

**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, 2019  
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for  
the Six Months Ended September 30, 2019**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Mitsuhiro Uehira, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the six months ended September 30, 2019 (April 1, 2019 to September 30, 2019).

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## 1. Business Highlights

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

#### ▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of	March 31, 2019		September 30, 2019			
	Number of policies	Policy amount	Number of policies		Policy amount	
			% of March 31, 2019 total	% of March 31, 2019 total		
Individual insurance	18,095	53,001.8	17,896	98.9	52,228.5	98.5
Individual annuities	1,268	2,329.4	1,223	96.5	2,129.9	91.4
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	2018				2019					
	Number of policies	Policy amount			Number of policies		Policy amount			
		New policies	Net increase arising from the conversion		% of September 30, 2018 total	% of September 30, 2018 total	New policies	Net increase arising from the conversion		
Individual insurance	888	2,868.2	2,868.2	-	582	65.6	1,699.3	59.2	1,699.3	-
Individual annuities	0	1.3	1.3	-	0	197.8	3.3	260.4	3.3	-
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, 2019	September 30, 2019	
			% of March 31, 2019 total
Individual insurance	3,363.9	3,314.2	98.5
Individual annuities	452.4	434.8	96.1
Total	3,816.4	3,749.0	98.2
Medical coverage, living benefits and other	410.9	412.8	100.5

### ▪ New Policies

(Billions of yen, %)

Six months ended September 30	2018	2019	
			% of September 30, 2018 total
Individual insurance	184.5	131.6	71.3
Individual annuities	0.1	0.3	267.0
Total	184.6	131.9	71.5
Medical coverage, living benefits and other	33.0	21.1	63.9

- Notes: 1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.
2. Medical coverage, living benefits and other includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

## 2. Investment Overview for the Six Months Ended September 30, 2019 (General Account)

### (1) Investment Environment

During the first half of the fiscal year ending March 31, 2020, the Japanese economy saw a continuous moderate recovery trend, supported by steady growth in capital investment and personal consumption, despite slightly sluggish export and production. While the U.S. economy continued on relatively steady recovery due to favorable personal consumption, the growth rate softened in the Euro area mainly reflecting the deterioration of manufacturing production, and a 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 climbed up to -0.01% momentarily in April, which, however, was followed by some decline reaching the level as low as -0.29% amid the declining trend of the long-term yield on a global scale, over the growing concern about the abrupt deceleration of the global economy triggered by the heightening tension in the U.S.-China trade negotiations, which gave rise to the decline in the policy interest rate in the U.S. and other countries. Subsequently in September, the domestic long-term yield started increasing slightly to reach -0.22% at the end of September, as a result of the rising expectation over the progress in the U.S.-China trade negotiations, along with the adjustment to the Japanese government bonds purchase by the Bank of Japan.

#### **Domestic Stock Market**

The Nikkei Stock Average increased up to the lower ¥22,000 level momentarily in April, which later showed a sharp drop to the lower ¥20,000 level from May to the beginning of June, due primarily to the growing concern over the abrupt deceleration of the global economy resulting from the factors including the heightening tension in the U.S.-China trade negotiations. Afterwards, however, the Nikkei Stock Average bounced back to the upper ¥21,000 level from early June to the beginning of July, due primarily to the rally in the U.S. stock prices driven by the growing expectation of a decrease in the policy interest rate in the U.S., which was followed by another drop to the lower ¥20,000 level in August, due yet again to the heightening tension in the U.S.-China trade negotiations. In September, optimism rose about the progress in the U.S.-China trade negotiations while the U.S. and European stock prices rallied owing mainly to the decrease in the policy interest rates in the U.S. and Euro area, resulting in the recovery of the Nikkei Stock Average to the upper ¥21,000 level at the end of September.

#### **Foreign Exchange Markets**

Regarding the USD/JPY exchange rate, the yen depreciated to the lower ¥112 level momentarily in April, which was followed by phase of stronger yen reaching the upper ¥105 level at some point in August, as a result of factors including the growing concern over the abrupt deceleration of the global economy triggered by the heightening tension in the U.S.-China trade negotiations, as well as the decline in the U.S. interest rate. Subsequently, the yen depreciated slightly mainly on the back of the growing expectation of the progress in the U.S.-China trade negotiations, reaching almost to around ¥108 at the end of September.

Regarding the EUR/JPY exchange rate, the euro appreciated to the mid ¥126 level sometime in April but subsequently depreciated to reach almost to around ¥118 at the end of September, due primarily to the further deterioration of the Euro area economy, particularly in Germany, as well as the sizable decline in the Euro area interest rate owing predominantly to the impact of the monetary easing.

### (2) Investment Policies

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

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

### (3) Performance Overview

#### [Assets]

At September 30, 2019, total assets of the Company amounted to ¥73,036.5 billion, a decrease of ¥867.9 billion from ¥73,904.5 billion at the end of the previous fiscal year.

The Company continued investments in “return-seeking assets” (which we previously referred to as “risk assets”) such as stocks, while restraining investments in foreign securities amid the declining overseas interest rates.

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

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

#### [Investment Income and Expenses]

For the six months ended September 30, 2019, investment income of the Company decreased by ¥43.9 billion from the previous corresponding period to ¥574.0 billion mainly due to a decrease in interest and dividend income caused by a decrease in total assets and a decrease in gains on money held in trust due mainly to an increase in losses on valuation of securities held in the trust.

Investment expenses increased by ¥1.6 billion from the previous corresponding period, to ¥67.0 billion due mainly to an increase in losses on derivative financial instruments for hedging foreign exchange fluctuation risks despite a decrease in losses on sales of securities.

As a result, investment income and expenses amounted to ¥507.0 billion, a decrease of ¥45.5 billion from the previous corresponding period.

### 3. Investment Performance (General Account)

#### (1) Asset Composition

(Billions of yen, %)

As of	March 31, 2019		September 30, 2019	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,061.3	1.4	1,459.2	2.0
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	2,792.2	3.8	3,090.2	4.2
Monetary claims bought	354.9	0.5	454.4	0.6
Trading account securities	-	-	-	-
Money held in trust	2,787.5	3.8	2,974.1	4.1
Securities	58,452.5	79.1	57,452.3	78.7
Corporate and government bonds	51,128.7	69.2	50,332.2	68.9
Domestic stocks	206.5	0.3	222.6	0.3
Foreign securities	5,284.9	7.2	5,057.9	6.9
Foreign corporate and government bonds	5,108.7	6.9	4,884.9	6.7
Foreign stocks and other securities	176.1	0.2	173.0	0.2
Other securities	1,832.3	2.5	1,839.5	2.5
Loans	6,786.0	9.2	6,052.3	8.3
Real estate	91.0	0.1	89.8	0.1
Deferred tax assets	1,021.9	1.4	989.9	1.4
Other	557.2	0.8	474.4	0.6
Reserve for possible loan losses	(0.4)	(0.0)	(0.4)	(0.0)
Total	73,904.5	100.0	73,036.5	100.0
Foreign currency-denominated assets	5,513.1	7.5	5,283.2	7.2

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	2018	2019
Cash, deposits, call loans	123.3	397.8
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	(890.2)	298.0
Monetary claims bought	149.1	99.4
Trading account securities	-	-
Money held in trust	207.2	186.6
Securities	(1,261.8)	(1,000.1)
Corporate and government bonds	(1,824.4)	(796.5)
Domestic stocks	40.5	16.0
Foreign securities	684.3	(226.9)
Foreign corporate and government bonds	616.1	(223.8)
Foreign stocks and other securities	68.2	(3.1)
Other securities	(162.3)	7.2
Loans	(446.3)	(733.6)
Real estate	8.8	(1.2)
Deferred tax assets	45.5	(32.0)
Other	(2.5)	(82.8)
Reserve for possible loan losses	0.0	0.0
Total	(2,066.9)	(867.9)
Foreign currency-denominated assets	511.7	(229.8)

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

**(3) Investment Income**

(Billions of yen)

Six months ended September 30	2018	2019
Interest and dividend income	553.9	534.0
Interest on deposits	0.0	0.0
Interest and dividends on securities	478.7	469.1
Interest on loans	6.9	7.3
Interest on loans to the Management Network	64.5	55.1
Rent revenue from real estate	-	-
Other interest and dividend income	3.7	2.4
Gains on trading account securities	-	-
Gains on money held in trust	46.3	16.9
Gains on trading securities	-	-
Gains on sales of securities	17.5	22.7
Gains on sales of Japanese government bonds and other bonds	1.1	9.8
Gains on sales of domestic stocks and other securities	3.1	3.8
Gains on sales of foreign securities	13.2	9.0
Other gains on sales of securities	-	-
Gains on redemption of securities	0.1	0.2
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	-
Reversal of reserve for possible loan losses	0.0	0.0
Other investment income	0.0	0.0
Total	618.0	574.0



#### (4) Investment Expenses

(Billions of yen)

Six months ended September 30	2018	2019
Interest expenses	0.4	0.9
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	30.4	16.5
Losses on sales of Japanese government bonds and other bonds	2.3	0.7
Losses on sales of domestic stocks and other securities	3.4	5.9
Losses on sales of foreign securities	24.6	8.3
Other losses on sales of securities	-	1.4
Losses on valuation of securities	-	-
Losses on valuation of Japanese government bonds and other bonds	-	-
Losses on valuation of domestic stocks and other securities	-	-
Losses on valuation of foreign securities	-	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	2.6	2.9
Losses on derivative financial instruments	29.9	42.7
Losses on foreign exchanges	0.5	2.1
Provision for reserve for possible loan losses	-	-
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	1.4	1.5
Total	65.4	67.0

#### (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, 2019					September 30, 2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	36,391.2	43,113.4	6,722.1	6,722.5	0.4	36,216.7	43,455.8	7,239.1	7,239.1	-
Policy-reserve matching bonds	10,570.0	11,724.3	1,154.3	1,154.8	0.5	10,269.0	11,502.4	1,233.4	1,233.7	0.2
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	14,191.1	14,824.6	633.4	776.6	143.1	13,657.7	14,534.4	876.7	978.9	102.2
Corporate and government bonds	4,197.3	4,265.4	68.0	69.7	1.7	3,858.1	3,944.4	86.3	86.3	0.0
Domestic stocks	1,475.6	1,756.0	280.4	355.1	74.6	1,504.0	1,782.7	278.6	365.8	87.1
Foreign securities	5,503.2	5,778.6	275.3	326.3	50.9	5,134.4	5,566.4	432.0	441.3	9.3
Foreign corporate and government bonds	4,826.6	5,010.7	184.1	230.9	46.7	4,453.5	4,786.9	333.3	339.2	5.8
Foreign stocks and other securities	676.5	767.8	91.2	95.4	4.2	680.8	779.5	98.6	102.1	3.4
Other securities	2,257.1	2,264.5	7.4	23.2	15.7	2,258.9	2,336.3	77.4	83.1	5.7
Monetary claims bought	352.7	354.9	2.1	2.1	-	452.1	454.4	2.2	2.2	-
Negotiable certificates of deposit	405.0	405.0	-	-	-	450.0	450.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>61,152.5</b>	<b>69,662.4</b>	<b>8,509.9</b>	<b>8,654.0</b>	<b>144.1</b>	<b>60,143.5</b>	<b>69,492.8</b>	<b>9,349.3</b>	<b>9,451.8</b>	<b>102.4</b>
Corporate and government bonds	51,060.7	59,003.9	7,943.1	7,945.8	2.6	50,245.8	58,803.9	8,558.0	8,558.3	0.3
Domestic stocks	1,475.6	1,756.0	280.4	355.1	74.6	1,504.0	1,782.7	278.6	365.8	87.1
Foreign securities	5,601.2	5,877.9	276.7	327.6	50.9	5,232.4	5,665.3	432.9	442.2	9.3
Foreign corporate and government bonds	4,924.6	5,110.1	185.4	232.2	46.7	4,551.5	4,885.7	334.2	340.0	5.8
Foreign stocks and other securities	676.5	767.8	91.2	95.4	4.2	680.8	779.5	98.6	102.1	3.4
Other securities	2,257.1	2,264.5	7.4	23.2	15.7	2,258.9	2,336.3	77.4	83.1	5.7
Monetary claims bought	352.7	354.9	2.1	2.1	-	452.1	454.4	2.2	2.2	-
Negotiable certificates of deposit	405.0	405.0	-	-	-	450.0	450.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,264.1 billion with net unrealized gains of ¥412.6 billion as of September 30, 2019 and ¥2,190.8 billion with net unrealized gains of ¥392.8 billion as of March 31, 2019.

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, 2019	September 30, 2019
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	5.9	9.1
Available-for-sale securities	161.1	224.6
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	156.9	220.4
<b>Total</b>	<b>167.1</b>	<b>233.8</b>

Notes: 1. This table includes money held in trust other than trading securities (¥220.4 billion as of September 30, 2019 and ¥156.9 billion as of March 31, 2019).

2. Net unrealized gains (losses) based on foreign exchange valuation of the foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are ¥(5.6) billion as of September 30, 2019 and ¥(1.4) billion as of March 31, 2019.

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, 2019					September 30, 2019				
	Balance sheet amount	Fair value	Net unrealized gains (losses)			Balance sheet amount	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Money held in trust	2,627.2	2,627.2	-	-	-	2,755.6	2,755.6	-	-	-

- 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, 2019					September 30, 2019				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
				Gains	Losses				Gains	Losses
Assets held-to-maturity in trust	-	-	-	-	-	-	-	-	-	-
Assets held for reserves in trust	-	-	-	-	-	-	-	-	-	-
Other money held in trust	2,234.3	2,627.2	392.8	454.9	62.0	2,342.9	2,755.6	412.6	486.3	73.6

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 (¥218.4 billion as of September 30, 2019 and ¥160.3 billion as of March 31, 2019).

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

(Millions of yen)

Items	Term	As of March 31, 2019	As of September 30, 2019
		Amount	Amount
<b>ASSETS:</b>			
Cash and deposits		911,343	1,309,205
Call loans		150,000	150,000
Receivables under securities borrowing transactions		2,792,202	3,090,219
Monetary claims bought		354,958	454,434
Money held in trust		2,787,555	2,974,161
Securities		58,452,565	57,452,383
[Japanese government bonds]		[38,041,414]	[37,571,212]
[Japanese local government bonds]		[7,524,415]	[7,215,929]
[Japanese corporate bonds]		[5,562,928]	[5,545,071]
[Stocks]		[206,568]	[222,647]
[Foreign securities]		[5,284,936]	[5,057,957]
Loans		6,786,074	6,052,395
Policy loans		144,566	147,084
Industrial and commercial loans		991,309	1,015,487
Loans to the Management Network		5,650,198	4,889,824
Tangible fixed assets		107,865	111,146
Intangible fixed assets		158,574	152,359
Agency accounts receivable		21,960	35,210
Reinsurance receivables		3,872	3,964
Other assets		356,063	261,616
Deferred tax assets		1,021,999	989,952
Reserve for possible loan losses		(459)	(450)
<b>Total assets</b>		<b>73,904,576</b>	<b>73,036,599</b>
<b>LIABILITIES:</b>			
Policy reserves and others		67,093,751	65,767,202
Reserve for outstanding claims		519,568	444,169
Policy reserves		65,060,549	63,851,184
Reserve for policyholder dividends		1,513,634	1,471,848
Reinsurance payables		6,470	6,601
Bonds payable		100,000	100,000
Other liabilities		3,605,644	3,982,182
Payables under securities lending transactions		3,422,810	3,801,914
Income taxes payable		44,161	62,222
Lease obligations		2,140	2,063
Asset retirement obligation		5	5
Other liabilities		136,525	115,976
Reserve for employees' retirement benefits		68,450	70,263
Reserve for management board benefit trust		203	192
Reserve for price fluctuations		897,492	871,855
<b>Total liabilities</b>		<b>71,772,012</b>	<b>70,798,299</b>
<b>NET ASSETS:</b>			
Capital stock		500,000	500,000
Capital surplus		500,044	405,044
Legal capital surplus		405,044	405,044
Other capital surplus		95,000	-
Retained earnings		676,242	704,937
Legal retained earnings		47,569	56,209
Other retained earnings		628,672	648,727
Reserve for reduction entry of real estate		5,805	5,675
Retained earnings brought forward		622,867	643,052
Treasury stock		(450)	(445)
Total shareholders' equity		1,675,836	1,609,536
Net unrealized gains (losses) on available-for-sale securities		456,694	628,728
Net deferred gains (losses) on hedges		33	34
Total valuation and translation adjustments		456,727	628,763
<b>Total net assets</b>		<b>2,132,564</b>	<b>2,238,300</b>
<b>Total liabilities and net assets</b>		<b>73,904,576</b>	<b>73,036,599</b>

## 5. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Term	Six months ended September 30, 2018	Six months ended September 30, 2019
		Amount	Amount
<b>ORDINARY INCOME</b>		3,898,358	3,661,331
Insurance premiums and others		2,040,437	1,801,184
[Insurance premiums]		[2,033,472]	[1,793,398]
Investment income		618,001	574,092
[Interest and dividend income]		[553,912]	[534,099]
[Gains on money held in trust]		[46,341]	[16,981]
[Gains on sales of securities]		[17,577]	[22,712]
Other ordinary income		1,239,918	1,286,054
[Reversal of reserve for outstanding claims]		[23,241]	[75,398]
[Reversal of policy reserves]		[1,213,484]	[1,209,364]
<b>ORDINARY EXPENSES</b>		3,736,828	3,519,385
Insurance claims and others		3,356,240	3,143,881
[Insurance claims]		[2,678,839]	[2,492,681]
[Annuity payments]		[198,563]	[200,137]
[Benefits]		[40,061]	[50,934]
[Surrender benefits]		[312,459]	[300,155]
[Other refunds]		[114,861]	[88,040]
Provision for policy reserves and others		3	4
Provision for interest on policyholder dividends		3	4
Investment expenses		65,410	67,089
[Interest expenses]		[444]	[998]
[Losses on sales of securities]		[30,454]	[16,586]
[Losses on derivative financial instruments]		[29,911]	[42,759]
Operating expenses		256,512	252,407
Other ordinary expenses		58,661	56,003
<b>ORDINARY PROFIT</b>		161,529	141,945
<b>EXTRAORDINARY GAINS</b>		-	26,031
Gains on sales of fixed assets		-	393
Reversal of reserve for price fluctuations		-	25,637
<b>EXTRAORDINARY LOSSES</b>		2,063	209
Losses on sales and disposal of fixed assets		129	209
Provision for reserve for price fluctuations		1,933	-
Provision for reserve for policyholder dividends		63,451	54,558
Income before income taxes		96,015	113,208
Income taxes - Current		73,903	71,209
Income taxes - Deferred		(46,685)	(34,866)
Total income taxes		27,217	36,342
Net income		68,797	76,865

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

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

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings	Retained earnings brought forward	
					Reserve for reduction entry of real estate			
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

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

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						Reserve for reduction entry of real estate	Retained earnings brought forward	
Balance at the beginning of the fiscal year	500,000	405,044	95,000	500,044	47,569	5,805	622,867	676,242
Changes in the period								
Cash dividends					8,640		(51,840)	(43,200)
Net income							76,865	76,865
Purchases of treasury stock								
Disposals of treasury stock								
Cancellation of treasury stock			(99,970)	(99,970)				
Reversal of reserve for reduction entry of real estate						(129)	129	-
Transfer from retained earnings to capital surplus			4,970	4,970			(4,970)	(4,970)
Net changes in items other than shareholders' equity in the period								
Net changes in the period	-	-	(95,000)	(95,000)	8,640	(129)	20,184	28,695
Balance at the end of the period	500,000	405,044	-	405,044	56,209	5,675	643,052	704,937

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

## NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

### (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 and affiliates as defined in Paragraph 4 of the same Article of the Order for Enforcement of the Insurance Business Act)

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

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

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

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

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

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

(b) Other securities are carried at cost using the moving-average method.

Net unrealized gains (losses) on available-for-sale securities, net of income taxes, are included in net assets.

##### (2) Valuation Criteria and Methods for Derivative Transactions

All derivative transactions are valued at fair value.

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

###### 1) Tangible Fixed Assets (excluding leased assets)

Depreciation of tangible fixed assets is calculated using the straight-line method based on the following useful lives:

(i) Buildings: 2-60 years

(ii) Other tangible fixed assets: 2-20 years

###### 2) Intangible Fixed Assets (excluding leased assets)

The capitalized development costs of software intended for internal use are amortized over the expected useful life of mainly 5 years using the straight-line method.

###### 3) Leased Assets

Finance lease transactions that do not transfer ownership are depreciated to a residual value of zero using the straight-line method over the lease term.

##### (4) Recognition of Reserves

###### 1) Reserve for Possible Loan Losses

Reserve for possible loan losses is provided pursuant to the Company’s standards for self-assessment of asset quality, and general allowance is provided using a rate based on historical collectability experience. In addition, specific allowances, which are determined based on individual collectability of accounts, are also recorded.

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant



departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the six months ended September 30, 2019 was ¥25 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, 2019 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, 2019 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.

(6) Translation of Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end date of the first half of the fiscal year.

(7) Hedge Accounting

1) Methods for Hedge Accounting

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

2) Hedging Instruments and Hedged Items

- |                          |                                     |
|--------------------------|-------------------------------------|
| (i) Hedging instrument:  | Foreign currency exchange contracts |
| Hedged item:             | Foreign-currency-denominated bonds  |
| (ii) Hedging instrument: | Interest rate swaps                 |
| Hedged item:             | Loans                               |

3) Hedging Policies

Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.

(8) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public Notice No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

They include 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 Network. As a result, the amount of provision for the additional policy reserves for the six months ended September 30, 2019 was ¥88,627 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, 2019 (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 ¥10,269,008 million and ¥11,502,487 million, respectively.
- (2) The outline of the risk management policy of policy-reserve-matching bonds is as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts a management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

  - 1) Postal Life Insurance Contracts (insurance policies with a remaining period within 30 years)
  - 2) Japan Post Insurance life insurance contracts (general) (all insurance policies)
  - 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

4. Securities lent under lending agreements in the amount of ¥4,277,402 million were included in "Securities" in the balance sheets as of September 30, 2019.

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, 2019. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). 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, 2019 was ¥9,313 million.

7. Accumulated depreciation for tangible fixed assets as of September 30, 2019 was ¥41,530 million.

8. Changes in reserve for policyholder dividends for the six months ended September 30, 2019 were as follows:

Balance at the beginning of the fiscal year	¥1,513,634 million
Policyholder dividends paid during the six months ended September 30, 2019	¥96,199 million
Interest accrual	¥4 million
Reduction due to the acquisition of additional annuity	¥149 million
Provision for reserve for policyholder dividends	¥54,558 million
<hr/>	
Balance at the end of the six months ended September 30, 2019	¥1,471,848 million

9. Equities, etc. of subsidiaries and affiliates were ¥9,144 million.

10. Assets pledged as collateral consisted of the following:

Securities ¥3,153,943 million

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

Payables under securities lending transactions ¥3,801,914 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 ¥278,754 million

11. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter referred to as “reserve for outstanding claims-ceded”), as of September 30, 2019 was ¥436 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, 2019 was ¥984 million.

12. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥3,367,754 million as of September 30, 2019.

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

14. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥34,524 million as of September 30, 2019 pursuant to Article 259 of the Insurance Business Act.

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

15. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥34,430,344 million and are provided at amounts calculated based on the statement of calculation procedures for the Company’s insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,405,916 million and ¥642,161 million, respectively, for the category of the reinsurance.

16. “Other liabilities” in the balance sheet includes ¥42,859 million of “deposits from the Management Network”. “Deposits from the Management Network” refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Network, which was deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy.

17. Investigation into the Company’s handling of insurance policies and the remedial measures involved

The Company promotes thoroughgoing customer-first business operation as one of its critical management priorities. However, following the internal investigation into the handling of customers’ revision of their insurance coverage, it was discovered that in some cases, such revision was carried out in a manner that may have caused disadvantages to customers, not in line with their intentions. As a result, the Company decided to further investigate the policies issued by the Company. The Company is conducting the investigation in an appropriate manner by providing explanations to and receiving advice from the Special Investigative Committee composed of neutral and fair external experts, regarding the methods for confirming customers’ intentions as well as for analyzing the information obtained.

In the six months ended September 30, 2019, the Company individually made contact with customers identifiable as those likely to have suffered disadvantages not in line with their intentions (including cases in which the previous policy was cancelled but the new policy underwriting was declined), and managed to confirm the circumstances at the time of contract and their intentions, with some of them requesting detailed explanations on policy reinstatement and relevant matters. To all other policyholders, the Company has sent notification documents with reply cards asking them to reconfirm their intentions and let it know of any points the Company should be aware of. The Company will carry out investigations based on the results of the reconfirmation.

Referring to the impact of these measures on its financial results, for the cases identifiable as those likely to have caused disadvantages to customers not in line with their intentions, a provision of ¥1,084 million has been recorded under other liabilities, which is equivalent to the amounts of refund of premiums or payments of insurance claims and others that are reasonably estimated to be payable in the future by the Company to the customers concerned due to the reinstatement of policies and other actions, based on the progress of the investigation as of the end of the six months ended September 30, 2019.

Of all the cases identifiable as those likely to have caused disadvantages to customers not in line with their intentions, as for other cases than the aforementioned, the Company is in the process of calculating the adjustments necessary for the reinstatement of policies, along with explanations of related details. For such cases, the impact from the implementation of these measures are not reflected in the interim consolidated financial statements for the six months ended September 30, 2019, as it is difficult to reasonably estimate the expenses to be incurred in the future at the end of the six months ended September 30, 2019 due to the necessity for it to specifically confirm customers’ individual intentions including the reinstatement of their policies, as well as the necessity for it to carry out follow-up investigations into individual cases in the investigation of all insurance policies, based on the contents of their replies and inquiries it receives. However, such impact may materialize in the future financial periods depending on the progress in the implementation of these measures.

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

1. Gains on sales of securities comprise domestic bonds of ¥9,827 million, domestic stocks of ¥3,882 million and foreign securities of ¥9,002 million.
2. Losses on sales of securities comprise domestic bonds of ¥748 million, domestic stocks of ¥5,998 million, foreign securities of ¥8,390 million and other securities of ¥1,449 million.
3. Gains on money held in trust include losses on valuation of ¥18,608 million.
4. Losses on derivative financial instruments include gains on valuation of ¥10,933 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, 2019 was ¥18 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the six months ended September 30, 2019 was ¥1 million.
6. Net income per share for the six months ended September 30, 2019 was ¥136.13.  
The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity for the six months ended September 30, 2019, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.  
Average number of treasury stock during the period which was deducted from the calculation of net income per share for the six months ended September 30, 2019 was 178,524 shares.
7. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the six months ended September 30, 2019 were ¥242,264 million.
8. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the six months ended September 30, 2019 were ¥1,734,578 million.
9. Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Network, was ¥47,030 million for the six months ended September 30, 2019.

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

## Type and Number of Treasury Stock

	April 1, 2019	Increase	Decrease	(Thousands of shares) September 30, 2019
Treasury stock				
Common stock	191	37,411	37,414	187

- (\*1) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2020 and the end of the six months ended September 30, 2019 include shares of the Company held in the BBT, and were 191 thousand shares and 176 thousand shares, respectively.
- (\*2) The increase of 37,411 thousand shares in the number of treasury stock was attributable to the purchases of shares of treasury stock based on the resolution at the Board of Directors meeting held on April 4, 2019.
- (\*3) The decrease of 37,414 thousand shares in the number of treasury stock was attributable to the cancellation of 37,400 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019 and the granting of 14 thousand shares via the BBT.

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

(Millions of yen)

Six months ended September 30		2018	2019
Core profit	A	207,183	205,709
Capital gains		63,918	39,693
Gains on money held in trust		46,341	16,981
Gains on trading securities		-	-
Gains on sales of securities		17,577	22,712
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		94,183	97,137
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		30,454	16,586
Losses on valuation of securities		-	-
Losses on derivative financial instruments		29,911	42,759
Losses on foreign exchanges		569	2,163
Other capital losses		33,248	35,627
Net capital gains (losses)	B	(30,264)	(57,443)
Core profit including net capital gains (losses)	A+B	176,919	148,266
Other one-time gains		75,150	82,306
Reinsurance income		-	-
Reversal of contingency reserve		75,150	82,306
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		90,540	88,627
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		90,540	88,627
Other one-time profits (losses)	C	(15,389)	(6,320)
Ordinary profit	A+B+C	161,529	141,945

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥33,248 million for the six months ended September 30, 2018 and ¥35,627 million for the six months ended September 30, 2019) 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 (¥90,540 million for the six months ended September 30, 2018 and ¥88,627 million for the six months ended September 30, 2019).

## 8. Loans by Borrower Category

(Millions of yen, %)

As of	March 31, 2019	September 30, 2019
Bankrupt or quasi-bankrupt loans	-	-
Doubtful loans	-	-
Substandard loans	-	-
Subtotal	-	-
(Percentage in total)	(-)	(-)
Normal loans	7,976,887	7,531,174
Total	7,976,887	7,531,174

- 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, 2019	September 30, 2019
Total amount of solvency margin	(A)	5,649,027	5,703,658
Capital stock, etc.		1,632,636	1,586,813
Reserve for price fluctuations		897,492	871,855
Contingency reserve		1,962,755	1,880,448
General reserve for possible loan losses		45	37
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		568,785	783,837
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,336)	19
Excess of continued Zillmerized reserve		489,649	480,213
Capital raised through debt financing		100,000	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin		-	-
Deductions		-	-
Other		-	433
Total amount of risk			
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$	(B)	950,952	960,699
Insurance risk	R <sub>1</sub>	142,209	139,776
Underwriting risk of third-sector insurance	R <sub>8</sub>	59,172	57,038
Anticipated yield risk	R <sub>2</sub>	141,866	139,318
Minimum guarantee risk	R <sub>7</sub>	-	-
Investment risk	R <sub>3</sub>	764,830	778,222
Business management risk	R <sub>4</sub>	22,161	22,287
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,188.0%	1,187.3%

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



## 11. Separate Account for the Six Months Ended September 30, 2019

Not applicable.

## 12. Consolidated Financial Summary

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

(Millions of yen)

Six months ended September 30	2018	2019
Ordinary income	3,898,358	3,661,332
Ordinary profit	161,600	141,504
Net income attributable to Japan Post Insurance	68,737	76,312
Comprehensive income (loss)	71,827	248,136

As of	March 31, 2019	September 30, 2019
Total assets	73,905,017	73,034,186
Consolidated solvency margin ratio	1,189.8%	1,189.5%

### (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, 2019	As of September 30, 2019
		Amount	Amount
<b>ASSETS:</b>			
Cash and deposits		917,708	1,313,212
Call loans		150,000	150,000
Receivables under securities borrowing transactions		2,792,202	3,090,219
Monetary claims bought		354,958	454,434
Money held in trust		2,787,555	2,974,161
Securities		58,451,581	57,451,399
Loans		6,786,074	6,052,395
Tangible fixed assets		108,422	111,690
Intangible fixed assets		153,271	146,425
Agency accounts receivable		21,960	35,210
Reinsurance receivables		3,872	3,964
Other assets		355,776	261,434
Deferred tax assets		1,022,091	990,088
Reserve for possible loan losses		(459)	(450)
<b>Total assets</b>		<b>73,905,017</b>	<b>73,034,186</b>
<b>LIABILITIES:</b>			
Policy reserves and others		67,093,751	65,767,202
Reserve for outstanding claims		519,568	444,169
Policy reserves		65,060,549	63,851,184
Reserve for policyholder dividends		1,513,634	1,471,848
Reinsurance payables		6,470	6,601
Bonds payable		100,000	100,000
Payables under securities lending transactions		3,422,810	3,801,914
Other liabilities		183,889	178,880
Liability for retirement benefits		65,262	67,429
Reserve for management board benefit trust		203	192
Reserve for price fluctuations		897,492	871,855
<b>Total liabilities</b>		<b>71,769,880</b>	<b>70,794,077</b>
<b>NET ASSETS:</b>			
Capital stock		500,000	500,000
Capital surplus		500,044	405,044
Retained earnings		675,526	703,668
Treasury stock		(450)	(445)
Total shareholders' equity		1,675,120	1,608,267
Net unrealized gains (losses) on available-for-sale securities		456,694	628,728
Net deferred gains (losses) on hedges		33	34
Accumulated adjustments for retirement benefits		3,289	3,077
Total accumulated other comprehensive income		460,017	631,841
<b>Total net assets</b>		<b>2,135,137</b>	<b>2,240,109</b>
<b>Total liabilities and net assets</b>		<b>73,905,017</b>	<b>73,034,186</b>

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

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Term	Six months ended September 30, 2018	Six months ended September 30, 2019
		Amount	Amount
<b>ORDINARY INCOME</b>		3,898,358	3,661,332
Insurance premiums and others		2,040,437	1,801,184
Investment income		618,001	574,092
[Interest and dividend income]		[553,912]	[534,099]
[Gains on money held in trust]		[46,341]	[16,981]
[Gains on sales of securities]		[17,577]	[22,712]
Other ordinary income		1,239,919	1,286,056
[Reversal of reserve for outstanding claims]		[23,241]	[75,398]
[Reversal of policy reserves]		[1,213,484]	[1,209,364]
<b>ORDINARY EXPENSES</b>		3,736,758	3,519,828
Insurance claims and others		3,356,240	3,143,881
[Insurance claims]		[2,678,839]	[2,492,681]
[Annuity payments]		[198,563]	[200,137]
[Benefits]		[40,061]	[50,934]
[Surrender benefits]		[312,459]	[300,155]
Provision for policy reserves and others		3	4
Provision for interest on policyholder dividends		3	4
Investment expenses		65,410	67,090
[Interest expenses]		[444]	[998]
[Losses on sales of securities]		[30,454]	[16,586]
[Losses on derivative financial instruments]		[29,911]	[42,759]
Operating expenses		257,003	253,533
Other ordinary expenses		58,101	55,318
<b>ORDINARY PROFIT</b>		161,600	141,504
<b>EXTRAORDINARY GAINS</b>		-	26,031
Gains on sales of fixed assets		-	393
Reversal of reserve for price fluctuations		-	25,637
<b>EXTRAORDINARY LOSSES</b>		2,063	209
Losses on sales and disposal of fixed assets		129	209
Provision for reserve for price fluctuations		1,933	-
Provision for reserve for policyholder dividends		63,451	54,558
Income before income taxes		96,085	112,766
Income taxes - Current		74,106	71,282
Income taxes - Deferred		(46,757)	(34,827)
Total income taxes		27,348	36,454
Net income		68,737	76,312
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		68,737	76,312

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Term	Six months ended September 30, 2018	Six months ended September 30, 2019
		Amount	Amount
Net income		68,737	76,312
Other comprehensive income (loss)		3,090	171,823
Net unrealized gains (losses) on available-for-sale securities		3,316	172,034
Net deferred gains (losses) on hedges		(12)	1
Adjustments for retirement benefits		(213)	(211)
Total comprehensive income (loss)		71,827	248,136
Comprehensive income (loss) attributable to Japan Post Insurance		71,827	248,136
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, 2018	Six months ended September 30, 2019
		Amount	Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes		96,085	112,766
Depreciation and amortization		29,241	28,080
Net change in reserve for outstanding claims		(23,241)	(75,398)
Net change in policy reserves		(1,213,484)	(1,209,364)
Provision for interest on policyholder dividends		3	4
Provision for reserve for policyholder dividends		63,451	54,558
Net change in reserve for possible loan losses		(21)	(8)
Net change in liability for retirement benefits		2,119	2,167
Net change in reserve for management board benefit trust		(20)	(10)
Net change in reserve for price fluctuations		1,933	(25,637)
Interest and dividend income (accrual basis)		(553,912)	(534,099)
Net (gains) losses on securities		15,381	(3,382)
Interest expenses (accrual basis)		444	998
Net (gains) losses on foreign exchanges		569	2,163
Net (gains) losses on tangible fixed assets		(96)	(299)
Net change in agency accounts receivable		11,236	(13,249)
Net change in reinsurance receivables		(281)	(92)
Net change in other assets (excluding those related to investing activities and financing activities)		15,305	48,132
Net change in reinsurance payables		208	131
Net change in other liabilities (excluding those related to investing activities and financing activities)		(17,935)	(21,223)
Other, net		(15,625)	26,794
Subtotal		(1,588,639)	(1,606,968)
Interest and dividend received (cash basis)		599,754	621,719
Interest paid (cash basis)		(444)	(996)
Policyholder dividends paid		(109,594)	(96,199)
Income taxes paid		(99,612)	(44,404)
Net cash used in operating activities		(1,198,536)	(1,126,848)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of call loans		(4,715,000)	(3,860,000)
Proceeds from redemption of call loans		4,710,000	3,860,000
Net change in receivables under securities borrowing transactions		890,281	(298,016)
Purchases of monetary claims bought		(599,999)	(759,999)
Proceeds from sale and redemption of monetary claims bought		450,612	660,584
Purchases of money held in trust		(127,429)	(161,100)
Proceeds from decrease in money held in trust		1,370	1,627
Purchases of securities		(2,195,436)	(1,094,652)
Proceeds from sale and redemption of securities		3,473,043	2,130,619
Payments for loans		(478,224)	(377,164)
Proceeds from collection of loans		924,353	1,110,840
Net change in payables under securities lending transactions		(827,440)	379,103
Other, net		(107,900)	99,950
Total of net cash provided by investment transactions		1,398,230	1,691,791
Total of net cash provided by operating activities and investment transactions		199,694	564,942
Purchases of tangible fixed assets		(23,923)	(7,643)
Purchases of intangible fixed assets		(16,125)	(19,410)
Other, net		(245)	1,316
Net cash provided by investing activities		1,357,936	1,666,054
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease obligations		(328)	(503)
Purchases of treasury stock		-	(99,999)
Dividends paid		(40,775)	(43,199)
Net cash used in financing activities		(41,104)	(143,702)
Effect of exchange rate changes on cash and cash equivalents		-	-
Net change in cash and cash equivalents		118,295	395,503
Cash and cash equivalents at the beginning of the fiscal year		898,504	917,708
Cash and cash equivalents at the end of the period		1,016,800	1,313,212

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

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

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

(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	675,526	(450)	1,675,120
Changes in the period					
Cash dividends			(43,200)		(43,200)
Net income attributable to Japan Post Insurance			76,312		76,312
Purchases of treasury stock				(99,999)	(99,999)
Disposals of treasury stock				35	35
Cancellation of treasury stock		(99,970)		99,970	-
Transfer from retained earnings to capital surplus		4,970	(4,970)		-
Net changes in items other than shareholders' equity in the period					
Net changes in the period	-	(95,000)	28,142	5	(66,852)
Balance at the end of the period	500,000	405,044	703,668	(445)	1,608,267

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

## NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2019

### (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, 2019 was ¥25 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, 2019 is calculated at the annually required amount allocated to the accounting period on a pro-rata basis.
- (7) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies
- Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the first half of the fiscal year.



(8) Significant Hedge Accounting

1) Methods for Hedge Accounting

The Company and its subsidiary (the “Group”) applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).

2) Hedging Instruments and Hedged Items

- |                          |                                     |
|--------------------------|-------------------------------------|
| (i) Hedging instrument:  | Foreign currency exchange contracts |
| Hedged item:             | Foreign-currency-denominated bonds  |
| (ii) Hedging instrument: | Interest rate swaps                 |
| Hedged item:             | Loans                               |

3) Hedging Policies

Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.

(9) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recorded based on the following methodology:

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public Notice No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

They include 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 Network. As a result, the amount of provision for the additional policy reserves for the six months ended September 30, 2019 was ¥88,627 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, 2019 was ¥415 million, while the number of such treasury stock was 176 thousand 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, 2019 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	1,313,212	1,313,212	-
Available-for-sale securities (negotiable certificates of deposit)	450,000	450,000	-
2) Call loans	150,000	150,000	-
3) Receivables under securities borrowing transactions	3,090,219	3,090,219	-
4) Monetary claims bought	454,434	454,434	-
Available-for-sale securities	454,434	454,434	-
5) Money held in trust (*1)	2,755,683	2,755,683	-
6) Securities	57,438,999	65,911,581	8,472,581
Held-to-maturity bonds	36,216,764	43,455,867	7,239,103
Policy-reserve-matching bonds	10,269,008	11,502,487	1,233,478
Available-for-sale securities	10,953,226	10,953,226	-
7) Loans	6,052,358	6,544,948	492,589
Policy loans	147,084	147,084	-
Industrial and commercial loans (*2)	1,015,487	1,091,260	75,809
Loans to the Management Network (*2)	4,889,824	5,306,603	416,779
Reserve for possible loan losses (*3)	(36)	-	-
Total assets	71,254,908	80,220,079	8,965,171
1) Bonds payable	100,000	101,310	1,310
2) Payables under securities lending transactions	3,801,914	3,801,914	-
Total liabilities	3,901,914	3,903,224	1,310
Derivative transactions (*4)			
Hedge accounting not applied	(28)	(28)	-
Hedge accounting applied	11,010	11,010	-
Total derivative transactions	10,982	10,982	-

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

(\*2) In the column of “Net unrealized gains (losses),” the difference between the consolidated balance sheet amount after deduction of reserve for possible loan losses and the fair value is provided.

(\*3) Reserve for possible loan losses corresponding to loans has been deducted.

(\*4) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses.

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

### Assets

#### 1) Cash and deposits

Deposits (including negotiable certificates of deposit) mature within a short-term (one year), and their fair value approximates book value.

#### 2) Call loans and 3) Receivables under securities borrowing transactions

These are settled within a short-term (one year), and their fair value approximates book value.

#### 4) Monetary claims bought

The fair value of monetary claims bought accounted for as securities in the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) is calculated in a similar manner to the method described in “(6) Securities” below.

#### 5) Money held in trust

The fair value of money held in trust is based on the price quoted by the exchange for shares and net asset value for mutual funds.

Money held in trust is provided in “(3) Money Held in Trust” in accordance with the purpose of the holdings.

#### 6) Securities

The fair value of bonds is primarily based on the price published by industry associations such as the reference statistical price published by the Japan Securities Dealers Association, or price offered by the financial institutions, while the fair value of stocks is based on the price quoted by the exchange. The fair value of mutual funds is based on net asset value.

Securities are described in “(2) Securities” in accordance with the purpose of keeping in possession.

#### 7) Loans

For policy loans and those included in loans to the Management Network of Postal Life Insurance Contracts, book values are used as fair values because amounts are limited to the values of corresponding cash surrender value and their fair value approximates book value considering their short maturities and interest conditions.

For industrial and commercial loans with floating interest rates, whose future cash flows follow market interest rates, their fair value approximates book value.

For industrial and commercial loans with fixed interest rates or loans to the Management Network (excluding policy loans), fair value is based on a net discounted present value of future cash flows.

### Liabilities

#### 1) Bonds payable

The Reference Statistical Prices published by the Japan Securities Dealers Association are used as fair value.

#### 2) Payables under securities lending transactions

These are settled within a short-term (one year), and their fair value approximates book value.

### Derivative transactions

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

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

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

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

Fair value is calculated using discounted present value.

Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

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

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

	Consolidated balance sheet amount
Money held in trust (*1)	218,477
Securities	12,400
Unlisted stocks (*2)	4,735
Investments in partnership (*2)	7,664
Total	230,878

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

(\*2) Unlisted stocks and investments in partnership where partnership assets comprise primarily of unlisted stocks, are not included in Assets 6) Securities, as the fair values are deemed extremely difficult to determine.

## (2) Securities

## 1) Held-to-maturity Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	36,118,764	43,357,028	7,238,264
Japanese government bonds	28,303,732	35,016,177	6,712,444
Japanese local government bonds	5,607,212	5,933,990	326,778
Japanese corporate bonds	2,207,818	2,406,860	199,041
Foreign securities	98,000	98,838	838
Foreign bonds	98,000	98,838	838
Subtotal	36,216,764	43,455,867	7,239,103
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	-	-	-
Japanese government bonds	-	-	-
Japanese local government bonds	-	-	-
Japanese corporate bonds	-	-	-
Foreign securities	-	-	-
Foreign bonds	-	-	-
Subtotal	-	-	-
Total	36,216,764	43,455,867	7,239,103

## 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	10,245,718	11,479,442	1,233,724
Japanese government bonds	8,919,947	10,066,906	1,146,959
Japanese local government bonds	607,936	638,645	30,709
Japanese corporate bonds	717,834	773,889	56,055
Subtotal	10,245,718	11,479,442	1,233,724
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	23,290	23,044	(245)
Japanese government bonds	-	-	-
Japanese local government bonds	-	-	-
Japanese corporate bonds	23,290	23,044	(245)
Subtotal	23,290	23,044	(245)
Total	10,269,008	11,502,487	1,233,478

## 3) Available-for-sale Securities

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated balance sheet amount exceeds cost			
Bonds	3,854,165	3,767,775	86,389
Japanese government bonds	347,532	329,500	18,032
Japanese local government bonds	949,578	944,698	4,879
Japanese corporate bonds	2,557,054	2,493,576	63,477
Stocks	83,739	75,742	7,996
Foreign securities	4,233,485	3,893,958	339,527
Foreign bonds	4,193,203	3,853,958	339,245
Other foreign securities	40,281	39,999	281
Other (*)	1,568,676	1,509,930	58,746
Subtotal	9,740,065	9,247,406	492,659
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	90,275	90,345	(69)
Japanese government bonds	-	-	-
Japanese local government bonds	51,202	51,212	(10)
Japanese corporate bonds	39,073	39,132	(59)
Stocks	133,188	150,712	(17,523)
Foreign securities	726,472	735,154	(8,682)
Foreign bonds	593,734	599,604	(5,870)
Other foreign securities	132,737	135,549	(2,811)
Other (*)	1,167,658	1,169,999	(2,341)
Subtotal	2,117,595	2,146,211	(28,616)
Total	11,857,660	11,393,618	464,042

(\*) “Other” includes negotiable certificates of deposit (cost: ¥450,000 million, consolidated balance sheet amount: ¥450,000 million) presented as “Cash and deposits” in the consolidated balance sheets, and monetary claims bought (cost: ¥452,177 million, consolidated balance sheet amount: ¥454,434 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 exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
Specified money held in trust	2,755,683	2,342,992	412,691	486,329	(73,637)

(\*) The Group recognized losses on valuation of ¥18,608 million for the six months ended September 30, 2019.

#### 2) Basis for recognition of losses on valuation

Stocks managed as trust assets with fair values declining by 50% or more of their acquisition costs shall, in principle, be subjected to recognition of losses on valuation, while those with fair values declining by 30% or more, but less than 50% of their acquisition costs, and for which market prices remain lower than a certain level, shall be subjected to recognition of losses on valuation, unless fair values are deemed likely to recover to the acquisition costs.

### (4) Derivative Transactions

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

#### Currency-related derivatives

(Millions of yen)

Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net Valuation Gain/Loss
OTC	Forward foreign exchange Sold	21,640	-	(28)	(28)
	U.S. dollars	21,640	-	(28)	(28)
Total		-	-	-	(28)

(\*) 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.

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 ¥10,269,008 million and ¥11,502,487 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)

5. Securities lent under lending agreements in the amount of ¥4,277,402 million were included in "Securities" in the consolidated balance sheets as of September 30, 2019.

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, 2019. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation



Tax Act (Ordinance No. 97 in 1965). 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, 2019 was ¥9,313 million.
8. Accumulated depreciation for tangible fixed assets as of September 30, 2019 was ¥41,728 million.

9. Changes in reserve for policyholder dividends for the six months ended September 30, 2019 were as follows:

Balance at the beginning of the fiscal year	¥1,513,634 million
Policyholder dividends paid during the six months ended September 30, 2019	¥96,199 million
Interest accrual	¥4 million
Reduction due to the acquisition of additional annuity	¥149 million
Provision for reserve for policyholder dividends	¥54,558 million
<hr/>	
Balance at the end of the six months ended September 30, 2019	¥1,471,848 million

10. Equities, etc. of subsidiaries and affiliates were ¥8,160 million.

11. Assets pledged as collateral consisted of the following:

Securities ¥3,153,943 million

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

Payables under securities lending transactions ¥3,801,914 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 ¥278,754 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, 2019 was ¥436 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, 2019 was ¥984 million.

13. Net assets per share were ¥3,983.04.

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, 2019, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the period, for the purpose of calculating net assets per share.

Total number of treasury stock at the end of the period which was deducted from the calculation of net assets per share for the six months ended September 30, 2019 was 176,500 shares.

14. 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 ¥3,367,754 million as of September 30, 2019.

15. Bonds payable are subordinated bonds stipulating that their priorities are ranked behind other obligations.
16. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥34,524 million as of September 30, 2019 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 Network, amounted to ¥34,430,344 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005).  
In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,405,916 million and ¥642,161 million, respectively, for the category of the reinsurance.
18. "Other liabilities" in the consolidated balance sheet includes ¥42,859 million of "deposits from the Management Network". "Deposits from the Management Network" refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Network, which was deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy.
19. Investigation into the Company's handling of insurance policies and the remedial measures involved  
The Company promotes thoroughgoing customer-first business operation as one of its critical management priorities. However, following the internal investigation into the handling of customers' revision of their insurance coverage, it was discovered that in some cases, such revision was carried out in a manner that may have caused disadvantages to customers, not in line with their intentions. As a result, the Company decided to further investigate the policies issued by the Company. The Company is conducting the investigation in an appropriate manner by providing explanations to and receiving advice from the Special Investigative Committee composed of neutral and fair external experts, regarding the methods for confirming customers' intentions as well as for analyzing the information obtained.  
In the six months ended September 30, 2019, the Company individually made contact with customers identifiable as those likely to have suffered disadvantages not in line with their intentions (including cases in which the previous policy was cancelled but the new policy underwriting was declined), and managed to confirm the circumstances at the time of contract and their intentions, with some of them requesting detailed explanations on policy reinstatement and relevant matters. To all other policyholders, the Company has sent notification documents with reply cards asking them to reconfirm their intentions and let it know of any points the Company should be aware of. The Company will carry out investigations based on the results of the reconfirmation.  
Referring to the impact of these measures on its financial results, for the cases identifiable as those likely to have caused disadvantages to customers not in line with their intentions, a provision of ¥1,084 million has been recorded under other liabilities, which is equivalent to the amounts of refund of premiums or payments of insurance claims and others that are reasonably estimated to be payable in the future by the Company to the customers concerned due to the reinstatement of policies and other actions, based on the progress of the investigation as of the end of the six months ended September 30, 2019.  
Of all the cases identifiable as those likely to have caused disadvantages to customers not in line with their intentions, as for other cases than the aforementioned, the Company is in the process of calculating the adjustments necessary for the reinstatement of policies, along with explanations of related details. For such cases, the impact from the implementation of these measures are not reflected in the interim consolidated financial statements for the six months ended September 30, 2019, as it is difficult to reasonably estimate the expenses to be incurred in the future at the end of the six months ended September 30, 2019 due to the necessity for it to specifically confirm customers' individual intentions including the reinstatement of their policies, as well as the necessity for it to carry out follow-up investigations into individual cases in the investigation of all insurance policies, based on the contents of their replies and inquiries it receives. However, such impact may materialize in the future financial periods depending on the progress in the implementation of these measures.

**(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, 2019 was ¥18 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the six months ended September 30, 2019 was ¥1 million.
2. Net income per share for the six months ended September 30, 2019 was ¥135.15.  
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, 2019, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.  
Average number of treasury stock during the period which was deducted from the calculation of net income per share for the six months ended September 30, 2019 was 178,524 shares.
3. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the six months ended September 30, 2019 were ¥242,264 million.
4. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the six months ended September 30, 2019 were ¥1,734,578 million.
5. Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Network, was ¥47,030 million for the six months ended September 30, 2019.

**(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, 2019 was as follows:

Cash and deposits	¥1,313,212 million
Cash and cash equivalents	¥1,313,212 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, 2019	Increase	Decrease	September 30, 2019
Shares issued				
Common stock	600,000	-	37,400	562,600
Treasury stock				
Common stock	191	37,411	37,414	187

(\*1) The decrease of 37,400 thousand shares in the number of shares issued was attributable to the cancellation of shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019.

(\*2) Numbers of treasury stock at the beginning of the fiscal year ending March 31, 2020 and the end of the six months ended September 30, 2019 include shares of the Company held in the BBT, and were 191 thousand shares and 176 thousand shares, respectively.

(\*3) The increase of 37,411 thousand shares in the number of treasury stock was attributable to the purchases of shares of treasury stock based on the resolution at the Board of Directors meeting held on April 4, 2019.

(\*4) The decrease of 37,414 thousand shares in the number of treasury stock was attributable to the cancellation of 37,400 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019 and the granting of 14 thousand shares via the BBT.

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

Not applicable.

## 3. Information on Dividends

## (1) Dividends Paid

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	43,200	72.00	March 31, 2019	June 18, 2019

(\*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.

(2) Dividends whose effective date falls after the end of the six months ended September 30, 2019

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on November 14, 2019	Common stock	21,378	Retained earnings	38.00	September 30, 2019	December 6, 2019

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

## (7) Consolidated Solvency Margin Ratio

(Millions of yen)

As of	March 31, 2019	September 30, 2019
Total amount of solvency margin (A)	5,647,874	5,698,504
Capital stock, etc.	1,631,920	1,585,544
Reserve for price fluctuations	897,492	871,855
Contingency reserve	1,962,755	1,880,448
Catastrophe loss reserve	-	-
General reserve for possible loan losses	45	37
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	568,785	783,837
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,336)	19
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	4,569	4,275
Excess of continued Zillmerized reserve	489,649	480,213
Capital raised through debt financing	100,000	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	(5,006)	(8,160)
Other	-	433
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)	949,323	958,100
Insurance risk R <sub>1</sub>	142,209	139,776
General insurance risk R <sub>5</sub>	-	-
Catastrophe risk R <sub>6</sub>	-	-
Underwriting risk of third-sector insurance R <sub>8</sub>	59,172	57,038
Small amount and short-term insurance risk R <sub>9</sub>	-	-
Anticipated yield risk R <sub>2</sub>	141,866	139,318
Minimum guarantee risk R <sub>7</sub>	-	-
Investment risk R <sub>3</sub>	763,194	775,617
Business management risk R <sub>4</sub>	22,128	22,235
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.8%	1,189.5%

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

## (8) Segment Information

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