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 14, 2018
JAPAN POST INSURANCE Co., Ltd.

Announcement of Financial Results for the Six Months Ended September 30, 2018

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Mitsuhiko Uehira, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the six months ended September 30, 2018 (April 1, 2018 to September 30, 2018).

<Table of Contents>

End

1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of	March 31, 2018		September 30, 2018			
			Number of policies		Policy amount	
	Number of policies	Policy amount		% of March 31, 2018 total		% of March 31, 2018 total
Individual insurance	17,921	52,359.7	18,051	100.7	52,808.0	100.9
Individual annuities	1,333	2,742.5	1,300	97.6	2,536.1	92.5
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	2017				2018					
		Policy amount			Number of policies		Policy amount			
	Number of policies		New policies	Net increase arising from the conversion		% of September 30, 2017 total		% of September 30, 2017 total	New policies	Net increase arising from the conversion
Individual insurance	945	3,009.1	3,009.1	-	888	94.0	2,868.2	95.3	2,868.2	-
Individual annuities	-	-	-	-	0	-	1.3	-	1.3	-
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, 2018	September 30, 2018	
			% of March 31, 2018 total
Individual insurance	3,367.3	3,378.2	100.3
Individual annuities	491.1	465.8	94.8
Total	3,858.5	3,844.0	99.6
Medical coverage, living benefits and other	382.1	399.6	104.6

▪ New Policies

(Billions of yen, %)

Six months ended September 30	2017	2018	
			% of September 30, 2017 total
Individual insurance	208.9	184.5	88.3
Individual annuities	-	0.1	-
Total	208.9	184.6	88.4
Medical coverage, living benefits and other	27.9	33.0	118.5

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, 2018 (General Account)

(1) Investment Environment

During the first half of the fiscal year ending March 31, 2019, the Japanese economy saw a continuous recovery trend mainly due to increases in capital investment and improvement in personal consumption, despite sluggish exports and production. While the U.S. economy continued on its steady recovery led by internal demand, the growth rate softened in Europe mainly reflecting the slowdown of manufacturing production, and a moderate decline in the growth rate continued in China as well.

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

Domestic Bond Market

The domestic long-term yield moved between 0.02% and 0.07% from April to mid-July, under the "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control" conducted by the Bank of Japan. During this period, the yield rose to near 0.07% in April and mid-May, primarily in conjunction with U.S. long-term yield rising to around 3.0%, but dropped back to near 0.02% in late May and early July due to factors including the political unrest in Italy and concerns over the trade war between the U.S. and China. Subsequently, long-term yield rose by expectations of the changes in monetary policy by the Bank of Japan. At the end of July, the Bank of Japan's Monetary Policy Meeting allowed the fluctuation range of long-term yield to expand to approximately twice the previous range under the "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," and in line with the rise in U.S. long-term yield and other factors, long-term yield reached 0.13% at the end of September.

Domestic Stock Market

The Nikkei Stock Average mostly fluctuated between ¥21,500 to ¥23,000 from April to mid-September. During this period, it rose to around ¥23,000 in late May, mid-June, mid-July and late August, mainly due to the continued depreciation of the yen as a result of rising U.S. interest rates, the rise of U.S. stock prices, and other factors, but dropped back to the upper ¥21,000 level in early July and mid-August as a result of factors including the political unrest in Italy, concerns over the trade war between the U.S. and China, and uncertainties in the emerging countries mainly in Turkey. Later, it crossed ¥23,000 in the wake of the continued depreciation of the yen and the rise of U.S. stock prices, reaching the ¥24,000 level at the end of September.

Foreign Exchange Markets

Regarding the USD/JPY exchange rate, the yen depreciated to the ¥111 level in late May due to the strong dollar mainly as a result of rising U.S. interest rates reflecting the steady U.S. economy and other factors. Subsequently, investors became more risk-averse due to factors including the political unrest in Italy, and the yen temporarily appreciated to the ¥108 level at the end of May, but mainly backed by rising U.S. interest rates and other factors, the yen once again was on a depreciating trend and was traded around the ¥113 level at the end of September.

Regarding the EUR/JPY exchange rate, the euro depreciated primarily due to concerns over the deteriorating earnings of European financial institutions triggered by the political unrest in Italy and the sharp drop in the Turkish lira, and was temporarily traded at the ¥125 level in May and August, but remained mostly in the ¥128 to ¥132 level and was traded around the ¥132 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 will make an effort to increase revenues through the investment of risk assets such as foreign securities and stocks under appropriate risk management.

(3) Performance Overview

[Assets]

At September 30, 2018, total assets of the Company amounted to ¥74,765.5 billion, a decrease of ¥2,066.9 billion from ¥76,832.5 billion at the end of the previous fiscal year.

The Company increased investments in risk assets such as foreign securities and stocks because of the continued low yield environment.

For corporate and government bonds, the Company invested primarily in long-term and super long-term bonds when domestic yields were relatively high, in view of their value as assets that secure stable income.

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

[Investment Income and Expenses]

For the six months ended September 30, 2018, investment income of the Company decreased by ¥22.9 billion from the previous corresponding period to ¥618.0 billion mainly due to a decrease in interest and dividend income caused by a decrease in total assets.

Investment expenses increased by ¥31.0 billion from the previous corresponding period to ¥65.4 billion mainly due to an increase in losses on sales of securities arising from the switching of securities for trading and an increase in losses on derivative financial instruments for hedging foreign exchange fluctuation risks.

As a result, investment income and expenses amounted to ¥552.5 billion, a decrease of ¥54.0 billion from the previous corresponding period.

3. Investment Performance (General Account)

(1) Asset Composition

(Billions of yen, %)

As of	March 31, 2018		September 30, 2018	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,159.1	1.5	1,282.5	1.7
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,296.2	4.3	2,405.9	3.2
Monetary claims bought	176.0	0.2	325.1	0.4
Trading account securities	-	-	-	-
Money held in trust	2,814.8	3.7	3,022.0	4.0
Securities	60,131.8	78.3	58,870.0	78.7
Corporate and government bonds	53,576.4	69.7	51,751.9	69.2
Domestic stocks	196.3	0.3	236.9	0.3
Foreign securities	4,347.5	5.7	5,031.9	6.7
Foreign corporate and government bonds	4,235.4	5.5	4,851.6	6.5
Foreign stocks and other securities	112.0	0.1	180.2	0.2
Other securities	2,011.5	2.6	1,849.1	2.5
Loans	7,627.1	9.9	7,180.7	9.6
Real estate	83.9	0.1	92.7	0.1
Deferred tax assets	954.1	1.2	999.7	1.3
Other	589.7	0.8	587.1	0.8
Reserve for possible loan losses	(0.6)	(0.0)	(0.6)	(0.0)
Total	76,832.5	100.0	74,765.5	100.0
Foreign currency-denominated assets	4,748.5	6.2	5,260.2	7.0

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	2017	2018
Cash, deposits, call loans	(671.6)	123.3
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	(89.7)	(890.2)
Monetary claims bought	49.2	149.1
Trading account securities	-	-
Money held in trust	419.3	207.2
Securities	(1,415.3)	(1,261.8)
Corporate and government bonds	(2,050.0)	(1,824.4)
Domestic stocks	55.1	40.5
Foreign securities	280.8	684.3
Foreign corporate and government bonds	180.5	616.1
Foreign stocks and other securities	100.3	68.2
Other securities	298.7	(162.3)
Loans	(20.5)	(446.3)
Real estate	(5.0)	8.8
Deferred tax assets	(4.3)	45.5
Other	42.6	(2.5)
Reserve for possible loan losses	(0.0)	0.0
Total	(1,695.5)	(2,066.9)
Foreign currency-denominated assets	227.8	511.7

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	2017	2018
Interest and dividend income	587.9	553.9
Interest on deposits	0.0	0.0
Interest and dividends on securities	502.3	478.7
Interest on loans	7.0	6.9
Interest on loans to the Management Organization	75.8	64.5
Rent revenue from real estate	-	-
Other interest and dividend income	2.7	3.7
Gains on trading account securities	-	-
Gains on money held in trust	41.0	46.3
Gains on trading securities	-	-
Gains on sales of securities	11.7	17.5
Gains on sales of Japanese government bonds and other bonds	0.0	1.1
Gains on sales of domestic stocks and other securities	1.7	3.1
Gains on sales of foreign securities	10.0	13.2
Other gains on sales of securities	-	-
Gains on redemption of securities	0.0	0.1
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Reversal of reserve for possible loan losses	-	0.0
Other investment income	0.2	0.0
Total	640.9	618.0

(4) Investment Expenses

(Billions of yen)

Six months ended September 30	2017	2018
Interest expenses	0.9	0.4
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	18.3	30.4
Losses on sales of Japanese government bonds and other bonds	-	2.3
Losses on sales of domestic stocks and other securities	0.1	3.4
Losses on sales of foreign securities	18.0	24.6
Other losses on sales of securities	0.0	-
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	3.0	2.6
Losses on derivative financial instruments	10.7	29.9
Losses on foreign exchanges	0.2	0.5
Provision for reserve for possible loan losses	0.0	-
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	1.0	1.4
Total	34.3	65.4

(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, 2018					September 30, 2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Held-to-maturity bonds	38,490.0	44,608.7	6,118.6	6.160.2	41.5	37,014.4	42,335.6	5,321.1	5,419.2	98.0
Policy-reserve-matching bonds	10,676.3	11,769.6	1,093.2	1,103.9	10.6	10,538.3	11,465.0	926.7	965.7	38.9
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,667.1	14,225.6	558.4	758.5	200.1	14,302.7	14,863.8	561.0	817.5	256.4
Corporate and government bonds	4,474.1	4,508.0	33.8	55.1	21.2	4,286.7	4,297.1	10.3	43.3	33.0
Domestic stocks	1,587.4	2,040.6	453.1	491.9	38.8	1,664.3	2,117.8	453.4	504.3	50.8
Foreign securities	4,835.1	4,923.0	87.9	202.1	114.1	5,514.1	5,650.9	136.8	263.8	127.0
Foreign corporate and government bonds	4,129.0	4,137.4	8.4	122.5	114.1	4,729.9	4,753.6	23.6	150.5	126.8
Foreign stocks and other securities	706.0	785.6	79.5	79.5	0.0	784.2	897.3	113.1	113.3	0.1
Other securities	2,176.5	2,157.7	(18.7)	7.1	25.9	2,119.1	2,077.7	(41.4)	4.1	45.5
Monetary claims bought	173.9	176.0	2.1	2.1	-	323.2	325.1	1.8	1.8	-
Negotiable certificates of deposit	420.0	420.0	-	-	-	395.0	395.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	62,833.5	70,603.9	7,770.3	8,022.7	252.3	61,855.5	68,664.5	6,808.9	7,202.4	393.5
Corporate and government bonds	53,542.5	60,786.2	7,243.6	7,317.1	73.4	51,741.5	57,998.0	6,256.4	6,426.5	170.0
Domestic stocks	1,587.4	2,040.6	453.1	491.9	38.8	1,664.3	2,117.8	453.4	504.3	50.8
Foreign securities	4,933.1	5,023.2	90.1	204.2	114.1	5,612.1	5,750.7	138.5	265.5	127.0
Foreign corporate and government bonds	4,227.0	4,237.6	10.5	124.7	114.1	4,827.9	4,853.3	25.4	152.2	126.8
Foreign stocks and other securities	706.0	785.6	79.5	79.5	0.0	784.2	897.3	113.1	113.3	0.1
Other securities	2,176.5	2,157.7	(18.7)	7.1	25.9	2,119.1	2,077.7	(41.4)	4.1	45.5
Monetary claims bought	173.9	176.0	2.1	2.1	-	323.2	325.1	1.8	1.8	-
Negotiable certificates of deposit	420.0	420.0	-	-	-	395.0	395.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,281.9 billion with net unrealized gains of ¥554.5 billion as of September 30, 2018 and ¥2,153.2 billion with net unrealized gains of ¥516.4 billion as of March 31, 2018.

- 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, 2018	September 30, 2018
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	1.4	5.8
Available-for-sale securities	61.6	99.9
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	57.3	95.6
Total	63.1	105.7

Notes: 1. This table includes money held in trust other than trading securities (¥95.6 billion as of September 30, 2018 and ¥57.3 billion as of March 31, 2018).
2. Net unrealized gains (losses) based on foreign exchange valuation of foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are ¥0.9 billion as of September 30, 2018 and ¥(0.8) billion as of March 31, 2018.

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, 2018					September 30, 2018				
	Balance sheet amount	Fair value	Net unrealized gains (losses)	Gains	Losses	Balance sheet amount	Fair value	Net unrealized gains (losses)	Gains	Losses
Money held in trust	2,755.3	2,755.3	-	-	-	2,922.8	2,922.8	-	-	-

- 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, 2018					September 30, 2018				
	Book value	Fair value	Net unrealized gains (losses)	Gains	Losses	Book value	Fair value	Net unrealized gains (losses)	Gains	Losses
Assets held-to-maturity in trust	-	-	-	-	-	-	-	-	-	-
Assets held for reserves in trust	-	-	-	-	-	-	-	-	-	-
Other money held in trust	2,238.8	2,755.3	516.4	555.5	39.0	2,368.3	2,922.8	554.5	605.8	51.3

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 (¥99.2 billion as of September 30, 2018 and ¥59.5 billion as of March 31, 2018).

4. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items \ Term	As of March 31, 2018 Amount	As of September 30, 2018 Amount
ASSETS:		
Cash and deposits	894,191	1,012,578
Call loans	265,000	270,000
Receivables under securities borrowing transactions	3,296,222	2,405,941
Monetary claims bought	176,069	325,169
Money held in trust	2,814,873	3,022,091
Securities	60,131,893	58,870,032
[Japanese government bonds]	[39,589,896]	[38,032,959]
[Japanese local government bonds]	[8,513,583]	[8,128,586]
[Japanese corporate bonds]	[5,472,945]	[5,590,408]
[Stocks]	[196,379]	[236,979]
[Foreign securities]	[4,347,564]	[5,031,923]
Loans	7,627,147	7,180,747
Policy loans	135,314	137,865
Industrial and commercial loans	919,051	985,113
Loans to the Management Organization	6,572,781	6,057,768
Tangible fixed assets	100,568	110,147
Intangible fixed assets	167,763	161,658
Agency accounts receivable	33,715	22,478
Reinsurance receivables	3,227	3,508
Other assets	368,394	382,187
Deferred tax assets	954,136	999,714
Reserve for possible loan losses	(695)	(674)
Total assets	76,832,508	74,765,583
LIABILITIES:		
Policy reserves and others	69,948,383	68,665,365
Reserve for outstanding claims	548,196	524,954
Policy reserves	67,777,297	66,563,813
Reserve for policyholder dividends	1,622,889	1,576,598
Reinsurance payables	6,033	6,241
Other liabilities	3,893,916	3,074,789
Payables under securities lending transactions	3,663,547	2,836,107
Income taxes payable	99,290	66,773
Lease obligations	2,327	2,248
Asset retirement obligation	5	5
Other liabilities	128,746	169,654
Reserve for employees' retirement benefits	67,649	69,431
Reserve for management board benefit trust	172	152
Reserve for price fluctuations	916,743	918,677
Total liabilities	74,832,900	72,734,658
NET ASSETS:		
Capital stock	500,000	500,000
Capital surplus	500,044	500,044
Legal capital surplus	405,044	405,044
Other capital surplus	95,000	95,000
Retained earnings	596,084	624,081
Legal retained earnings	39,409	47,569
Other retained earnings	556,674	576,511
Reserve for reduction entry of real estate	6,163	6,162
Retained earnings brought forward	550,511	570,349
Treasury stock	(466)	(450)
Total shareholders' equity	1,595,661	1,623,675
Net unrealized gains (losses) on available-for-sale securities	403,913	407,230
Net deferred gains (losses) on hedges	32	20
Total valuation and translation adjustments	403,946	407,250
Total net assets	1,999,608	2,030,925
Total liabilities and net assets	76,832,508	74,765,583

5. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items \ Term	Six months ended September 30, 2017 Amount	Six months ended September 30, 2018 Amount
ORDINARY INCOME	4,054,858	3,898,358
Insurance premiums and others	2,203,556	2,040,437
[Insurance premiums]	[2,198,403]	[2,033,472]
Investment income	640,960	618,001
[Interest and dividend income]	[587,982]	[553,912]
[Gains on money held in trust]	[41,003]	[46,341]
[Gains on sales of securities]	[11,762]	[17,577]
Other ordinary income	1,210,341	1,239,918
[Reversal of reserve for outstanding claims]	[23,784]	[23,241]
[Reversal of policy reserves]	[1,184,110]	[1,213,484]
ORDINARY EXPENSES	3,886,184	3,736,828
Insurance claims and others	3,525,753	3,356,240
[Insurance claims]	[2,962,728]	[2,678,839]
[Annuity payments]	[192,882]	[198,563]
[Benefits]	[31,118]	[40,061]
[Surrender benefits]	[237,706]	[312,459]
[Other refunds]	[91,536]	[114,861]
Provision for policy reserves and others	3	3
Provision for interest on policyholder dividends	3	3
Investment expenses	34,315	65,410
[Interest expenses]	[903]	[444]
[Losses on sales of securities]	[18,308]	[30,454]
[Losses on derivative financial instruments]	[10,757]	[29,911]
Operating expenses	265,823	256,512
Other ordinary expenses	60,288	58,661
ORDINARY PROFIT	168,674	161,529
EXTRAORDINARY GAINS	986	-
Gains on sales of fixed assets	986	-
EXTRAORDINARY LOSSES	28,980	2,063
Losses on sales and disposal of fixed assets	155	129
Provision for reserve for price fluctuations	28,825	1,933
Provision for reserve for policyholder dividends	68,815	63,451
Income before income taxes	71,864	96,015
Income taxes - Current	77,324	73,903
Income taxes - Deferred	(56,662)	(46,685)
Total income taxes	20,661	27,217
Net income	51,202	68,797

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

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)

(Millions of yen)

	Shareholders' equity						
		Capital surplus			Retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	32,209	495,565	527,775
Changes in the period							
Cash dividends					7,200	(43,200)	(36,000)
Net income						51,202	51,202
Disposals of treasury stock							
Net changes in items other than shareholders' equity in the period							
Net changes in the period	-	-	-	-	7,200	8,002	15,202
Balance at the end of the period	500,000	405,044	95,000	500,044	39,409	503,567	542,977

	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	(521)	1,527,298	321,904	50	321,954	1,849,253
Changes in the period						
Cash dividends		(36,000)				(36,000)
Net income		51,202				51,202
Disposals of treasury stock	42	42				42
Net changes in items other than shareholders' equity in the period			157,248	(9)	157,238	157,238
Net changes in the period	42	15,244	157,248	(9)	157,238	172,483
Balance at the end of the period	(478)	1,542,543	479,152	40	479,193	2,021,736

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
						Other retained earnings		
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry of real estate	Retained earnings brought forward	Total retained earnings
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	39,409	6,163	550,511	596,084
Changes in the period								
Cash dividends					8,160		(48,960)	(40,800)
Net income							68,797	68,797
Disposals of treasury stock								
Reversal of reserve for reduction entry of real estate						(0)	0	-
Net changes in items other than shareholders' equity in the period								
Net changes in the period	-	-	-	-	8,160	(0)	19,837	27,997
Balance at the end of the period	500,000	405,044	95,000	500,044	47,569	6,162	570,349	624,081

	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	(466)	1,595,661	403,913	32	403,946	1,999,608
Changes in the period						
Cash dividends		(40,800)				(40,800)
Net income		68,797				68,797
Disposals of treasury stock	15	15				15
Reversal of reserve for reduction entry of real estate		-				-
Net changes in items other than shareholders' equity in the period			3,316	(12)	3,303	3,303
Net changes in the period	15	28,013	3,316	(12)	3,303	31,317
Balance at the end of the period	(450)	1,623,675	407,230	20	407,250	2,030,925

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

(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 "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 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, 2018 was ¥22 million.

2) 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, 2018 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.

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) 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, 2018 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 (Ordinance No. 48 issued by the Ministry of Finance in 1996).
2) Reserves for other contracts are calculated based on the net level premium method.

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

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the fiscal year ended March 31, 2011, for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the "Management Organization"), which is an independent administrative institution. As a result, the amount of provision for the additional policy reserves for the six months ended September 30, 2018 was ¥90,540 million.

(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, 2018 (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 ¥10,538,363 million and ¥11,465,095 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)

The remaining period of insurance policies comprising the sub-group Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the six months ended September 30, 2018, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no impact on profit or loss.

4. Securities lent under lending agreements in the amount of ¥3,180,200 million were included in "Securities" in the balance sheets as of September 30, 2018.

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, 2018. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). 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, 2018 was ¥5,666 million.

7. With regard to the ¥379,174 million in principal and ¥59,082 million in interest of loans to the Management Organization which became due at the end of the six months ended September 30, 2018, the due date has been moved to Monday, October 1, 2018, the following business day, pursuant to internal rules, as the end of the six months ended September 30, 2018 fell on a bank holiday. Of this amount the ¥509 million which had been received in advance has been reported as suspense receipt, as its due date has not arrived.

8. Accumulated depreciation for tangible fixed assets as of September 30, 2018 was ¥36,098 million.

9. Changes in reserve for policyholder dividends for the six months ended September 30, 2018 were as follows:

a.	Balance at the beginning of the fiscal year	¥1,622,889 million
b.	Policyholder dividends paid during the six months ended September 30, 2018	¥109,594 million
c.	Interest accrual	¥3 million
d.	Reduction due to the acquisition of additional annuity	¥151 million
e.	Provision for reserve for policyholder dividends	¥63,451 million
f.	Balance at the end of the six months ended September 30, 2018	¥1,576,598 million

10. Equities, etc. of subsidiaries and affiliates were ¥5,817 million.

11. Assets pledged as collateral consisted of the following:

Securities	¥2,457,786 million

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

Payables under securities lending transactions	¥2,836,107 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	¥389,928 million

12. 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, 2018 was ¥442 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, 2018 was ¥961 million.

13. 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 ¥2,768,616 million as of September 30, 2018.

14. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,174 million as of September 30, 2018 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 Organization, amounted to ¥37,023,284 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 Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,577,833 million and ¥663,593 million, respectively, for the category of the reinsurance.

16. "Other liabilities" in the balance sheet includes ¥45,171 million of deposits from the Management Organization. Deposits from the Management Organization refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance Policy.

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

1. Gains on sales of securities comprise domestic bonds of ¥1,159 million, domestic stocks of ¥3,195 million and foreign securities of ¥13,221 million.

2. Losses on sales of securities comprise domestic bonds of ¥2,317 million, domestic stocks of ¥3,452 million and foreign securities of ¥24,685 million.

3. Gains on money held in trust include losses on valuation of ¥2,469 million.

4. Losses on derivative financial instruments include losses on valuation of ¥71,923 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, 2018 was ¥73 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the six months ended September 30, 2018 was ¥14 million.

6. Net income per share for the six months ended September 30, 2018 was ¥114.70.
 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 financial statements for the six months ended September 30, 2018, 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 were deducted from the calculation of net income per share for the six months ended September 30, 2018 was 192,310 shares.

7. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the six months ended September 30, 2018 were ¥310,944 million.

8. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the six months ended September 30, 2018 were ¥1,988,361 million.

9. Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Organization, was ¥53,274 million for the six months ended September 30, 2018.

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

Type and Number of Treasury Stock

(Thousands of shares)

	April 1, 2018	Increase	Decrease	September 30, 2018
Treasury stock				
Common stock	198	-	6	191

(*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2019 and the end of the six months ended September 30, 2018 were shares of the Company held in the BBT, and were 198,000 shares and 191,000 shares, respectively.

(*2) The decrease of 6,000 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		2017	2018
Core profit	A	194,417	207,183
Capital gains		52,765	63,918
Gains on money held in trust		41,003	46,341
Gains on trading securities		-	-
Gains on sales of securities		11,762	17,577
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		55,208	94,183
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		18,308	30,454
Losses on valuation of securities		-	-
Losses on derivative financial instruments		10,757	29,911
Losses on foreign exchanges		212	569
Other capital losses		25,929	33,248
Net capital gains (losses)	B	(2,442)	(30,264)
Core profit including net capital gains (losses)	A+B	191,974	176,919
Other one-time gains		67,642	75,150
Reinsurance income		-	-
Reversal of contingency reserve		67,642	75,150
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		90,943	90,540
Reinsurance premiums		-	-
Provision for contingency reserve		-	-
Provision for specific reserve for possible loan losses		-	-
Provision for reserve for specific foreign loans		-	-
Write-off of loans		-	-
Other		90,943	90,540
Other one-time profits (losses)	C	(23,300)	(15,389)
Ordinary profit	A+B+C	168,674	161,529

Notes: 1. The amount equivalent to income gains associated with money held in trust (¥25,929 million for the six months ended September 30, 2017 and ¥33,248 million for the six months ended September 30, 2018) 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 (¥90,943 million for the six months ended September 30, 2017 and ¥90,540 million for the six months ended September 30, 2018).

8. Loans by Borrower Category

(Millions of yen, %)

As of		March 31, 2018	September 30, 2018
	Bankrupt or quasi-bankrupt loans	-	-
	Doubtful loans	-	-
	Substandard loans	-	-
Subtotal (Percentage in total)		- (-)	- (-)
Normal loans		9,161,528	8,133,424
Total		9,161,528	8,133,424

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, 2018	September 30, 2018
Total amount of solvency margin	(A)	5,591,395	5,582,555
Capital stock, etc.		1,554,861	1,623,675
Reserve for price fluctuations		916,743	918,677
Contingency reserve		2,114,348	2,039,197
General reserve for possible loan losses		60	50
(Net unrealized gains (losses) on available-for-sale securities (before taxes) ・Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		501,809	505,795
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,896)	(2,689)
Excess of continued Zillmerized reserve		506,467	497,389
Capital raised through debt financing		-	-
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		-	-
Deductions		-	-
Other		-	458
Total amount of risk $\sqrt{(R_1+R_8)^2+(R_2+R_3+R_7)^2}+R_4$	(B)	989,104	1,009,752
Insurance risk	R_1	147,403	144,787
Underwriting risk of third-sector insurance	R_8	63,087	61,334
Anticipated yield risk	R_2	150,450	146,605
Minimum guarantee risk	R_7	-	-
Investment risk	R_3	792,377	817,955
Business management risk	R_4	23,066	23,413
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$		1,130.5%	1,105.7%

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

11. Separate Account for the Six Months Ended September 30, 2018

Not applicable.

12. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Six months ended September 30	2017	2018
Ordinary income	4,054,859	3,898,358
Ordinary profit	168,869	161,600
Net income attributable to Japan Post Insurance	51,273	68,737
Comprehensive income (loss)	208,292	71,827

As of	March 31, 2018	September 30, 2018
Total assets	76,831,261	74,763,934
Consolidated solvency margin ratio	1,131.8%	1,107.4%

(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, 2018	As of September 30, 2018
	Amount	Amount
ASSETS:		
Cash and deposits	898,504	1,016,800
Call loans	265,000	270,000
Receivables under securities borrowing transactions	3,296,222	2,405,941
Monetary claims bought	176,069	325,169
Money held in trust	2,814,873	3,022,091
Securities	60,130,909	58,869,048
Loans	7,627,147	7,180,747
Tangible fixed assets	100,915	110,487
Intangible fixed assets	163,265	156,611
Agency accounts receivable	33,715	22,478
Reinsurance receivables	3,227	3,508
Other assets	368,020	381,903
Deferred tax assets	954,085	999,818
Reserve for possible loan losses	(695)	(674)
Total assets	76,831,261	74,763,934
LIABILITIES:		
Policy reserves and others	69,948,383	68,665,365
Reserve for outstanding claims	548,196	524,954
Policy reserves	67,777,297	66,563,813
Reserve for policyholder dividends	1,622,889	1,576,598
Reinsurance payables	6,033	6,241
Payables under securities lending transactions	3,663,547	2,836,107
Other liabilities	229,514	237,361
Liability for retirement benefits	63,739	65,858
Reserve for management board benefit trust	172	152
Reserve for price fluctuations	916,743	918,677
Total liabilities	74,828,135	72,729,764
NET ASSETS:		
Capital stock	500,000	500,000
Capital surplus	500,044	500,044
Retained earnings	595,846	623,783
Treasury stock	(466)	(450)
Total shareholders’ equity	1,595,424	1,623,376
Net unrealized gains (losses) on available-for-sale securities	403,913	407,230
Net deferred gains (losses) on hedges	32	20
Accumulated adjustments for retirement benefits	3,755	3,542
Total accumulated other comprehensive income	407,701	410,792
Total net assets	2,003,126	2,034,169
Total liabilities and net assets	76,831,261	74,763,934

(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, 2017	Six months ended September 30, 2018
	Amount	Amount
ORDINARY INCOME	4,054,859	3,898,358
Insurance premiums and others	2,203,556	2,040,437
Investment income	640,960	618,001
[Interest and dividend income]	[587,982]	[553,912]
[Gains on money held in trust]	[41,003]	[46,341]
[Gains on sales of securities]	[11,762]	[17,577]
Other ordinary income	1,210,342	1,239,919
[Reversal of reserve for outstanding claims]	[23,784]	[23,241]
[Reversal of policy reserves]	[1,184,110]	[1,213,484]
ORDINARY EXPENSES	3,885,989	3,736,758
Insurance claims and others	3,525,753	3,356,240
[Insurance claims]	[2,962,728]	[2,678,839]
[Annuity payments]	[192,882]	[198,563]
[Benefits]	[31,118]	[40,061]
[Surrender benefits]	[237,706]	[312,459]
Provision for policy reserves and others	3	3
Provision for interest on policyholder dividends	3	3
Investment expenses	34,315	65,410
[Interest expenses]	[903]	[444]
[Losses on sales of securities]	[18,308]	[30,454]
[Losses on derivative financial instruments]	[10,757]	[29,911]
Operating expenses	266,092	257,003
Other ordinary expenses	59,824	58,101
ORDINARY PROFIT	168,869	161,600
EXTRAORDINARY GAINS	986	-
Gains on sales of fixed assets	986	-
EXTRAORDINARY LOSSES	28,980	2,063
Losses on sales and disposal of fixed assets	155	129
Provision for reserve for price fluctuations	28,825	1,933
Provision for reserve for policyholder dividends	68,815	63,451
Income before income taxes	72,059	96,085
Income taxes - Current	77,398	74,106
Income taxes - Deferred	(56,611)	(46,757)
Total income taxes	20,786	27,348
Net income	51,273	68,737
Net income attributable to non-controlling interests	-	-
Net income attributable to Japan Post Insurance	51,273	68,737

(Unaudited Consolidated Statements of Comprehensive Income) (Millions of yen)

Items \ Term	Six months ended September 30, 2017	Six months ended September 30, 2018
	Amount	Amount
Net income	51,273	68,737
Other comprehensive income (loss)	157,019	3,090
Net unrealized gains (losses) on available-for-sale securities	157,248	3,316
Net deferred gains (losses) on hedges	(9)	(12)
Adjustments for retirement benefits	(219)	(213)
Total comprehensive income (loss)	208,292	71,827
Comprehensive income (loss) attributable to Japan Post Insurance	208,292	71,827
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, 2017 Amount	Six months ended September 30, 2018 Amount
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income taxes	72,059	96,085
Depreciation and amortization	31,910	29,241
Net change in reserve for outstanding claims	(23,784)	(23,241)
Net change in policy reserves	(1,184,110)	(1,213,484)
Provision for interest on policyholder dividends	3	3
Provision for reserve for policyholder dividends	68,815	63,451
Net change in reserve for possible loan losses	2	(21)
Net change in liability for retirement benefits	2,122	2,119
Net change in reserve for management board benefit trust	44	(20)
Net change in reserve for price fluctuations	28,825	1,933
Interest and dividend income (accrual basis)	(587,982)	(553,912)
Net (gains) losses on securities	9,633	15,381
Interest expenses (accrual basis)	903	444
Net (gains) losses on foreign exchanges	212	569
Net (gains) losses on tangible fixed assets	(834)	(96)
Net change in agency accounts receivable	17,366	11,236
Net change in reinsurance receivables	(375)	(281)
Net change in other assets (excluding those related to investing activities and financing activities)	46,367	15,305
Net change in reinsurance payables	578	208
Net change in other liabilities (excluding those related to investing activities and financing activities)	(11,857)	(17,935)
Other, net	(30,120)	(15,625)
Subtotal	(1,560,216)	(1,588,639)
Interest and dividend received (cash basis)	567,247	599,754
Interest paid (cash basis)	(1,019)	(444)
Policyholder dividends paid	(151,012)	(109,594)
Income taxes paid	(68,766)	(99,612)
Net cash used in operating activities	(1,213,769)	(1,198,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of call loans	(4,090,000)	(4,715,000)
Proceeds from redemption of call loans	4,120,000	4,710,000
Net change in receivables under securities borrowing transactions	89,752	890,281
Purchases of monetary claims bought	(49,999)	(599,999)
Proceeds from sale and redemption of monetary claims bought	648	450,612
Purchases of money held in trust	(277,800)	(127,429)
Proceeds from decrease in money held in trust	-	1,370
Purchases of securities	(2,530,861)	(2,195,436)
Proceeds from sale and redemption of securities	4,082,005	3,473,043
Payments for loans	(445,116)	(478,224)
Proceeds from collection of loans	465,703	924,353
Net change in payables under securities lending transactions	(676,419)	(827,440)
Other, net	(68,410)	(107,900)
Total of net cash provided by investment transactions	619,501	1,398,230
Total of net cash provided by operating activities and investment transactions	(594,267)	199,694
Purchases of tangible fixed assets	(1,746)	(23,923)
Purchases of intangible fixed assets	(13,142)	(16,125)
Other, net	1,888	(245)
Net cash provided by investing activities	606,501	1,357,936
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease obligations	(313)	(328)
Dividends paid	(35,972)	(40,775)
Net cash used in financing activities	(36,285)	(41,104)
Effect of exchange rate changes on cash and cash equivalents	-	-
Net change in cash and cash equivalents	(643,553)	118,295
Cash and cash equivalents at the beginning of the fiscal year	1,366,086	898,504
Cash and cash equivalents at the end of the period	722,532	1,016,800

(6) Unaudited Consolidated Statements of Changes in Net Assets

Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	500,000	500,044	527,358	(521)	1,526,882
Changes in the period					
Cash dividends			(36,000)		(36,000)
Net income attributable to Japan Post Insurance			51,273		51,273
Disposals of treasury stock				42	42
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	-	15,273	42	15,315
Balance at the end of the period	500,000	500,044	542,632	(478)	1,542,198

	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	321,904	50	4,366	326,321	1,853,203
Changes in the period					
Cash dividends					(36,000)
Net income attributable to Japan Post Insurance					51,273
Disposals of treasury stock					42
Net changes in items other than shareholders' equity in the period	157,248	(9)	(219)	157,019	157,019
Net changes in the period	157,248	(9)	(219)	157,019	172,335
Balance at the end of the period	479,152	40	4,147	483,340	2,025,538

Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) (Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	500,000	500,044	595,846	(466)	1,595,424
Changes in the period					
Cash dividends			(40,800)		(40,800)
Net income attributable to Japan Post Insurance			68,737		68,737
Disposals of treasury stock				15	15
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	-	27,937	15	27,952
Balance at the end of the period	500,000	500,044	623,783	(450)	1,623,376

	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	403,913	32	3,755	407,701	2,003,126
Changes in the period					
Cash dividends					(40,800)
Net income attributable to Japan Post Insurance					68,737
Disposals of treasury stock					15
Net changes in items other than shareholders' equity in the period	3,316	(12)	(213)	3,090	3,090
Net changes in the period	3,316	(12)	(213)	3,090	31,043
Balance at the end of the period	407,230	20	3,542	410,792	2,034,169

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2018

(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 "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, 2018 was ¥22 million.

2) 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.

(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, 2018 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 (Ordinance No. 48 issued by the Ministry of Finance in 1996).
2) Reserves for other contracts are calculated based on the net level premium method.

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

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, over a 10-year period from the fiscal year ended March 31, 2011 for a portion of reinsurance contracts from the Management Organization for Postal Savings and Postal Life Insurance (hereinafter referred to as the "Management Organization"), which is an independent administrative institution. As a result, the amount of provision for the additional policy reserves for the six months ended September 30, 2018 was ¥90,540 million.

(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

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, 2018 was ¥450 million, while the number of such treasury stock was 191,000 shares.

3. 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, 2018 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	1,016,800	1,016,800	-
Available-for-sale securities (negotiable certificates of deposit)	395,000	395,000	-
2) Call loans	270,000	270,000	-
3) Receivables under securities borrowing transactions	2,405,941	2,405,941	-
4) Monetary claims bought	325,169	325,169	-
Available-for-sale securities	325,169	325,169	-
5) Money held in trust (*1)	2,922,856	2,922,856	-
6) Securities	58,859,975	65,107,856	6,247,880
Held-to-maturity bonds	37,014,455	42,335,603	5,321,148
Policy-reserve-matching bonds	10,538,363	11,465,095	926,732
Available-for-sale securities	11,307,156	11,307,156	-
7) Loans	7,180,697	7,690,177	509,480
Policy loans	137,865	137,865	-
Industrial and commercial loans (*2)	985,113	1,039,595	54,532
Loans to the Management Organization (*2)	6,057,768	6,512,716	454,947
Reserve for possible loan losses (*3)	(50)	-	-
Total assets	72,981,440	79,738,801	6,757,360
Payables under securities lending transactions	2,836,107	2,836,107	-
Total liabilities	2,836,107	2,836,107	-
Derivative transactions (*4)			
Hedge accounting not applied	(1,423)	(1,423)	-
Hedge accounting applied	(70,318)	(70,318)	-
Total derivative transactions	(71,741)	(71,741)	-

(*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 Organization 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 Organization (excluding policy loans), fair value is based on a net discounted present value of future cash flows.

Liabilities

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 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)	99,235
Securities	9,073
Unlisted stocks (*2)	4,735
Investments in partnership (*2)	4,338
Total	108,308

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

(*2) Unlisted stocks and investments in partnership where partnership assets comprise primarily of unlisted stocks, are not included in 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	34,530,719	39,948,188	5,417,469
Japanese government bonds	26,533,631	31,529,258	4,995,627
Japanese local government bonds	6,164,980	6,469,180	304,200
Japanese corporate bonds	1,832,108	1,949,749	117,641
Foreign securities	98,000	99,754	1,754
Foreign bonds	98,000	99,754	1,754
Subtotal	34,628,719	40,047,943	5,419,223
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	2,385,735	2,287,660	(98,075)
Japanese government bonds	1,606,925	1,531,309	(75,615)
Japanese local government bonds	340,323	330,634	(9,688)
Japanese corporate bonds	438,486	425,715	(12,770)
Foreign securities	-	-	-
Foreign bonds	-	-	-
Subtotal	2,385,735	2,287,660	(98,075)
Total	37,014,455	42,335,603	5,321,148

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	8,852,098	9,817,825	965,727
Japanese government bonds	8,239,759	9,175,054	935,295
Japanese local government bonds	483,437	506,363	22,926
Japanese corporate bonds	128,901	136,407	7,505
Subtotal	8,852,098	9,817,825	965,727
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	1,686,264	1,647,270	(38,994)
Japanese government bonds	1,246,847	1,218,915	(27,932)
Japanese local government bonds	85,780	84,153	(1,626)
Japanese corporate bonds	353,636	344,201	(9,435)
Subtotal	1,686,264	1,647,270	(38,994)
Total	10,538,363	11,465,095	926,732

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	2,234,055	2,190,688	43,367
Japanese government bonds	-	-	-
Japanese local government bonds	285,676	285,425	250
Japanese corporate bonds	1,948,379	1,905,262	43,116
Stocks	138,210	125,623	12,586
Foreign securities	1,961,859	1,810,872	150,986
Foreign bonds	1,891,378	1,740,872	150,505
Other foreign securities	70,481	69,999	481
Other (*)	550,019	545,326	4,692
Subtotal	4,884,144	4,672,511	211,633
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	2,063,080	2,096,082	(33,002)
Japanese government bonds	405,795	424,298	(18,503)
Japanese local government bonds	768,387	772,904	(4,516)
Japanese corporate bonds	888,897	898,879	(9,982)
Stocks	93,049	100,819	(7,770)
Foreign securities	2,972,064	3,099,082	(127,018)
Foreign bonds	2,862,251	2,989,082	(126,830)
Other foreign securities	109,812	110,000	(187)
Other (*)	2,014,987	2,052,264	(37,276)
Subtotal	7,143,181	7,348,248	(205,067)
Total	12,027,326	12,020,759	6,566

(*) “Other” includes negotiable certificates of deposit (cost: ¥395,000 million, consolidated balance sheet amount: ¥395,000 million) presented as “Cash and deposits” in the consolidated balance sheets, and monetary claims bought (cost: ¥323,295 million, consolidated balance sheet amount: ¥325,169 million).

(3) Money Held in Trust

1) 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	2,922,856	2,368,354	554,502	605,885	(51,383)

(*) The Group recognized losses on valuation of ¥2,469 million for the six months ended September 30, 2018.

2) 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 hedge accounting is not applied are as follows:

1) 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	111,798	-	(1,443)	(1,443)
	U.S. dollars	101,253	-	(863)	(863)
	U.K. pounds	10,545	-	(579)	(579)
	Currency option				
	Purchased				
	Put option	13,628 [152]	- [-]	20	(132)
	U.S. dollars	13,628 [152]	- [-]	20	(132)
Total		-	-	-	(1,575)

(*1) Method for calculating fair value

Fair value of forward foreign exchange is calculated using the forward foreign exchange rate at the end of the first half of the consolidated fiscal year. Fair value of currency option is based on the price offered by the financial institutions.

(*2) Within the brackets are the option fees recorded in the consolidated balance sheets as of September 30, 2018.

(*3) For the purpose of net valuation gain/loss, fair value is indicated for future transactions, while difference between option fee and fair value is indicated for option transactions.

4. 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 ¥10,538,363 million and ¥11,465,095 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)

The remaining period of insurance policies comprising the sub-group Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the six months ended September 30, 2018, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no impact on profit or loss.

5. Securities lent under lending agreements in the amount of ¥3,180,200 million were included in "Securities" in the consolidated balance sheets as of September 30, 2018.

6. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more or restructured loans as of September 30, 2018. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). 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.

7. The balance of the unused credit under loan commitment line agreements as of September 30, 2018 was ¥5,666 million.

8. With regard to the ¥379,174 million in principal and ¥59,082 million in interest of loans (to the Management Organization) which became due at the end of the six months ended September 30, 2018, the due date has been moved to Monday, October 1, 2018, the following business day, pursuant to internal rules, as the end of the six months ended September 30, 2018 fell on a bank holiday. Of this amount the ¥509 million which had been received in advance has been reported as other liabilities (suspense receipt), as its due date has not arrived.

9. Accumulated depreciation for tangible fixed assets as of September 30, 2018 was ¥36,237 million.

10. Changes in reserve for policyholder dividends for the six months ended September 30, 2018 were as follows:

a. Balance at the beginning of the fiscal year	¥1,622,889 million
b. Policyholder dividends paid during the six months ended September 30, 2018	¥109,594 million
c. Interest accrual	¥3 million
d. Reduction due to the acquisition of additional annuity	¥151 million
e. Provision for reserve for policyholder dividends	¥63,451 million
f. Balance at the end of the six months ended September 30, 2018	¥1,576,598 million

11. Equities, etc. of subsidiaries and affiliates were ¥4,833 million.

12. Assets pledged as collateral consisted of the following:

Securities	¥2,457,786 million

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

Payables under securities lending transactions	¥2,836,107 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	¥389,928 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, 2018 was ¥442 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, 2018 was ¥961 million.

14. Net assets per share were ¥3,391.36.
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, 2018, 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 were deducted from the calculation of net assets per share for the six months ended September 30, 2018 was 191,400 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 ¥2,768,616 million as of September 30, 2018.

16. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,174 million as of September 30, 2018 pursuant to Article 259 of the Insurance Business Act.
This obligation is recognized as operating expenses when it is made.

17. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Organization, amounted to ¥37,023,284 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 Management Organization for Postal Savings and Postal Life Insurance (Act No. 101 of 2005).
In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,577,833 million and ¥663,593 million, respectively, for the category of the reinsurance.

18. "Other liabilities" in the consolidated balance sheet includes ¥45,171 million of deposits from the Management Organization. Deposits from the Management Organization refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Organization, which was deposited at the time of privatization based on the outsourcing agreements with the Management Organization for the administrative operation of the Postal Life Insurance Policy.

(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, 2018 was ¥73 million. The amount of provision for policy reserves-ceded that is added to the calculation of reversal of policy reserves for the six months ended September 30, 2018 was ¥14 million.

2. Net income per share for the six months ended September 30, 2018 was ¥114.60.
   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, 2018, 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 were deducted from the calculation of net income per share for the six months ended September 30, 2018 was 192,310 shares.

3. Insurance premiums assumed based on reinsurance contracts with the Management Organization included in insurance premiums and others for the six months ended September 30, 2018 were ¥310,944 million.

4. Insurance claims based on reinsurance contracts with the Management Organization included in insurance claims for the six months ended September 30, 2018 were ¥1,988,361 million.

5. Provision for reserve for policyholder dividends, which is provided for the Management Organization based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Organization, was ¥53,274 million for the six months ended September 30, 2018.

(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, 2018 was as follows:

Cash and deposits	¥1,016,800 million
Cash and cash equivalents	¥1,016,800 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, 2018	Increase	Decrease	September 30, 2018
Shares issued				
Common stock	600,000	-	-	600,000
Treasury stock				
Common stock	198	-	6	191

(*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2019 and the end of the six months ended September 30, 2018 were shares of the Company held in the BBT, and were 198,000 shares and 191,000 shares, respectively.

(*2) The decrease of 6,000 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
   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, 2018	Common stock	40,800	68.00	March 31, 2018	June 19, 2018

(*1) Total amount of dividends includes ¥13 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

(*2) The amount of dividends per share includes a special dividend of ¥4 per share.

(7) Consolidated Solvency Margin Ratio

(Millions of yen)

As of		March 31, 2018	September 30, 2018
Total amount of solvency margin	(A)	5,595,880	5,582,345
Capital stock, etc.		1,554,624	1,623,376
Reserve for price fluctuations		916,743	918,677
Contingency reserve		2,114,348	2,039,197
Catastrophe loss reserve		-	-
General reserve for possible loan losses		60	50
(Net unrealized gains (losses) on available-for-sale securities (before taxes)・Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		501,809	505,795
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,896)	(2,689)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		5,218	4,922
Excess of continued Zillmerized reserve		506,467	497,389
Capital raised through debt financing		-	-
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		-	-
Deductions		(495)	(4,833)
Other		-	458
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)	988,803	1,008,151
Insurance risk	R_1	147,403	144,787
General insurance risk	R_5	-	-
Catastrophe risk	R_6	-	-
Underwriting risk of third-sector insurance	R_8	63,087	61,334
Small amount and short-term insurance risk	R_9	-	-
Anticipated yield risk	R_2	150,450	146,605
Minimum guarantee risk	R_7	-	-
Investment risk	R_3	792,075	816,350
Business management risk	R_4	23,060	23,381
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$		1,131.8%	1,107.4%

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

(8) Segment Information

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