

UNOFFICIAL TRANSLATION

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February 14, 2020
JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for
the Nine Months Ended December 31, 2019**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; Tetsuya Senda, President, CEO, Representative Executive Officer) hereby announces its financial results for the nine months ended December 31, 2019 (April 1, 2019 to December 31, 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		December 31, 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	17,547	97.0	51,124.5	96.5
Individual annuities	1,268	2,329.4	1,195	94.3	2,028.5	87.1
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	2018				2019					
	Number of policies	Policy amount			Number of policies		Policy amount			
		New policies	Net increase arising from the conversion		% of December 31, 2018 total	% of December 31, 2018 total	New policies	Net increase arising from the conversion		
Individual insurance	1,324	4,294.7	4,294.7	-	634	47.9	1,859.4	43.3	1,859.4	-
Individual annuities	0	1.6	1.6	-	0	160.5	3.5	208.8	3.5	-
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	December 31, 2019	
			% of March 31, 2019 total
Individual insurance	3,363.9	3,233.5	96.1
Individual annuities	452.4	424.1	93.7
Total	3,816.4	3,657.7	95.8
Medical coverage, living benefits and other	410.9	403.3	98.2

▪ New Policies

(Billions of yen, %)

Nine months ended December 31	2018	2019	
			% of December 31, 2018 total
Individual insurance	273.7	143.8	52.6
Individual annuities	0.1	0.3	213.5
Total	273.8	144.1	52.6
Medical coverage, living benefits and other	48.7	22.0	45.2

- 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, 2019		December 31, 2019	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,061.3	1.4	1,315.2	1.8
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	2,792.2	3.8	2,515.6	3.5
Monetary claims bought	354.9	0.5	373.9	0.5
Trading account securities	-	-	-	-
Money held in trust	2,787.5	3.8	3,368.0	4.7
Securities	58,452.5	79.1	56,709.3	78.9
Corporate and government bonds	51,128.7	69.2	49,499.3	68.9
Domestic stocks	206.5	0.3	283.1	0.4
Foreign securities	5,284.9	7.2	4,902.6	6.8
Foreign corporate and government bonds	5,108.7	6.9	4,733.9	6.6
Foreign stocks and other securities	176.1	0.2	168.7	0.2
Other securities	1,832.3	2.5	2,024.1	2.8
Loans	6,786.0	9.2	6,031.3	8.4
Real estate	91.0	0.1	89.4	0.1
Deferred tax assets	1,021.9	1.4	976.3	1.4
Other	557.2	0.8	503.7	0.7
Reserve for possible loan losses	(0.4)	(0.0)	(0.5)	(0.0)
Total	73,904.5	100.0	71,882.6	100.0
Foreign currency-denominated assets	5,513.1	7.5	5,252.4	7.3

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, 2019					December 31, 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	36,030.1	42,605.2	6,575.0	6,575.1	0.0
Policy-reserve-matching bonds	10,570.0	11,724.3	1,154.3	1,154.8	0.5	9,805.4	10,878.4	1,073.0	1,073.9	0.9
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	14,191.1	14,824.6	633.4	776.6	143.1	13,928.3	14,953.3	1,024.9	1,084.7	59.8
Corporate and government bonds	4,197.3	4,265.4	68.0	69.7	1.7	3,701.7	3,761.7	59.9	61.2	1.2
Domestic stocks	1,475.6	1,756.0	280.4	355.1	74.6	1,610.6	2,050.1	439.5	486.1	46.6
Foreign securities	5,503.2	5,778.6	275.3	326.3	50.9	5,019.5	5,457.4	437.9	443.7	5.8
Foreign corporate and government bonds	4,826.6	5,010.7	184.1	230.9	46.7	4,329.3	4,635.9	306.6	309.8	3.1
Foreign stocks and other securities	676.5	767.8	91.2	95.4	4.2	690.2	821.4	131.2	133.9	2.7
Other securities	2,257.1	2,264.5	7.4	23.2	15.7	2,539.4	2,625.0	85.6	91.6	6.0
Monetary claims bought	352.7	354.9	2.1	2.1	-	372.0	373.9	1.9	1.9	-
Negotiable certificates of deposit	405.0	405.0	-	-	-	685.0	685.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	61,152.5	69,662.4	8,509.9	8,654.0	144.1	59,763.9	68,437.0	8,673.0	8,733.8	60.8
Corporate and government bonds	51,060.7	59,003.9	7,943.1	7,945.8	2.6	49,439.3	57,146.9	7,707.5	7,709.8	2.2
Domestic stocks	1,475.6	1,756.0	280.4	355.1	74.6	1,610.6	2,050.1	439.5	486.1	46.6
Foreign securities	5,601.2	5,877.9	276.7	327.6	50.9	5,117.5	5,555.9	438.3	444.2	5.8
Foreign corporate and government bonds	4,924.6	5,110.1	185.4	232.2	46.7	4,427.3	4,734.4	307.1	310.2	3.1
Foreign stocks and other securities	676.5	767.8	91.2	95.4	4.2	690.2	821.4	131.2	133.9	2.7
Other securities	2,257.1	2,264.5	7.4	23.2	15.7	2,539.4	2,625.0	85.6	91.6	6.0
Monetary claims bought	352.7	354.9	2.1	2.1	-	372.0	373.9	1.9	1.9	-
Negotiable certificates of deposit	405.0	405.0	-	-	-	685.0	685.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,190.8 billion with net unrealized gains of ¥392.8 billion as of March 31, 2019 and ¥2,450.3 billion with net unrealized gains of ¥584.8 billion as of December 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	December 31, 2019
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	5.9	10.3
Available-for-sale securities	161.1	274.0
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	156.9	269.7
Total	167.1	284.4

Notes: 1. This table includes money held in trust other than trading securities (¥156.9 billion as of March 31, 2019 and ¥269.7 billion as of December 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 ¥(1.4) billion as of March 31, 2019 and ¥(2.6) billion as of December 31, 2019.

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, 2019					December 31, 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	-	-	-	3,097.2	3,097.2	-	-	-

- 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					December 31, 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	2,512.3	3,097.2	584.8	626.1	41.3

Note: Fair value information of money held in trust does not include other money held in trust for which the fair value is deemed extremely difficult to determine (¥160.3 billion as of March 31, 2019 and ¥270.7 billion as of December 31, 2019).

3. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Term	As of March 31, 2019	As of December 31, 2019
		Amount	Amount
ASSETS:			
Cash and deposits		911,343	1,135,249
Call loans		150,000	180,000
Receivables under securities borrowing transactions		2,792,202	2,515,652
Monetary claims bought		354,958	373,963
Money held in trust		2,787,555	3,368,002
Securities		58,452,565	56,709,348
[Japanese government bonds]		[38,041,414]	[37,036,285]
[Japanese local government bonds]		[7,524,415]	[6,979,743]
[Japanese corporate bonds]		[5,562,928]	[5,483,278]
[Stocks]		[206,568]	[283,151]
[Foreign securities]		[5,284,936]	[4,902,699]
Loans		6,786,074	6,031,397
Policy loans		144,566	148,715
Industrial and commercial loans		991,309	1,003,241
Loans to the Management Network		5,650,198	4,879,441
Tangible fixed assets		107,865	110,237
Intangible fixed assets		158,574	142,632
Agency accounts receivable		21,960	37,958
Reinsurance receivables		3,872	4,245
Other assets		356,063	298,071
Deferred tax assets		1,021,999	976,377
Reserve for possible loan losses		(459)	(502)
Total assets		73,904,576	71,882,635
LIABILITIES:			
Policy reserves and others		67,093,751	64,966,307
Reserve for outstanding claims		519,568	429,179
Policy reserves		65,060,549	63,084,219
Reserve for policyholder dividends		1,513,634	1,452,908
Reinsurance payables		6,470	6,634
Bonds payable		100,000	100,000
Other liabilities		3,605,644	3,485,989
Payables under securities lending transactions		3,422,810	3,291,890
Income taxes payable		44,161	32,793
Lease obligations		2,140	2,217
Asset retirement obligation		5	5
Other liabilities		136,525	159,082
Reserve for employees' retirement benefits		68,450	71,145
Reserve for management board benefit trust		203	192
Reserve for price fluctuations		897,492	887,657
Total liabilities		71,772,012	69,517,928
NET ASSETS:			
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	722,202
Legal retained earnings		47,569	60,485
Other retained earnings		628,672	661,716
Reserve for reduction entry of real estate		5,805	5,610
Retained earnings brought forward		622,867	656,106
Treasury stock		(450)	(445)
Total shareholders' equity		1,675,836	1,626,801
Net unrealized gains (losses) on available-for-sale securities		456,694	737,888
Net deferred gains (losses) on hedges		33	16
Total valuation and translation adjustments		456,727	737,905
Total net assets		2,132,564	2,364,706
Total liabilities and net assets		73,904,576	71,882,635

4. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Term	Nine months ended December 31, 2018	Nine months ended December 31, 2019
		Amount	Amount
ORDINARY INCOME		5,913,309	5,461,550
Insurance premiums and others		3,001,967	2,525,729
[Insurance premiums]		[2,991,247]	[2,513,745]
Investment income		915,070	867,407
[Interest and dividend income]		[822,178]	[793,457]
[Gains on money held in trust]		[56,183]	[44,368]
[Gains on sales of securities]		[36,230]	[29,067]
Other ordinary income		1,996,271	2,068,413
[Reversal of reserve for outstanding claims]		[62,546]	[90,388]
[Reversal of policy reserves]		[1,929,203]	[1,976,329]
ORDINARY EXPENSES		5,699,563	5,227,269
Insurance claims and others		5,114,317	4,681,110
[Insurance claims]		[4,080,138]	[3,703,770]
[Annuity payments]		[301,252]	[298,275]
[Benefits]		[64,832]	[82,861]
[Surrender benefits]		[478,677]	[447,853]
[Other refunds]		[172,110]	[130,476]
Provision for policy reserves and others		5	6
Provision for interest on policyholder dividends		5	6
Investment expenses		115,358	91,359
[Interest expenses]		[660]	[1,532]
[Losses on sales of securities]		[55,920]	[20,126]
[Losses on derivative financial instruments]		[51,588]	[59,890]
Operating expenses		383,905	367,485
Other ordinary expenses		85,976	87,308
ORDINARY PROFIT		213,746	234,281
EXTRAORDINARY GAINS		9,096	10,228
Gains on sales of fixed assets		-	393
Reversal of reserve for price fluctuations		9,096	9,835
EXTRAORDINARY LOSSES		1,060	266
Losses on sales and disposal of fixed assets		567	266
Impairment loss		492	-
Provision for reserve for policyholder dividends		86,643	81,314
Income before income taxes		135,138	162,928
Income taxes - Current		108,097	110,702
Income taxes - Deferred		(69,587)	(63,282)
Total income taxes		38,509	47,420
Net income		96,629	115,508

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2019

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

1. Securities lent under lending agreements in the amount of ¥4,148,876 million were included in “Securities” in the balance sheet as of December 31, 2019.

2. Changes in reserve for policyholder dividends for the nine months ended December 31, 2019 were as follows:

Balance at the beginning of the fiscal year	¥1,513,634 million
Policyholder dividends paid during the nine months ended December 31, 2019	¥141,827 million
Interest accrual	¥6 million
Reduction due to the acquisition of additional annuity	¥219 million
Provision for reserve for policyholder dividends	¥81,314 million
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Balance at the end of the nine months ended December 31, 2019	¥1,452,908 million

3. 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, 2019	Common stock	43,200	72.00	March 31, 2019	June 18, 2019	Retained earnings
Board of Directors' meeting held on November 14, 2019	Common stock	21,378	38.00	September 30, 2019	December 6, 2019	Retained earnings

(*1) Total amount of dividends resolved at the Board of Directors' meeting held on May 15, 2019 includes ¥13 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

In addition, the amount of dividends per share includes a special dividend of ¥4 per share.

(*2) Total amount of dividends resolved at the Board of Directors' meeting held on November 14, 2019 includes ¥6 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

4. Treasury stock increased by ¥99,999 million due to the acquisition of 37,411 thousand shares of treasury stock on April 8, 2019, based on the resolution at the Board of Directors meeting held on April 4, 2019.

Meanwhile, other capital surplus and treasury stock each decreased by ¥99,970 million, due to the cancellation of 37,400 thousand shares of treasury stock on May 31, 2019, based on the resolution at the Board of Directors meeting held on May 15, 2019.

Since the balance of other capital surplus amounted to ¥(4,970) million due to the cancellation of treasury stock, other capital surplus was reduced to nil whereby the aforementioned negative value was deducted from retained earnings brought forward, pursuant to “Accounting Standard for Treasury Shares and Appropriation of Legal Reserve, etc.” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 1, March 26, 2015).

Retained earnings brought forward at the end of the nine months ended December 31, 2019 increased by ¥33,238 million from the end of the previous fiscal year, to ¥656,106 million, while treasury stock decreased by ¥5 million to ¥445 million.

5. Investigation into the Company's handling of insurance policies and the remedial measures involved

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

The investigations included the investigation of specified rewriting cases to grasp the situation of customers likely to have suffered disadvantages from the rewriting of policies, as well as the investigation of all insurance policies where the Company sent notification documents with reply cards to customers of all other policies that were not subject to the investigation of specified rewriting cases, asking them to reconfirm their intentions and to let the Company know of any points it should be aware of, whereby the Company made necessary responses and investigations according to the results of the reconfirmation.

In conjunction with the progress made in these investigations until December 31, 2019, the Company, with regard to the investigation of specified rewriting cases, has reasonably estimated the amounts equivalent to the refund of premiums, payments of insurance claims and others or the expenses to be incurred in order to make these payments to customers that are necessary for the reinstatement of policies and other actions, and recorded a provision under other liabilities. Furthermore, with regard to the cases which have been discovered, as a result of the investigation of all insurance policies etc., likely to have caused disadvantages to customers based on their replies and opinions, the Company has reasonably estimated the expenses to be incurred in order to make payments to customers to compensate for their disadvantages, and recorded a provision under other liabilities. These amounts totaled ¥4,053 million.

Due to the investigation of all insurance policies, the Company grasped cases where the intentions of customers were not confirmed, such as cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of customers. The impact of these cases on the financial results of the Company could not be reasonably estimated, and accordingly, such impact has been reflected on neither the non-consolidated financial statements for the third quarter of the fiscal year ending March 31, 2020 nor those for the nine months ended December 31, 2019.

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. Following the administrative dispositions, a business improvement plan was formulated and it was submitted to the Financial Services Agency of Japan as of January 31, 2020. The Company accepts the seriousness of administrative dispositions and is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts. Furthermore, the progress in the investigations to be conducted based on the business improvement plan and other factors may affect the financial results of the Company in the future.

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

Net income per share for the nine months ended December 31, 2019 was ¥204.84.

5. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

Nine months ended December 31		2018	2019
Core profit	A	293,052	300,431
Capital gains		92,414	73,435
Gains on money held in trust		56,183	44,368
Gains on trading securities		-	-
Gains on sales of securities		36,230	29,067
Gains on derivative financial instruments		-	-
Gains on foreign exchanges		-	-
Other capital gains		-	-
Capital losses		149,886	130,864
Losses on money held in trust		-	-
Losses on trading securities		-	-
Losses on sales of securities		55,920	20,126
Losses on valuation of securities		-	-
Losses on derivative financial instruments		51,588	59,890
Losses on foreign exchanges		1,189	2,348
Other capital losses		41,187	48,497
Net capital gains (losses)	B	(57,472)	(57,428)
Core profit including net capital gains (losses)	A+B	235,579	243,002
Other one-time gains		113,657	124,327
Reinsurance income		-	-
Reversal of contingency reserve		113,657	124,327
Reversal of specific reserve for possible loan losses		-	-
Other		-	-
Other one-time losses		135,490	133,049
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		135,490	133,049
Other one-time profits (losses)	C	(21,833)	(8,721)
Ordinary profit	A+B+C	213,746	234,281

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥41,187 million for the nine months ended December 31, 2018 and ¥48,497 million for the nine months ended December 31, 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 (¥135,490 million for the nine months ended December 31, 2018 and ¥133,049 million for the nine months ended December 31, 2019).

6. Solvency Margin Ratio

(Millions of yen)

As of		March 31, 2019	December 31, 2019
Total amount of solvency margin	(A)	5,649,027	5,834,500
Capital stock, etc.		1,632,636	1,624,260
Reserve for price fluctuations		897,492	887,657
Contingency reserve		1,962,755	1,838,428
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	919,879
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		(2,336)	19
Excess of continued Zillmerized reserve		489,649	463,666
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		-	550
Total amount of risk	(B)	950,952	1,032,953
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$			
Insurance risk	R ₁	142,209	138,463
Underwriting risk of third-sector insurance	R ₈	59,172	55,624
Anticipated yield risk	R ₂	141,866	138,019
Minimum guarantee risk	R ₇	-	-
Investment risk	R ₃	764,830	852,406
Business management risk	R ₄	22,161	23,690
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,188.0%	1,129.6%

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. 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, 2019

Not applicable.

8. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

Nine months ended December 31	2018	2019
Ordinary income	5,913,310	5,461,552
Ordinary profit	214,070	233,976
Net income attributable to Japan Post Insurance	96,676	115,008
Comprehensive income (loss)	(71,766)	395,868

As of	March 31, 2019	December 31, 2019
Total assets	73,905,017	71,883,264
Consolidated solvency margin ratio	1,189.8%	1,131.6%

(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, 2019	As of December 31, 2019
		Amount	Amount
ASSETS:			
Cash and deposits		917,708	1,140,755
Call loans		150,000	180,000
Receivables under securities borrowing transactions		2,792,202	2,515,652
Monetary claims bought		354,958	373,963
Money held in trust		2,787,555	3,368,002
Securities		58,451,581	56,708,364
Loans		6,786,074	6,031,397
Tangible fixed assets		108,422	110,763
Intangible fixed assets		153,271	138,265
Agency accounts receivable		21,960	37,958
Reinsurance receivables		3,872	4,245
Other assets		355,776	297,997
Deferred tax assets		1,022,091	976,398
Reserve for possible loan losses		(459)	(502)
Total assets		73,905,017	71,883,264
LIABILITIES:			
Policy reserves and others		67,093,751	64,966,307
Reserve for outstanding claims		519,568	429,179
Policy reserves		65,060,549	63,084,219
Reserve for policyholder dividends		1,513,634	1,452,908
Reinsurance payables		6,470	6,634
Bonds payable		100,000	100,000
Payables under securities lending transactions		3,422,810	3,291,890
Other liabilities		183,889	195,637
Liability for retirement benefits		65,262	68,480
Reserve for management board benefit trust		203	192
Reserve for price fluctuations		897,492	887,657
Total liabilities		71,769,880	69,516,800
NET ASSETS:			
Capital stock		500,000	500,000
Capital surplus		500,044	405,044
Retained earnings		675,526	720,986
Treasury stock		(450)	(445)
Total shareholders' equity		1,675,120	1,625,585
Net unrealized gains (losses) on available-for-sale securities		456,694	737,888
Net deferred gains (losses) on hedges		33	16
Accumulated adjustments for retirement benefits		3,289	2,971
Total accumulated other comprehensive income		460,017	740,877
Total net assets		2,135,137	2,366,463
Total liabilities and net assets		73,905,017	71,883,264

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

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Term	Nine months ended December 31, 2018	Nine months ended December 31, 2019
		Amount	Amount
ORDINARY INCOME		5,913,310	5,461,552
Insurance premiums and others		3,001,967	2,525,729
Investment income		915,070	867,407
[Interest and dividend income]		[822,178]	[793,457]
[Gains on money held in trust]		[56,183]	[44,368]
[Gains on sales of securities]		[36,230]	[29,067]
Other ordinary income		1,996,272	2,068,415
[Reversal of reserve for outstanding claims]		[62,546]	[90,388]
[Reversal of policy reserves]		[1,929,203]	[1,976,329]
ORDINARY EXPENSES		5,699,240	5,227,575
Insurance claims and others		5,114,317	4,681,110
[Insurance claims]		[4,080,138]	[3,703,770]
[Annuity payments]		[301,252]	[298,275]
[Benefits]		[64,832]	[82,861]
[Surrender benefits]		[478,677]	[447,853]
Provision for policy reserves and others		5	6
Provision for interest on policyholder dividends		5	6
Investment expenses		115,358	91,361
[Interest expenses]		[660]	[1,533]
[Losses on sales of securities]		[55,920]	[20,126]
[Losses on derivative financial instruments]		[51,588]	[59,890]
Operating expenses		384,411	368,834
Other ordinary expenses		85,147	86,263
ORDINARY PROFIT		214,070	233,976
EXTRAORDINARY GAINS		9,096	10,228
Gains on sales of fixed assets		-	393
Reversal of reserve for price fluctuations		9,096	9,835
EXTRAORDINARY LOSSES		1,060	266
Losses on sales and disposal of fixed assets		567	266
Impairment loss		492	-
Provision for reserve for policyholder dividends		86,643	81,314
Income before income taxes		135,463	162,624
Income taxes - Current		108,372	110,702
Income taxes - Deferred		(69,585)	(63,087)
Total income taxes		38,786	47,615
Net income		96,676	115,008
Net income attributable to non-controlling interests		-	-
Net income attributable to Japan Post Insurance		96,676	115,008

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Term	Nine months ended December 31, 2018	Nine months ended December 31, 2019
		Amount	Amount
Net income		96,676	115,008
Other comprehensive income (loss)		(168,442)	280,860
Net unrealized gains (losses) on available-for-sale securities		(168,119)	281,194
Net deferred gains (losses) on hedges		(3)	(16)
Adjustments for retirement benefits		(319)	(317)
Total comprehensive income (loss)		(71,766)	395,868
Comprehensive income (loss) attributable to Japan Post Insurance		(71,766)	395,868
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, 2019

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

1. Securities lent under lending agreements in the amount of ¥4,148,876 million were included in “Securities” in the consolidated balance sheet as of December 31, 2019.

2. Changes in reserve for policyholder dividends for the nine months ended December 31, 2019 were as follows:

Balance at the beginning of the fiscal year	¥1,513,634 million
Policyholder dividends paid during the nine months ended December 31, 2019	¥141,827 million
Interest accrual	¥6 million
Reduction due to the acquisition of additional annuity	¥219 million
Provision for reserve for policyholder dividends	¥81,314 million
Balance at the end of the nine months ended December 31, 2019	¥1,452,908 million

3. 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, 2019	Common stock	43,200	72.00	March 31, 2019	June 18, 2019	Retained earnings
Board of Directors’ meeting held on November 14, 2019	Common stock	21,378	38.00	September 30, 2019	December 6, 2019	Retained earnings

(*1) Total amount of dividends resolved at the Board of Directors’ meeting held on May 15, 2019 includes ¥13 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

In addition, the amount of dividends per share includes a special dividend of ¥4 per share.

(*2) Total amount of dividends resolved at the Board of Directors’ meeting held on November 14, 2019 includes ¥6 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

4. Treasury stock increased by ¥99,999 million due to the acquisition of 37,411 thousand shares of treasury stock on April 8, 2019, based on the resolution at the Board of Directors meeting held on April 4, 2019.

Meanwhile, capital surplus and treasury stock each decreased by ¥99,970 million, due to the cancellation of 37,400 thousand shares of treasury stock on May 31, 2019, based on the resolution at the Board of Directors meeting held on May 15, 2019.

Since the balance of other capital surplus under the heading of capital surplus amounted to ¥(4,970) million due to the cancellation of treasury stock, other capital surplus was reduced to nil whereby the aforementioned negative value was deducted from other retained earnings, pursuant to “Accounting Standard for Treasury Shares and Appropriation of Legal Reserve, etc.” (ASBJ Statement No. 1, March 26, 2015).

Capital surplus at the end of the nine months ended December 31, 2019 decreased by ¥95,000 million from the end of the previous fiscal year, to ¥405,044 million. Likewise, retained earnings increased by ¥45,460 million to ¥720,986 million, while treasury stock decreased by ¥5 million to ¥445 million.

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

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

The investigations included the investigation of specified rewriting cases to grasp the situation of customers likely to have suffered disadvantages from the rewriting of policies, as well as the investigation of all insurance policies where the Company sent notification documents with reply cards to customers of all other policies that were not subject to the investigation of specified rewriting cases, asking them to reconfirm their intentions and to let the Company know of any points it should be aware of, whereby the Company made necessary responses and investigations according to the results of the reconfirmation.

In conjunction with the progress made in these investigations until December 31, 2019, the Company, with regard to the investigation of specified rewriting cases, has reasonably estimated the amounts equivalent to the refund of premiums, payments of insurance claims and others or the expenses to be incurred in order to make these payments to customers that are necessary for the reinstatement of policies and other actions, and recorded a provision under other liabilities. Furthermore, with regard to the cases which have been discovered, as a result of the investigation of all insurance policies etc., likely to have caused disadvantages to customers based on their replies and opinions, the Company has reasonably estimated the expenses to be incurred in order to make payments to customers to compensate for their disadvantages, and recorded a provision under other liabilities. These amounts totaled ¥4,053 million.

Due to the investigation of all insurance policies, the Company grasped cases where the intentions of customers were not confirmed, such as cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of customers. The impact of these cases on the financial results of the Company could not be reasonably estimated, and accordingly, such impact has been reflected on neither the consolidated financial statements for the third quarter of the fiscal year ending March 31, 2020 nor those for the nine months ended December 31, 2019.

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. Following the administrative dispositions, a business improvement plan was formulated and it was submitted to the Financial Services Agency of Japan as of January 31, 2020. The Company accepts the seriousness of administrative dispositions and is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts. Furthermore, the progress in the investigations to be conducted based on the business improvement plan and other factors may affect the financial results of the Company in the future.

(Notes to the Unaudited Consolidated Statement of Income)

1. Net income per share for the nine months ended December 31, 2019 was ¥203.95.
2. Depreciation and amortization for the nine months ended December 31, 2019 was ¥42,318 million.

(5) Consolidated Solvency Margin Ratio

(Millions of yen)

As of	March 31, 2019	December 31, 2019
Total amount of solvency margin (A)	5,647,874	5,828,016
Capital stock, etc.	1,631,920	1,623,045
Reserve for price fluctuations	897,492	887,657
Contingency reserve	1,962,755	1,838,428
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	919,879
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	4,128
Excess of continued Zillmerized reserve	489,649	463,666
Capital raised through debt financing	100,000	100,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	-	-
Deductions	(5,006)	(9,396)
Other	-	550
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	1,029,988
Insurance risk R ₁	142,209	138,463
General insurance risk R ₅	-	-
Catastrophe risk R ₆	-	-
Underwriting risk of third-sector insurance R ₈	59,172	55,624
Small amount and short-term insurance risk R ₉	-	-
Anticipated yield risk R ₂	141,866	138,019
Minimum guarantee risk R ₇	-	-
Investment risk R ₃	763,194	849,445
Business management risk R ₄	22,128	23,631
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$	1,189.8%	1,131.6%

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. 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.