

**UNOFFICIAL TRANSLATION**

Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

November 13, 2020  
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for  
the Six Months Ended September 30, 2020**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; SENDA Tetsuya, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the six months ended September 30, 2020 (April 1, 2020 to September 30, 2020).

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## 1. Business Highlights

### (1) Policies in Force and New Policies

#### ▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of	March 31, 2020		September 30, 2020			
	Number of policies	Policy amount	Number of policies		Policy amount	
			% of March 31, 2020 total	% of March 31, 2020 total		
Individual insurance	17,163	49,915.5	16,500	96.1	47,857.0	95.9
Individual annuities	1,164	1,930.6	1,076	92.5	1,741.8	90.2
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.

#### ▪ New Policies

(Thousands of policies, billions of yen, %)

Six months ended September 30	2019				2020					
	Number of policies	Policy amount			Number of policies		Policy amount			
		New policies	Net increase arising from the conversion		% of September 30, 2019 total	% of September 30, 2019 total	New policies	Net increase arising from the conversion		
Individual insurance	582	1,699.3	1,699.3	-	60	10.3	189.4	11.1	189.4	-
Individual annuities	0	3.3	3.3	-	0	2.8	0.0	2.7	0.0	-
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

### ▪ Policies in Force

(Billions of yen, %)

As of	March 31, 2020	September 30, 2020	
			% of March 31, 2020 total
Individual insurance	3,144.6	2,983.3	94.9
Individual annuities	412.0	380.9	92.5
Total	3,556.6	3,364.2	94.6
Medical coverage, living benefits and other	393.8	377.9	95.9

### ▪ New Policies

(Billions of yen, %)

Six months ended September 30	2019	2020	
			% of September 30, 2019 total
Individual insurance	131.6	15.0	11.4
Individual annuities	0.3	0.0	2.6
Total	131.9	15.0	11.4
Medical coverage, living benefits and other	21.1	0.6	3.3

- 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).

## 2. Investment Overview for the Six Months Ended September 30, 2020 (General Account)

### (1) Investment Environment

During the first half of the fiscal year ending March 31, 2021, the Japanese economy saw a rapid deterioration primarily in service sectors, due to stagnated economic activities adversely affected by countermeasures to prevent the spread of COVID-19. However, the deterioration was followed by a moderate recovery trend due primarily to gradual resumption of economic activities, assisted by government support in the form of large-scale fiscal and financial policy packages along with the lifting of a declaration of a state of emergency. Although overseas economies including the U.S and Eurozone also experienced rapid deterioration as lockdowns were implemented in some countries, there were signs of recovery underpinned by aggressive fiscal and financial measures and as a result of step-by-step relaxation of restrictions on activities.

Under these economic circumstances, the investment environment of the Company was as follows.

#### **Domestic Bond Market**

The domestic long-term yield moved around 0.00% level throughout the first half of the fiscal year ending March 31, 2021, under the policy of Monetary Easing with Yield Curve Control by the Bank of Japan. It declined to as low as negative 0.05% in late April, following the decision by the Bank of Japan to remove the ceiling on JGB purchases, and then climbed up to 0.05% in late August, amid the trend of global economic recovery. It remained roughly flat thereafter with the expectation that the current financial policy framework would be maintained for the time being, registering 0.02% at the end of September.

#### **Domestic Stock Market**

The Nikkei Stock Average declined to the ¥17,000 level in early April due primarily to concerns over the downturn in corporate earnings amid the spread of COVID-19 and stagnated economic activities, which, however, was followed by a rally recovering up to the ¥23,000 level in early June, thanks primarily to aggressive fiscal and financial policy packages in each country, coupled with gradual progress in the resumption of economic activities. Afterwards, the index fell to the ¥21,000 level at one point due to concerns over a resurgence of the spread of COVID-19, but recovered again to the lower ¥23,000 level at the end of September due partially to expectations for early development of vaccines.

#### **Foreign Exchange Markets**

Regarding the USD/JPY exchange rate, while it was moving within a range almost between ¥106 and ¥108 level in the early part of the six-month period under review, it climbed up to the mid ¥109 level in early June, as economic activities were gradually resumed in each country. Afterwards, the USD became gradually weaker due to factors such as the outlook of prolonging monetary easing in the U.S., concerns over the U.S.-China conflict, and a correction in the U.S. stock market, reaching the upper ¥105 level at the end of September.

Regarding the EUR/JPY exchange rate, the euro remained buoyant for the six-month period under review due to factors including the agreement on the establishment of the European Recovery Fund, and the Eurozone's relative success in restraining the spread of COVID-19, reaching the ¥126 level in early September. Afterwards, the euro started to depreciate due to factors such as a resurgence of the spread of COVID-19 in some parts of Eurozone, reaching the lower ¥124 level at the end of September.

### (2) Investment Policies

The Company's operations are based on the concept of asset liability management (ALM) in order to maintain sound management and ensure the payment of insurance claims and others. Specifically, the approach is to match assets with liabilities, with a focus on yen-denominated interest-bearing assets with high affinity to the characteristics of liabilities. With this approach the Company aims to earn stable profits while mitigating interest rate risk.

Moreover, the Company makes an effort to increase revenues through the investment of "return-seeking assets" (which we previously referred to as "risk assets") such as foreign securities and stocks under appropriate risk management.

### (3) Performance Overview

#### [Assets]

At September 30, 2020, total assets of the Company amounted to ¥70,398.2 billion, a decrease of ¥1,269.1 billion from ¥71,667.3 billion at the end of the previous fiscal year.

The balance of return-seeking assets such as stocks and foreign securities increased, due to an increase in unrealized gains following the recovery of the indices such as the Nikkei Stock Average.

For domestic corporate and government bonds, the Company invested primarily in long-term and super long-term bonds in view of their value as assets that secure stable income. However, the amounts of these bonds decreased due to redemption, etc.

For loans, the Company provided loans to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as the “Management Network”), syndicated loans, loans to local governments and policy loans, and the amounts of loans decreased due to the repayment of loans to the Management Network.

#### [Investment Income and Expenses]

For the six months ended September 30, 2020, investment income of the Company decreased by ¥53.7 billion from the previous corresponding period to ¥520.3 billion, mainly due to a decrease in interest and dividend income caused primarily by a decrease in total assets.

Investment expenses decreased by ¥21.4 billion from the previous corresponding period to ¥45.6 billion, mainly due to a decrease in losses on derivative financial instruments for hedging foreign exchange fluctuation risks.

As a result, investment income and expenses amounted to ¥474.6 billion, a decrease of ¥32.3 billion from the previous corresponding period.

### 3. Investment Performance (General Account)

#### (1) Asset Composition

(Billions of yen, %)

As of	March 31, 2020		September 30, 2020	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,786.6	2.5	1,477.3	2.1
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,191.7	4.5	2,480.5	3.5
Monetary claims bought	318.5	0.4	397.7	0.6
Trading account securities	-	-	-	-
Money held in trust	3,056.0	4.3	3,528.3	5.0
Securities	55,871.5	78.0	55,660.9	79.1
Corporate and government bonds	48,954.5	68.3	48,697.5	69.2
Domestic stocks	286.9	0.4	337.8	0.5
Foreign securities	4,687.3	6.5	4,660.0	6.6
Foreign corporate and government bonds	4,522.1	6.3	4,513.3	6.4
Foreign stocks and other securities	165.1	0.2	146.6	0.2
Other securities	1,942.7	2.7	1,965.5	2.8
Loans	5,662.7	7.9	5,345.6	7.6
Real estate	89.5	0.1	88.2	0.1
Deferred tax assets	1,173.7	1.6	975.0	1.4
Other	517.2	0.7	444.7	0.6
Reserve for possible loan losses	(0.4)	(0.0)	(0.4)	(0.0)
Total	71,667.3	100.0	70,398.2	100.0
Foreign currency-denominated assets	4,980.0	6.9	5,220.8	7.4

Note: "Real estate" is booked as the sum total of land, buildings and construction in progress.

**(2) Increase/Decrease in Assets**

(Billions of yen)

Six months ended September 30	2019	2020
Cash, deposits, call loans	397.8	(309.2)
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	298.0	(711.1)
Monetary claims bought	99.4	79.1
Trading account securities	-	-
Money held in trust	186.6	472.3
Securities	(1,000.1)	(210.5)
Corporate and government bonds	(796.5)	(256.9)
Domestic stocks	16.0	50.8
Foreign securities	(226.9)	(27.3)
Foreign corporate and government bonds	(223.8)	(8.8)
Foreign stocks and other securities	(3.1)	(18.4)
Other securities	7.2	22.8
Loans	(733.6)	(317.0)
Real estate	(1.2)	(1.3)
Deferred tax assets	(32.0)	(198.7)
Other	(82.8)	(72.4)
Reserve for possible loan losses	0.0	0.0
Total	(867.9)	(1,269.1)
Foreign currency-denominated assets	(229.8)	240.8

Note: "Real estate" is booked as the sum total of land, buildings and construction in progress.

**(3) Investment Income**

(Billions of yen)

Six months ended September 30	2019	2020
Interest and dividend income	534.0	506.6
Interest on deposits	0.0	0.0
Interest and dividends on securities	469.1	451.5
Interest on loans	7.3	6.7
Interest on loans to the Management Network	55.1	45.3
Rent revenue from real estate	-	-
Other interest and dividend income	2.4	2.9
Gains on trading account securities	-	-
Gains on money held in trust	16.9	-
Gains on trading securities	-	-
Gains on sales of securities	22.7	10.4
Gains on sales of Japanese government bonds and other bonds	9.8	3.0
Gains on sales of domestic stocks and other securities	3.8	6.7
Gains on sales of foreign securities	9.0	0.6
Other gains on sales of securities	-	-
Gains on redemption of securities	0.2	0.6
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	2.6
Reversal of reserve for possible loan losses	0.0	-
Other investment income	0.0	0.0
Total	574.0	520.3



#### (4) Investment Expenses

(Billions of yen)

Six months ended September 30	2019	2020
Interest expenses	0.9	1.0
Losses on trading account securities	-	-
Losses on money held in trust	-	6.3
Losses on trading securities	-	-
Losses on sales of securities	16.5	16.9
Losses on sales of Japanese government bonds and other bonds	0.7	-
Losses on sales of domestic stocks and other securities	5.9	10.0
Losses on sales of foreign securities	8.3	2.5
Other losses on sales of securities	1.4	4.3
Losses on valuation of securities	-	-
Losses on valuation of Japanese government bonds and other bonds	-	-
Losses on valuation of domestic stocks and other securities	-	-
Losses on valuation of foreign securities	-	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	2.9	5.7
Losses on derivative financial instruments	42.7	13.9
Losses on foreign exchanges	2.1	-
Provision for reserve for possible loan losses	-	0.0
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	1.5	1.7
Total	67.0	45.6

#### (5) Net Valuation Gain/Loss of Trading Securities

The Company does not hold securities for trading.

**(6) Fair Value Information of Securities (with Fair Value, Other Than Trading Securities)**

(Billions of yen)

As of	March 31, 2020					September 30, 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	35,735.7	41,953.3	6,217.6	6,217.7	0.0	35,472.5	41,182.1	5,709.6	5,722.6	13.0
Policy-reserve-matching bonds	9,574.6	10,578.5	1,003.8	1,007.4	3.5	9,578.4	10,469.4	891.0	903.6	12.6
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,651.6	14,021.7	370.1	786.8	416.7	13,512.8	14,560.4	1,047.6	1,232.2	184.6
Corporate and government bonds	3,700.4	3,742.1	41.7	46.7	4.9	3,595.5	3,646.5	51.0	54.3	3.3
Domestic stocks	1,710.0	1,765.1	55.1	265.1	210.0	1,683.9	2,083.8	399.8	499.8	99.9
Foreign securities	4,754.4	5,159.2	404.8	448.6	43.7	4,767.2	5,323.0	555.7	567.2	11.4
Foreign corporate and government bonds	4,048.9	4,424.1	375.1	378.5	3.3	4,085.4	4,513.3	427.9	433.2	5.3
Foreign stocks and other securities	705.4	735.1	29.6	70.0	40.4	681.8	809.6	127.8	133.9	6.1
Other securities	2,635.1	2,501.5	(133.6)	24.3	157.9	2,540.2	2,579.2	39.0	108.9	69.8
Monetary claims bought	316.5	318.5	2.0	2.0	-	395.8	397.7	1.8	1.8	-
Negotiable certificates of deposit	535.0	535.0	-	-	-	530.0	530.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>58,962.0</b>	<b>66,553.7</b>	<b>7,591.6</b>	<b>8,012.0</b>	<b>420.3</b>	<b>58,563.8</b>	<b>66,212.0</b>	<b>7,648.2</b>	<b>7,858.5</b>	<b>210.3</b>
Corporate and government bonds	48,912.7	56,175.8	7,263.0	7,271.6	8.6	48,646.4	55,298.1	6,651.6	6,680.7	29.0
Domestic stocks	1,710.0	1,765.1	55.1	265.1	210.0	1,683.9	2,083.8	399.8	499.8	99.9
Foreign securities	4,852.4	5,257.5	405.0	448.8	43.7	4,767.2	5,323.0	555.7	567.2	11.4
Foreign corporate and government bonds	4,146.9	4,522.4	375.4	378.7	3.3	4,085.4	4,513.3	427.9	433.2	5.3
Foreign stocks and other securities	705.4	735.1	29.6	70.0	40.4	681.8	809.6	127.8	133.9	6.1
Other securities	2,635.1	2,501.5	(133.6)	24.3	157.9	2,540.2	2,579.2	39.0	108.9	69.8
Monetary claims bought	316.5	318.5	2.0	2.0	-	395.8	397.7	1.8	1.8	-
Negotiable certificates of deposit	535.0	535.0	-	-	-	530.0	530.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,549.0 billion with net unrealized gains of ¥73.0 billion as of March 31, 2020 and ¥2,533.6 billion with net unrealized gains of ¥505.8 billion as of September 30, 2020.

The book values of securities for which the fair values are deemed extremely difficult to determine are as follows:  
(Billions of yen)

As of	March 31, 2020	September 30, 2020
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	10.9	12.5
Available-for-sale securities	305.1	349.2
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	300.9	345.0
<b>Total</b>	<b>316.0</b>	<b>361.8</b>

Notes: 1. This table includes money held in trust other than trading securities (¥300.9 billion as of March 31, 2020 and ¥345.0 billion as of September 30, 2020).

2. Net unrealized gains (losses) based on foreign exchange valuation of the foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are ¥(4.6) billion as of March 31, 2020 and ¥(8.0) billion as of September 30, 2020.

Note: Fair value information of securities includes the handling of securities under the Financial Instruments and Exchange Act.

#### (7) Fair Value of Money Held in Trust

(Billions of yen)

As of	March 31, 2020					September 30, 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	2,744.3	2,744.3	-	-	-	3,162.5	3,162.5	-	-	-

- Money held in trust for trading purposes

The Company does not hold money held in trust for trading purposes.

- Assets held-to-maturity in trust/assets held for reserves in trust/other money held in trust

(Billions of yen)

As of	March 31, 2020					September 30, 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	2,671.2	2,744.3	73.0	339.5	266.4	2,656.6	3,162.5	505.8	623.3	117.5

Note: Fair value information of money held in trust does not include other money held in trust for which the fair value is deemed extremely difficult to determine (¥311.7 billion as of March 31, 2020 and ¥365.8 billion as of September 30, 2020).

#### 4. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2020	As of September 30, 2020
		Amount	Amount
<b>ASSETS:</b>			
Cash and deposits		1,406,640	1,337,353
Call loans		380,000	140,000
Receivables under securities borrowing transactions		3,191,710	2,480,555
Monetary claims bought		318,581	397,738
Money held in trust		3,056,072	3,528,379
Securities		55,871,541	55,660,990
[Japanese government bonds]		[36,730,786]	[37,092,582]
[Japanese local government bonds]		[6,737,380]	[6,237,204]
[Japanese corporate bonds]		[5,486,350]	[5,367,734]
[Stocks]		[286,975]	[337,855]
[Foreign securities]		[4,687,342]	[4,660,017]
Loans		5,662,748	5,345,694
Policy loans		152,681	170,117
Industrial and commercial loans		994,446	1,014,141
Loans to the Management Network		4,515,620	4,161,435
Tangible fixed assets		109,704	106,694
Intangible fixed assets		140,696	128,970
Agency accounts receivable		45,587	46,408
Reinsurance receivables		4,057	3,701
Other assets		306,755	247,184
Deferred tax assets		1,173,751	975,000
Reserve for possible loan losses		(448)	(422)
<b>Total assets</b>		<b>71,667,398</b>	<b>70,398,249</b>
<b>LIABILITIES:</b>			
Policy reserves and others		64,191,926	62,735,274
Reserve for outstanding claims		461,224	426,713
Policy reserves		62,293,166	60,903,482
Reserve for policyholder dividends		1,437,535	1,405,078
Reinsurance payables		6,595	6,437
Bonds payable		100,000	100,000
Other liabilities		4,485,343	4,163,073
Payables under securities lending transactions		4,290,140	3,989,189
Income taxes payable		62,298	26,698
Lease obligations		2,095	2,091
Asset retirement obligation		5	5
Other liabilities		130,803	145,087
Reserve for insurance claims and others		29,722	7,817
Reserve for employees' retirement benefits		68,831	69,727
Reserve for management board benefit trust		164	125
Reserve for price fluctuations		858,339	830,900
<b>Total liabilities</b>		<b>69,740,924</b>	<b>67,913,356</b>
<b>NET ASSETS:</b>			
Capital stock		500,000	500,000
Capital surplus		405,044	405,044
Legal capital surplus		405,044	405,044
Retained earnings		757,826	829,810
Legal retained earnings		60,485	64,761
Other retained earnings		697,340	765,049
Reserve for reduction entry of real estate		5,545	5,416
Retained earnings brought forward		691,794	759,633
Treasury stock		(422)	(397)
Total shareholders' equity		1,662,447	1,734,457
Net unrealized gains (losses) on available-for-sale securities		264,009	750,425
Net deferred gains (losses) on hedges		16	10
Total valuation and translation adjustments		264,026	750,436
<b>Total net assets</b>		<b>1,926,474</b>	<b>2,484,893</b>
<b>Total liabilities and net assets</b>		<b>71,667,398</b>	<b>70,398,249</b>

## 5. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Term	Six months ended September 30, 2019	Six months ended September 30, 2020
		Amount	Amount
<b>ORDINARY INCOME</b>		3,661,331	3,385,347
Insurance premiums and others		1,801,184	1,417,826
[Insurance premiums]		[1,793,398]	[1,410,157]
Investment income		574,092	520,301
[Interest and dividend income]		[534,099]	[506,632]
[Gains on money held in trust]		[16,981]	[-]
[Gains on sales of securities]		[22,712]	[10,400]
Other ordinary income		1,286,054	1,447,219
[Reversal of reserve for outstanding claims]		[75,398]	[34,511]
[Reversal of policy reserves]		[1,209,364]	[1,389,683]
<b>ORDINARY EXPENSES</b>		3,519,385	3,223,144
Insurance claims and others		3,143,881	2,930,225
[Insurance claims]		[2,492,681]	[2,332,133]
[Annuity payments]		[200,137]	[185,055]
[Benefits]		[50,934]	[54,782]
[Surrender benefits]		[300,155]	[232,068]
[Other refunds]		[88,040]	[114,628]
Provision for policy reserves and others		4	4
Provision for interest on policyholder dividends		4	4
Investment expenses		67,089	45,678
[Interest expenses]		[998]	[1,056]
[Losses on money held in trust]		[-]	[6,309]
[Losses on sales of securities]		[16,586]	[16,926]
[Losses on derivative financial instruments]		[42,759]	[13,917]
Operating expenses		252,407	195,886
Other ordinary expenses		56,003	51,350
<b>ORDINARY PROFIT</b>		141,945	162,203
<b>EXTRAORDINARY GAINS</b>		26,031	27,439
Gains on sales of fixed assets		393	-
Reversal of reserve for price fluctuations		25,637	27,439
<b>EXTRAORDINARY LOSSES</b>		209	24
Losses on sales and disposal of fixed assets		209	24
Provision for reserve for policyholder dividends		54,558	47,281
Income before income taxes		113,208	142,336
Income taxes - Current		71,209	37,714
Income taxes - Deferred		(34,866)	11,258
Total income taxes		36,342	48,973
Net income		76,865	93,362

## 6. Unaudited Non-Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	47,569	5,805	622,867	676,242
Changes in the period								
Cash dividends					8,640		(51,840)	(43,200)
Net income							76,865	76,865
Purchases of treasury stock								
Disposals of treasury stock								
Cancellation of treasury stock			(99,970)	(99,970)				
Reversal of reserve for reduction entry of real estate						(129)	129	-
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 period								
Net changes in the period	-	-	(95,000)	(95,000)	8,640	(129)	20,184	28,695
Balance at the end of the period	500,000	405,044	-	405,044	56,209	5,675	643,052	704,937

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	(450)	1,675,836	456,694	33	456,727	2,132,564
Changes in the period						
Cash dividends		(43,200)				(43,200)
Net income		76,865				76,865
Purchases of treasury stock	(99,999)	(99,999)				(99,999)
Disposals of treasury stock	35	35				35
Cancellation of treasury stock	99,970	-				-
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 period			172,034	1	172,035	172,035
Net changes in the period	5	(66,299)	172,034	1	172,035	105,736
Balance at the end of the period	(445)	1,609,536	628,728	34	628,763	2,238,300

Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					Reserve for reduction entry of real estate	Retained earnings brought forward		
Balance at the beginning of the fiscal year	500,000	405,044	-	405,044	60,485	5,545	691,794	757,826
Changes in the period								
Cash dividends					4,275		(25,654)	(21,378)
Net income							93,362	93,362
Disposals of treasury stock								
Reversal of reserve for reduction entry of real estate						(129)	129	-
Net changes in items other than shareholders' equity in the period								
Net changes in the period	-	-	-	-	4,275	(129)	67,838	71,984
Balance at the end of the period	500,000	405,044	-	405,044	64,761	5,416	759,633	829,810

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at the beginning of the fiscal year	(422)	1,662,447	264,009	16	264,026	1,926,474
Changes in the period						
Cash dividends		(21,378)				(21,378)
Net income		93,362				93,362
Disposals of treasury stock	25	25				25
Reversal of reserve for reduction entry of real estate			-			-
Net changes in items other than shareholders' equity in the period			486,416	(6)	486,409	486,409
Net changes in the period	25	72,009	486,416	(6)	486,409	558,419
Balance at the end of the period	(397)	1,734,457	750,425	10	750,436	2,484,893

## NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

### (Notes to the Unaudited Non-Consolidated Balance Sheet)

#### 1. Significant Accounting Policies

##### (1) Valuation Criteria and Methods for 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 (stocks issued by subsidiaries as defined in Article 2, Paragraph 12 of the Insurance Business Act and closely related parties (excluding subsidiaries) and affiliates as defined in Article 13-5-2, Paragraph 3 and affiliates as defined in Paragraph 4 of the same Article of the Order for Enforcement of the Insurance Business Act)

Carried at cost and the cost of these securities sold is calculated using the moving-average method.

##### 4) Available-for-sale Securities

##### (i) Available-for-sale Securities, at Fair Value

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

##### (ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

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

(b) 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) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

##### (3) Depreciation Method for Fixed Assets

##### 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:

(i) Buildings: 2-60 years

(ii) 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

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.

##### (4) Recognition of Reserves

##### 1) 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 also 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. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the six months ended September 30, 2020 was ¥41 million.

2) 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.

3) Reserve for Employees' Retirement Benefits

In order to provide for payment of retirement benefits to employees, a reserve for employees' retirement benefits is provided in the amount considered to have incurred at the end of the six months ended September 30, 2020 based on the projected amount of retirement benefit obligations at the end of the fiscal year.

(i) Method for Attributing Expected Benefits to Periods

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

(ii) Method for Recognizing Actuarial Differences and Prior Service Cost

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 lives for employees in the fiscal year of incurrence.

(Additional information)

In August 2020, the Company decided on and notified all concerned of the change to the Retirement Allowance Regulations effective October 1, 2020, whereby the lump-sum severance indemnity plans were revised in association with the extension of mandatory retirement age from 60 to 65. Due to this change, retirement benefit obligations decreased and prior service cost (favorable variance) of ¥1,273 million was recognized.

4) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares 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.

(5) Reserve for Price Fluctuations

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

Provision for reserve for price fluctuations for the six months ended September 30, 2020 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.

(6) 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 end date of the first half of the fiscal year.

(7) 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).

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 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 which applied the exceptional treatment for interest rate swaps.

(8) 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 additional policy reserves accumulated over a 10-year period from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2020, for a portion of reinsurance contracts from the Management Network, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

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

(9) Employees' Retirement Benefits Accounting

Unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits are treated differently from the consolidated financial statements.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Transactions for Granting Shares and Others of the Company to Executive Officers of the Company through Trust

Notes to the transactions for granting shares and others of the Company to Executive Officers of the Company through trust are omitted as they are presented in NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 (Notes to the Unaudited Consolidated Balance Sheet).

3. The balance sheet amount, fair value and the outline of the risk management policy of policy-reserve-matching bonds were as follows:

- (1) The balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥9,578,432 million and ¥10,469,444 million, respectively.
- (2) The outline of the risk management policy of policy-reserve-matching bonds is as follows:  
The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in 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)

4. Securities lent under lending agreements in the amount of ¥4,524,331 million were included in "Securities" in the balance sheets as of September 30, 2020.

5. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of September 30, 2020. 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). Interest accruals of such loans are suspended since 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 for the purpose of assisting and supporting 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.

6. The balance of the unused credit under loan commitment line agreements as of September 30, 2020 was ¥12,142 million.

7. Accumulated depreciation for tangible fixed assets as of September 30, 2020 was ¥49,418 million.

8. Changes in reserve for policyholder dividends for the six months ended September 30, 2020 were as follows:

Balance at the beginning of the fiscal year	¥1,437,535 million
Policyholder dividends paid during the six months ended September 30, 2020	¥79,565 million
Interest accrual	¥4 million
Reduction due to the acquisition of additional annuity	¥178 million
Provision for reserve for policyholder dividends	¥47,281 million
<hr/>	
Balance at the end of the six months ended September 30, 2020	¥1,405,078 million

9. Equities, etc. of subsidiaries and affiliates were ¥12,566 million.

10. Assets pledged as collateral consisted of the following:

Securities ¥3,389,008 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,989,189 million

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

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

Securities ¥453,046 million

11. 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 referred to as “reserve for outstanding claims-ceded”) as of September 30, 2020 was ¥457 million. Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter referred to as “policy reserves-ceded”) as of September 30, 2020 was ¥942 million.

12. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥2,922,921 million as of September 30, 2020.

13. Bonds payable are subordinated bonds stipulating that their priorities are ranked behind other obligations.

14. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,629 million as of September 30, 2020 pursuant to Article 259 of the Insurance Business Act.

This obligation is recognized as operating expenses when it is made.

15. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥32,273,514 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on 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 in the amount of ¥1,323,548 million and ¥604,943 million, respectively, for the category of the reinsurance.

16. "Other liabilities" in the balance sheet includes ¥41,712 million of "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 was 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.

17. Efforts to regain customers' trust

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. The Company 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. Additionally, the Company has been confirming with all customers with insurance policies whether their insurance policies are in line with their intentions, and compensating customers who have suffered disadvantages.

In the six months ended September 30, 2020, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others, and the corresponding adjustment to policy reserves as part of reversal of policy reserves, while recording a reduction of the net amount totaling ¥15,866 million from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥6,038 million, a decrease as a result of reflecting the status of progress in the investigation of insurance policies to accounting estimates. Consequently, reserve for insurance claims and others stood at ¥7,817 million as of September 30, 2020. The amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are included in other ordinary income in the statement of income for the six months ended September 30, 2020.

**(Notes to the Unaudited Non-Consolidated Statement of Income)**

1. Gains on sales of securities comprise domestic bonds of ¥3,040 million, domestic stocks of ¥6,734 million and foreign securities of ¥624 million.
2. Losses on sales of securities comprise domestic stocks of ¥10,018 million, foreign securities of ¥2,553 million and other securities of ¥4,353 million.
3. Losses on money held in trust include losses on valuation of ¥37,920 million.
4. Losses on derivative financial instruments include losses on valuation of ¥6,946 million.
5. 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 six months ended September 30, 2020 was ¥15 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the six months ended September 30, 2020 was ¥24 million.
6. Net income per share for the six months ended September 30, 2020 was ¥166.00.  
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity for the six months ended September 30, 2020, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.  
Average number of treasury stock during the period which was deducted from the calculation of net income per share for the six months ended September 30, 2020 was 162,771 shares.
7. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the six months ended September 30, 2020 were ¥191,003 million.
8. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the six months ended September 30, 2020 were ¥1,461,903 million.
9. 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 the reinsurance due to the reinsurance contracts with the Management Network, was ¥37,999 million for the six months ended September 30, 2020.

**(Notes to the Unaudited Non-Consolidated Statement of Changes in Net Assets)**

## Type and Number of Treasury Stock

	April 1, 2020	Increase	Decrease	(Thousands of shares) September 30, 2020
Treasury stock				
Common stock	178	-	10	167

(\*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2021 and the end of the six months ended September 30, 2020 include shares of the Company held in the BBT, and were 166 thousand shares and 156 thousand shares, respectively.

(\*2) The decrease of 10 thousand shares in the number of treasury stock was attributable to the granting of shares via the BBT.

## 7. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Six months ended September 30		2019	2020
Core profit	A	205,709	226,592
Capital gains		39,693	13,029
Gains on money held in trust		16,981	-
Gains on trading securities		-	-
Gains on sales of securities		22,712	10,400
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	2,628
Other capital gains		-	-
Capital losses		97,137	72,123
Losses on money held in trust		-	6,309
Losses on trading securities		-	-
Losses on sales of securities		16,586	16,926
Losses on valuation of securities		-	-
Losses on derivative financial instruments		42,759	13,917
Losses on foreign exchanges		2,163	-
Other capital losses		35,627	34,970
Net capital gains (losses)	B	(57,443)	(59,094)
Core profit including net capital gains (losses)	A+B	148,266	167,498
Other one-time gains		82,306	-
Reinsurance income		-	-
Reversal of contingency reserve		82,306	-
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		88,627	5,295
Reinsurance premiums		-	-
Provision for contingency reserve		-	5,295
Provision for specific reserve for possible loan losses		-	-
Provision for reserve for specific foreign loans		-	-
Write-off of loans		-	-
Other		88,627	-
Other one-time profits (losses)	C	(6,320)	(5,295)
Ordinary profit	A+B+C	141,945	162,203

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥35,627 million for the six months ended September 30, 2019 and ¥34,970 million for the six months ended September 30, 2020) is recognized as “other capital losses” and included in core profit.
2. “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 (¥88,627 million for the six months ended September 30, 2019).

## 8. Loans by Borrower Category

(Millions of yen, %)

As of	March 31, 2020	September 30, 2020
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal	-	-
(Percentage in total)	(-)	(-)
Normal loans	7,412,339	7,438,599
Total	7,412,339	7,438,599

- 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 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 is 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.

## 9. Status of Risk-Monitored Loans

Not applicable.

## 10. Solvency Margin Ratio

(Millions of yen)

As of		March 31, 2020	September 30, 2020
Total amount of solvency margin	(A)	5,168,422	5,800,632
Capital stock, etc.		1,641,069	1,727,120
Reserve for price fluctuations		858,339	830,900
Contingency reserve		1,797,366	1,802,661
General reserve for possible loan losses		37	38
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		328,782	935,301
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		19	2,203
Excess of continued Zillmerized reserve		442,807	402,072
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		-	333
Total amount of risk			
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	(B)	967,023	1,021,780
Insurance risk	R <sub>1</sub>	137,197	134,120
Underwriting risk of third-sector insurance	R <sub>8</sub>	54,172	51,800
Anticipated yield risk	R <sub>2</sub>	136,652	133,760
Minimum guarantee risk	R <sub>7</sub>	-	-
Investment risk	R <sub>3</sub>	788,454	847,218
Business management risk	R <sub>4</sub>	22,329	23,338
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,068.9 %	1,135.3 %

Note: These figures are calculated based on the provisions set forth in the Public Notice 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.



## 11. Separate Account for the Six Months Ended September 30, 2020

Not applicable.

## 12. Consolidated Financial Summary

### (1) Selected Financial Data and Other Information

(Millions of yen)

Six months ended September 30	2019	2020
Ordinary income	3,661,332	3,385,358
Ordinary profit	141,504	162,723
Net income attributable to Japan Post Insurance	76,312	93,673
Comprehensive income (loss)	248,136	580,770

As of	March 31, 2020	September 30, 2020
Total assets	71,664,781	70,397,285
Consolidated solvency margin ratio	1,070.9 %	1,138.0 %

### (2) Scope of Consolidation and Application of the Equity Method

- Number of consolidated subsidiaries: 1
- Number of non-consolidated subsidiaries accounted for under the equity method: 0
- Number of affiliates accounted for under the equity method: 0
- Changes in significant subsidiaries during the period: None

### (3) Unaudited Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2020	As of September 30, 2020
		Amount	Amount
<b>ASSETS:</b>			
Cash and deposits		1,410,298	1,342,837
Call loans		380,000	140,000
Receivables under securities borrowing transactions		3,191,710	2,480,555
Monetary claims bought		318,581	397,738
Money held in trust		3,056,072	3,528,379
Securities		55,870,557	55,660,006
Loans		5,662,748	5,345,694
Tangible fixed assets		110,219	107,166
Intangible fixed assets		135,010	123,435
Agency accounts receivable		45,587	46,408
Reinsurance receivables		4,057	3,701
Other assets		306,596	247,105
Deferred tax assets		1,173,789	974,678
Reserve for possible loan losses		(448)	(422)
<b>Total assets</b>		<b>71,664,781</b>	<b>70,397,285</b>
<b>LIABILITIES:</b>			
Policy reserves and others		64,191,926	62,735,274
Reserve for outstanding claims		461,224	426,713
Policy reserves		62,293,166	60,903,482
Reserve for policyholder dividends		1,437,535	1,405,078
Reinsurance payables		6,595	6,437
Bonds payable		100,000	100,000
Payables under securities lending transactions		4,290,140	3,989,189
Other liabilities		193,449	173,671
Reserve for insurance claims and others		29,722	7,817
Liability for retirement benefits		66,060	66,071
Reserve for management board benefit trust		164	125
Reserve for price fluctuations		858,339	830,900
<b>Total liabilities</b>		<b>69,736,400</b>	<b>67,909,487</b>
<b>NET ASSETS:</b>			
Capital stock		500,000	500,000
Capital surplus		405,044	405,044
Retained earnings		756,665	828,960
Treasury stock		(422)	(397)
Total shareholders' equity		1,661,286	1,733,607
Net unrealized gains (losses) on available-for-sale securities		264,009	750,425
Net deferred gains (losses) on hedges		16	10
Accumulated adjustments for retirement benefits		3,067	3,754
Total accumulated other comprehensive income		267,094	754,191
<b>Total net assets</b>		<b>1,928,380</b>	<b>2,487,798</b>
<b>Total liabilities and net assets</b>		<b>71,664,781</b>	<b>70,397,285</b>

#### (4) Unaudited Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Term	Six months ended September 30, 2019	Six months ended September 30, 2020
		Amount	Amount
<b>ORDINARY INCOME</b>		3,661,332	3,385,358
Insurance premiums and others		1,801,184	1,417,826
Investment income		574,092	520,301
[Interest and dividend income]		[534,099]	[506,632]
[Gains on money held in trust]		[16,981]	[-]
[Gains on sales of securities]		[22,712]	[10,400]
Other ordinary income		1,286,056	1,447,230
[Reversal of reserve for outstanding claims]		[75,398]	[34,511]
[Reversal of policy reserves]		[1,209,364]	[1,389,683]
<b>ORDINARY EXPENSES</b>		3,519,828	3,222,635
Insurance claims and others		3,143,881	2,930,225
[Insurance claims]		[2,492,681]	[2,332,133]
[Annuity payments]		[200,137]	[185,055]
[Benefits]		[50,934]	[54,782]
[Surrender benefits]		[300,155]	[232,068]
Provision for policy reserves and others		4	4
Provision for interest on policyholder dividends		4	4
Investment expenses		67,090	45,679
[Interest expenses]		[998]	[1,057]
[Losses on money held in trust]		[-]	[6,309]
[Losses on sales of securities]		[16,586]	[16,926]
[Losses on derivative financial instruments]		[42,759]	[13,917]
Operating expenses		253,533	196,207
Other ordinary expenses		55,318	50,519
<b>ORDINARY PROFIT</b>		141,504	162,723
<b>EXTRAORDINARY GAINS</b>		26,031	27,439
Gains on sales of fixed assets		393	-
Reversal of reserve for price fluctuations		25,637	27,439
<b>EXTRAORDINARY LOSSES</b>		209	24
Losses on sales and disposal of fixed assets		209	24
Provision for reserve for policyholder dividends		54,558	47,281
Income before income taxes		112,766	142,856
Income taxes - Current		71,282	37,831
Income taxes - Deferred		(34,827)	11,351
Total income taxes		36,454	49,182
Net income		76,312	93,673
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		76,312	93,673

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Term	Six months ended September 30, 2019	Six months ended September 30, 2020
		Amount	Amount
Net income		76,312	93,673
Other comprehensive income (loss)		171,823	487,096
Net unrealized gains (losses) on available-for-sale securities		172,034	486,416
Net deferred gains (losses) on hedges		1	(6)
Adjustments for retirement benefits		(211)	687
Total comprehensive income (loss)		248,136	580,770
Comprehensive income (loss) attributable to Japan Post Insurance		248,136	580,770
Comprehensive income (loss) attributable to non-controlling interests		-	-

**(5) Unaudited Consolidated Statements of Cash Flows**

(Millions of yen)

Items	Term	Six months ended September 30, 2019	Six months ended September 30, 2020
		Amount	Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes		112,766	142,856
Depreciation and amortization		28,080	30,487
Net change in reserve for outstanding claims		(75,398)	(34,511)
Net change in policy reserves		(1,209,364)	(1,389,683)
Provision for interest on policyholder dividends		4	4
Provision for reserve for policyholder dividends		54,558	47,281
Net change in reserve for possible loan losses		(8)	(26)
Net change in reserve for insurance claims and others		1,084	(21,904)
Net change in liability for retirement benefits		2,167	10
Net change in reserve for management board benefit trust		(10)	(39)
Net change in reserve for price fluctuations		(25,637)	(27,439)
Interest and dividend income (accrual basis)		(534,099)	(506,632)
Net (gains) losses on securities		(3,382)	11,678
Interest expenses (accrual basis)		998	1,057
Net (gains) losses on foreign exchanges		2,163	(2,628)
Net (gains) losses on tangible fixed assets		(299)	24
Net change in agency accounts receivable		(13,249)	(820)
Net change in reinsurance receivables		(92)	355
Net change in other assets (excluding those related to investing activities and financing activities)		48,132	9,430
Net change in reinsurance payables		131	(158)
Net change in other liabilities (excluding those related to investing activities and financing activities)		(22,308)	(7,587)
Other, net		26,794	22,280
Subtotal		(1,606,968)	(1,725,965)
Interest and dividend received (cash basis)		621,719	536,091
Interest paid (cash basis)		(996)	(1,141)
Policyholder dividends paid		(96,199)	(79,565)
Income taxes paid		(44,404)	(62,004)
Net cash used in operating activities		(1,126,848)	(1,332,585)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of call loans		(3,860,000)	(3,780,000)
Proceeds from redemption of call loans		3,860,000	4,020,000
Net change in receivables under securities borrowing transactions		(298,016)	711,155
Purchases of monetary claims bought		(759,999)	(714,956)
Proceeds from sale and redemption of monetary claims bought		660,584	665,690
Purchases of money held in trust		(161,100)	(55,500)
Proceeds from decrease in money held in trust		1,627	-
Purchases of securities		(1,094,652)	(1,403,933)
Proceeds from sale and redemption of securities		2,130,619	1,835,935
Payments for loans		(377,164)	(319,959)
Proceeds from collection of loans		1,110,840	637,010
Net change in payables under securities lending transactions		379,103	(300,951)
Other, net		99,950	8,607
Total of net cash provided by investment transactions		1,691,791	1,303,098
Total of net cash provided by operating activities and investment transactions		564,942	(29,487)
Purchases of tangible fixed assets		(7,643)	(1,806)
Purchases of intangible fixed assets		(19,410)	(14,416)
Other, net		1,316	(31)
Net cash provided by investing activities		1,666,054	1,286,844
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease obligations		(503)	(358)
Purchases of treasury stock		(99,999)	-
Dividends paid		(43,199)	(21,361)
Net cash used in financing activities		(143,702)	(21,719)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		395,503	(67,461)
Cash and cash equivalents at the beginning of the fiscal year		917,708	1,410,298
Cash and cash equivalents at the end of the period		1,313,212	1,342,837

## (6) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	500,000	500,044	675,526	(450)	1,675,120
Changes in the period					
Cash dividends			(43,200)		(43,200)
Net income attributable to Japan Post Insurance			76,312		76,312
Purchases of treasury stock				(99,999)	(99,999)
Disposals of treasury stock				35	35
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 period					
Net changes in the period	-	(95,000)	28,142	5	(66,852)
Balance at the end of the period	500,000	405,044	703,668	(445)	1,608,267

	Accumulated other comprehensive income				Total net assets
	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	
Balance at the beginning of the fiscal year	456,694	33	3,289	460,017	2,135,137
Changes in the period					
Cash dividends					(43,200)
Net income attributable to Japan Post Insurance					76,312
Purchases of treasury stock					(99,999)
Disposals of treasury stock					35
Cancellation of treasury stock					-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity in the period	172,034	1	(211)	171,823	171,823
Net changes in the period	172,034	1	(211)	171,823	104,971
Balance at the end of the period	628,728	34	3,077	631,841	2,240,109

Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the fiscal year	500,000	405,044	756,665	(422)	1,661,286
Changes in the period					
Cash dividends			(21,378)		(21,378)
Net income attributable to Japan Post Insurance			93,673		93,673
Disposals of treasury stock				25	25
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	-	72,295	25	72,320
Balance at the end of the period	500,000	405,044	828,960	(397)	1,733,607

	Accumulated other comprehensive income				Total net assets
	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	
Balance at the beginning of the fiscal year	264,009	16	3,067	267,094	1,928,380
Changes in the period					
Cash dividends					(21,378)
Net income attributable to Japan Post Insurance					93,673
Disposals of treasury stock					25
Net changes in items other than shareholders' equity in the period	486,416	(6)	687	487,096	487,096
Net changes in the period	486,416	(6)	687	487,096	559,417
Balance at the end of the period	750,425	10	3,754	754,191	2,487,798

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

### (Basis for Preparation of the Unaudited Consolidated Financial Statements)

#### 1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 1  
Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.
- (2) Number of non-consolidated subsidiaries: 0

#### 2. Application of the Equity Method

- (1) Number of non-consolidated subsidiaries and affiliates accounted for under the equity method: 0
- (2) Number of affiliates accounted for under the equity method: 0
- (3) Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method: 0
- (4) Affiliates not accounted for under the equity method

Japan Post Investment Corporation and two other companies have been excluded from the scope of application of the equity method, as they have become insignificant as a whole, with minimal influence on the consolidated financial statements, in terms of net income or loss (an amount corresponding to ownership), retained earnings (an amount corresponding to ownership) and other items.

#### 3. End Date of the First Half of the Fiscal Year of Consolidated Subsidiary

The consolidated subsidiary has the same end date of the first half of the fiscal year as that of consolidated financial statements.

### (Notes to the Unaudited Consolidated Balance Sheet)

#### 1. Significant Accounting Policies

##### (1) Valuation Criteria and Methods for 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” (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) Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method

Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method are carried at cost using the moving-average method.

##### 4) Available-for-sale Securities

##### (i) Available-for-sale Securities, at Fair Value

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

##### (ii) Available-for-sale Securities for Which Fair Values are Deemed Extremely Difficult to Determine

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

(b) 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) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

(3) Depreciation Methods for Significant Depreciable Assets

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:

(i) Buildings: 2-60 years

(ii) 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

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.

(4) Recognition of Significant Reserves

1) 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 also 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. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the six months ended September 30, 2020 was ¥41 million.

2) 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.

3) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares 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.

(5) Employees' Retirement Benefits Accounting

1) Method for Attributing Expected Benefits to Periods

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

2) Method for Recognizing Actuarial Differences and Prior Service Cost

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 lives for employees in the fiscal year of incurrence.

(Additional information)

In August 2020, the Company decided on and notified all concerned of the change to the Retirement Allowance Regulations effective October 1, 2020, whereby the lump-sum severance indemnity plans were revised in association with the extension of mandatory retirement age from 60 to 65. Due to this change, retirement benefit obligations decreased and prior service cost (favorable variance) of ¥1,273 million was recognized.



(6) Reserve for Price Fluctuations

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

Provision for reserve for price fluctuations for the six months ended September 30, 2020 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.

(7) 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 end of the first half of the fiscal year.

(8) Significant Hedge Accounting

1) Methods for Hedge Accounting

The Company and its subsidiary (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” (ASBJ Statement No. 10).

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 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 which applied the exceptional treatment for interest rate swaps.

(9) 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 additional policy reserves accumulated over a 10-year period from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2020, for a portion of reinsurance contracts from the Management Network, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

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

(10) Consumption Taxes

All figures are net of consumption taxes.

## 2. Changes in Presentation

### (Unaudited Consolidated Statements of Cash Flows)

“Net change in reserve for insurance claims and others” included in “Net change in other liabilities (excluding those related to investing activities and financing activities)” under cash flows from operating activities in the unaudited consolidated statements of cash flows for the six months ended September 30, 2019 has been separately presented from the six months ended September 30, 2020, due to an increase in quantitative materiality. To reflect this change in the presentation method, the unaudited consolidated financial statements for the six months ended September 30, 2019 have been reclassified.

As a result, ¥(21,223) million presented as “Net change in other liabilities (excluding those related to investing activities and financing activities)” under cash flows from operating activities in the unaudited consolidated statements of cash flows for the six months ended September 30, 2019 has been reclassified into ¥1,084 million of “Net change in reserve for insurance claims and others” and ¥(22,308) million of “Net change in other liabilities (excluding those related to investing activities and financing activities).”

## 3. Transactions for Granting Shares and Others of the Company to Executive Officers of the Company through Trust

The Company has introduced a trust-based performance-linked stock compensation system for Executive Officers of the Company.

The Company has adopted the “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 the 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 requirement for eligibility at the time of their retirement a 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 by Trust

Shares of the Company held by Trust are recorded as treasury stock under the category of net assets at book value in the Trust (excluding accompanying expenses). Book value of such treasury stock at the end of the six months ended September 30, 2020 was ¥367 million, while the number of such treasury stock was 156 thousand shares.

#### 4. Financial Instruments

##### (1) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of September 30, 2020 were as follows.

Financial instruments for which the fair values are deemed extremely difficult to determine are not included in the following table, but described in “Note 2” below.

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and deposits	1,342,837	1,342,837	-
Available-for-sale securities (negotiable certificates of deposit)	530,000	530,000	-
2) Call loans	140,000	140,000	-
3) Receivables under securities borrowing transactions	2,480,555	2,480,555	-
4) Monetary claims bought	397,738	397,738	-
Available-for-sale securities	397,738	397,738	-
5) Money held in trust (*1)	3,162,502	3,162,502	-
6) Securities	55,644,184	62,244,823	6,600,638
Held-to-maturity bonds	35,472,524	41,182,150	5,709,626
Policy-reserve-matching bonds	9,578,432	10,469,444	891,012
Available-for-sale securities	10,593,227	10,593,227	-
7) Loans	5,345,656	5,699,748	354,092
Policy loans	170,117	170,117	-
Industrial and commercial loans (*2)	1,014,141	1,064,937	50,834
Loans to the Management Network (*2)	4,161,435	4,464,693	303,257
Reserve for possible loan losses (*3)	(38)	-	-
Total assets	68,513,474	75,468,205	6,954,731
1) Bonds payable	100,000	100,290	290
2) Payables under securities lending transactions	3,989,189	3,989,189	-
Total liabilities	4,089,189	4,089,479	290
Derivative transactions (*4)			
Hedge accounting not applied	(26)	(26)	-
Hedge accounting applied	(6,904)	(6,904)	-
Total derivative transactions	(6,931)	(6,931)	-

(\*1) Money held in trust classified as other than trading, held-to-maturities 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.

## Note 1: Calculation methods for fair values of financial instruments

### Assets

#### 1) Cash and deposits

Deposits (including negotiable certificates of deposit) mature within a 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 a 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 the “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 shares and net asset value for mutual funds.

Money held in trust is provided in “(3) 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 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 net asset value.

Securities are described in “(2) 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 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, whose 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 a short-term (one year), and their fair value approximates book value.

### Derivative transactions

Derivative transactions to which the hedge accounting is applied are as follows:

#### (i) Currency-related derivatives (foreign currency exchange contracts)

Fair value is calculated using forward exchange rate at the end of the first half of the consolidated fiscal year.

#### (ii) Interest rate-related derivatives (interest rate swap)

Fair value is calculated using discounted present value.

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.

Derivative transactions to which the hedge accounting is not applied are described in “(4) Derivative Transactions.”

Note 2: Financial instruments for which the fair values are deemed extremely difficult to determine  
(Millions of yen)

	Consolidated balance sheet amount
Money held in trust (*1)	365,877
Securities	15,821
Unlisted stocks (*2)	4,735
Investment in partnership (*2)	11,086
Total	381,699

(\*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 partnership where partnership assets comprise primarily of unlisted stocks, are not included in Assets 6) Securities, as the fair values are deemed extremely difficult to determine.

## (2) Securities

## 1) Held-to-maturity Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	34,454,112	40,176,777	5,722,665
Japanese government bonds	27,771,506	33,112,594	5,341,087
Japanese local government bonds	4,674,264	4,921,150	246,886
Japanese corporate bonds	2,008,341	2,143,032	134,690
Subtotal	34,454,112	40,176,777	5,722,665
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	1,018,412	1,005,373	(13,038)
Japanese government bonds	854,330	844,815	(9,515)
Japanese local government bonds	65,035	63,411	(1,624)
Japanese corporate bonds	99,045	97,147	(1,898)
Subtotal	1,018,412	1,005,373	(13,038)
Total	35,472,524	41,182,150	5,709,626

## 2) Policy-reserve-matching Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	8,938,207	9,841,879	903,672
Japanese government bonds	7,806,644	8,657,730	851,086
Japanese local government bonds	548,948	571,927	22,978
Japanese corporate bonds	582,614	612,222	29,607
Subtotal	8,938,207	9,841,879	903,672
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	640,224	627,564	(12,659)
Japanese government bonds	286,873	281,375	(5,497)
Japanese local government bonds	20,107	20,042	(65)
Japanese corporate bonds	333,243	326,146	(7,096)
Subtotal	640,224	627,564	(12,659)
Total	9,578,432	10,469,444	891,012

## 3) Available-for-sale Securities

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated balance sheet amount exceeds cost			
Bonds	3,021,250	2,966,877	54,373
Japanese government bonds	284,672	278,421	6,250
Japanese local government bonds	787,037	783,155	3,882
Japanese corporate bonds	1,949,539	1,905,299	44,240
Stocks	184,509	152,656	31,852
Foreign securities	4,391,884	3,953,840	438,044
Foreign bonds	4,257,090	3,823,837	433,252
Other foreign securities	134,794	130,002	4,791
Other (*)	1,161,943	1,077,322	84,620
Subtotal	8,759,587	8,150,696	608,890
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	625,315	628,648	(3,333)
Japanese government bonds	88,555	89,185	(630)
Japanese local government bonds	141,810	142,059	(248)
Japanese corporate bonds	394,949	397,404	(2,454)
Stocks	147,626	166,214	(18,587)
Foreign securities	268,132	274,050	(5,917)
Foreign bonds	256,257	261,575	(5,317)
Other foreign securities	11,874	12,474	(599)
Other (*)	1,720,304	1,759,595	(39,291)
Subtotal	2,761,378	2,828,509	(67,130)
Total	11,520,966	10,979,206	541,760

(\*) “Other” includes negotiable certificates of deposit (cost: ¥530,000 million, consolidated balance sheet amount: ¥530,000 million) presented as “Cash and deposits” in the consolidated balance sheets, and monetary claims bought (cost: ¥395,875 million, consolidated balance sheet amount: ¥397,738 million).

### (3) Money Held in Trust

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

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference	Those for which the consolidated balance sheet amount exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
Specified money held in trust	3,162,502	2,656,642	505,860	623,368	(117,508)

(\*) The Group recognized losses on valuation of ¥37,920 million for the six months ended September 30, 2020.

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.

### (4) Derivative Transactions

Derivative transactions to which the hedge accounting is not applied are as follows:

Currency-related derivatives

(Millions of yen)

Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net Valuation Gain/Loss
OTC	Forward foreign exchange				
	Sold	9,336	-	(26)	(26)
	U.S. dollars	9,336	-	(26)	(26)
Total		-	-	-	(26)

(\*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate at the end of the first half of the consolidated fiscal year.

5. The consolidated balance sheet amount, fair value and the outline of risk management policy of policy-reserve-matching bonds were as follows:

(1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥9,578,432 million and ¥10,469,444 million, respectively.

(2) The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in 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)

6. Securities lent under lending agreements in the amount of ¥4,524,331 million were included in "Securities" in the consolidated balance sheets as of September 30, 2020.

7. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of September 30, 2020. 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). Interest accruals of such loans are suspended since 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 for the purpose of assisting and supporting 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.

8. The balance of the unused credit under loan commitment line agreements as of September 30, 2020 was ¥12,142 million.
9. Accumulated depreciation for tangible fixed assets as of September 30, 2020 was ¥49,702 million.

10. Changes in reserve for policyholder dividends for the six months ended September 30, 2020 were as follows:

Balance at the beginning of the fiscal year	¥1,437,535 million
Policyholder dividends paid during the six months ended September 30, 2020	¥79,565 million
Interest accrual	¥4 million
Reduction due to the acquisition of additional annuity	¥178 million
Provision for reserve for policyholder dividends	¥47,281 million
<hr/>	
Balance at the end of the six months ended September 30, 2020	¥1,405,078 million

11. Equities, etc. of subsidiaries and affiliates were ¥11,582 million.

12. Assets pledged as collateral consisted of the following:

Securities ¥3,389,008 million

Liabilities corresponding to assets pledged as collateral consisted of the following:

Payables under securities lending transactions ¥3,989,189 million

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

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

Securities ¥453,046 million

13. 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 referred to as “reserve for outstanding claims-ceded”) as of September 30, 2020 was ¥457 million. Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter referred to as “policy reserves-ceded”) as of September 30, 2020 was ¥942 million.

14. Net assets per share were ¥4,423.28.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders’ equity in the consolidated financial statements for the six months ended September 30, 2020, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the period, for the purpose of calculating net assets per share.

Total number of treasury stock at the end of the period which was deducted from the calculation of net assets per share for the six months ended September 30, 2020 was 156,200 shares.

15. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥2,922,921 million as of September 30, 2020.

16. Bonds payable are subordinated bonds stipulating that their priorities are ranked behind other obligations.
17. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,629 million as of September 30, 2020 pursuant to Article 259 of the Insurance Business Act.  
This obligation is recognized as operating expenses when it is made.
18. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥32,273,514 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on 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 in the amount of ¥1,323,548 million and ¥604,943 million, respectively, for the category of the reinsurance.
19. "Other liabilities" in the consolidated balance sheet includes ¥41,712 million of "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 was 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.
20. Efforts to regain customers' trust  
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. The Company 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. Additionally, the Company has been confirming with all customers with insurance policies whether their insurance policies are in line with their intentions, and compensating customers who have suffered disadvantages.  
In the six months ended September 30, 2020, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others, and the corresponding adjustment to policy reserves as part of reversal of policy reserves, while recording a reduction of the net amount totaling ¥15,866 million from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥6,038 million, a decrease as a result of reflecting the status of progress in the investigation of insurance policies to accounting estimates. Consequently, reserve for insurance claims and others stood at ¥7,817 million as of September 30, 2020. The amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are included in other ordinary income in the consolidated statement of income for the six months ended September 30, 2020.

**(Notes to the Unaudited Consolidated Statement of Income)**

1. 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 six months ended September 30, 2020 was ¥15 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the six months ended September 30, 2020 was ¥24 million.
2. Net income per share for the six months ended September 30, 2020 was ¥166.55.  
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity in the consolidated financial statements for the six months ended September 30, 2020, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.  
Average number of treasury stock during the period which was deducted from the calculation of net income per share for the six months ended September 30, 2020 was 162,771 shares.
3. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the six months ended September 30, 2020 were ¥191,003 million.
4. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the six months ended September 30, 2020 were ¥1,461,903 million.
5. 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 the reinsurance due to the reinsurance contracts with the Management Network, was ¥37,999 million for the six months ended September 30, 2020.

**(Notes to the Unaudited Consolidated Statement of Cash Flows)**

## 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents consists of “Cash and deposits” in the consolidated balance sheet.

## 2. The reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and deposits in the consolidated balance sheet as of September 30, 2020 was as follows:

Cash and deposits	¥1,342,837 million
Cash and cash equivalents	¥1,342,837 million

**(Notes to the Unaudited Consolidated Statement of Changes in Net Assets)**

## 1. Type and Number of Shares Issued and Treasury Stock (Thousands of shares)

	April 1, 2020	Increase	Decrease	September 30, 2020
Shares issued				
Common stock	562,600	-	-	562,600
Treasury stock				
Common stock	178	-	10	167

(\*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2021 and the end of the six months ended September 30, 2020 include shares of the Company held in the BBT, and were 166 thousand shares and 156 thousand shares, respectively.

(\*2) The decrease of 10 thousand shares in the number of treasury stock was attributable to the granting of shares via the BBT.

## 2. Stock Acquisition Rights Including Those Owned by the Company

Not applicable.

## 3. Information on Dividends

## (1) Dividends Paid

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2020	Common stock	21,378	38.00	March 31, 2020	June 16, 2020

(\* ) Total amount of dividends includes ¥6 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

## (2) Dividends whose effective date falls after the end of the six months ended September 30, 2020

Not applicable.

## (7) Consolidated Solvency Margin Ratio

(Millions of yen)

As of	March 31, 2020	September 30, 2020
Total amount of solvency margin (A)	5,161,600	5,793,417
Capital stock, etc.	1,639,908	1,726,271
Reserve for price fluctuations	858,339	830,900
Contingency reserve	1,797,366	1,802,661
Catastrophe loss reserve	-	-
General reserve for possible loan losses	37	38
(Net unrealized gains (losses) on available-for-sale securities (before taxes) + Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	328,782	935,301
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	19	2,203
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	4,261	5,215
Excess of continued Zillmerized reserve	442,807	402,072
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	(9,923)	(11,582)
Other	-	333
Total amount of risk		
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$ (B)	963,888	1,018,154
Insurance risk R <sub>1</sub>	137,197	134,120
General insurance risk R <sub>5</sub>	-	-
Catastrophe risk R <sub>6</sub>	-	-
Underwriting risk of third-sector insurance R <sub>8</sub>	54,172	51,800
Small amount and short-term insurance risk R <sub>9</sub>	-	-
Anticipated yield risk R <sub>2</sub>	136,652	133,760
Minimum guarantee risk R <sub>7</sub>	-	-
Investment risk R <sub>3</sub>	785,317	843,602
Business management risk R <sub>4</sub>	22,266	23,265
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,070.9 %	1,138.0 %

Note: These figures are calculated based on the provisions set forth in the Public Notice 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.

## (8) Segment Information

Segment information is omitted as the Company has only one segment.