emissions were 16,856 t-CO₂ from our facilities and 3,499 t-CO₂ from vehicles, amounting to total emissions of 20,355 t-CO₂. As efforts to reduce CO₂ emissions, we are improving the operation of lighting and air-conditioning systems at our facilities and promoting a switch to hybrid and eco-friendly vehicles.

Note 7. Emissions from facilities and vehicles of all organizations within the Company

External Evaluation

Credit Ratings

As of June 1, 2020

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

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

AA-

Insurance Claims Paying Ability

Japan Credit Rating Agency, Ltd.
(JCR)

AA

Ability to Pay Insurance Claims Rating

Standard & Poor's
(S&P)

A

Insurer Financial Strength Ratings

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

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



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



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



As a company that promotes the establishment of a work environment which accommodates both work and family care, the prevention of resignations resulting from the need to care for family members, and support toward reinstating employment, we have received the Tomonin Mark from the Ministry of Health, Labour and Welfare.



Support for Initiatives



We expressed support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in April 2019.

Signatory of:



We signed the United Nations Principles for Responsible Investment (PRI) in October 2017.

Major Financial and Non-Financial Data

Financial data	As of/For the years ended March 31	2011	2012	2013	2014
Results of operations and financial position					
Ordinary income	¥	13,375.4	¥ 12,538.6	¥ 11,834.9	¥ 11,234.1
Ordinary profit		422.2	531.2	528.9	462.7
Core profit		484.4	571.6	570.0	482.0
Spread (positive/negative spread)		(139.3)	(61.5)	(4.7)	54.2
Core profit attributable to life insurance activities		623.7	633.1	574.7	427.8
Net income		77.2	70.0	90.6	62.8
Capital stock		500.0	500.0	500.0	500.0
Number of shares issued (Thousands of shares)		20,000	20,000	20,000	20,000
Total assets		96,786.7	93,690.8	90,463.5	87,092.8
Contingency reserve		2,885.9	2,783.7	2,683.6	2,588.7
Reserve for price fluctuations		409.6	458.2	522.8	614.2
Securities		77,173.0	74,586.1	72,557.1	69,377.9
Major financial soundness indicators					
Solvency margin ratio (%)		1,821.6 [1,153.9]	1,337.0	1,468.8	1,625.1
Economic solvency ratio (ESR) (%)		—	—	—	—
Status of policies					
Annualized premiums from policies in force (individual insurance)		6,498.2	6,051.3	5,686.8	5,393.9
Annualized premiums from policies in force (third-sector insurance)		861.2	823.3	789.9	768.6
Annualized premiums from new policies (individual insurance)		401.3	410.9	431.6	439.0
Annualized premiums from new policies (third-sector insurance)		37.4	39.9	40.8	49.1
Corporate value					
EV		—	2,812.3	2,866.2	3,386.8
Value of new business		—	169.2	181.6	185.1
Per share indicators					
Earnings per share (EPS) (Yen)		3,863.81	3,503.28	4,533.93	3,140.11 104.67
Dividend per share (DPS) (Yen) (of which, interim dividend per share)		965.95 [—]	846.68 [—]	1,137.51 [—]	840.43 [—]

Non-financial data	As of/For the years ended March 31	2016	2017	2018	2019	2020
Number of employees (Persons)		7,378	7,424	7,490	7,617	7,638
Male (Persons)		4,372	4,322	4,301	4,307	4,270
Female (Persons)		3,006	3,102	3,189	3,310	3,368
Ratio of female managers (%)		8.6	10.3	10.5	12.1	11.9
Average age (Years)		38.2	38.6	38.8	39.0	39.4
Male (Years)		41.1	41.5	41.7	41.8	42.1
Female (Years)		34.0	34.6	35.0	35.3	35.9
Average years of service (Years)		14.3	14.5	14.6	14.7	15.0
Male (Years)		17.3	17.5	17.5	17.5	17.8
Female (Years)		10.0	10.4	10.7	11.0	11.5
Rate of employees with disabilities (%)		2.00	2.13	2.21	2.31	2.47
Number of foreign employees (Persons)		2	2	3	4	4
Monthly average amount of overtime per employee (Hours)		12.2	10.6	9.0	8.4	8.9
Rate of taking paid leave (%)		84.6	88.2	89.2	87.7	93.9
Rate of taking childcare leave (%)		—	49.7	58.7	64.5	81.7
Male (%)		—	6.3	17.6	28.5	65.3
Female (%)		—	99.3	98.8	100.0	99.4
Return-to-work rate of employees who took childcare leave (%)		93.9	98.8	99.3	98.2	97.7
Number of employees who returned to work (Persons)		—	—	143	162	169
Number of employees who took nursing care leave (Persons)		—	—	—	6	14
Status of retention of new employees (after 3 years) (%)		90.8	90.9	89.7	84.4	87.2
Carbon dioxide (CO ₂) emissions (t-CO ₂)		29,320	24,656	22,311	20,355	—

(Billions of yen unless specifically indicated)

	2015	2016	2017	2018	2019	2020
¥	10,169.2	¥ 9,605.7	¥ 8,659.4	¥ 7,952.9	¥ 7,916.6	¥ 7,211.4
	492.6	411.5	279.7	309.2	264.8	286.6
	515.4	464.2	390.0	386.1	377.1	400.6
	66.9	97.4	78.5	65.8	58.4	80.4
	448.4	366.8	311.4	320.3	318.7	320.1
	81.3	84.8	88.5	104.4	120.4	150.6
	500.0	500.0	500.0	500.0	500.0	500.0
	20,000	600,000	600,000	600,000	600,000	562,600
	84,915.0	81,545.1	80,336.7	76,831.2	73,905.0	71,664.7
	2,498.7	2,374.8	2,254.0	2,114.3	1,962.7	1,797.3
	712.1	782.2	788.7	916.7	897.4	858.3
	66,276.2	63,609.9	63,485.2	60,130.9	58,451.5	55,870.5
	1,644.2	1,570.3	1,290.6	1,131.8	1,189.8	1,070.9
	179	167	176	186	225	116
	5,182.5	5,031.4	4,979.6	4,859.5	4,677.1	4,318.6
	748.0	738.7	736.1	750.9	753.1	715.5
	457.8	485.3	507.9	376.2	351.3	146.9
	41.1	49.5	55.7	59.2	61.6	22.1
	3,613.7	3,151.0	3,355.6	3,743.3	3,925.7	3,324.2
	154.9	192.7	36.8	226.7	223.8	60.6
	4,066.16					
	135.54	141.50	147.71	174.21	200.86	267.40
	1,226.38	56.00	60.00	68.00	72.00	76.00
	[-]	[-]	[-]	[-]	[-]	[38.00]

- Notes: 1. As the Company transitioned to consolidated accounting from the fiscal year ended March 31, 2012 onwards, the financial data from the fiscal year ended March 31, 2012 onwards represent consolidated figures, while those of the fiscal year ended March 31, 2011 represent non-consolidated figures. However, core profit, number of shares issued, status of policies and dividend per share represent non-consolidated figures. Furthermore, net income represents net income attributable to Japan Post Insurance from the fiscal year ended March 31, 2012 onwards.
2. The solvency margin ratio as of March 31, 2011 has been calculated in accordance with the provisions set forth in Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act and in the public notification No. 50 issued by the Ministry of Finance in 1996. Furthermore, the solvency margin ratios from March 31, 2012 onwards have been calculated in accordance with the provisions set forth in Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and in the public notification No. 23 issued by the Financial Services Agency in 2011.
3. In the calculation of the solvency margin ratio from March 31, 2012 onwards, the calculation standard for the total amount of solvency margin and the total amount of risk was partially amended (tightening of margin calculations, tightening and refining of risk measurements and others), in accordance with the Cabinet Office Ordinance No. 23 of 2010 and the public notification No. 48 issued by the Financial Services Agency in 2010. From March 31, 2016 onwards, the total amount of solvency margin was partially amended in accordance with the Cabinet Office Ordinance No. 16 of 2016. Accordingly, the solvency margin ratios on March 31, 2011, March 31, 2012 through 2015, and March 31, 2016 onwards were calculated based on different standards. The figure in brackets "[]" as of March 31, 2011 is the figure disclosed for the fiscal year ended March 31, 2011 on the assumption that the standard as of March 31, 2012 was applied on March 31, 2011.
4. The economic solvency ratio (ESR) is the capital amount based on economic value divided by the integrated risk amount based on economic value and is one of the indicators that represent the financial soundness of life insurance companies (Figures are based on the Company's internal model; 99.5% confidence level).
5. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
6. Annualized premiums from policies in force include reinsured Postal Life Insurance Policies (for individual insurance, limited to Postal Life Insurance Policies (insurance)).
7. Third-sector insurance includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).
8. In the calculation of EV and the value of new business for the fiscal year ended March 31, 2015 onwards, an approach which utilizes the ultimate forward rate is applied as the extrapolation method of interest rates at longer durations of the risk-free rates (an approach in which the forward rates for the last year of the market data onwards are assumed to be the same is used for the fiscal year ended March 31, 2014 and before).
9. The value of new business for the fiscal year ended March 31, 2016 onwards is calculated as the difference between the EV calculated on the basis of the profit and loss for all in-force covered business including new business issued, and the EV calculated on the basis of the profit and loss for all in-force covered business if no new business had been issued (the value of new business for the fiscal year ended March 31, 2015 and before is calculated on the basis of the profit and loss for new business on a stand-alone basis).
10. The Company implemented a 30:1 stock split effective August 1, 2015. The lower rows of the fiscal years ended March 31, 2014 and 2015 for EPS have been calculated assuming the stock split was implemented on April 1, 2013.
11. The Company cancelled its treasury stock on May 31, 2019, reducing the total number of shares issued by 37,400 thousand shares.
12. The Company established a Board Benefit Trust (BBT) in the fiscal year ended March 31, 2017. Shares of the Company held in the trust, which was recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the fiscal year, for the purpose of calculating EPS.
13. The number of employees excludes employees assigned to other companies by Japan Post Insurance but includes employees assigned to Japan Post Insurance by other companies. The figures exclude non-regular employees (including indefinite-term employees based on the indefinite-term employment conversion system).
14. Ratio of female managers represents the ratio as of April 1 of the following fiscal year.
15. Average age and average years of service are based on attained ages and years of service as of March 31, 2020, and truncated to the first decimal place.
16. Average years of service represent the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.
17. Rate of employees with disabilities represents the number employed by the Company on a non-consolidated basis, as of June 1 of each year.
18. Status of retention of new employees represents the retention rate of new graduates for each year after three years from their employment.
19. CO₂ emissions for the fiscal year ended March 31, 2020 are being compiled at the time of the report's preparation.

Medium-term Management Plan

Initiatives in the Final Year of the Medium-term Management Plan 2020

In order to realize our management philosophy, we are committed to supporting each and every one of our customers and protecting their lives. We have set “pursue customer-first business operations,” “achieve sustainable growth” and “maintain sound business operations” as our fundamental management approach in an effort to achieve this goal.

In the fiscal year ending March 31, 2021, in response to the issue of improper solicitation of Japan Post Insurance products, we will continue to work to compensate customers for disadvantages they experienced by conducting policy investigations. We will furthermore implement and instill improvement measures based on the business improvement plan to ensure customer-first business operations.

Through these efforts, we will restructure our business base in preparation for the next Medium-term Management Plan starting in the fiscal year ending March 31, 2022, as we aim to become the insurance company that customers continue to select by ensuring improvement of our corporate value.

As a response to the spread of COVID-19, which has become a major social issue, we have worked to further support customers through means such as conducting double payment of insurance benefits, reducing or exempting interest rates applicable to policy loans excluding premium loans, and extending the grace period for premium payments.

We will steadily fulfill our social mission and functions as a life insurance company to support our customers by their side, even as we face these social issues in the future.

Management Philosophy

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

Fundamental Management Approach

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

Initiatives in the final year of the Medium-term Management Plan 2020

Pillars of Initiatives

Steady execution of policy investigations aimed at regaining the trust of customers

Implementation and instilling of improvement measures based on the business improvement plan

Restructuring of business base and improvement of corporate value

Work promptly, reliably and carefully to compensate customers for disadvantages experienced as a top priority through policy investigations and customer service

Prioritize the allocation of management resources to improvement measures based on the business improvement plan, and implement various improvement measures based on appropriate progress management

Restructure the business base for the next Medium-term Management Plan by regaining the trust of customers and ensuring customer-first business operations

Response to the Pressing Issue

Fulfill our social mission and functions as a life insurance company in response to the COVID-19 Pandemic

Numerical Targets

The key numerical targets of the Medium-term Management Plan 2020 (FY2019/3–FY2021/3) and results for each fiscal year are as follows:

	FY2020/3 results	FY2021/3 targets
Earnings per share (consolidated)	¥267.40	¥155
Dividend per share	¥76.00	¥76

We recognize that we are presently facing difficulties with regard to achieving the target for annualized premiums for policies in force for the fiscal year ending March 31, 2021 (approximately ¥4.9 trillion), which is one of the key quantitative targets of the Medium-term Management Plan 2020. This is due to the fact that we have not set any sales targets for the fiscal year ending March 31, 2021, and due to our intention to create an environment that will lead to future sales by working to regain customers' trust as our top priority, along with a significant decrease in new policy acquisitions due to increases in premiums and our refraining from making proactive sales efforts regarding our products in response to solicitation quality issues.

Key Strategies

Sales and Product Strategies

Recognition of the environment and basic strategy

In the fiscal year ended March 31, 2020, in response to the issue of inappropriate solicitation of Japan Post Insurance products, we worked promptly, reliably and carefully to compensate customers for disadvantages experienced as our top priority through policy investigations and customer service.

In the fiscal year ending March 31, 2021, we will continue to place the highest priority on policy investigations and customer service given our aim of regaining the trust of customers and ensuring customer-first business operations, while at the same time establishing an appropriate sales promotion scheme.

Key initiatives

Initiatives aimed at regaining the trust of customers

- We will continue to investigate policies and respond to customers with a top priority on compensating customers for disadvantages they experienced, while listening to the opinions and requests of customers besides those covered in investigations in a careful manner through visits to customers in order to regain their trust and confirm the details of their policies. We will work in good faith to resolve any disadvantages that are not in line with customers' intentions.
- We will continue to listen to customer feedback in various ways, such as through continuous policy confirmation activities and improvement of the "Notice of Policy Details" sent to customers once a year, and we will continue to conduct follow-up activities in line with customer intentions.
- When a customer requests a Japan Post Insurance product, we will carefully explain the details of the product to the customer based on an accurate understanding of the customer's needs, including the customer's concerns about the future and insurance coverage. We will then accept the application for the Japan Post Insurance product that meets the intentions of the customer.

Establishing an appropriate sales promotion scheme

- In order to thoroughly implement basic actions based on the principle of providing insurance coverage founded on high ethical standards in line with the original roles and mission of life insurance we revised our Solicitation Policy to reflect the customer-first philosophy on April 1, 2020.

Furthermore, we have formulated the Standard of Japan Post Insurance Sales that embodies our sales action principles, based on the aforementioned Solicitation Policy. We will conduct in-house training to instill the Standard of Japan Post Insurance Sales.

Moreover, to prevent the occurrence of policies that are not in line with the intentions of customers, customers' intentions are confirmed in a multi-layered manner by post office managers as well as the dedicated call center of Japan Post Insurance, along with confirmation by our service centers at the time of the underwriting process, in addition to expanding the pre-checking function for underwriting that detects applications for which there are doubts about solicitation quality.

- While we will not set sales targets for the fiscal year ending March 31, 2021, as we prioritize activities to regain customers' trust, when setting sales targets for the fiscal year ending March 31, 2022 and beyond, we will review the system of sales targets based on the assumption of good solicitation quality and with an emphasis on policies in force (on a stock basis).
- In order to improve the system for reviewing insurance policies, we have introduced a conditional cancellation system that ensures provision of continuous coverage without interruption. We are also proceeding with the introduction of a policy conversion system to enable transitions to new policies without cancellation of existing policies.

Solicitation Policy of Japan Post Insurance

Basic Policy

Under the management philosophy of "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being," we will always put ourselves in the position of customers and provide easy-to-understand products and high-quality services in order to provide customers with the peace of mind that comes with insurance, and continue to support and protect the livelihood of each and every one of our customers with our products.

In addition, **in order to live up to the trust of our customers, life insurance sales activities will abide by laws and regulations as well as social norms, and we will always act based on principles in line with high ethical standards.**

1. We will make appropriate proposals based on a thorough understanding of the customer's needs and intentions, and provide explanations that are comprehensible to customers.

We will gain a thorough understanding of the customer's needs and intentions, and make a proposal based on their status of income, assets and insurance policies held as well as life plans, so that it is in the customer's best interest and is satisfactory.

When explaining product details and other information, we will provide customers with the "Contract Outline," "Information Calling for Attention" and other documents, and explain them in a careful and easy-to-understand manner, taking into account the customer's age, knowledge and experience.

At the time of application, we will reconfirm that product, premiums, coverage and other details meet the customer's needs and intentions, so that the customer will be able to enroll in an insurance product that is in line with their ultimate intentions.

We will not make any proposals that are not in the best interest of customers, even if they are intended by customers.

2. We will operate the insurance system soundly to reassure customers

In order to maintain fairness between policyholders and the sound operation of the insurance system, we will ask for correct declarations as well as consent of the insured. Even in the case of life insurance policies with minors as the insured, especially those under 15 years of age, we will conduct appropriate solicitation, including setting an appropriate insurance coverage amount.

3. We will conduct appropriate solicitation from the customers' point of view

When we visit or contact our customers by phone, we put the customers first and will act from the perspective of customers, and give due consideration to the method, place and time of sales.

We will also take into account the age, knowledge and experience of the customer to ensure that the customer has a thorough understanding, and we will conduct appropriate solicitation from the customer's point of view through means such as providing explanations to family members and setting aside a period of time for their careful consideration.

4. We will conduct education and training designed to improve customer service

We will work to enhance education and training systems, improve product knowledge and consulting skills of all executives and employees, and provide heartfelt services by constantly improving ourselves to provide the most appropriate coverage plans.

5. We will handle customer information appropriately

We will appropriately handle customer information obtained upon providing products under a rigorous management structure.

Development of IT System Platforms

Since October 2019, we have been developing IT system platforms to support appropriate solicitation activities by adding a new function to the mobile devices used for sales activities that allow us to propose optimal coverage for customer's needs while confirming with them their future life events and funds required for them.

In addition, we are building a system that allows us to record and store solicitation activities to visualize the status of solicitation and to confirm whether we have made proposals in line with the customer's intentions in the event of subsequent inquiries from the customer.



New Product Development

The changing lifestyles of our customers, especially young and middle-aged customers, have led to increasingly diverse coverage needs.

In recognition of this environment, in April 2019, we launched sales of: (1) non-participating advanced medical care riders that cover technical fees for advanced medical treatment to further enhance medical coverage and (2) products with relaxed underwriting criteria for endowment insurance, whole life insurance and non-participating general medical care riders added to these basic insurance policies that are accessible to those with health concerns to enroll in.

先進医療特約

Non-participating advanced medical care rider



Products with relaxed underwriting criteria

Administrative Services Strategy

Recognition of the environment and basic strategy

We provide insurance services to a large number of customers throughout Japan through a nationwide network of post offices, and we have positioned the provision of administrative services that meet the needs of each and every customer and the establishment of an office structure that continuously generates corporate value as our basic strategy for insurance administrative services. In addition, we have been working to further improve customer service and enhance efficiency in back-office administration, mainly through the use of digital technology.

We will continue to focus on these two points, and in light of the recent issues in solicitation quality, we will place the highest priority on strengthening an appropriate solicitation quality control scheme by conducting multi-layered checks from application to conclusion of policies to prevent policies that are not in line with our customers' intentions, as we strive to restore the trust of our customers and all other stakeholders.

Key initiatives

Simple, easy-to-understand claim procedures, anywhere, anytime

We have conducted procedures for customers in person through local post offices nationwide to provide careful and easy-to-understand services to customers throughout Japan. However, the current COVID-19 pandemic is expected to bring about a variety of lifestyle changes, including the widespread use of non-face-to-face services.

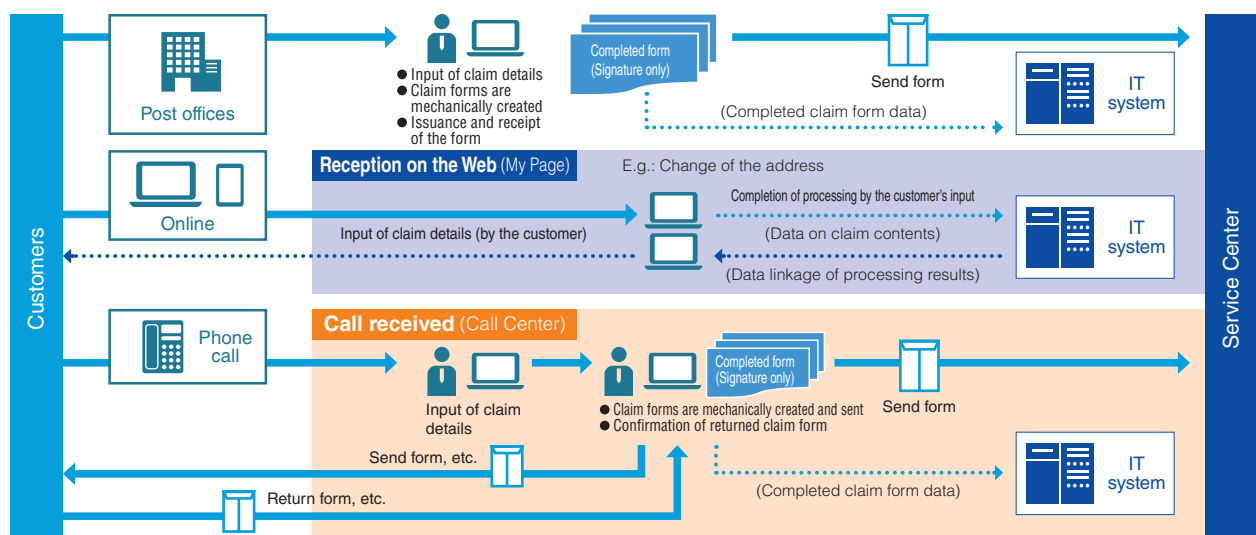


To further enhance customer convenience, we introduced the My Page web service in April 2019 that enables policyholders to confirm policy coverage, change their address and/or phone number, and issue Certificate of Premium Payment, from a familiar environment such as a home PC or smartphone without restrictions on time or location.

This service enables customers who normally cannot take the time to visit a post office to complete various claim procedures online.

In addition to expanding the claim procedures available on My Page, we will continue to diversify the various claim procedure methods through the use of digital technology and promote services that aim to offer "simple, easy-to-understand claim procedures, anywhere, anytime."

Diversification of claim procedures (outline)



Building a competitive management base by streamlining insurance administration

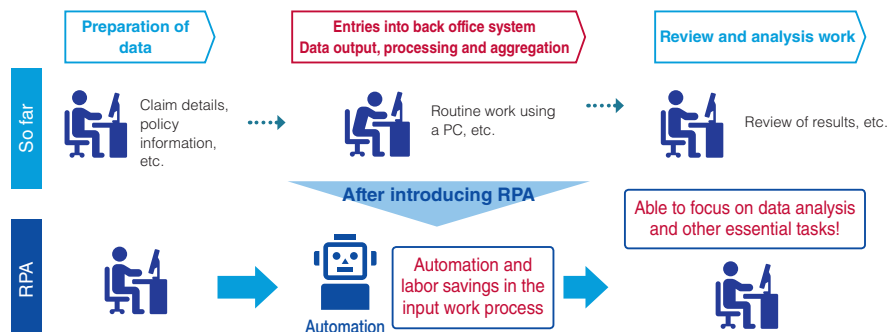
With the aim of building a competitive management base by improving the efficiency of insurance administration, in April 2019, the Company converted approximately 32 million paper-based forms at the Company's Service Centers, that handle processing after the receipt of various claims into electronic forms to reduce the cost of printing and mailing to post offices.

In addition, we have been gradually introducing RPA, which uses robots to automate a series of tasks previously performed by employees, resulting in a reduction in work hours of approximately 300,000 hours in the fiscal year ended March 31, 2020. Going forward, we will continue to promote automation and labor savings in data input operations to improve administrative efficiency.

In addition to promoting the full-scale introduction of RPA company-wide, we will promote the digitalization of various insurance administrative procedures and use AI technology to respond to inquiries from post offices regarding administrative procedures and improve the efficiency of insurance administration through the use of digital technology.

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

Utilizing RPA (outline)

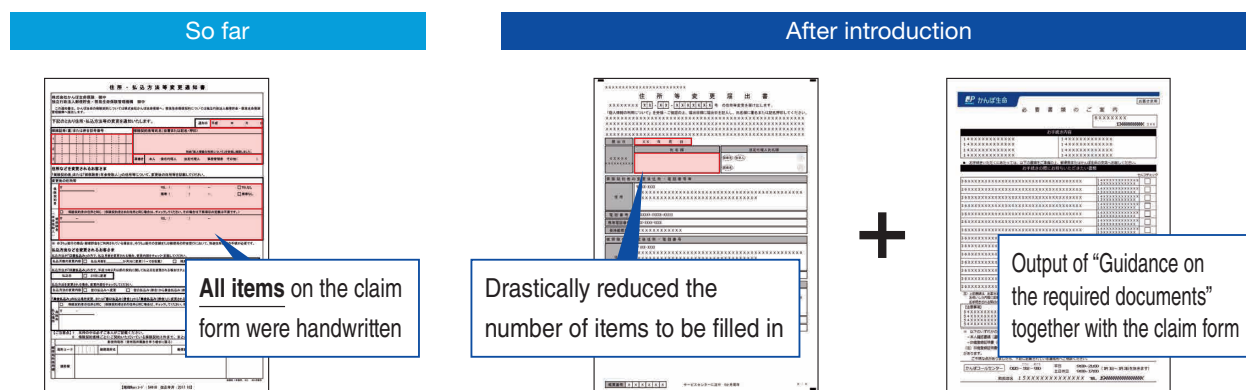


Simplification of claim procedures

We are making improvements to simplify information to be filled out by customers and to reduce the documents to be submitted in order to enhance customer convenience. Specifically, we are accepting paperless applications for policies using mobile devices for sales, eliminating the need to affix a seal on various payment claims including insurance claims, and simplifying the documents submitted in inheritance procedures.

In addition, in October 2018, we introduced an "insurance procedure support system" at post offices across Japan, which prints the necessary information for claim documents in advance, automatically determines the documents needed at the time of a claim, and presents a list of them to the customer when the post office receives various claim requests from the customer. This reduces the burden on customers filling out forms and the hassle of checking the documents required for a claim.

In October 2019, we expanded the scope of claims covered by the insurance procedure support system to include hospitalization benefits and death benefits as well, and improved it so that customers only need to fill in the date of the claim and a signature as a general rule. Going forward, we will continue to expand the number of claims covered by the system in order to improve customer convenience, as well as the quality of solicitation through IT system support.



Asset Management Strategy

Recognition of the environment and basic strategy

The asset management environment during the fiscal year ended March 31, 2020 was unstable, with stock prices declining as economic activity was expected to slow down due to the spread of COVID-19 toward the end of the fiscal year. In the fiscal year ending March 31, 2021, we expect the real economy to be severely impacted by sluggish economic activity and transition to a recession on a global level. We furthermore recognize that there is rising uncertainty about the future.

Under the Enterprise Risk Management (ERM) framework, we will continue to invest in return-seeking assets¹ under appropriate risk management in an aim to secure stable income in the low interest rate environment, while implementing ALM²-based asset management through asset-liability matching, to ensure the payment of insurance claims to customers.

Key initiatives

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

While we have been diversifying asset management centered on those externally managed, with the aim of improving stable earnings in the low interest rate environment, we have started in-house management of U.S. corporate bonds and Japanese equities in phases, steadily promoting the diversification of asset management.

In the fiscal year ended March 31, 2020, we continued to make steady progress in diversifying asset management, including in-house management of Japanese equities, alternative investments³, and expansion of target currencies in foreign bond investments.

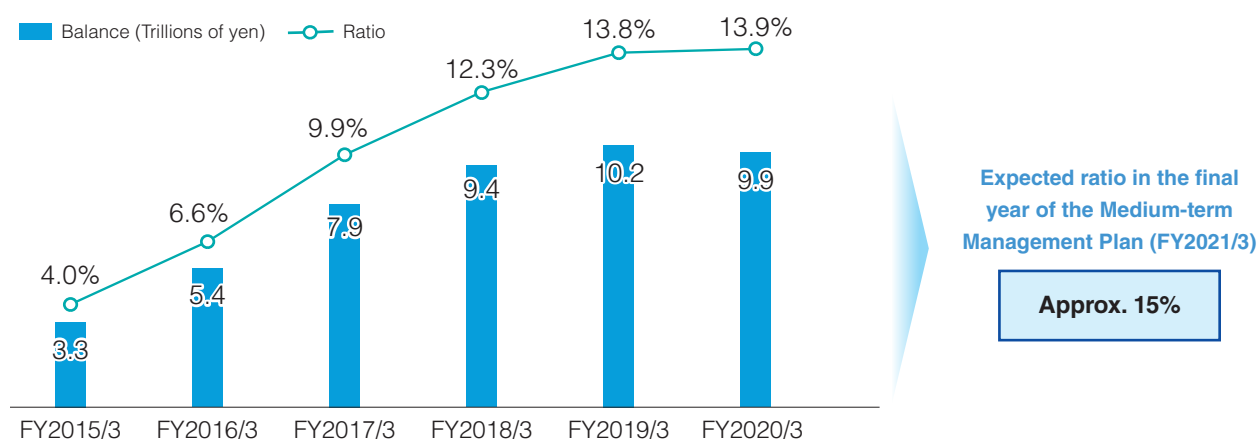
As a result of promoting the diversification of asset management to increase profitability of our ALM-based asset management, the ratio of return-seeking assets to total assets as of March 31, 2020 increased to 13.9%.

Notes: 1. Of assets recorded under "money held in trust" and "securities" on the balance sheets, Japanese and foreign equities, foreign currency-denominated bonds, investment trusts, etc. held for asset management purposes.

2. Asset Liability Management: Integrated management of assets and liabilities

3. A general term for new investment options or methods other than financial instruments that have a relatively long history such as bonds or listed stocks (traditional assets).

Return-seeking assets



Ongoing initiatives

With regard to asset management in the fiscal year ending March 31, 2021, we believe we will need to monitor the market situation more closely and take a more prudent approach to risk-taking than ever before, given increased uncertainty about the future of financial markets.

Going forward, we will continue to diversify asset management based on appropriate risk management, aiming to secure stable income in a low interest rate environment.

In the fiscal year ending March 31, 2021, we will enhance the quality of our asset management that we have diversified so far, including strengthening our structure for direct investment in alternative investments.

Key ongoing initiatives

- Enhancement of the quality of the diversified range of asset management (such as strengthening the structure for direct investment in alternative investments)
- Expansion of in-house management (U.S. corporate bonds, Japanese equities)
- Further promotion of ESG investment
- Sophistication of ALM and risk management

Reinforcement of asset management framework

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

As for strengthening human resources, the number of employees engaged in asset management was 181 as of April 1, 2020 and has increased by 34 over the last three years. While continuing efforts to secure human resources, we will strengthen expert human resources from a long-term perspective.

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

Strengthening the Management Base

Digitalization Strategy

Recognition of the environment and basic strategy

As customers' lifestyles and needs diversify with the evolution of technology, the rapid progress of digitalization and demographic changes such as the aging of society with declining birthrate, it is essential for Japan Post Insurance to adapt to the evolution of technology and the progress of digitalization in order to improve our customer services and strengthen our ICT* platforms.

The Company has an enormous IT system that manages policy information and handles payment of insurance claims and other activity for approximately 24.68 million customers. It serves as the infrastructure supporting a range of customer services provided mainly through some 20,000 post offices.

We will optimize our entire IT system platform by improving and consolidating our IT system structure and utilizing new technologies such as the cloud, in order to adapt to the changing environment and ensure our competitiveness.

We will also improve the quality of our customer service and processing efficiency through the use of new technologies such as AI, and promote the expansion of new digital contact points with customers through our health support app, website and other means. We will continue to improve our customer service by leveraging data and knowledge gathered through these efforts for the development and improvement of new products and services.

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

Key initiatives

Investing in ICT

The Company has been working on various measures to reduce costs. For example, by upgrading our core system in January 2017, we have realized a 40% reduction in hardware costs compared to the previous system, and expect a 36% reduction of software (development) costs in the five years following the upgrade.

Going forward, we will continue to strengthen our IT system development framework and improve development productivity to further reduce costs, while optimizing investment allocation by prioritizing investment in projects such as measures for the business improvement plan that are necessary from a management perspective.

IT system support in line with the business improvement plan

- In order to prevent the occurrence of policies not in line with customer intentions, we have set up a "sales pre-checking system" that detects policy applications with concerns over solicitation quality, and are working to significantly expand its functions.
- We will set up a framework that will enable us to easily confirm customers' past policy enrollment and cancellation history on our IT systems when accepting policy applications from customers at branches of Japan Post Insurance and post offices, and will develop a structure for utilizing such customer information for solicitation quality control. As part of these efforts, in April 2020, we expanded the scope of checking customers' contract cancellation history at post offices and elsewhere, from the past three months to the past 24 months.
- By recording and keeping a voice record of the solicitation process on mobile devices for sales held by offsite sales personnel at the time of solicitation to ensure transparency of the solicitation process, we will develop a system that can verify whether the sales personnel proposals meet the customer's intentions in the case of a customer complaint.
- In order to improve the system for reviewing insurance coverage, we have introduced a conditional cancellation system that ensures provision of continuous coverage without interruption. We are also proceeding with the introduction of a policy conversion system that does not involve the cancellation of existing policies.

Enhancing ICT personnel

Japan Post Insurance is working to improve the quality and development productivity of IT systems by augmenting and training personnel, including at its IT systems subsidiaries.

To promote further ICT utilization and digitalization by strengthening technology and adapting to the development of digitalization, we formed the “Digital Services Acceleration Department” in April 2018 in addition to the existing IT system departments to develop a system for leveraging the latest technologies. We are also striving to train our employees to become familiar with the latest technologies such as by hiring mid-career recruits and actively dispatching them to various training programs.

Leveraging digital technologies

The key initiatives in recent years include the following:

- (1) Introduction of AI-based operations that support functions for insurance claim payment and assessment, etc. (from March 2017)
- (2) Provision of the *Sukoyakanpo* health support app for smartphones (from January 2019)
- (3) Rolled out introduction of RPA, mainly in administrative departments (from April 2019)
- (4) Introduction of My Page, a web service for policyholders (from April 2019)
- (5) Introduction of a chatbot on the Company's website for responding to inquiries (from May 2020)

Going forward, we will continue to draw on the latest digital technologies to improve customer service and convenience.

Chatbot for responding to inquiries (chat support)



Human Resources Strategy

Recognition of the environment and basic strategy

Securing a labor force, improving productivity and creating an environment where diverse human resources can work comfortably are among the most important management issues in Japan, where the aging of society, the decline of the birthrate and the decrease in population are ongoing problems. Japan Post Insurance also recognizes these as issues that must be resolved.

We aim to regain the trust of customers and be an insurance company selected by stakeholders. Our employees are the basis of our endeavors to achieve this. Meanwhile, our human resources management is aligned with our aim of becoming an attractive company that can contribute to society where each and every employee experiences job satisfaction and motivation, and thus achieves self-fulfillment.



Key initiatives

Promotion of workstyle reform

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

Health and productivity management

Under the Management Policy stating “We create a working environment in which all employees can develop their talents and work with energy and vitality,” we are working to maintain and promote the health of our employees and are certified as a “Health and Productivity Management Outstanding Organization 2020 (large enterprise category)” by the Ministry of Economy, Trade and Industry.

Our initiatives to promote health and productivity management include those that involve enriching health guidance based on the results of periodic health checkups, conducting Radio Exercise at all offices, and the establishing of the Kampo Non-Smoking Day (22nd of every month).

Going forward, we will promote various initiatives to enhance employees’ vitality and productivity, which will eventually lead to improved performance.

Human resources management

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

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

The ongoing personnel exchange between the front lines and head office will continue, and we will deepen mutual understanding and trust by increasing the number of employees with experience in both the front lines and head office in each position.

Promotion of diversity and inclusion

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

●Expanding roles of female employees

In support of the careers of female employees in the medium to long term, we make every effort to “expand the appointment of female employees to management positions” and “foster the careers of female employees.”



▲Career design seminar

●Promoting employment of people with disabilities

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



▲Challenged employees at work

●Support for the balance of work with child rearing, nursing care, etc.

In addition to the establishment and enhancement of systems to support employees who are engaged in childrearing and nursing care while working, we have introduced e-learning, hold seminars, and provide on-site after-school childcare services to support employees in balancing work with child rearing, nursing care and other such responsibilities. We have received the “Platinum Kurumin” certification from the Ministry of Health, Labour and Welfare in recognition of these efforts.



▲On-site after-school childcare services

●LGBT-friendly

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



▲Participation in the “Tokyo Rainbow Pride 2019” parade

Helping to build a diverse society through the support for wheelchair tennis

We have been supporting wheelchair tennis as a top partner of the Japan Wheelchair Tennis Association since April 2018.

In the fiscal year ended March 31, 2020, we supported wheelchair tennis player OHTANI as a member of our team. We also hired her as a full-time employee of the Company in the fiscal year ending March 31, 2021, and continue to provide additional support.

We will continue to promote wheelchair tennis by supporting the sport and its players as we work to build a diverse society.



▲Tennis player OHTANI Momoko

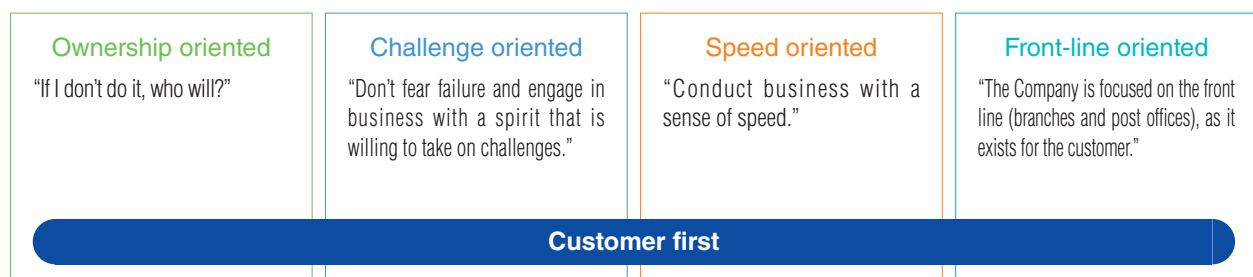
Human resources development

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

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

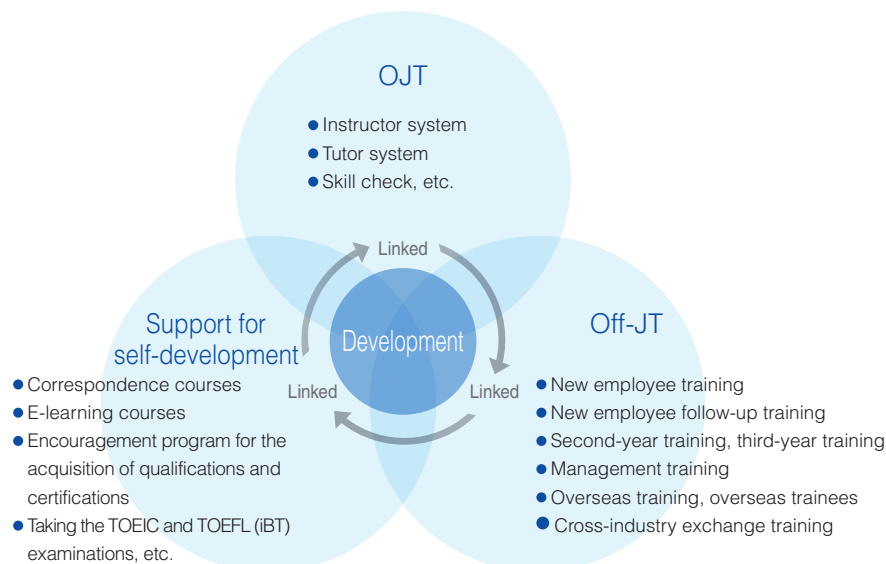
Through the linkage of these measures with practical training at each workplace, we promote effective human resources development so that "all employees can develop their talents and work with energy and vitality."

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



► Human Resources Development Basic Policies

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



In order to motivate each and every employee for personal development and foster them to become human resources capable of taking action expressing the four orientations based on the customer-first concept while implementing the PDCA cycle on a daily basis, we have a system in which OJT¹, support for self-development and Off-JT² are linked under the Human Resources Development Basic Policies.

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

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

Comprehensive Risk Management (Enterprise Risk Management (ERM))

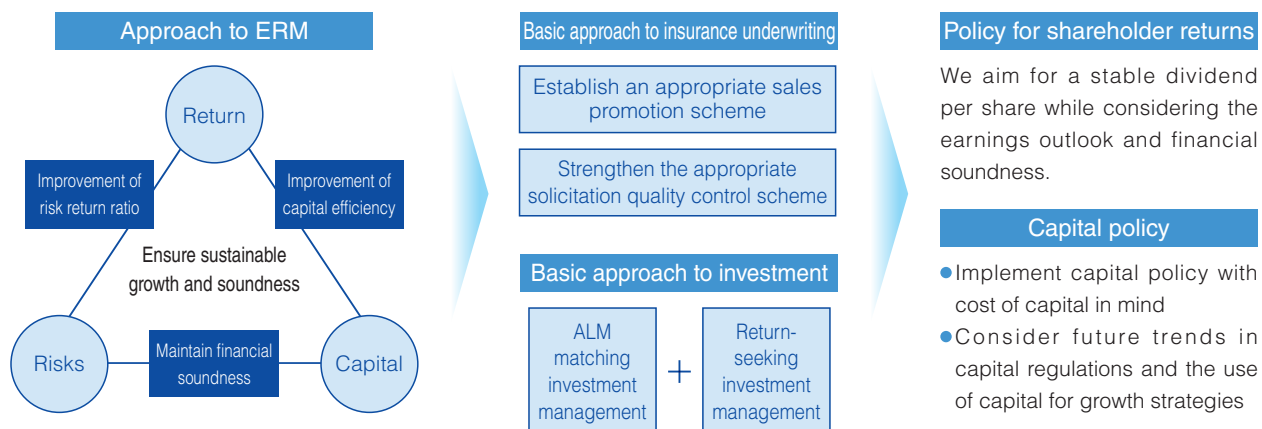
Recognition of the environment and basic strategy

Japan Post Insurance ascertains risk on an overall basis, which encompasses latent significant risks, for any risk we face, and compares and contrasts various risks with our capital and other areas in managing risk for our overall business.

As our basic principle, based on the characteristics of the life insurance business, we manage Company-wide risks by comparing the risk amount with the capital amount on an economic-value basis, in compliance with current solvency margin regulations applicable to insurance companies. In addition, the Company's risk-taking policy is organized as a "Risk Appetite Statement."

Key initiatives

We aim to achieve a higher risk return ratio with a view to improving capital efficiency while maintaining financial soundness under the ERM framework.



Risk Appetite Statement

The Risk Appetite Statement stipulates our risk-taking policies in terms of which risks to take and how much to take in order to achieve our goals.

We categorize our risk appetite into qualitative risk appetite and quantitative risk appetite.

- **Qualitative risk appetite:** Documenting medium- to long-term and qualitative views on which management is based, by overall policy and risk categories

Risk Category	Statement
Overall Policy	<ul style="list-style-type: none"> ● Play a part in universal services through the post office network while pursuing thorough customer-first business operations. ● Achieve sustainable growth while maintaining sound business operations based on ERM.
Insurance Underwriting Risk	<ul style="list-style-type: none"> ● Actively underwrite insurance products and respond to the diversification of insurance needs.
Investment Risk	<ul style="list-style-type: none"> ● The basic approach is to promote asset-liability matching while taking into account surrender risk and profitability. ● Seek to improve investment income by promoting diversification of asset management within the scope of risk tolerance while taking into account market constraints, serving as one of Japan's largest institutional investors.
Operational Risk	<ul style="list-style-type: none"> ● Prevent operational risk from materializing by strengthening internal control systems and establishing a system to perform all operations from underwriting to claim payment in a simple, prompt and accurate manner.

- **Quantitative risk appetite:** Clarifying the level of soundness required for risk-taking

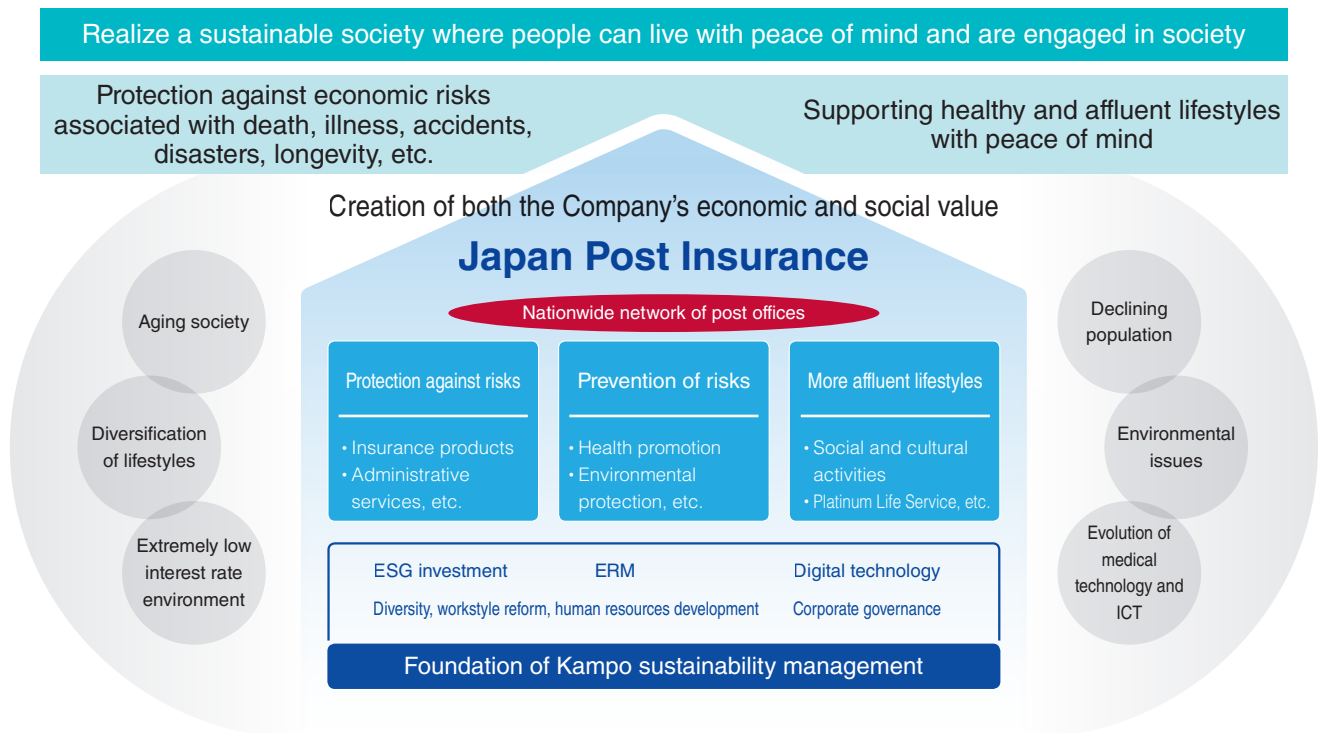
Realizing a Sustainable Society

Japan Post Insurance will put “Kampo sustainability management” in practice to realize a sustainable society where people can live with peace of mind and are engaged in society.

Kampo sustainability management

In order to deliver peace of mind and contribute to the realization of a sustainable society through our business, we will not only enhance our economic value, but also create social value by strengthening governance and by actively addressing social responsibility, environmental concerns and other issues related to the SDGs.

Outline of Kampo sustainability management

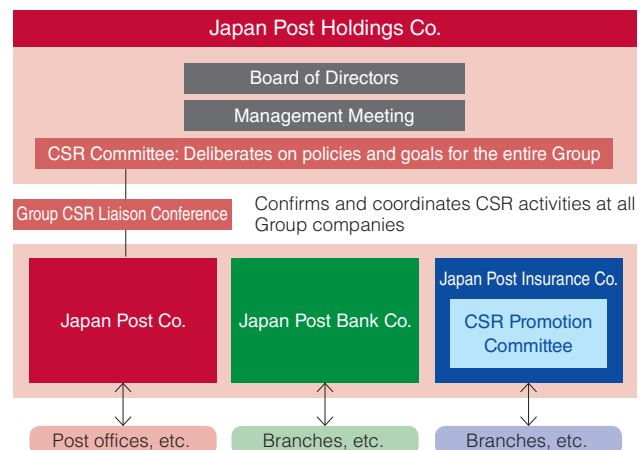


CSR of the Japan Post Group

The Japan Post Group promotes CSR initiatives in accordance with the Japan Post Group CSR Basic Policy and the Japan Post Group CSR priority issues.

Japan Post Insurance has also established the CSR Promotion Committee chaired by the Executive Officer in charge of Public Relations, which discusses material topics (materiality) and initiatives on sustainability management, and is working to realize a sustainable society as a member of the Group.











Group CSR promotion structure



Initiatives to achieve the SDGs

Japan Post Insurance has selected material topics (materiality) to be addressed and is promoting activities linked to each of the SDGs in order to realize the Management Philosophy and contribute to the creation of a sustainable society.

Material topics to be addressed

	Society	Environment	Employees	Governance	
Material topics	<ul style="list-style-type: none">● Provision of fundamental insurance services throughout Japan	<ul style="list-style-type: none">● Prevention of risks through health promotion, etc.	<ul style="list-style-type: none">● Adapting to climate change and environmental protection	<ul style="list-style-type: none">● Promotion of diversity and inclusion, workstyle reform, human resources development	<ul style="list-style-type: none">● Corporate governance
Vision	<ul style="list-style-type: none">● Delivering reliable insurance services to customers nationwide and supporting the future of regional communities	<ul style="list-style-type: none">● Supporting healthy and fulfilling lifestyles	<ul style="list-style-type: none">● Passing on a sound global environment and resources to the next generation	<ul style="list-style-type: none">● Diverse and energetic organizations	<ul style="list-style-type: none">● Management base for creation of sustainable value
Relevant SDGs	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Specific initiatives	<ul style="list-style-type: none">● Provision of universal service products including endowment insurance and whole life insurance● Special treatment in the event of disaster● Provision of information on financial trends, etc. to local governments through financing	<ul style="list-style-type: none">● Popularization and promotion of Radio Exercise● Provision of services utilizing a health support app● Promotion of Kampo Platinum Life Service	<ul style="list-style-type: none">● Response to TCFD● Reduction of CO₂ emissions and paper use● Contributing to environmental conservation through the online provision of Contract Guidelines and Policy Conditions● ESG investment	<ul style="list-style-type: none">● Promotion of workstyle reform● Promotion of diversity and inclusion● Human resources development	<ul style="list-style-type: none">● Corporate governance● Thorough compliance● Elimination of relationships with antisocial forces
	P50	P49	P48・P51	P42	P53

Environment

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



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

In April 2019, Japan Post Insurance expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Going forward, we will continue to deepen our analysis regarding the impact of climate change on

our business and further promote information disclosure, as we work to reduce our environmental impact and adapt to climate change through our business activities.

Reduction of CO₂ emissions and paper use

Based primarily on the results of an energy-saving diagnosis, our entire organization is working to improve the operation of lighting and air-conditioning facilities, cut back on energy consumption mainly by installing energy-saving equipment, and reduce CO₂ emissions by introducing hybrid and eco-friendly cars. In addition, we encourage all employees to take energy-saving action by creating a guidebook that summarizes details of energy-saving initiatives

to promote basic energy-saving activities company-wide.

As a result of these initiatives, we achieved a 38% reduction in CO₂ emissions in the fiscal year ended March 31, 2019 compared with the base year (fiscal year ended March 31, 2014).

We are working to reduce paper consumption by encouraging the reduction of copy paper use and converting various office forms to digital forms.

Contributing to environmental conservation through the online provision of Contract Guidelines and Policy Conditions

In addition to conventional brochures, we provide the Contract Guidelines and Policy Conditions online on our website in PDF format. We have reduced the amount of paper used by providing online access to Contract Guidelines and Policy Conditions to customers who request this option at the time of enrollment. In support of the cause, we also support initiatives such as making donations to forestation activities in order to revitalize forests and increase greenery.

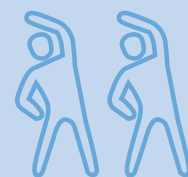
In July 2019, we donated a total of ¥34.0 million to 34 environmental groups working on forestation.



Employees participating in a tree-planting activity organized by a donee organization

Social

Delivering reliable insurance services to customers nationwide
and supporting the future of regional communities
Supporting healthy and fulfilling lifestyles



Popularization and promotion of Radio Exercise

Radio Exercise is a popular exercise routine that anyone can participate in anywhere, anytime. Japan Post Insurance will continue its efforts to popularize and promote Radio Exercise in cooperation with NHK and the NPO Japan Radio-taiso Federation, and will hold Radio Exercise-related events and other activities to help improve people's health and revitalize local communities, as well as to contribute to the insurance business in the long-term by promoting good health.



Radio Exercise calendar in the *Sukoyakanpo* health support app



We hold Radio Exercise-related events throughout Japan.

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

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

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

We conduct an annual Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour during the 43-day school summer vacation period from July 20 to August 31, visiting venues around Japan (including the day for the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")). Participating in Radio Exercise during the summer vacation is a typical summertime sight in Japan. In addition, we run a Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Special Tour every year from April to the end of October, stopping at venues across the country mainly on Sundays and public holidays.

All-Japan Elementary School Radio Exercise Competition

We hold the competition with the aim of increasing opportunities for many elementary schoolchildren to energetically enjoy Radio Exercise and to contribute to health promotion and the development of children.

For the sixth contest held in the fiscal year ended March 31, 2020, we had applications for about 570 teams from elementary schools throughout Japan.



The gold winner team in the sixth contest of the All-Japan Elementary School Radio Exercise Competition

Provision of services utilizing a health support app

In line with the advent of a super-aging society, the role expected of the life insurance business is shifting from the provision of conventional services, that is, insurance payment in cases such as hospitalization due to illness or injury, to the provision of services for prevention of illness and injury, and for promoting and maintaining health. To fulfill such a role, we are vigorously supporting healthy and affluent lifestyles, and as a measure for such support, we have launched the *Sukoyakanpo* health support app that helps people pursue health with ease. The app is available free of charge, and it features the Standard menu for everyone from January 2019, and the Premium menu mainly for policyholders from April 2019.

Promotion of Kampo Platinum Life Service

Japan Post Insurance is conducting a Company-wide initiative called “Kampo Platinum Life Service” to win the favor of its growing number of elderly customers by offering age-friendly services based

on a sense of security and trust that has been enabled by improving contacts with all customers from the perspective of our elderly customers.

Provision of health and medical information	Provision of information contributing to enhancement of customers' QOL	Establishment of systems friendly to elderly customers/training of employees
<ul style="list-style-type: none"> Free telephone consultation service for policyholders <ul style="list-style-type: none"> Consultation on health, medicine, nursing care and childcare “Taxes in life” consultation <i>Oshiete! Karada Navi!</i> (information website on health) Video offering tips on nursing care 	<ul style="list-style-type: none"> Publication of “Kampo Platinum Life Service,” an information magazine for elderly customers Free training sessions for the elderly (on tablets and smartphones) 	<ul style="list-style-type: none"> Establishment of a dedicated call center for elderly customers Efforts for simpler, easy-to-read and easy-to-understand notifications Encouraging employees to acquire qualifications <ul style="list-style-type: none"> Carefitter Dementia Supporter

Special treatment in the event of disaster

In the event of disaster, Japan Post Insurance applies special treatment (emergency treatment) to disaster-stricken customers who face urgent needs.

Notification of the details and period of the special treatment, whenever applied, is furnished at

our branches and post offices to which we consign operations.

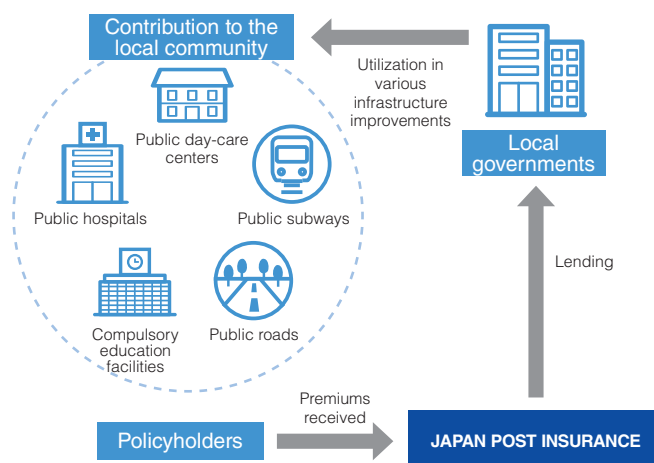
We will promptly provide special treatment (emergency treatment) in the event that the Disaster Relief Act takes effect in afflicted areas in the future.

[Specific treatment]

- **Extension of the grace period for premium payments**
Extension of the grace period for premium payments for customers who have difficulty paying premiums due to a disaster
- **Emergency treatment for claim payments, etc.**
Implementation of special treatment including the partial omission of the necessary documents for procedures, claim payments and refunds of advance payment of premiums for customers who have difficulty in preparing documents to be submitted due to a disaster

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

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



ESG investment

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

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

ESG Investment Policy

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

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

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

Integration of ESG factors into the investment process







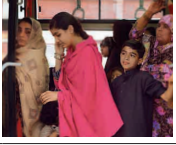







Initiatives in internal domestic equity investments

We manage the following two domestic equity funds in consideration of ESG factors.

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

Initiatives in internal bond investments, etc.

We invest in ESG themed bonds. We select themes that can widely contribute to the achievement of SDGs and the resolution of issues related to them, and invest in projects beneficial to the resolution of ESG issues.

Major ESG-themed investment examples			Major ESG-themed investment examples		
Investment in a Climate Awareness Bond			Investment in a Sustainable Development Bond to Raise Awareness of Health and Nutrition of Women, Children, and Adolescents		
© European Investment Bank			© World Bank		
Investment in a Sustainable Development Bond in response to the COVID-19			Investment in a Thematic Bond promoting gender equality		
© Inter-American Development Bank			© Asian Development Bank		
Investment in a Sustainability Awareness Bond to fight against COVID-19			Investment in a Social Bond themed Feed Africa to increase food production on the African continent		
© Community of Madrid European Investment Bank			© African Development Bank		
			Investment in solar power generation projects (project finance)		

Initiatives in externally managed assets

In our external manager selection, appointment and monitoring processes, we review ESG initiatives such as the following items. (Examples of items reviewed)

- PRI signature and annual PRI assessment
- ESG investment policies, ESG investment methods, issuer selection processes, engagement activities and voting activities.

Stewardship activities

Japan Post Insurance has accepted Japan's Stewardship Code (the "Code") and has established Company policies in accordance with it.

In our equity investment, we conduct constructive engagement in accordance with these policies. We strive to build strong relationships with investee companies, and encourage them to increase disclosure not only of financial information but also non-financial information, including ESG factors. We also monitor their initiatives concerning environmental (E), social (S), and governance (G) issues in order to review their status. Our voting activities are based on our Policies on the Exercise of Shareholders' Voting Rights. In our voting activities, we take into consideration non-financial information, including ESG factors, and information earned from dialogues with companies.

In our domestic corporate bonds investment, we conduct constructive engagement with investee companies based on the purpose of the Code.

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

https://www.jp-life.japanpost.jp/aboutus/csr/responsible_investment/stewardship/ (in Japanese)

Collaboration with industry groups

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

Initiatives as signatory to the Principles for Responsible Investment (PRI)

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

Signatory of:



Governance structure of responsible investment

We are working to promote responsible investment, including ESG investment and stewardship activities, under the following governance structure.



Corporate Governance Systems

Basic Concept of Corporate Governance

We take the issue of improper solicitation of Japan Post Insurance products very seriously, and are working to strengthen corporate governance through our Board of Directors and other bodies in order to ensure that the same incident does not happen again in the future. The Company has established the “BASIC POLICY REGARDING CORPORATE GOVERNANCE,” which lays out our basic concept of corporate governance, its framework and operations, and the corporate governance structure is developed accordingly.

BASIC POLICY REGARDING CORPORATE GOVERNANCE

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

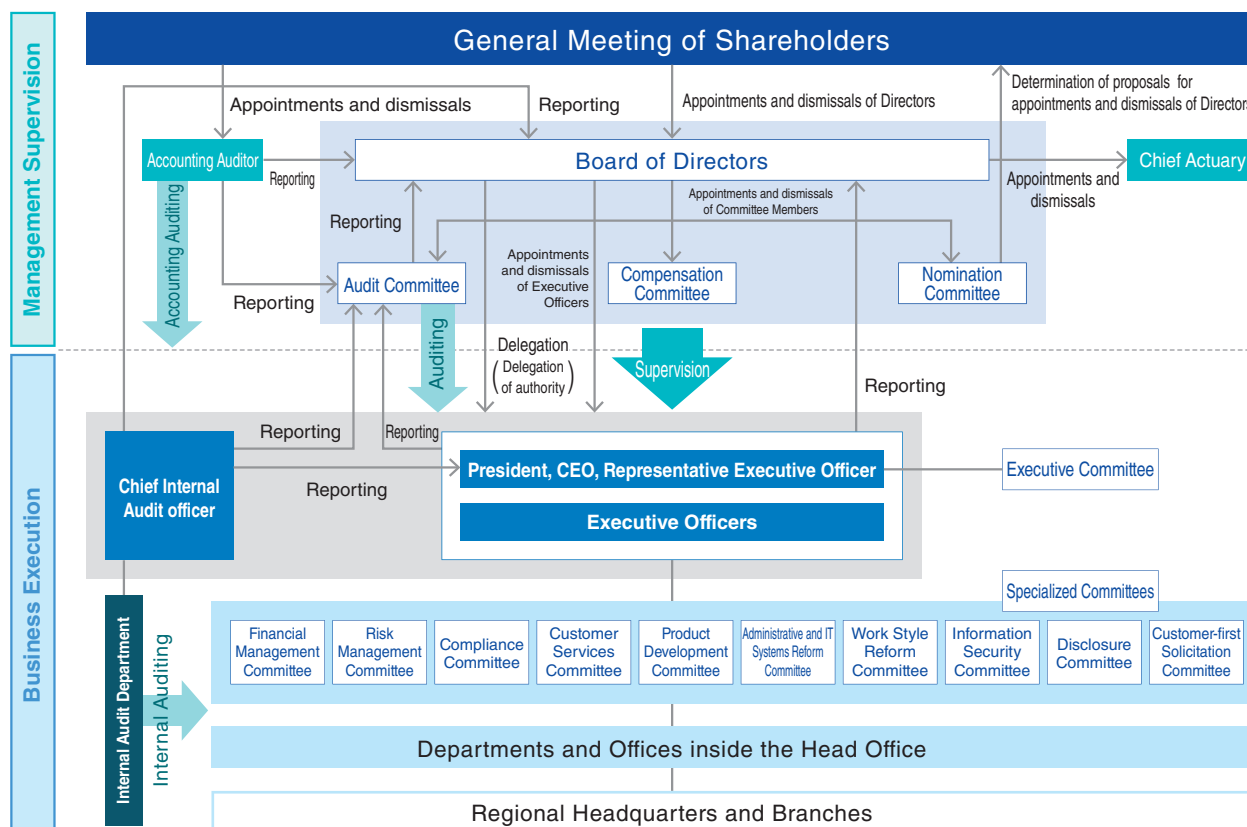
Basic Concept of Corporate Governance

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

Outline of the Corporate Governance Structure

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

Corporate Governance Structure



Board of Directors (Management Supervision)

The Board of Directors of the Company determines matters such as the basic management policy of the Company, segregation of duties of Executive Officers and the fundamental policy for establishment of internal control systems and has the authority of supervising the execution of duties by Executive Officers. Meanwhile, the Board of Directors promotes the development of a framework that enables supervision of management from the external and broader perspective by appointing lawyers and corporate managers as Outside Directors.

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

- **Nomination Committee**

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

Chairman: HARADA Kazuyuki (Outside Director)

Members: SENDA Tetsuya, MASUDA Hiroya,
SAITO Tamotsu (Outside Director),
YAMADA Meyumi (Outside Director)

- **Audit Committee**

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

Chairman: SAITO Tamotsu (Outside Director)

Members: HORIGANE Masaaki, SUZUKI
Masako (Outside Director),
YAMADA Meyumi (Outside Director),
YAMAZAKI Hisashi (Outside Director)

- **Compensation Committee**

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

Chairman: SUZUKI Masako (Outside Director)

Members: MASUDA Hiroya, HARADA Kazuyuki
(Outside Director)

(Membership composition as of July 1, 2020)

Internal Control Systems (Business Execution)

Japan Post Insurance considers the establishment of strong internal control systems to be extremely important to increasing our corporate value and to our goal of becoming the “No. 1 Japanese insurance company selected by customers.”

Outline of Organization and Systems

Important management decisions related to business execution are first discussed by the Executive Committee and then made by the President, CEO, Representative Executive Officer. The Executive Committee is comprised of the President, CEO, Representative Executive Officer and the Executive Officers in charge of the

We have established systems for the execution of our business based on the principle of self-responsibility and have continued our efforts to enhance our organization and systems.

respective business operations. In addition, we set up the following nine specialized committees to serve as advisory bodies to the Executive Committee. Among the items subject to approval of each Executive Officer, cross-divisional issues are discussed by the respective specialized committees.

1. Financial Management Committee
2. Risk Management Committee
3. Compliance Committee
4. Customer Services Committee
5. Product Development Committee

6. Administrative and IT Systems Reform Committee
7. Work Style Reform Committee
8. Information Security Committee
9. Disclosure Committee

Furthermore, in order to promptly and reliably implement measures under the leadership of the management and improve solicitation quality,

we have established a Customer-first Solicitation Committee and hold discussions.

Initiatives for Internal Control

We have resolved the “Fundamental Policy for Establishment of Internal Control Systems” at a meeting of Board of Directors as a fundamental policy related to the establishment of a system for ensuring proper operations (revised on March 25, 2020).

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

- System for ensuring the execution of duties by the Executive Officers and employees of Japan Post Insurance is in compliance with laws and regulations and the Articles of Incorporation
- System for retaining and managing information concerning the execution of duties by the Executive Officers
- System and rules for managing the risk of loss to Japan Post Insurance
- System for ensuring the efficient execution of duties by the Executive Officers
- System for ensuring proper operations within the corporate group comprising Japan Post Insurance and Japan Post Holdings, and subsidiaries of Japan Post Insurance
- System for ensuring effective audits by the Audit Committee

Internal Audit System

We have established the Internal Audit Department, which is independent from our business-executing departments, to contribute to sound and appropriate business operations. We have set up the Internal Audit System to review and assess the appropriateness and effectiveness of the Company's Internal Control Systems and our business execution in accordance with the “International Standards for the Professional Practice of Internal Auditing” developed by the Institute of Internal Auditors (IIA).

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

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

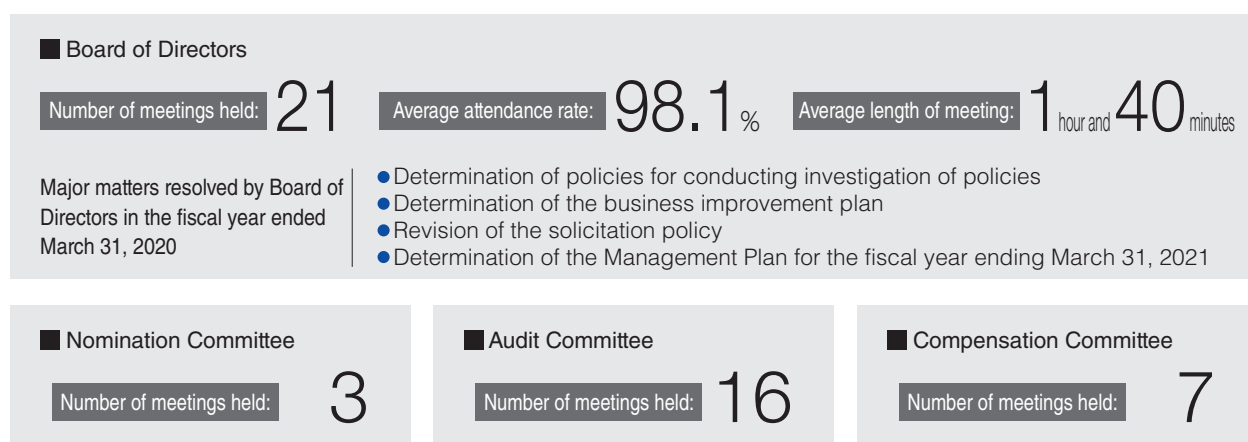
We have also taken steps to strengthen the Internal Audit System through efforts such as further cooperation with the Audit Committee, improvement of internal audit quality, enhancement of the internal audit framework and professionalism, and enhancement of human resources.

Status of Operations of the Board of Directors, etc.

Japan Post Insurance has established opportunities to enhance the exchange of opinions among Directors. They include establishing the “deliberation” process that will leverage the expertise of Outside Directors from the resolution drafting stage as well as the existing resolution and report in order to discuss management issues in advance, holding extraordinary meetings of the Board of Directors as necessary, and meetings of Outside Directors.

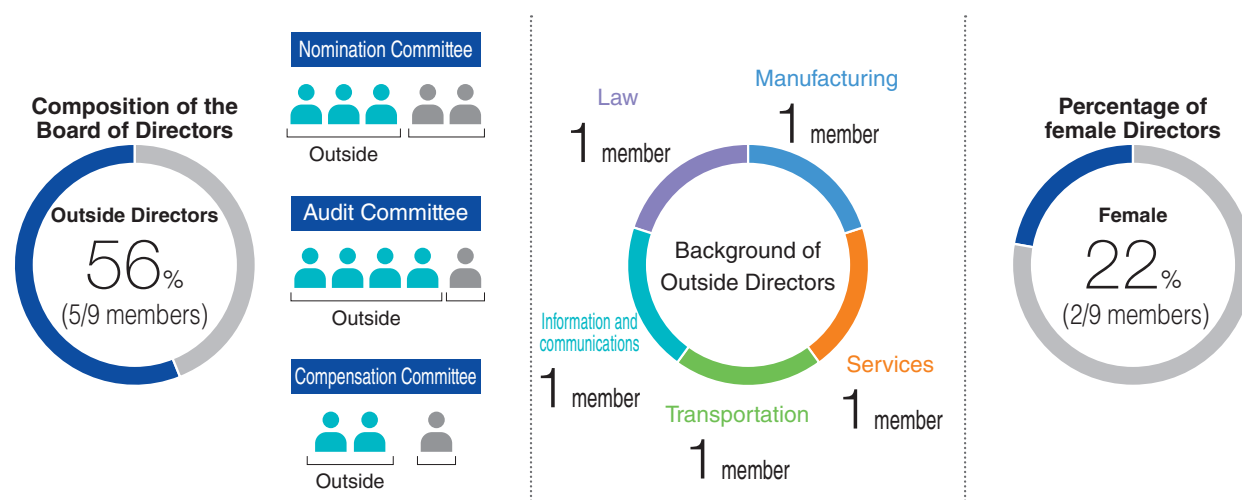
We are also working to ensure effective and smooth operations of the Board of Directors such as by providing Directors with accurate information as needed, providing thorough explanations on the details of proposals in advance, and ensuring that there is time for prior discussion and question-and-answer sessions at the Board of Directors.

The operations of the Board of Directors and the committees in the fiscal year ended March 31, 2020 were as follows.



Composition of the Board of Directors

The Company's Board of Directors has a high level of independence and diversity, with a majority (5 out of 9 members) of Outside Directors from a wide range of backgrounds and including two female Directors.



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

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

Nomination Criteria for Candidates for Directors

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

Designation Criteria for Independent Officers

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

Executive Compensation

■ Compensation Policies for Directors and Executive Officers

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

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

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

Compensation Policies for Directors and Executive Officers by Individual

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

■ Amount of Compensation for Directors and Executive Officers (fiscal year ended March 31, 2020)

Total Amount of Compensation, etc., Total Amount of Compensation, etc. by Type, and Number of Eligible Officers by Officer Category

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)		Number of eligible officers (Persons)
		Fixed compensation	Performance-linked stock compensation	
Directors (excluding Outside Directors)	5	5	—	1
Outside Directors	68	68	—	8
Executive Officers	583	591	△8	26

Notes: 1. As the Company does not give compensation, etc. for Directors who concurrently serve as an Executive Officer of the Company or the parent company, etc., the number of eligible officers in the Directors category in the chart above does not include those who concurrently serve as an Executive Officer of the Company or the parent company, etc.

2. The amount recorded as performance-linked stock compensation is the amount recorded in the fiscal year ended March 31, 2020.

3. No bonuses are paid.

Directors and Executive Officers

(As of July 1, 2020)

Directors

**SENDA Tetsuya**

Director and President, CEO,
Representative Executive Officer

Number of shares of the
Company held 6,200 shares

Number of years and months
in office as a Director - years

Status of attendance at the
Board of Directors
- % (-/- meetings)

Significant concurrent position:
Director of Japan Post Holdings Co., Ltd.

Past experience, positions and responsibilities

Apr. 1984 Joined the Ministry of Posts and Telecommunications Oct. 2007 Senior General Manager of Customer Service Department of the Company Oct. 2008 Senior General Manager of Tokyo Service Center of the Company Apr. 2010 General Manager of Business Process Planning Department of the Company Jul. 2010 Senior General Manager of Business Process Supporting Department of the Company Apr. 2011 Senior General Manager of Corporate Planning Department of the Company Jul. 2011 Executive Officer and Senior General Manager of Corporate Planning Department of the Company Oct. 2011 Director of JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. Jun. 2013 Managing Executive Officer of Japan Post Holdings Co., Ltd. Jul. 2013 Managing Executive Officer of the Company Jun. 2016 Senior Managing Executive Officer of the Company Nov. 2017 Senior Managing Executive Officer of Japan Post Holdings Co., Ltd. Apr. 2019 Deputy President, Representative Executive Officer of the Company Aug. 2019 Managing Executive Officer of Japan Post Holdings Co., Ltd. Jan. 2020 President, CEO, Representative Executive Officer of the Company Jun. 2020 Director and President, CEO, Representative Executive Officer of the Company (current position) Jun. 2020 Director of Japan Post Holdings Co., Ltd. (current position)

Reasons for election

He has held prominent positions in the corporate planning and business process departments, etc. of the Company, and has also taken part in the management of the Company as President, CEO, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**ICHIKURA Noboru**

Director and Deputy President,
Representative Executive Officer

Number of shares of the
Company held - shares

Number of years and months
in office as a Director - years

Status of attendance at the
Board of Directors
- % (-/- meetings)

Significant concurrent position:
Managing Executive Officer of Japan Post Holdings Co., Ltd.

Past experience, positions and responsibilities

Apr. 1983 Joined the Japan Tobacco and Salt Public Corporation Jun. 2009 Executive Officer and Senior General Manager of IPO Planning Office of Japan Post Holdings Co., Ltd. Aug. 2009 Executive Officer, Senior General Manager of IPO Planning Office and General Manager of Corporate Planning Department of Japan Post Holdings Co., Ltd. Jan. 2010 Executive Officer and General Manager of Corporate Planning Department of Japan Post Holdings Co., Ltd. Oct. 2010 Executive Officer of Japan Post Holdings Co., Ltd. Sep. 2013 Executive Officer and Senior General Manager of Accounting Department of Japan Post Holdings Co., Ltd. Nov. 2013 Executive Officer of Japan Post Holdings Co., Ltd. Jun. 2014 Managing Executive Officer of Japan Post Holdings Co., Ltd. Jun. 2016 Senior Managing Executive Officer of Japan Post Holdings Co., Ltd. Jun. 2020 Director and Deputy President, Representative Executive Officer of the Company (current position) Jun. 2020 Managing Executive Officer of Japan Post Holdings Co., Ltd. (current position)

Reasons for election

Based on his considerable experience and achievements developed in the finance department, etc. of Japan Post Holdings Co., Ltd., the parent company of the Company, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**HORIGANE Masaaki**

Director

Number of shares of the
Company held 2,400 shares

Number of years and months
in office as a Director 3 years

Status of attendance at the
Board of Directors
100 % (21/21 meetings)

Status of attendance at the
Nomination Committee
- % (-/- meetings)

Status of attendance at the
Compensation Committee
100% (2/2 meetings)

Significant concurrent position:
None

Past experience, positions and responsibilities

Apr. 1979 Joined the Ministry of Posts and Telecommunications Oct. 2007 Executive Officer and Senior General Manager of Finance Department of the Company Oct. 2008 Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company Oct. 2010 Managing Executive Officer and Senior General Manager of Actuarial and Accounting Department of the Company Jul. 2011 Managing Executive Officer of the Company Jul. 2014 Senior Managing Executive Officer of the Company Jun. 2017 Director and Deputy President, Representative Executive Officer of the Company Jun. 2020 Director of the Company (current position)

Reasons for election

He has held prominent positions in the finance department, etc. of the Company, and has also taken part in the management of the Company as Deputy President, Representative Executive Officer. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.

**MASUDA Hiroya**

Director

Number of shares of the
Company held - shares

Number of years and months
in office as a Director - years

Status of attendance at the
Board of Directors
- % (-/- meetings)

Significant concurrent positions:
Director and Representative Executive Officer,
President & CEO of Japan Post Holdings Co., Ltd.
Director of JAPAN POST Co., Ltd.
Director of JAPAN POST BANK Co., Ltd.
Visiting Professor, Graduate School of Public Policy,
The University of Tokyo

Past experience, positions and responsibilities

Apr. 1977 Joined the Ministry of Construction Apr. 1995 Governor of Iwate Prefecture Aug. 2007 Minister for Internal Affairs and Communications Aug. 2007 Minister of State for Decentralization Reform, Cabinet Office, Government of Japan Apr. 2009 Adviser, Nomura Research Institute, Ltd. Apr. 2009 Visiting Professor, Graduate School of Public Policy, The University of Tokyo (current position) Jan. 2020 Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. Jun. 2020 Director of the Company (current position) Jun. 2020 Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd. (current position) Jun. 2020 Director of JAPAN POST Co., Ltd. (current position) Jun. 2020 Director of JAPAN POST BANK Co., Ltd. (current position)

Reasons for election

He has extensive knowledge of the Japan Post Group, having served as the chairman of the Postal Privatization Committee, as well as having held government positions including the Governor of Iwate Prefecture and the Minister of Internal Affairs and Communications. He has also taken part in the management of the entire Japan Post Group as a Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd., the Company's parent company. Based on his considerable experience and achievements, we expect that he would play a significant role in making decisions on the execution of our important operations, and in supervising the execution of duties by Executive Officers.



SUZUKI Masako

Outside Director

Number of shares of the Company held 1,800 shares

Number of years and months in office as a Director 4 years

Status of attendance at the Board of Directors 100% (21/21 meetings)

Status of attendance at the Audit Committee 100% (16/16 meetings)

Significant concurrent positions:
Senior Advisor of Pasona Group Inc.
President and Representative Director of Pasona Force Inc.

Past experience, positions and responsibilities
Jul. 1983 Joined Temporary Center Inc. Apr. 1999 Executive Officer of Pasona Inc. Sept. 2004 Senior Managing Director of Pasona Inc. Dec. 2007 Senior Managing Director of Pasona Group Inc. Jun. 2010 Director, Vice President of Benefit One Inc. Aug. 2010 Director of Pasona Group Inc. Mar. 2012 Director of Benefit one Solutions Inc. May 2012 Auditor of Benefit one Health care Inc. Jan. 2016 President and Representative Director of Benefit one Health care Inc. Jun. 2016 Director of the Company (current position) Jun. 2018 Director, Executive Vice President of Benefit One Inc. Jul. 2019 Senior Advisor of Pasona Group Inc. (current position) Dec. 2019 President and Representative Director of Pasona Force Inc. (current position)

Reasons for election

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



SAITO Tamotsu

Outside Director

Number of shares of the Company held 600 shares

Number of years and months in office as a Director 3 years

Status of attendance at the Board of Directors 95 % (20/21 meetings)

Status of attendance at the Nomination Committee 100 % (2/2 meetings)

Status of attendance at the Compensation Committee 100 % (7/7 meetings)

Significant concurrent positions:
Senior Counselor of IHI Corporation
Outside Director of Oki Electric Industry Co., Ltd.

Past experience, positions and responsibilities
Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations of Ishikawajima-Harima Heavy Industries Co., Ltd. Jul. 2007 Executive Officer, Vice President of Aero-Engine & Space Operations of IHI Corporation Jan. 2008 Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation Apr. 2009 Director, Managing Executive Officer, President of Aero-Engine & Space Operations of IHI Corporation Apr. 2010 Director of IHI Corporation Apr. 2011 Executive Vice President of IHI Corporation Apr. 2012 President, Chief Executive Officer of IHI Corporation Apr. 2016 Chairman of the Board, Chief Executive Officer, General Manager of Monozukuri System Strategy Planning Headquarters of IHI Corporation Apr. 2017 Chairman of the Board of IHI Corporation Jun. 2017 Director of the Company (current position) Jun. 2018 Outside Director of Oki Electric Industry Co., Ltd. (current position) Apr. 2020 Director of IHI Corporation Jun. 2020 Senior Counselor of IHI Corporation (current position)

Reasons for election

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



YAMADA Meyumi

Outside Director

Number of shares of the Company held 1,300 shares

Number of years and months in office as a Director 3 years

Status of attendance at the Board of Directors 100 % (21/21 meetings)

Status of attendance at the Audit Committee 100 % (16/16 meetings)

Significant concurrent positions:
Director of istyle Inc.
Outside Director of Seino Holdings Co., Ltd.

Past experience, positions and responsibilities
Apr. 1995 Joined KOEI KOGYO Co., Ltd. May 1997 Joined Kiss Me Cosmetics co., Ltd. Jul. 1999 Representative Director of I-Style Co., Ltd. Apr. 2000 Representative Director of istyle Inc. Dec. 2009 Director of istyle Inc. (current position) May 2012 President and Representative Director of CyberStar Inc. Sept. 2015 Director of MEDIA GLOBE CO., LTD. (current position) Mar. 2016 President and Representative Director of IS Partners Inc. Sept. 2016 Director of Eat Smart, Inc. Jun. 2017 Director of the Company (current position) Jun. 2017 Outside Director of Seino Holdings Co., Ltd. (current position) Nov. 2019 Director of IS Partners Inc. (current position)

Reasons for election

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



HARADA Kazuyuki

Outside Director

Number of shares of the Company held - shares

Number of years and months in office as a Director 2 years

Status of attendance at the Board of Directors 100 % (21/21 meetings)

Status of attendance at the Nomination Committee 100 % (3/3 meetings)

Status of attendance at the Compensation Committee 100 % (6/6 meetings)

Significant concurrent positions:
President & Representative Director of Keikyu Corporation
Outside Director of Japan Airport Terminal Co., Ltd.

Past experience, positions and responsibilities
Apr. 1976 Joined Keikyu Corporation Jun. 2007 Director of Keikyu Corporation Jun. 2010 Executive Director of Keikyu Corporation Jun. 2011 Senior Executive Director of Keikyu Corporation Jun. 2013 President & Representative Director of Keikyu Corporation (current position) Jun. 2015 Outside Director of Japan Airport Terminal Co., Ltd. (current position) Jun. 2018 Director of the Company (current position) Jun. 2019 President & Executive Officer of Keikyu Corporation (current position)

Reasons for election

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



YAMAZAKI Hisashi

Outside Director

Number of shares of the Company held - shares

Number of years and months in office as a Director - years

Status of attendance at the Board of Directors - % (-/- meetings)

Significant concurrent positions:
Attorney-at-law
Supervisory Board Member, National Federation of Agricultural Cooperative Associations
Outside Director of Sumitomo Corporation

Past experience, positions and responsibilities
Apr. 1974 Assistant Judge, Osaka District Court Apr. 1995 Presiding Judge, Tokyo District Court Dec. 2000 Chief, Training and Research Institute for Family Court Probation Officers Dec. 2002 Chief, Family Bureau, General Secretariat, Supreme Court Dec. 2005 Chief Judge, Maebashi District Court Feb. 2007 Chief Judge, Yokohama Family Court Dec. 2008 Presiding Judge, Tokyo High Court Aug. 2009 President, Tokyo Family Court Feb. 2011 President, Sapporo High Court Mar. 2013 Commissioner, Japan Fair Trade Commission Aug. 2016 Registered as attorney-at-law (Tokyo Bar Association) Aug. 2016 Attorney-at-law of Kikuchi Sogo Law Office (current position) Jul. 2017 Supervisory Board Member, National Federation of Agricultural Cooperative Associations (current position) Jun. 2018 Outside Director of Sumitomo Corporation (current position) Jun. 2020 Director of the Company (current position)

Reasons for election

He is nominated as an Outside Director because we expect that he is capable of fulfilling supervisory and monitoring functions over the management based on his experience and insight as a legal expert nurtured through years of experience as a judge and attorney-at-law. We believe that he can appropriately perform duties as an Outside Director based on the aforementioned reasons.

Executive Officers

President, CEO
Representative Executive Officer SENDA Tetsuya

Executive Officer SAKAMOTO Hidekazu

Deputy President
Representative Executive Officer ICHIKURA Noboru

Executive Officer YOKOYAMA Masamichi

Senior Managing Executive Officer HIRONAKA Yasuaki

Executive Officer IIDA Takashi

Senior Managing Executive Officer NARA Tomoaki

Executive Officer FUJII Shinsuke

Managing Executive Officer TACHIBANA Atsushi

Executive Officer SAITO Hajime

Managing Executive Officer KATO Nobuyasu

Executive Officer MIYAMOTO Susumu

Managing Executive Officer UCHIKOBA Nobuatsu

Executive Officer MURO Takashi

Managing Executive Officer SUZUKAWA Yasumi

Executive Officer HARUNA Takayuki

Managing Executive Officer MIYANISHI Yoshiki

Executive Officer KUME Takeshi

Managing Executive Officer MATSUDA Michiko

Executive Officer IMAIZUMI Michinori

Managing Executive Officer ONOKI Kieko

Executive Officer TAGUCHI Yoshihiro

Managing Executive Officer KOIE Junko

Executive Officer MAETANI Isao

Managing Executive Officer TANAKA Motonori

Executive Officer KUROSAKI Yoshiyuki

Managing Executive Officer ONISHI Toru

Managing Executive Officer FUJIMORI Norihiro

Compliance

Japan Post Insurance assures the soundness and appropriateness of its business operations and maintains a framework that meets the trust of society by ensuring all its executives and employees comply with laws and regulations (laws, regulations, rules and internal rules, social

norms and corporate ethics) in every aspect of its business activities.

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

Compliance Policies

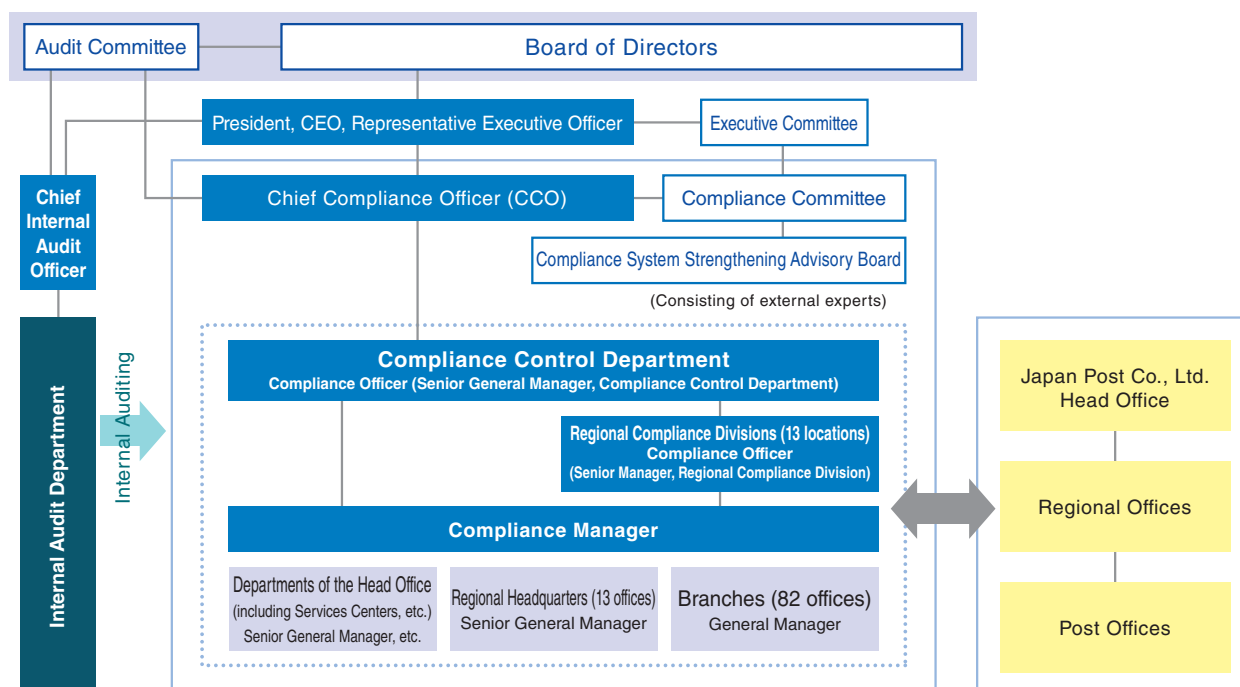
We have established our compliance framework by formulating compliance rules that set out the basics for the promotion of compliance within the Company. These rules incorporate the “Fundamental Policy for Establishment of Internal Control Systems” developed by the Company’s Board of Directors.

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

essentials of the Compliance Manual. We also ensure that all executives and employees are aware of the content by making these available for reference. Furthermore, we work to undertake thorough implementation of compliance through our “Compliance Program,” a plan developed annually to lay out specific details for promoting compliance.

Compliance Promotion System

Compliance Promotion System



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

To discuss matters related to enhancement and reinforcement of the compliance framework of Japan Post Co., which serves as our insurance solicitor, we have set up a liaison meeting, members

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

Implementing Compliance Education

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

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

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

Whistleblowing System

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

In addition to existing internal whistleblowing contact points, the Japan Post Group newly established an external whistleblowing contact point exclusively for financial product sales issues in March 2020. We will ensure that all employees are aware of the use of this whistleblowing contact point to identify issues including problems related to improper solicitation.

Countermeasures against Money Laundering and Financing of Terrorism

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

We identify and evaluate risks based on the profile of business, conditions at agencies, and laws and regulations, from the perspective of preventing the misuse of products and services

provided by the Company for money laundering, etc. We take appropriate countermeasures against the relevant risks in order to effectively reduce such risk.

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

Initiatives for Protecting Personal Information

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

We manage the security of personal data through an internal management structure that

designates the Chief Information Security Officer (CISO), who is in charge of the Company-wide control of information security, and an individual responsible for protection of personal information in each division, thereby protecting and handling personal information in an appropriate manner.

Japan Post Insurance Privacy Policy

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

Purpose of Use of Personal Information Succeeded from Japan Post

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

Response to Cybersecurity

Recognizing the risk of cyberattacks as a material risk, we have designated the Chief Compliance Officer as our CISO, and implement multi-layered risk management that combines defense and detection mechanisms under the leadership of our CISO.

In terms of systems, we have established the CSIRT*, an organization that conducts activities in preparation for cyberattacks in ordinary times and emergencies, and secured personnel possessing expertise. The CSIRT gathers information in collaboration with external specialized organizations, and works on the development of emergency response procedures for IT systems

that need to respond to the threat of cyberattacks. In addition to regular cyber drills, we conduct internal training and drills for executives and employees to continuously improve our response capabilities in the event of a cyberattack.

To carry out these activities, we have established the Information Security Committee within the Company. Management is taking the lead in promoting such measures, while working in cooperation with other companies in the Japan Post Group.

* Computer Security Incident Response Team

Elimination of Antisocial Forces

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

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

Basic Policy on Handling of Antisocial Forces

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

Rules for Handling of Antisocial Forces

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

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

System for Handling of Antisocial Forces

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

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

Education for Sales Personnel and Insurance Solicitation Agents

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

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

Sales Personnel

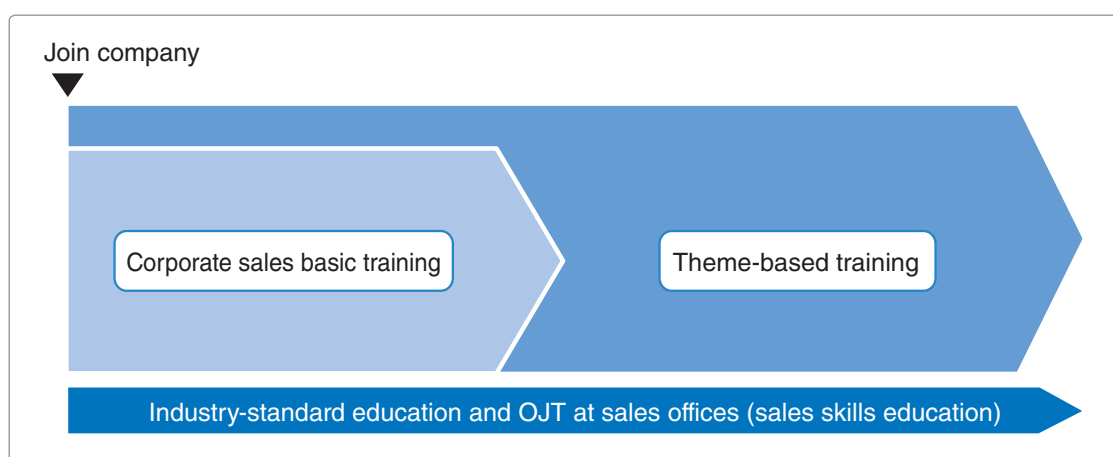
Sales personnel at directly-managed offices engage in insurance solicitations mainly targeting the corporate and worksite markets.

Overview of Training

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

Sales personnel acquire the knowledge and skills needed to undertake insurance solicitations in the

corporate and worksite markets through mass training and industry-standard education held at the head office. We also implement various types of training based on specific themes with the aim of developing human resources who are able to demonstrate high-quality consulting-sales abilities.



Insurance Solicitation Agents

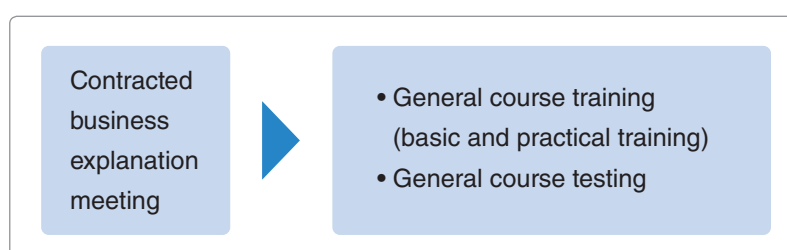
We conclude life insurance sales and maintenance agreements with each of Japan Post Co. and the operators of contracted post offices and carry out

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

Overview of Training

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

In addition, we provide support that includes dispatching our employees as instructors for training and other activities implemented by Japan Post Co.



Risk Management Systems

Outline of Risk Management Systems

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

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

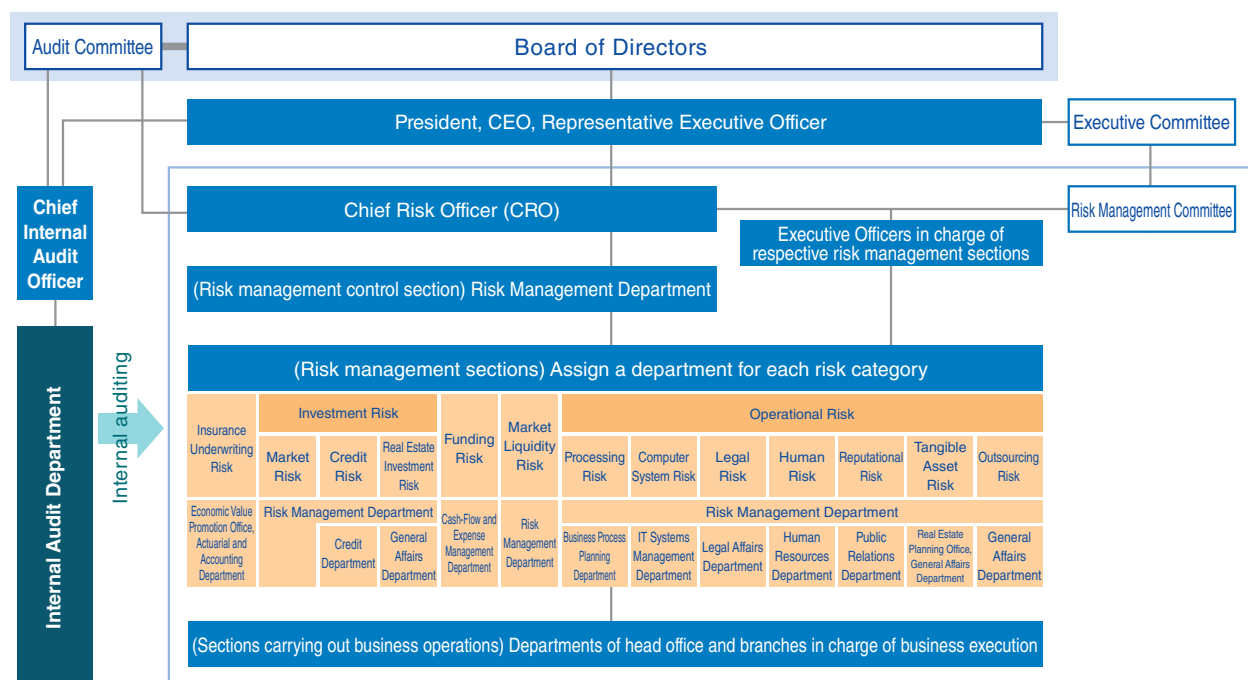
Also, the CRO controls the Company’s risk management and builds, verifies and upgrades risk management systems in accordance with changes in risk management circumstances and the operating environment. The Risk Management Department is in charge of overall control of risk management and under the direction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

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

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

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

Risk Management Structure



Principal Risk Categories and Definitions

We classify and define types and details of managed risks into the following categories, and have established a management system and

rules in accordance with each characteristic and are appropriately carrying out risk management.

Insurance Underwriting Risk	The risk of losses due to changes in economic conditions, incidence rates of insured events or other factors contrary to the projections made at the time when premiums were set.
Investment Risk	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance-sheet assets and liabilities.
Market Risk	The risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance-sheet assets and liabilities as well as the risk of losses resulting from fluctuations in profits generated by assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates and stock prices.
Credit Risk	The risk of losses resulting from a decline or elimination in the value of assets including off-balance-sheet assets due to deterioration in financial conditions of borrowers or a counterparty.
Real Estate Investment Risk	The risk of losses due to a decline in profitability of real estate caused by factors such as change of rents or due to a decrease in the value of real estate itself caused by factors such as changes in market conditions.
Funding Risk	The risk of losses due to overdue payment of insurance claims and others, or being forced to carry out transactions at a price extremely lower than normal as a result of a deterioration in cash management caused by factors such as a decrease of premium income following the decline of new policies caused by factors such as worsening financial conditions, an increase in payments of termination refunds following a large amount of policy surrenders and lapses and cash outflows following a significant natural disaster.
Market Liquidity Risk	The risk of losses due to being forced to conduct transactions at extremely unfavorable prices compared to normal or being unable to conduct market transactions due to factors including market turmoil.

Operational Risk	The risk of losses due to improper business processing, inappropriate behavior by executives and employees, improper computer system operations or external events.
Processing Risk	The risk of losses due to executives, employees and others neglecting to conduct proper operations, resulting in accidents or engagement in unlawful activities.
Computer System Risk	The following types of risk are included: a) the risk of losses due to system failures or malfunctions, system defects or any other causes. b) the risk of losses due to unauthorized use of computers. c) the risk of losses due to delayed computer system development.
Legal Risk	The risk of losses resulting from any legal conflicts associated with our business activities or due to our improper response to the establishment of or revisions to any relevant laws and regulations.
Human Risk	The risk of losses due to unequal, unfair or discriminatory actions, in terms of personnel management.
Reputational Risk	The risk of losses due to the spread of vague information such as rumors, speculations or reputation with regard to the Company, and the spread of misunderstandings, misperceptions or exaggerated interpretations associated with an accident or unlawful acts among policyholders or the mass media.
Tangible Asset Risk	The risk of losses due to damage to tangible assets caused by disasters or other events.
Outsourcing Risk	The risk of losses due to default of an outsourcing agreement and/or unlawful acts, etc., committed or conducted by an outsourcee (including any re-outsourced party) with regard to an operation outsourced externally.

Implementation of Stress Tests

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

In establishing stress scenarios we undertake the following:

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

Specifically, it is a combination of events such as significant fluctuations in financial markets such as interest rates, exchange rates and stock prices, as well as the occurrence of a major earthquake or a pandemic (including the further spread of COVID-19).

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


Customer-first Business Operations

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

In pursuit of the best interest of each and every one of our customers, we formulated our vision of customer-first business operations, along with the measures needed to ensure its realization in

terms of our framework and business operations, as our “Basic Policies for Customer-first Business Operations,” announced on April 7, 2017.

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

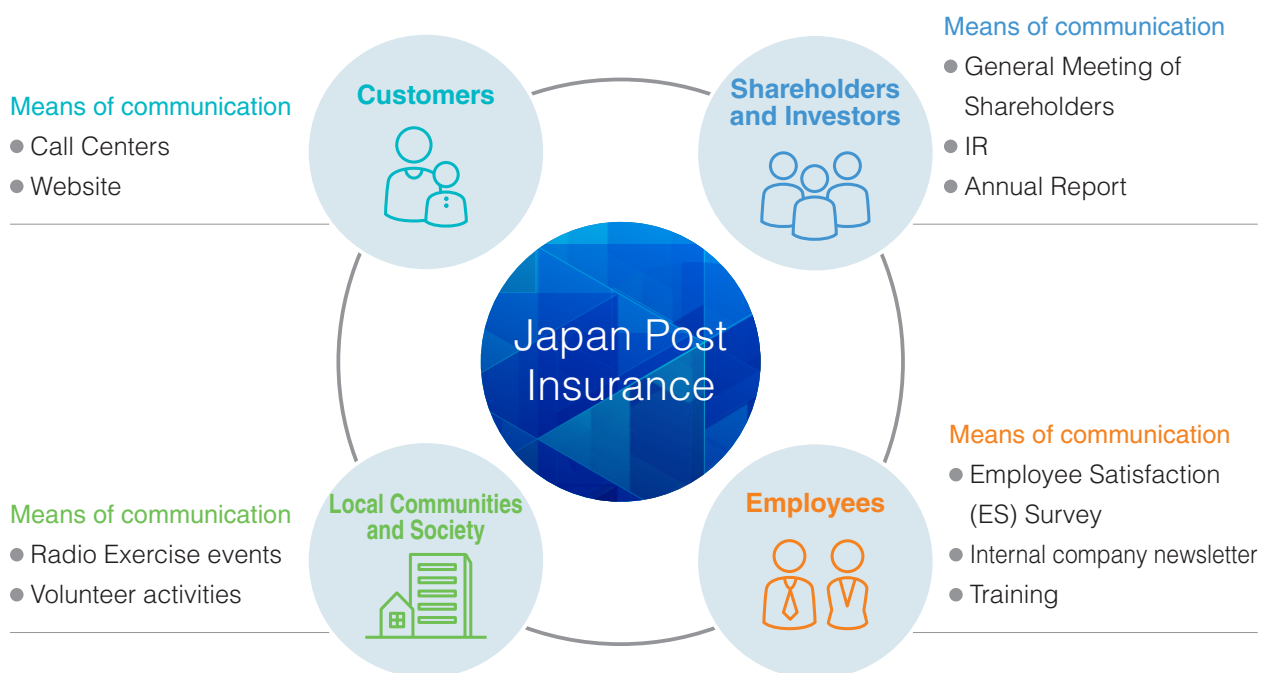
 **Basic Policies for Customer-first Business Operations**
https://www.jp-life.japanpost.jp/aboutus/company/abt_cmp_fiduciary.html (in Japanese)

Stakeholder Engagement

Stakeholders Supporting Japan Post Insurance

We recognize that accurately understanding what our stakeholders demand and expect from the Company through dialogue with stakeholders, and responding to those requests and expectations, is essential to improving corporate value. We have therefore declared in our Management Policy that

“We work to communicate closely with all stakeholders.” We will make use of feedback from stakeholders to improve management with the aim of ensuring appropriate collaboration and sustainable coexistence.



Dialogue with Customers

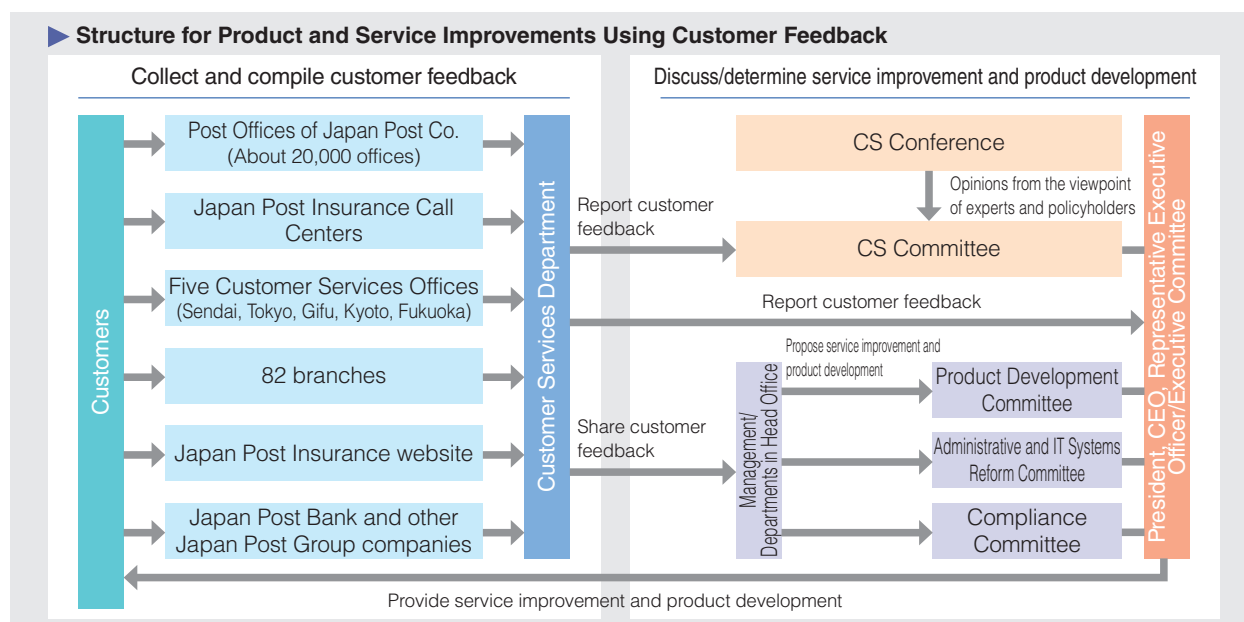
Japan Post Insurance recognizes that the voices of our customers are valuable assets. We value dialogue with customers, and will strive to develop a structure for the ceaseless creation of new convenience for customers and to pursue quality services. In addition, reviewing our services daily based on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

Customer Satisfaction

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

We received approximately 3.07 million feedback comments from our customers through the post offices and Japan Post Insurance Call Centers in the fiscal year ended March 31, 2020. The customer feedback is compiled and centrally managed by our Customer Services Department. We analyze the feedback to improve our services and develop superior products with the aim of providing services that bring satisfaction to our customers.

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



Dialogue with Shareholders and Investors

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



IR Activities

IR Activities for Domestic and Overseas Institutional Investors	We organize financial results and corporate strategy meetings and conference calls for institutional investors and analysts after quarterly financial results announcements, as opportunities for our management to provide explanation on our management strategy, financial condition, etc. We also participate in conferences for institutional investors organized by securities companies.
IR Activities for Individual Investors	We post corporate information for investors in a timely manner on the individual investors section of our IR website. We also hold briefing sessions for individual investors.
Legal Disclosure and Timely Disclosure	We have established a system for timely and appropriate disclosure of financial information such as financial results materials, IR materials and other timely disclosure materials based on laws and regulations, as well as materials such as annual securities reports and quarterly securities reports.
Corporate Website and IR Website	In addition to posting our Disclosure Policy, which is basically to disclose information accurately and fairly, we disclose information in accordance with relevant laws and regulations, and actively communicate financial and non-financial information.

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

Details of the General Meeting of Shareholders held this year

Date	June 15, 2020
Meeting duration	29 minutes
Number of attending shareholders	109
Mailing date of Convocation Notice	May 29, 2020
Disclosure date of Convocation Notice on website	May 19, 2020

To prevent the spread of COVID-19, the 14th Ordinary General Meeting of Shareholders was held with the health and safety of shareholders as the first priority. We took measures to prevent the spread of infection, such as taking temperature readings using thermography and other methods, distributing and wearing face masks, having alcohol sanitizer available, and spacing the seats further apart. In addition, we prepared a system to accept questions in advance through our website, and also provided a live stream via the Internet for shareholders who refrained from attending the meeting to view the proceedings.

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

At the meeting, we strived to explain our business lines using video materials to facilitate the understanding of shareholders. We also enhanced mutual understanding by answering questions received in advance and holding a Q&A session with shareholders.

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

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History

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

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

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

September 2006	Established Kampo Co., Ltd. under the Postal Service Privatization Act
October 2007	Changed trade name to JAPAN POST INSURANCE Co., Ltd. in line with the commencement of the life insurance business Started Postal Life Insurance management operations under commission from the Management Network
December 2007	Obtained approval for new operations (liberalization of investment products)
June 2008	Commenced commissioned sales of life insurance products for corporate clients
July 2008	Launched <i>Sono hi kara</i> , a new hospitalization rider
July 2009	Established branches in all prefectures through the opening of the Nara Branch and Wakayama Branch
October 2011	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (current consolidated subsidiary) became a subsidiary
April 2014	Launched <i>Hajime no Kampo</i> , an educational endowment insurance
July 2014	Commenced handling commissioned sales of cancer insurance products for American Family Life Assurance Company of Columbus ¹
October 2015	Launched <i>Shin Free Plan</i> (short-term premium payment), an endowment insurance
November 2015	Listed common stock on the First Section of the Tokyo Stock Exchange Commenced commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)
March 2016	Obtained approval for new operations (underwriting of reinsurance and related services) Business alliance with The Dai-ichi Life Insurance Company, Limited ²
October 2017	Launched <i>Sono hi kara Plus</i> , a new medical rider Launched <i>Shin Nagaiki Kun Low Cash Value Plan</i> , a new whole life insurance (low cash value) Launched <i>Choju no Shiawase</i> , a longevity support insurance (low cash value)
April 2019	Launched <i>Kampo ni Omakase</i> , products with relaxed underwriting criteria; and an advanced medical rider Secondary offering of common stock of the Company

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

[Reference] History of Postal Life Insurance

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

New Operations after Privatization

(As of July 1, 2020)

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

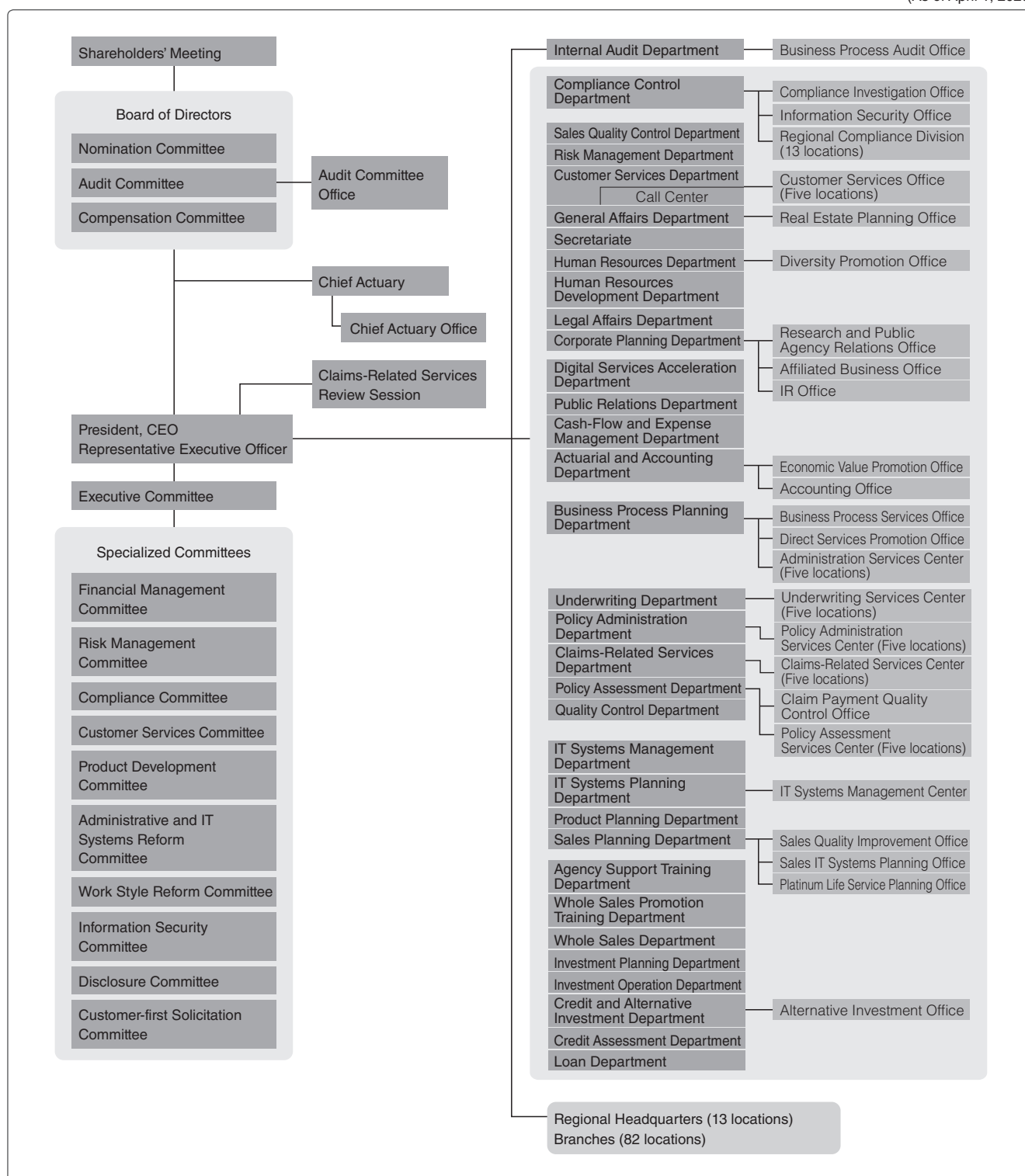
- 3) Approval for the revision on the educational endowment insurance
Pursuant to Article 138, Paragraph 1 of the Postal Service Privatization Act, application was submitted to the Commissioner of the Financial Services Agency and the Minister for Internal Affairs and Communications on September 3, 2012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

Major Businesses

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

Organization Chart

(As of April 1, 2020)



Paid-in Capital

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

Total Number of Stocks

Total number of issuable stocks	2,400,000,000
Total number of issued stocks	562,600,000
Current period shareholders	213,286

Condition of Stocks

(1) Class of stocks issued

Issued stocks	Class	Number of issued stocks	Contents
	Common stock	562,600,000	The number of shares composing one share unit is 100.

(2) Major shareholders

Name of shareholder	Number of shares held and percentage of shares held	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	362,732,400	64.48%
Japan Trustee Services Bank, Ltd. (Trust Account)	8,273,200	1.47%
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	4,982,113	0.89%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,042,800	0.72%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,436,800	0.61%
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	3,351,000	0.60%
STATE STREET BANK WEST CLIENT - TREATY 505234	3,227,300	0.57%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,112,760	0.55%
STATE STREET BANK AND TRUST COMPANY 505001	3,060,900	0.54%
JP MORGAN CHASE BANK 385151	2,918,527	0.52%

Note: Percentage of shares held is calculated excluding treasury stock (11,100 shares) and rounded to two decimal places.

Treasury stock does not include the 166,900 shares of the Company's stock held in the Board Benefit Trust (BBT).

Principal Shareholder

Name	Address of main place of business or sales	Paid-in capital or investment	Business outline	Date of establishment	Percentage of owned shares included in the total number of shares
Japan Post Holdings Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Strategy formulation of Group management	January 23, 2006	64.48%

Note: Percentage of owned shares included in the total number of shares is calculated excluding treasury stock (11,100 shares) and rounded to two decimal places. Treasury stock does not include the 166,900 shares of the Company's stock held in the Board Benefit Trust (BBT).

Accounting Advisor

Not applicable.

Independent Auditor

The Independent Auditor in the fiscal year ended March 31, 2020 was as follows.
KPMG AZSA LLC

(Designated Limited Liability Partners, Engagement Partners)

Certified Public Accountant TATSUMI Yukihiisa

Certified Public Accountant KANNO Masako

Certified Public Accountant SATO Eihiro

Total Number of Employees and Conditions of Employment

(Unit: persons, years)

Category	As of the end of FY2019/3	As of the end of FY2020/3	FY2019/3	FY2020/3	As of the end of FY2019/3		As of the end of FY2020/3	
	Total	Total	Staff employed	Staff employed	Average age	Average years of service	Average age	Average years of service
In-house employees	6,463	6,534	355	209	39.0	14.7	39.5	15.1
(Male)	3,324	3,341	131	72	42.3	18.0	42.6	18.4
(Female)	3,139	3,193	224	137	35.6	11.2	36.3	11.8
Sales employees	1,154	1,104	41	94	38.9	14.4	38.5	14.1
(Male)	983	929	35	51	40.4	15.9	40.2	15.7
(Female)	171	175	6	43	30.3	6.0	29.3	5.7

- Notes: 1. The number of employees excludes employees assigned to other companies by Japan Post Insurance Co., Ltd., but includes employees assigned to Japan Post Insurance Co., Ltd. by other companies. The figures exclude non-regular employees (including indefinite-term employees based on the indefinite-term employment conversion system).
2. Average number of years of service represents the number of years of continuous service including years at the Ministry of Posts and Telecommunications, the Postal Services Agency (Ministry of Internal Affairs and Communications) and Japan Post.
3. Average age and average years of service are based on attained ages as of March 31, 2020, and truncated to the first decimal place.
4. The number of sales employees in the Total column represents those serving at the Whole Sales Division at branches, or a specific section in the Head Office Whole Sales Department (referring exclusively to life insurance sales personnel).
5. The number of sales employees in the Staff employed column represents those assigned to the Whole Sales Division at branches or a specific section in the Head Office Whole Sales Department at employment.

Average Monthly Salary (In-house employees)

(Thousands of yen)

Category	March 2019	March 2020
In-house employees	356	362

Note: Average monthly salary represents the pre-tax regular salary for March 2020, which excludes bonuses and overtime allowances.

Average Monthly Salary (Sales employees)

(Thousands of yen)

Category	March 2019	March 2020
Sales employees	299	312

Notes: 1. Average monthly salary represents the pre-tax regular salary for March 2020, which excludes bonuses and overtime allowances.

2. Sales employees refer to those serving in the Whole Sales Division at branches, or a specific section in the Head Office Whole Sales Department (referring exclusively to life insurance sales personnel).

Summary of the Subsidiaries

(1) Major Businesses and the Organizational Structure

Number of consolidated subsidiaries: One

(2) Subsidiaries

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

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

JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. is mainly engaged in the design, development and maintenance of software for systems that support the Company's business activities. In the fiscal year ended March 31, 2020, the subsidiary worked together with the Company to steadily promote projects such as developing next-generation open systems, as well as initiatives including the business improvement plan regarding solicitation quality at the Company, while making efforts to increase personnel and pursue cost optimization, among other efforts.

Major Insurance Products for Individuals

(As of April 1, 2020)

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

Major Insurance Products for Corporate Clients

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

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

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

*As of March 31, 2020, we have stopped handling products sold on commission (term insurance). The products we offer could change in the future.

Major Riders

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

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

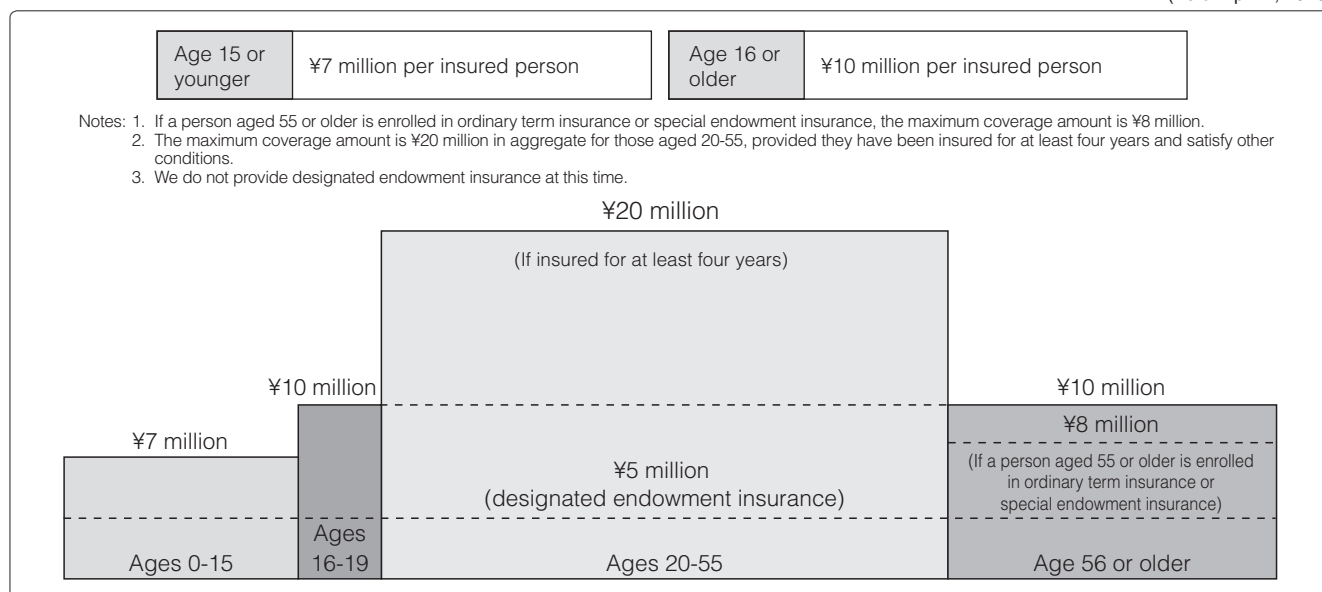
Maximum Amount of Insurance Coverage

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

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

Maximum Coverage Amount of the Basic Insurance Policy (The ages in the chart below are calculated based on the attained age.)

(As of April 1, 2020)



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

Maximum Coverage Amount of the Basic Annuity Policy

- First-year basic annuity amount of ¥0.9 million per insured person

Includes the annuity amount under longevity support insurance.

Maximum Amount of Insurance Coverage for Riders

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

We do not provide the riders above in parentheses at this time.

Maximum Amount of Total Insurance Premiums Payable

- ¥5.5 million on a combined basis for asset-formation savings insurance and asset-formation housing funding insurance

Apart from the above, asset-formation insurance products are subject to restrictions under relevant laws and regulations such as the limitation of total amount of insurance premiums payable.

Briefing on Important Matters/Provision of Literature about Disadvantageous Information

We will present proposals that are beneficial and thus satisfactory to each customer, based on their individual circumstances including income and asset status, participation in other insurance policies, and life plans identified through the process of understanding individual needs and intention.

To prevent customers from suffering disadvantages due to not being informed adequately about insurance products and systems, we will provide careful explanations to ensure full understanding of our insurance policies, in consideration of each customer's age, knowledge and experience, while also providing documents on the content of an insurance policy, including the policy coverage, the limitations on benefit

payments, amount of insurance coverage and the duty of declaration. To that end, we deliver the summaries that explain items we would especially like customers to confirm, including an "Insurance Design Document (Contract Outline)" and "Precautions about Insurance Contracts (Information Calling for Attention)," while making explanations.

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

Notice of Policy Details

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

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

Quantity and Content of Customer Feedback

The number of complaints received from customers during the period from April 1, 2019 to March 31, 2020 was as follows.

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

Content	Fiscal year ended March 31, 2020		Key examples
	Number of complaints	%	
New policies (Enrollment in insurance policies)	318,359	72.6%	<ul style="list-style-type: none"> · Dissatisfaction with explanation at time of enrollment · Dissatisfaction with underwriting examination
Collection of premiums (Payments of premiums, etc.)	8,140	1.9%	<ul style="list-style-type: none"> · Dissatisfaction with bank account transfers and deposits
Policy maintenance (Procedures, dividends and other issues following enrollment in a policy)	54,113	12.3%	<ul style="list-style-type: none"> · Dissatisfaction with surrender procedures · Dissatisfaction with change of name or address
Insurance benefits (Payments of insurance benefits)	34,969	8.0%	<ul style="list-style-type: none"> · Dissatisfaction with benefit payment procedures · Dissatisfaction with payment procedures for maturity benefits
Other (Attitude and manners)	22,819	5.2%	<ul style="list-style-type: none"> · Dissatisfaction with attitude and manners of sales personnel · Dissatisfaction with after-sales service
Total	438,400	100.0%	

Compliments and Positive Comments

During the period from April 1, 2019 to March 31, 2020, we received a total of 148,615 compliments and positive comments from our customers.

Sample of customer comments

- I had some trouble in the past in submitting claims for hospitalization benefit, as I had to fill in so many fields on the claim form. Now I need to fill in only the date of making the claim and my signature, so the process is much easier, thanks to the introduction of the insurance procedure support system. It was very helpful indeed.
- Upon the maturity of the educational endowment insurance, the maturity benefit was automatically paid into my designated account without my having to make additional claims. The process of receiving the maturity was smooth, and I was able to utilize the benefit straight away for my child to advance to higher education, which I do appreciate.

Examples of Improvement Based on Customer Comments

Customer comment	Improvement
After I applied for an insurance policy, I was requested to submit an additional declaration on my health status. As it takes time and effort, Could you please ask for all necessities when the application is made?	From April 2017, we are able to ask all the questions necessary for deciding whether to accept an insurance application by displaying them on-screen on the mobile devices for sales, with respect to some injuries and illnesses that are likely to require additional questions at the time of paperless application. On this occasion, we have extended the scope of injuries and illnesses covered under this procedure.
While I want to change the contract party to my policy, I am not sure about the documents necessary for this procedure, or the tax implications involved. Do you have any documents that cover all the procedures and points to be noted?	In April 2020, we reviewed the documents handed out to policyholders when they request to change contract parties to their insurance policies, to include notes concerning the taxation associated with the changes in contract parties to the insurance policy in addition to necessary documents. The guidance enables customers to check most matters of note for the procedure to change contract parties to their insurance policies.

Management of Conflicts of Interest

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

business conduct that complies with laws and regulations, internal rules and ethical standards.

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

Japan Post Group Conflicts of Interest Management Policy

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

Life Insurance Policyholders Protection Corporation of Japan

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

● Life Insurance Policyholders Protection Corporation of Japan

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

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

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

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

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

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

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

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

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

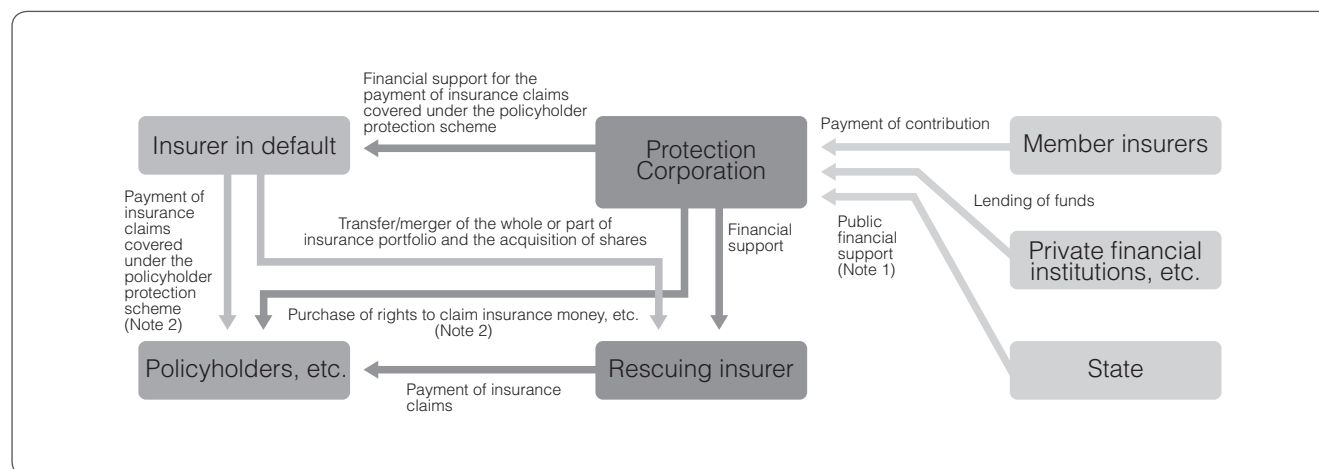
$$\text{Indemnity ratio in the high assumed interest rate policies} = 90\% - \frac{\text{[aggregate of (assumed interest rate less basic interest rate in each year in the past 5 years)]}}{2}$$

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

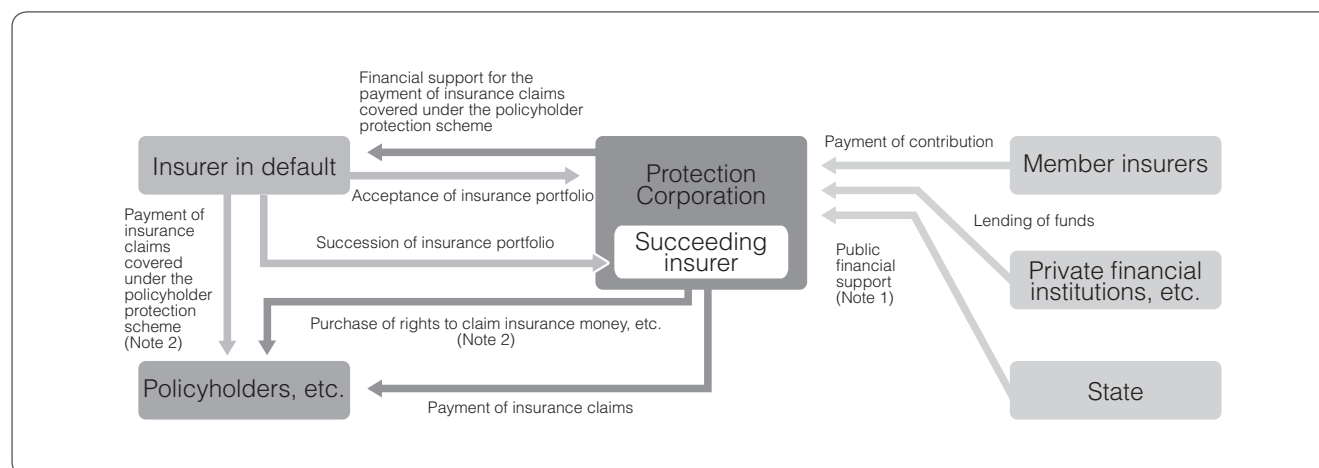
2. In the case where different assumed interest rates apply to the basic coverage and riders under one policy, each such basic coverage and rider applied by a different assumed interest rate shall be regarded as an independent insurance policy, and subject to the evaluation to determine whether it constitutes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

● Illustrated Outline of the Scheme

In the case where a rescuing insurer appears



In the case where no rescuing insurer appears



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

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

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

[Reference] Government guarantee for the Postal Life Insurance Policies

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

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

Principal Risk Categories and Definitions

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

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

Insurance Underwriting Risk

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

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

The Economic Value Promotion Office, Actuarial and Accounting Department, which is the section that manages underwriting risk, conducts risk management appropriately by measuring the amount

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

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

Investment Risk

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

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

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

Funding Risk

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

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

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

Market Liquidity Risk

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

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

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

Operational Risk

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

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

1) Processing Risk

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

processing, as well as to supervise and educate employees.

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

2) Computer System Risk

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

customers, identify the causes and implement adequate countermeasures for the prevention of a recurrence.

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

3) Other Operational Risk Subcategories

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

designate a section to handle risk management, undertake relevant activities and implement initiatives to enhance our risk management systems.

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Notes:

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

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1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 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				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
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				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
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				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
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 Specified money held in trust	¥ 2,627,236	¥ 2,234,377	¥ 392,859	¥ 454,931	¥ (62,071)

(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
	2020	2019	2020
March 31 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
	2020	2019	2020
March 31 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:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
March 31			
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:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Years ended March 31			
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:

	Date of issuance	Millions of Yen		Millions of U.S. Dollars	Interest rate	Collateral	Maturity date
		2020	2019	2020			
March 31							
Issued by JAPAN POST INSURANCE Co., Ltd.:							
First series of subordinated unsecured bonds with interest deferral option and early redemption option	January 29, 2019	¥ 100,000	¥ 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:

	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2020	2019	2020	2020	
March 31					
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)

March 31

	2020			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
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)

March 31

	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
Bonds payable	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 100,000
Payables under securities lending transactions	4,290,140	–	–	–	–	–
Total	¥ 4,290,140	¥ –	¥ –	¥ –	¥ –	¥ 100,000

(Millions of Yen)

March 31

	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
Bonds payable	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 100,000
Payables under securities lending transactions	3,422,810	–	–	–	–	–
Total	¥ 3,422,810	¥ –	¥ –	¥ –	¥ –	¥ 100,000

(Millions of U.S. Dollars)

March 31

	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
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				
	Sold				
	U.S. dollars	Foreign currency-denominated bonds	\$ 31,085	\$ —	\$ 340
	Euros		19,236	—	(297)
	Australian dollars		4,811	—	57
	Other		2,356	—	279
			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:				
	Receivable fixed rate/ Payable floating rate	Loans	¥ 6,150	¥ 3,900	¥ 24
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	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:				
	Receivable fixed rate/ Payable floating rate	Loans	¥ 6,150	¥ 6,150	¥ 47
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	30,100	26,050	— ²
Total					¥ 47

(Millions of 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:				
	Receivable fixed rate/ Payable floating rate	Loans	\$ 57	\$ 36	\$ 0
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans	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 out-sourcing 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	
	¥ 377,726	

Loans to the Management Network

Accrued income

Suspense receipt

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
	2020	2019	2020
Years ended March 31			
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
	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

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
	2020	2019	2020
March 31			
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:

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.

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:

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.

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”)

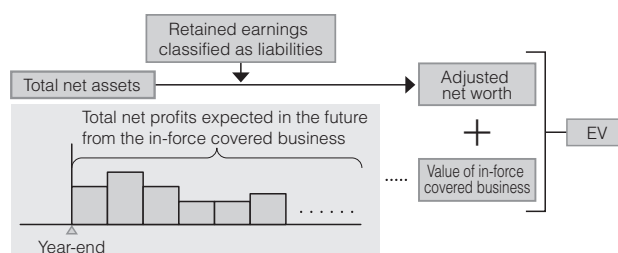
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

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:

- Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).
- 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]	–	[37,400 thousand shares]	[562,600 thousand shares]	Decrease due to cancellation of treasury stock
		500,000	–	–	500,000	
	Total	500,000	–	–	500,000	
	[Legal capital surplus]	405,044	–	–	405,044	
Capital surplus	[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	¥ 403,426	¥ 237,643
Individual annuities		
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	–	–
Group annuities	–	–
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

(Millions of yen)

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

(31) Loan Interest Rates

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

(32) Other Assets

(Millions of yen)

Asset class	Cost	Balance at the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Remarks
For the year ended March 31, 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	

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:

- 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.

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 Type	2019				2020			
		Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts								
	Sold	¥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.

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JAPAN POST INSURANCE Co.,Ltd.

Public Relations Department

OTEMACHI PLACE WEST TOWER 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8794, Japan

URL: <https://www.jp-life.japanpost.jp/english/>

