

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.

February 14, 2019
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for
the Nine Months Ended December 31, 2018**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Mitsuhiro Uehira, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018).

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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, 2018		December 31, 2018			
	Number of policies	Policy amount	Number of policies		Policy amount	
				% of March 31, 2018 total		% of March 31, 2018 total
Individual insurance	17,921	52,359.7	18,088	100.9	52,959.3	101.1
Individual annuities	1,333	2,742.5	1,284	96.4	2,431.8	88.7
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, %)

Nine months ended December 31	2017				2018					
	Number of policies	Policy amount			Number of policies		Policy amount			
			New policies	Net increase arising from the conversion		% of December 31, 2017 total	% of December 31, 2017 total	New policies	Net increase arising from the conversion	
Individual insurance	1,347	4,260.2	4,260.2	-	1,324	98.3	4,294.7	100.8	4,294.7	-
Individual annuities	0	2.3	2.3	-	0	68.5	1.6	72.7	1.6	-
Group insurance	-	-	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-	-	-

Note: Policy amounts for individual annuities are the total of the accumulated contribution payment as of the date of annuity payment commencement.

(2) Annualized Premiums

▪ Policies in Force

(Billions of yen, %)

As of	March 31, 2018	December 31, 2018	
			% of March 31, 2018 total
Individual insurance	3,367.3	3,374.7	100.2
Individual annuities	491.1	459.1	93.5
Total	3,858.5	3,833.9	99.4
Medical coverage, living benefits and other	382.1	406.5	106.4

▪ New Policies

(Billions of yen, %)

Nine months ended December 31	2017	2018	
			% of December 31, 2017 total
Individual insurance	294.5	273.7	92.9
Individual annuities	0.2	0.1	71.9
Total	294.7	273.8	92.9
Medical coverage, living benefits and other	43.6	48.7	111.6

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 Performance (General Account)

(1) Asset Composition

(Billions of yen, %)

As of	March 31, 2018		December 31, 2018	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,159.1	1.5	1,086.2	1.5
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,296.2	4.3	3,182.2	4.3
Monetary claims bought	176.0	0.2	355.1	0.5
Trading account securities	-	-	-	-
Money held in trust	2,814.8	3.7	2,778.1	3.7
Securities	60,131.8	78.3	58,493.7	78.5
Corporate and government bonds	53,576.4	69.7	51,584.0	69.2
Domestic stocks	196.3	0.3	213.6	0.3
Foreign securities	4,347.5	5.7	4,879.8	6.6
Foreign corporate and government bonds	4,235.4	5.5	4,704.2	6.3
Foreign stocks and other securities	112.0	0.1	175.6	0.2
Other securities	2,011.5	2.6	1,816.0	2.4
Loans	7,627.1	9.9	6,778.7	9.1
Real estate	83.9	0.1	91.7	0.1
Deferred tax assets	954.1	1.2	1,088.2	1.5
Other	589.7	0.8	636.3	0.9
Reserve for possible loan losses	(0.6)	(0.0)	(0.6)	(0.0)
Total	76,832.5	100.0	74,489.8	100.0
Foreign currency-denominated assets	4,748.5	6.2	5,066.3	6.8

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

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

(Billions of yen)

As of	March 31, 2018					December 31, 2018				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	38,490.0	44,608.7	6,118.6	6,160.2	41.5	36,837.0	42,839.8	6,002.7	6,036.5	33.7
Policy-reserve-matching bonds	10,676.3	11,769.6	1,093.2	1,103.9	10.6	10,578.2	11,619.4	1,041.2	1,049.5	8.3
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,667.1	14,225.6	558.4	758.5	200.1	14,100.3	14,426.2	325.9	619.8	293.8
Corporate and government bonds	4,474.1	4,508.0	33.8	55.1	21.2	4,224.3	4,266.8	42.4	53.0	10.6
Domestic stocks	1,587.4	2,040.6	453.1	491.9	38.8	1,612.3	1,848.1	235.8	337.6	101.8
Foreign securities	4,835.1	4,923.0	87.9	202.1	114.1	5,293.0	5,414.4	121.4	222.8	101.4
Foreign corporate and government bonds	4,129.0	4,137.4	8.4	122.5	114.1	4,534.3	4,606.2	71.8	158.4	86.5
Foreign stocks and other securities	706.0	785.6	79.5	79.5	0.0	758.7	808.2	49.5	64.4	14.8
Other securities	2,176.5	2,157.7	(18.7)	7.1	25.9	2,217.4	2,141.6	(75.7)	4.1	79.9
Monetary claims bought	173.9	176.0	2.1	2.1	-	353.0	355.1	2.1	2.1	-
Negotiable certificates of deposit	420.0	420.0	-	-	-	400.0	400.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	62,833.5	70,603.9	7,770.3	8,022.7	252.3	61,515.5	68,885.5	7,369.9	7,705.9	335.9
Corporate and government bonds	53,542.5	60,786.2	7,243.6	7,317.1	73.4	51,541.6	58,626.5	7,084.9	7,137.6	52.7
Domestic stocks	1,587.4	2,040.6	453.1	491.9	38.8	1,612.3	1,848.1	235.8	337.6	101.8
Foreign securities	4,933.1	5,023.2	90.1	204.2	114.1	5,391.0	5,514.0	122.9	224.3	101.4
Foreign corporate and government bonds	4,227.0	4,237.6	10.5	124.7	114.1	4,632.3	4,705.7	73.4	159.9	86.5
Foreign stocks and other securities	706.0	785.6	79.5	79.5	0.0	758.7	808.2	49.5	64.4	14.8
Other securities	2,176.5	2,157.7	(18.7)	7.1	25.9	2,217.4	2,141.6	(75.7)	4.1	79.9
Monetary claims bought	173.9	176.0	2.1	2.1	-	353.0	355.1	2.1	2.1	-
Negotiable certificates of deposit	420.0	420.0	-	-	-	400.0	400.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,304.0 billion with net unrealized gains of ¥299.0 billion as of December 31, 2018 and ¥2,153.2 billion with net unrealized gains of ¥516.4 billion as of March 31, 2018.

- The book values of securities for which the fair values are deemed extremely difficult to determine are as follows:

(Billions of yen)

As of	March 31, 2018	December 31, 2018
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	1.4	6.1
Available-for-sale securities	61.6	137.8
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	57.3	133.6
Total	63.1	144.0

Notes: 1. This table includes money held in trust other than trading securities (¥133.6 billion as of December 31, 2018 and ¥57.3 billion as of March 31, 2018).

2. Net unrealized gains (losses) based on foreign exchange valuation of foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are ¥(1.1) billion as of December 31, 2018 and ¥(0.8) billion as of March 31, 2018.

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

(3) Fair Value of Money Held in Trust

(Billions of yen)

As of	March 31, 2018					December 31, 2018				
	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	2,755.3	2,755.3	-	-	-	2,643.4	2,643.4	-	-	-

- Money held in trust for trading purposes

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

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

(Billions of yen)

As of	March 31, 2018					December 31, 2018				
	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	2,238.8	2,755.3	516.4	555.5	39.0	2,344.3	2,643.4	299.0	399.6	100.6

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 (¥134.7 billion as of December 31, 2018 and ¥59.5 billion as of March 31, 2018).

3. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2018	As of December 31, 2018
		Amount	Amount
ASSETS:			
Cash and deposits		894,191	956,254
Call loans		265,000	130,000
Receivables under securities borrowing transactions		3,296,222	3,182,295
Monetary claims bought		176,069	355,128
Money held in trust		2,814,873	2,778,143
Securities		60,131,893	58,493,737
[Japanese government bonds]		[39,589,896]	[38,112,695]
[Japanese local government bonds]		[8,513,583]	[7,866,529]
[Japanese corporate bonds]		[5,472,945]	[5,604,862]
[Stocks]		[196,379]	[213,681]
[Foreign securities]		[4,347,564]	[4,879,877]
Loans		7,627,147	6,778,780
Policy loans		135,314	141,094
Industrial and commercial loans		919,051	972,585
Loans to the Management Organization		6,572,781	5,665,100
Tangible fixed assets		100,568	108,722
Intangible fixed assets		167,763	157,159
Agency accounts receivable		33,715	27,309
Reinsurance receivables		3,227	3,798
Other assets		368,394	431,050
Deferred tax assets		954,136	1,088,204
Reserve for possible loan losses		(695)	(687)
Total assets		76,832,508	74,489,897
LIABILITIES:			
Policy reserves and others		69,948,383	67,878,453
Reserve for outstanding claims		548,196	485,649
Policy reserves		67,777,297	65,848,094
Reserve for policyholder dividends		1,622,889	1,544,709
Reinsurance payables		6,033	6,379
Other liabilities		3,893,916	3,739,650
Payables under securities lending transactions		3,663,547	3,642,632
Income taxes payable		99,290	14,450
Lease obligations		2,327	2,230
Asset retirement obligation		5	5
Other liabilities		128,746	80,331
Reserve for employees' retirement benefits		67,649	70,284
Reserve for management board benefit trust		172	152
Reserve for price fluctuations		916,743	907,647
Total liabilities		74,832,900	72,602,567
NET ASSETS:			
Capital stock		500,000	500,000
Capital surplus		500,044	500,044
Legal capital surplus		405,044	405,044
Other capital surplus		95,000	95,000
Retained earnings		596,084	651,913
Legal retained earnings		39,409	47,569
Other retained earnings		556,674	604,343
Reserve for reduction entry of real estate		6,163	6,119
Retained earnings brought forward		550,511	598,224
Treasury stock		(466)	(450)
Total shareholders' equity		1,595,661	1,651,506
Net unrealized gains (losses) on available-for-sale securities		403,913	235,794
Net deferred gains (losses) on hedges		32	28
Total valuation and translation adjustments		403,946	235,823
Total net assets		1,999,608	1,887,330
Total liabilities and net assets		76,832,508	74,489,897

4. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Term	Nine months ended December 31, 2017	Nine months ended December 31, 2018
		Amount	Amount
ORDINARY INCOME		5,995,177	5,913,309
Insurance premiums and others		3,220,309	3,001,967
[Insurance premiums]		[3,212,073]	[2,991,247]
Investment income		971,666	915,070
[Interest and dividend income]		[875,207]	[822,178]
[Gains on money held in trust]		[73,428]	[56,183]
[Gains on sales of securities]		[22,793]	[36,230]
Other ordinary income		1,803,201	1,996,271
[Reversal of reserve for outstanding claims]		[51,740]	[62,546]
[Reversal of policy reserves]		[1,747,936]	[1,929,203]
ORDINARY EXPENSES		5,740,654	5,699,563
Insurance claims and others		5,184,670	5,114,317
[Insurance claims]		[4,269,596]	[4,080,138]
[Annuity payments]		[294,374]	[301,252]
[Benefits]		[50,338]	[64,832]
[Surrender benefits]		[388,074]	[478,677]
[Other refunds]		[167,089]	[172,110]
Provision for policy reserves and others		5	5
Provision for interest on policyholder dividends		5	5
Investment expenses		69,563	115,358
[Interest expenses]		[1,196]	[660]
[Losses on sales of securities]		[42,969]	[55,920]
[Losses on derivative financial instruments]		[18,795]	[51,588]
Operating expenses		396,727	383,905
Other ordinary expenses		89,687	85,976
ORDINARY PROFIT		254,523	213,746
EXTRAORDINARY GAINS		1,013	9,096
Gains on sales of fixed assets		1,013	-
Reversal of reserve for price fluctuations		-	9,096
EXTRAORDINARY LOSSES		49,132	1,060
Losses on sales and disposal of fixed assets		280	567
Impairment loss		2,003	492
Provision for reserve for price fluctuations		46,848	-
Provision for reserve for policyholder dividends		101,375	86,643
Income before income taxes		105,029	135,138
Income taxes - Current		118,460	108,097
Income taxes - Deferred		(88,334)	(69,587)
Total income taxes		30,126	38,509
Net income		74,903	96,629

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

(Notes to the Unaudited Non-Consolidated Balance Sheet and Notes Related to Changes in Net Assets)

1. The outline of the risk management policy of policy-reserve-matching bonds is as follows:

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

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

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

2. Securities lent under lending agreements in the amount of ¥4,101,738 million were included in “Securities” in the balance sheet as of December 31, 2018.

3. Changes in reserve for policyholder dividends for the nine months ended December 31, 2018 were as follows:

a. Balance at the beginning of the fiscal year	¥1,622,889 million
b. Policyholder dividends paid during the nine months ended December 31, 2018	¥164,608 million
c. Interest accrual	¥5 million
d. Reduction due to the acquisition of additional annuity	¥220 million
e. Provision for reserve for policyholder dividends	¥86,643 million
f. Balance at the end of the nine months ended December 31, 2018	¥1,544,709 million

4. Dividends paid were as follows:

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date	Source of dividends
Board of Directors' meeting held on May 15, 2018	Common stock	40,800	68.00	March 31, 2018	June 19, 2018	Retained earnings

(*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.

5. Notes on subsequent events are as follows:

The Company issued subordinated unsecured bonds for domestic public offering on January 29, 2019 as follows, and has completed payments on the same date.

(1) Name of bond	First series of subordinated unsecured bonds with interest deferral option and early redemption option
(2) Principal amount	¥100 billion
(3) Denomination	¥100 million
(4) Maturity date	January 29, 2049 The Company may, at its discretion, redeem the bond (i) on any interest payment date on and after January 29, 2029 or (ii) upon the occurrence and continuation of a regulatory event, a tax deductibility event or a rating agency event on and after the payment date, subject to a prior approval of the regulatory authority.
(5) Interest rate	(i) From the day immediately following January 29, 2019 until January 29, 2029: 1.00% per annum (ii) From the day immediately following January 29, 2029: 6-month Japanese yen LIBOR plus 1.78%
(6) Interest payment dates	January 29 and July 29 of each year
(7) Issue price	¥100 per amount of ¥100 of each bond
(8) Redemption price	¥100 per amount of ¥100 of each bond
(9) Payment date	January 29, 2019
(10) Collateral and guarantees	No collateral or guarantee will be provided
(11) Credit rating	A+ (Japan Credit Rating Agency, Ltd.)
(12) Subordination	As to the payment of debt in the liquidation proceedings of the issuer, the bonds shall be subordinated to general indebtedness, be treated substantially pari passu with the most preferred stock of the issuer (if the issuer issues any in the future), and be senior to its common stock.
(13) Use of funds	For general working capital
(14) Underwriters	Daiwa Securities Co. Ltd. Mizuho Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
(15) Fiscal agent	Mizuho Bank, Ltd.
(16) Securities depository	Japan Securities Depository Center, Incorporated

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

Net income per share for the nine months ended December 31, 2018 was ¥161.10.

5. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Nine months ended December 31		2017	2018
Core profit	A	287,365	293,052
Capital gains		96,222	92,414
Gains on money held in trust		73,428	56,183
Gains on trading securities		-	-
Gains on sales of securities		22,793	36,230
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		95,762	149,886
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		42,969	55,920
Losses on valuation of securities		-	-
Losses on derivative financial instruments		18,795	51,588
Losses on foreign exchanges		252	1,189
Other capital losses		33,745	41,187
Net capital gains (losses)	B	460	(57,472)
Core profit including net capital gains (losses)	A+B	287,825	235,579
Other one-time gains		102,759	113,657
Reinsurance income		-	-
Reversal of contingency reserve		102,759	113,657
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		136,061	135,490
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		136,061	135,490
Other one-time profits (losses)	C	(33,302)	(21,833)
Ordinary profit	A+B+C	254,523	213,746

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥33,745 million for the nine months ended December 31, 2017 and ¥41,187 million for the nine months ended December 31, 2018) is recognized as “other capital losses” and included in core profit.
2. “Other” in “other one-time losses” includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥136,061 million for the nine months ended December 31, 2017 and ¥135,490 million for the nine months ended December 31, 2018).

6. Solvency Margin Ratio

(Millions of yen)

As of		March 31, 2018	December 31, 2018
Total amount of solvency margin	(A)	5,591,395	5,342,328
Capital stock, etc.		1,554,861	1,649,806
Reserve for price fluctuations		916,743	907,647
Contingency reserve		2,114,348	2,000,690
General reserve for possible loan losses		60	48
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		501,809	292,470
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,896)	(2,689)
Excess of continued Zillmerized reserve		506,467	493,776
Capital raised through debt financing		-	-
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin		-	-
Deductions		-	-
Other		-	577
Total amount of risk	(B)	989,104	956,690
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Insurance risk	R ₁	147,403	143,482
Underwriting risk of third-sector insurance	R ₈	63,087	60,418
Anticipated yield risk	R ₂	150,450	144,569
Minimum guarantee risk	R ₇	-	-
Investment risk	R ₃	792,377	767,286
Business management risk	R ₄	23,066	22,315
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,130.5%	1,116.8%

Note: These figures are calculated based on the provisions set forth in the public notification No. 50 issued by the Ministry of Finance in 1996, and Articles 86 and 87 of the Ordinance for Enforcement of the Insurance Business Act. However, figures for certain items are calculated based on methods deemed reasonable by the Company according to the provisions of the Ordinance for Enforcement of the Insurance Business Act, etc.

7. Separate Account for the Nine Months Ended December 31, 2018

Not applicable.

8. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Nine months ended December 31	2017	2018
Ordinary income	5,995,179	5,913,310
Ordinary profit	254,896	214,070
Net income attributable to Japan Post Insurance	75,009	96,676
Comprehensive income (loss)	388,240	(71,766)

As of	March 31, 2018	December 31, 2018
Total assets	76,831,261	74,490,180
Consolidated solvency margin ratio	1,131.8%	1,118.6%

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

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

(3) Unaudited Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2018	As of December 31, 2018
		Amount	Amount
ASSETS:			
Cash and deposits		898,504	961,968
Call loans		265,000	130,000
Receivables under securities borrowing transactions		3,296,222	3,182,295
Monetary claims bought		176,069	355,128
Money held in trust		2,814,873	2,778,143
Securities		60,130,909	58,492,753
Loans		7,627,147	6,778,780
Tangible fixed assets		100,915	109,087
Intangible fixed assets		163,265	152,621
Agency accounts receivable		33,715	27,309
Reinsurance receivables		3,227	3,798
Other assets		368,020	430,703
Deferred tax assets		954,085	1,088,276
Reserve for possible loan losses		(695)	(687)
Total assets		76,831,261	74,490,180
LIABILITIES:			
Policy reserves and others		69,948,383	67,878,453
Reserve for outstanding claims		548,196	485,649
Policy reserves		67,777,297	65,848,094
Reserve for policyholder dividends		1,622,889	1,544,709
Reinsurance payables		6,033	6,379
Payables under securities lending transactions		3,663,547	3,642,632
Other liabilities		229,514	97,457
Liability for retirement benefits		63,739	66,881
Reserve for management board benefit trust		172	152
Reserve for price fluctuations		916,743	907,647
Total liabilities		74,828,135	72,599,604
NET ASSETS:			
Capital stock		500,000	500,000
Capital surplus		500,044	500,044
Retained earnings		595,846	651,722
Treasury stock		(466)	(450)
Total shareholders' equity		1,595,424	1,651,316
Net unrealized gains (losses) on available-for-sale securities		403,913	235,794
Net deferred gains (losses) on hedges		32	28
Accumulated adjustments for retirement benefits		3,755	3,435
Total accumulated other comprehensive income		407,701	239,259
Total net assets		2,003,126	1,890,575
Total liabilities and net assets		76,831,261	74,490,180

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

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Term Items	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amount	Amount
ORDINARY INCOME	5,995,179	5,913,310
Insurance premiums and others	3,220,309	3,001,967
Investment income	971,666	915,070
[Interest and dividend income]	[875,207]	[822,178]
[Gains on money held in trust]	[73,428]	[56,183]
[Gains on sales of securities]	[22,793]	[36,230]
Other ordinary income	1,803,202	1,996,272
[Reversal of reserve for outstanding claims]	[51,740]	[62,546]
[Reversal of policy reserves]	[1,747,936]	[1,929,203]
ORDINARY EXPENSES	5,740,282	5,699,240
Insurance claims and others	5,184,670	5,114,317
[Insurance claims]	[4,269,596]	[4,080,138]
[Annuity payments]	[294,374]	[301,252]
[Benefits]	[50,338]	[64,832]
[Surrender benefits]	[388,074]	[478,677]
Provision for policy reserves and others	5	5
Provision for interest on policyholder dividends	5	5
Investment expenses	69,563	115,358
[Interest expenses]	[1,196]	[660]
[Losses on sales of securities]	[42,969]	[55,920]
[Losses on derivative financial instruments]	[18,795]	[51,588]
Operating expenses	397,083	384,411
Other ordinary expenses	88,959	85,147
ORDINARY PROFIT	254,896	214,070
EXTRAORDINARY GAINS	1,013	9,096
Gains on sales of fixed assets	1,013	-
Reversal of reserve for price fluctuations	-	9,096
EXTRAORDINARY LOSSES	49,132	1,060
Losses on sales and disposal of fixed assets	280	567
Impairment loss	2,003	492
Provision for reserve for price fluctuations	46,848	-
Provision for reserve for policyholder dividends	101,375	86,643
Income before income taxes	105,402	135,463
Income taxes - Current	118,479	108,372
Income taxes - Deferred	(88,087)	(69,585)
Total income taxes	30,392	38,786
Net income	75,009	96,676
Net income attributable to non-controlling interests	-	-
Net income attributable to Japan Post Insurance	75,009	96,676

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Term	Nine months ended December 31, 2017	Nine months ended December 31, 2018
		Amount	Amount
Net income		75,009	96,676
Other comprehensive income (loss)		313,230	(168,442)
Net unrealized gains (losses) on available-for-sale securities		313,572	(168,119)
Net deferred gains (losses) on hedges		(12)	(3)
Adjustments for retirement benefits		(328)	(319)
Total comprehensive income (loss)		388,240	(71,766)
Comprehensive income (loss) attributable to Japan Post Insurance		388,240	(71,766)
Comprehensive income (loss) attributable to non-controlling interests		-	-

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

(Notes to the Unaudited Consolidated Balance Sheet and Notes Related to Changes in Net Assets)

1. The outline of the risk management policy of policy-reserve-matching bonds is as follows:

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

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

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

2. Securities lent under lending agreements in the amount of ¥4,101,738 million were included in “Securities” in the consolidated balance sheet as of December 31, 2018.

3. Changes in reserve for policyholder dividends for the nine months ended December 31, 2018 were as follows:

a. Balance at the beginning of the fiscal year	¥1,622,889 million
b. Policyholder dividends paid during the nine months ended December 31, 2018	¥164,608 million
c. Interest accrual	¥5 million
d. Reduction due to the acquisition of additional annuity	¥220 million
e. Provision for reserve for policyholder dividends	¥86,643 million
f. Balance at the end of the nine months ended December 31, 2018	¥1,544,709 million

4. Dividends paid were as follows:

Resolution	Class of shares	Total amount (Millions of yen)	Per share amount (Yen)	Record date	Effective date	Source of dividends
Board of Directors' meeting held on May 15, 2018	Common stock	40,800	68.00	March 31, 2018	June 19, 2018	Retained earnings

(*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.

5. Notes on subsequent events are as follows:

The Company issued subordinated unsecured bonds for domestic public offering on January 29, 2019 as follows, and has completed payments on the same date.

(1) Name of bond	First series of subordinated unsecured bonds with interest deferral option and early redemption option
(2) Principal amount	¥100 billion
(3) Denomination	¥100 million
(4) Maturity date	January 29, 2049 The Company may, at its discretion, redeem the bond (i) on any interest payment date on and after January 29, 2029 or (ii) upon the occurrence and continuation of a regulatory event, a tax deductibility event or a rating agency event on and after the payment date, subject to a prior approval of the regulatory authority.
(5) Interest rate	(i) From the day immediately following January 29, 2019 until January 29, 2029: 1.00% per annum (ii) From the day immediately following January 29, 2029: 6-month Japanese yen LIBOR plus 1.78%
(6) Interest payment dates	January 29 and July 29 of each year
(7) Issue price	¥100 per amount of ¥100 of each bond
(8) Redemption price	¥100 per amount of ¥100 of each bond
(9) Payment date	January 29, 2019
(10) Collateral and guarantees	No collateral or guarantee will be provided
(11) Credit rating	A+ (Japan Credit Rating Agency, Ltd.)
(12) Subordination	As to the payment of debt in the liquidation proceedings of the issuer, the bonds shall be subordinated to general indebtedness, be treated substantially pari passu with the most preferred stock of the issuer (if the issuer issues any in the future), and be senior to its common stock.
(13) Use of funds	For general working capital
(14) Underwriters	Daiwa Securities Co. Ltd. Mizuho Securities Co., Ltd. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
(15) Fiscal agent	Mizuho Bank, Ltd.
(16) Securities depository	Japan Securities Depository Center, Incorporated

(Notes to the Unaudited Consolidated Statement of Income)

1. Net income per share for the nine months ended December 31, 2018 was ¥161.18.
2. Depreciation and amortization for the nine months ended December 31, 2018 was ¥43,662 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

As of	March 31, 2018	December 31, 2018
Total amount of solvency margin (A)	5,595,880	5,341,751
Capital stock, etc.	1,554,624	1,649,615
Reserve for price fluctuations	916,743	907,647
Contingency reserve	2,114,348	2,000,690
Catastrophe loss reserve	-	-
General reserve for possible loan losses	60	48
(Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	501,809	292,470
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	(2,896)	(2,689)
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)	5,218	4,774
Excess of continued Zillmerized reserve	506,467	493,776
Capital raised through debt financing	-	-
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	(495)	(5,160)
Other	-	577
Total amount of risk (B)	988,803	955,009
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2 + R_4 + R_6}$		
Insurance risk R ₁	147,403	143,482
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
Underwriting risk of third-sector insurance R ₈	63,087	60,418
Small amount and short-term insurance risk R ₉	-	-
Anticipated yield risk R ₂	150,450	144,569
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	792,075	765,598
Business management risk R ₄	23,060	22,281
Solvency margin ratio		
$\frac{(A)}{(1/2) \times (B)} \times 100$	1,131.8%	1,118.6%

Note: These figures are calculated based on the provisions set forth in the public notification No. 23 issued by the Financial Services Agency in 2011, and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act. However, figures for certain items are calculated based on methods deemed reasonable by the Company according to the provisions of the Ordinance for Enforcement of the Insurance Business Act, etc.

(6) Segment Information

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