Items Disclosed on the Internet Concerning the Convocation Notice of the 15th Ordinary General Meeting of Shareholders

The 15th Fiscal Year (from April 1, 2020 to March 31, 2021)

1. Notes to the Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2021
2. Notes to the Non-Consolidated Financial Statements as of and for the Fiscal Year Ended March 31, 2021

JAPAN POST INSURANCE Co., Ltd.

Pursuant to laws and regulations, and the provision of Article 15 of the Articles of Incorporation, notes to the consolidated financial statements and notes to the non-consolidated financial statements are disclosed through postings on our website (https://www.jp-life.japanpost.jp/en/index.html).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2021

(Basis for Preparation of the 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 both 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. Fiscal Year-end Date of the Consolidated Subsidiary
   The consolidated subsidiary has the same fiscal year-end date as that of consolidated financial statements.

(Notes to the 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 fiscal year, of which average market prices during the final month 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 fiscal year ended March 31, 2021 was ¥96 million.

2) Reserve for Insurance Claims and Others

With regard to policies that have been discovered through investigations to have likely caused disadvantages to customers in a way that is not in line with their intentions, reserve for insurance claims and others is provided in the projected amount of insurance claims arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

3) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares of the Company to Executive Officers of the Company in accordance with the Stock Benefit Rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(5) Employees' Retirement Benefits Accounting

1) Method for Attributing Expected Benefits to Periods

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

2) Method for Recognizing Actuarial Differences and Prior Service Cost

Actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

Prior service cost is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service lives for employees in the fiscal year of incurrence.

(Additional information)

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

(6) Reserve for Price Fluctuations

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

(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 fiscal year-end.

(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” (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.

(9) Policy Reserves

To prepare for the future performance of obligations under insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) and accumulated, pursuant to Article 116, Paragraph 1 of the Insurance Business Act.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as the “Management Network”) and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

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.

For the fiscal year ended March 31, 2021, additional policy reserves were accumulated for a portion of reinsurance contracts from the Management Network, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. As a result, the amount of additionally accumulated policy reserves was ¥245,841 million. However, there is no impact on ordinary profit and income before income taxes due to the reversal of contingency reserves in the same amount.

Among the policy reserves, contingency reserves are accumulated to ensure the future performance of obligations under insurance contracts in the amount of risks that may accrue in the future, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves have been appropriately accumulated for each accounting period.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Unadopted Accounting Standards, etc.

・“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
・“Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
・“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
・“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

“Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter collectively referred to as “Accounting Standard for Fair Value Measurement, etc.”) have been developed in order to enhance the comparability of accounting standards with international accounting standards. Consequently, guidance, etc., for fair value measurement have been issued. The Accounting Standard for Fair Value Measurement, etc., shall apply to the fair values of the following items:

・ Financial instruments in the “Accounting Standard for Financial Instruments”

Additionally, the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised and the notes to the breakdown, etc., of the fair value of financial instruments by level and other items have been established.

(2) Scheduled Date of Adoption

Scheduled to be adopted from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of Adoption of the Accounting Standard

The impact is under assessment at the time of preparing these consolidated financial statements.

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

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

The Company has adopted the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Practical Issues Task Force (“PITF”) No. 30, March 26, 2015) with respect to the accounting treatment of the aforementioned trust agreement.

(1) Outline of the Transaction

In accordance with the predetermined Stock Benefit Rules, the Company shall grant its Executive Officers a certain number of points depending on the performance for the fiscal year, and later shall have the Board Benefit Trust (BBT) grant Executive Officers who meet the requirement for eligibility at the time of their retirement a number of shares of the Company equivalent to the number of such points accumulated up to their retirement, as well as the amount of money equivalent to a certain portion of such number of shares, as calculated by the fair value at the time of their retirement.

Shares to be granted to Executive Officers, including the portion of shares to be granted in the future, are managed separately as trust assets through purchases by the trust bank from the stock market using the fund held in trust in advance by the Company.

(2) Shares of the Company Held by Trust

Shares of the Company held by Trust are recorded as treasury stock under the category of net assets at book value in the Trust (excluding accompanying expenses). Book value of such treasury stock at the end of the fiscal year ended March 31, 2021 was ¥367 million, while the number of such treasury stock was 156,000 shares.

4. Matters Regarding Status of Financial Instruments and Fair Value of Financial Instruments were as follows:

(1) Matters Regarding Status of Financial Instruments

1) Policy for handling financial instruments

The Company promotes matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which yield is expected to be relatively higher than that of Japanese government bonds, as well as in "return-seeking assets" (which we previously referred to as "risk assets") including foreign bonds and stocks from the perspective of improving profitability as well as to strengthen the risk management system.

Derivative transactions are used mainly as a hedging method against foreign exchange fluctuation risk and interest rate risk to our investment assets.

2) Features and risks of financial instruments

Financial assets owned by the Company consist mainly of securities and loans, and are managed by using an asset liability management (ALM) framework. Such securities are exposed to the credit risk of their issuing bodies as well as market price fluctuation risk and interest rate risk. In addition, foreign-currency-denominated bonds are exposed to the foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to the interest rate risk.

Derivative transactions which the Company uses are mainly foreign exchange contracts and interest rate swaps. Derivative transactions are identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk. Other derivative transactions are used mainly for the purpose of hedging, and the market-related risk of derivative transactions is therefore reduced and limited.

3) Risk management framework for financial instruments

(i) Management of market risk

Market risk is the risk of losses resulting from fluctuation in the value of assets and liabilities held that include off-balance sheet assets and liabilities due to fluctuations in various market risk factors such as interest rates, foreign exchange rates, and stock prices. Market risk is categorized into interest rate risk and market price fluctuation risk for its management. Interest rate risk is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in yen and insurance liabilities due to fluctuations in yen interest rates, and the risk arises as the Company has a certain limit in matching assets with liabilities, as an insurance company with a mission to offer universal service products including endowment insurance and whole life insurance. Market price fluctuation risk is any market risk other than interest rate risk.

Among the company-wide risks including the market risk, the Company identifies those that can be quantified and manages the company-wide risks by comparing the capital amount and the company-wide integrated risk amount calculated based on the amount of quantified risks.

(ii) Management of credit risk

Credit risk is the risk of losses resulting from a decline or elimination in the value of assets including off-balance sheet assets due to deterioration in financial conditions of borrowers and other reasons.

In order to control investment and lending to borrowers with high credit risk, the Company manages its investment and lending by prescribing credit eligibility rules based on internal rating. Moreover, to prevent concentration of credit risk on a particular borrower, group or industry, the Company establishes credit limits corresponding to internal rating and standards of credit shares by industry.

The results of their activities are reported to the risk management committee regularly.

4) Additional notes concerning the fair value of financial instruments

The fair value of a financial instrument includes prices based on market quotations as well as rationally calculated prices for those whose market prices are not readily available. In calculating prices, certain premises and assumptions are adopted, and the use of different assumptions may lead to changes in pricing.

The contract amounts of derivative transactions in "(5) Derivative Transactions" do not indicate the market risk related to derivative transactions.

(2) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2021 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	1,335,014	1,335,014	-
Available-for-sale securities (negotiable certificates of deposit)	480,000	480,000	-
2) Call loans	130,000	130,000	-
3) Receivables under securities borrowing transactions	2,585,087	2,585,087	-
4) Monetary claims bought	276,772	276,772	-
Available-for-sale securities	276,772	276,772	-
5) Money held in trust (*1)	3,696,910	3,696,910	-
6) Securities	55,251,508	61,212,592	5,961,084
Held-to-maturity bonds	35,327,980	40,512,921	5,184,940
Policy-reserve-matching bonds	9,382,446	10,158,590	776,143
Available-for-sale securities	10,541,080	10,541,080	-
7) Loans	4,964,051	5,276,267	312,215
Policy loans	161,419	161,419	-
Industrial and commercial loans (*2)	996,127	1,039,595	43,503
Loans to the Management Network (*2)	3,806,540	4,075,252	268,711
Reserve for possible loan losses (*3)	(36)	-	-
Total assets	68,239,343	74,512,644	6,273,300
1) Bonds payable	300,000	300,290	290
2) Payables under securities lending transactions	4,587,469	4,587,469	-
Total liabilities	4,887,469	4,887,759	290
Derivative transactions (*4)			
Hedge accounting not applied	(855)	(855)	-
Hedge accounting applied	(155,809)	(155,809)	-
Total derivative transactions	(156,665)	(156,665)	-

(*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 “(4) 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 “(3) 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

Notes on the fair value of derivatives are presented in “(5) 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)	492,384
Securities	22,102
Unlisted stocks (*2)	4,735
Investment in partnership (*2)	17,366
Total	514,487

(*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.

Note 3: Redemption schedule of monetary claims and securities with maturities

(Millions of yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	1,334,352	-	-	-
Call loans	130,000	-	-	-
Receivables under securities borrowing transactions	2,585,087	-	-	-
Monetary claims bought	255,000	-	-	20,190
Securities	2,685,173	8,294,061	15,474,078	25,357,515
Held-to-maturity bonds	1,515,853	4,273,929	9,518,420	19,582,504
Bonds	1,515,853	4,273,929	9,518,420	19,582,504
Japanese government bonds	262,800	1,888,900	9,069,400	17,461,700
Japanese local government bonds	947,654	1,790,557	370,520	1,043,444
Japanese corporate bonds	305,399	594,472	78,500	1,077,360
Policy-reserve-matching bonds	812,852	2,128,817	2,614,200	3,641,625
Bonds	812,852	2,128,817	2,614,200	3,641,625
Japanese government bonds	772,400	1,791,200	2,529,000	2,532,900
Japanese local government bonds	37,193	251,464	300	269,125
Japanese corporate bonds	3,259	86,153	84,900	839,600
Available-for-sale securities with maturities	356,467	1,891,315	3,341,458	2,133,385
Bonds	232,020	761,433	1,261,021	1,256,417
Japanese government bonds	-	-	-	426,800
Japanese local government bonds	77,096	225,037	420,083	148,351
Japanese corporate bonds	154,924	536,395	840,937	681,266
Foreign securities	124,447	1,129,882	2,080,436	862,725
Other securities	-	-	-	14,241
Loans	1,031,140	2,077,422	1,181,901	674,020
Total	8,020,753	10,371,484	16,655,979	26,051,727

Note 4: Redemption schedule of bonds payable and payables under securities lending transactions

(Millions of yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Bonds payable	-	-	-	-	-	300,000
Payables under securities lending transactions	4,587,469	-	-	-	-	-
Total	4,587,469	-	-	-	-	300,000

(3) 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	33,566,561	38,792,499	5,225,937
Japanese government bonds	27,611,182	32,504,492	4,893,310
Japanese local government bonds	4,052,736	4,270,918	218,181
Japanese corporate bonds	1,902,643	2,017,088	114,445
Subtotal	33,566,561	38,792,499	5,225,937
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	1,761,418	1,720,422	(40,996)
Japanese government bonds	1,500,172	1,466,575	(33,597)
Japanese local government bonds	106,322	103,180	(3,142)
Japanese corporate bonds	154,923	150,666	(4,256)
Subtotal	1,761,418	1,720,422	(40,996)
Total	35,327,980	40,512,921	5,184,940

2) Policy-reserve-matching Bonds

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
Those for which fair value exceeds the consolidated balance sheet amount			
Bonds	8,424,838	9,223,337	798,498
Japanese government bonds	7,288,727	8,043,381	754,653
Japanese local government bonds	510,174	530,181	20,007
Japanese corporate bonds	625,937	649,774	23,837
Subtotal	8,424,838	9,223,337	798,498
Those for which fair value does not exceed the consolidated balance sheet amount			
Bonds	957,608	935,253	(22,355)
Japanese government bonds	517,536	504,247	(13,288)
Japanese local government bonds	48,073	47,687	(385)
Japanese corporate bonds	391,998	383,318	(8,680)
Subtotal	957,608	935,253	(22,355)
Total	9,382,446	10,158,590	776,143

3) Available-for-sale Securities

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference
Those for which the consolidated balance sheet amount exceeds cost			
Bonds	2,923,470	2,881,106	42,363
Japanese government bonds	387,722	384,298	3,424
Japanese local government bonds	723,518	720,815	2,703
Japanese corporate bonds	1,812,229	1,775,992	36,236
Stocks	375,790	298,652	77,138
Foreign securities	4,028,653	3,669,886	358,767
Foreign bonds	3,887,173	3,538,527	348,645
Other foreign securities	141,480	131,359	10,121
Other (*)	1,467,038	1,393,826	73,212
Subtotal	8,794,953	8,243,471	551,482
Those for which the consolidated balance sheet amount does not exceed cost			
Bonds	630,558	638,039	(7,480)
Japanese government bonds	40,330	41,136	(806)
Japanese local government bonds	152,683	153,236	(552)
Japanese corporate bonds	437,544	443,666	(6,122)
Stocks	23,067	24,177	(1,109)
Foreign securities	603,722	620,240	(16,518)
Foreign bonds	592,650	609,008	(16,358)
Other foreign securities	11,072	11,231	(159)
Other (*)	1,245,550	1,272,209	(26,658)
Subtotal	2,502,899	2,554,666	(51,766)
Total	11,297,852	10,798,137	499,715

(*) "Other" includes negotiable certificates of deposit (cost: ¥480,000 million, consolidated balance sheet amount: ¥480,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥275,183 million, consolidated balance sheet amount: ¥276,772 million).

4) Policy-reserve-matching Bonds Sold during the Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Sales	Gains	Losses
Bonds	219,915	3,006	-
Japanese government bonds	183,831	2,424	-
Japanese local government bonds	18,702	312	-
Japanese corporate bonds	17,381	269	-
Total	219,915	3,006	-

5) Available-for-sale Securities Sold during the Fiscal Year (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Sales	Gains	Losses
Bonds	140,960	1,869	1,063
Japanese government bonds	124,627	1,789	1,060
Japanese corporate bonds	16,333	80	3
Stocks	136,613	14,692	13,895
Foreign securities	127,647	853	4,326
Foreign bonds	95,207	853	1,812
Other foreign securities	32,440	-	2,513
Other securities	136,495	-	13,504
Total	541,718	17,416	32,789

(4) Money Held in Trust

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

(Millions of yen)

	Consolidated balance sheet amount	Cost	Difference	Those for which the consolidated balance sheet amount exceeds cost	Those for which the consolidated balance sheet amount does not exceed cost
Specified money held in trust	3,696,910	2,776,753	920,156	970,021	(49,865)

(*) The Group recognized losses on valuation of ¥13,285 million for the fiscal year ended March 31, 2021.

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.

(5) Derivative Transactions

1) Derivative transactions to which the hedge accounting is not applied

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	16,771	-	(889)	(889)
	U.S. dollars	16,771	-	(889)	(889)
	Bought	8,552	-	33	33
	U.S. dollars	8,552	-	33	33
Total		-	-	-	(855)

(*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate as of the consolidated fiscal year-end date.

2) Derivative transactions to which the hedge accounting is applied

Currency-related derivatives (Millions of yen)

Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Fair value hedge accounting	Forward foreign exchange	Foreign currency-denominated bonds			
	Sold		3,467,449	-	(155,809)
	U.S. dollars		1,973,848	-	(75,029)
	Euros		537,353	-	(19,578)
	Australian dollars		413,962	-	(35,464)
	Other		542,285	-	(25,737)
Total			-	-	(155,809)

(*) Method for calculating fair value

Fair value is calculated using the forward foreign exchange rate as of the consolidated fiscal year-end date.

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

(1) The consolidated balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥9,382,446 million and ¥10,158,590 million, respectively.

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

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

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

6. Securities lent under lending agreements in the amount of ¥5,249,528 million were included in "Securities" in the consolidated balance sheets as of March 31, 2021.

7. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, or restructured loans as of March 31, 2021. Definitions for each of the respective loans are as follows:

Bankrupt loans refer to non-accrual loans, excluding the balances already written off, which meet the conditions prescribed in Article 96, Paragraph 1, Item 3-(a) to (e) and Item 4 of the Order for Enforcement of the Corporation Tax Act (Ordinance No. 97 in 1965). Interest accruals of such loans are suspended since the principal or interest on such loans is unlikely to be collected due to delinquency in payments for them for a considerable period of time or other reasons.

Non-interest accrual loans are those loans for which interest payments have been suspended to assist and support the borrowers in the restructuring of their business.

Past due loans for three months or more are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date, excluding those classified as bankrupt loans and non-accrual loans.

Restructured loans are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business. This category excludes loans classified as bankrupt loans, non-interest accrual loans and past due loans for three months or more.

8. The balance of the unused credit under loan commitment line agreements, etc. as of March 31, 2021 was ¥24,863 million.

9. Accumulated depreciation for tangible fixed assets as of March 31, 2021 was ¥53,637 million.

10. Total deferred tax assets and total deferred tax liabilities were ¥1,349,468 million and ¥431,957 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥13,375 million.

Significant components of deferred tax assets include ¥1,011,450 million of policy reserves, ¥223,044 million of reserve for price fluctuations, ¥38,126 million of reserve for outstanding claims, ¥18,638 million of liability for retirement benefits, and ¥27,983 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥422,761 million of unrealized gains on available-for-sale securities.

Deferred tax assets associated with policy reserves and reserve for price fluctuations have the effect of reducing the amount of tax burden through future taxable income over the long term.

11. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2021 were as follows:

Balance at the beginning of the fiscal year	¥1,437,535 million
Policyholder dividends paid	¥159,817 million
Interest accrual	¥8 million
Reduction due to the acquisition of additional annuity	¥336 million
Provision for reserve for policyholder dividends	¥65,465 million
Balance at the end of the fiscal year	¥1,342,855 million

12. Equities, etc. of subsidiaries and affiliates was ¥17,862 million.

13. Assets pledged as collateral consisted of the following:

Securities	¥3,965,725 million

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

Payables under securities lending transactions	¥4,587,469 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	¥438,177 million
Margin deposits for futures transactions	¥1,105 million
Cash collateral paid for financial instruments	¥11,286 million

14. 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 March 31, 2021 was ¥418 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 March 31, 2021 were ¥935 million.

15. Net assets per share were ¥5,052.12.

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

Total number of treasury stock at the end of the fiscal year which was deducted from the calculation of net assets per share for the fiscal year ended March 31, 2021 was 156,200 shares.

16. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥2,909,293 million as of March 31, 2021.

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

18. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,629 million as of March 31, 2021 pursuant to Article 259 of the Insurance Business Act.

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

19. Matters related to retirement benefits are as follows:

(1) Outline of retirement benefits

The Company and its consolidated subsidiary have lump-sum severance indemnity plans which are an unfunded defined benefit plan.

In addition, starting from October 1, 2015, the Company has joined the retirement pension plan based on the Act for Partial Amendment of the Act on National Public Officers' Retirement Allowance, etc., for the Purpose of Review over the Levels of the Retirement Benefits for National Public Officers (Act No. 96 of 2012) and introduced as a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension, and the pension contribution amount required of the Company for the fiscal year ended March 31, 2021 was ¥369 million.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

	(Millions of yen)
Balance at the beginning of the fiscal year	66,060
Service cost	4,152
Interest cost	455
Actuarial differences	31
Benefits paid	(3,041)
Prior service cost	(1,273)
Other	30
Balance at the end of the fiscal year	66,414

(*) Prior service cost was recognized due to the revision of the lump-sum severance indemnity plans in association with the extension of mandatory retirement age from 60 to 65.

2) Balance of retirement benefit obligations and reconciliations of liability for retirement benefits recorded on the consolidated balance sheets

	(Millions of yen)
Unfunded retirement benefit obligations	66,414
Liability for retirement benefits recorded on the consolidated balance sheet	66,414

3) Retirement benefit costs

	(Millions of yen)
Service cost	4,152
Interest cost	455
Amortization of actuarial differences	(234)
Amortization of prior service cost	(434)
Other	134
Retirement benefit expenses of defined benefit plans	4,073

4) Adjustments for retirement benefits

The breakdown of adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of yen)
Prior service cost	839
Actuarial differences	(265)
Total	573

5) Accumulated adjustments for retirement benefits

The breakdown of accumulated adjustments for retirement benefits (before tax effect) is as follows:

	(Millions of yen)
Unrecognized prior service cost	4,186
Unrecognized actuarial differences	648
Total	4,835

6) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2021 was as follows:

Discount rate	0.3 to 0.7%

20. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥31,408,726 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 ¥1,129,662 million and ¥655,111 million, respectively, for the category of the reinsurance.

21. "Other liabilities" in the consolidated balance sheet includes ¥41,143 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 and which remains unpaid at the end of the fiscal year ended March 31, 2021.

22. Efforts to regain customers' trust

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. The Company is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts. Additionally, the Company has been confirming with all customers with insurance policies whether their insurance policies are in line with their intentions, and compensating customers who have suffered disadvantages.

In the fiscal year ended March 31, 2021, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others, and the corresponding adjustment to policy reserves as part of reversal of policy reserves, while recording a reduction of the net amount totaling ¥21,589 million from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million, a decrease as a result of reflecting the status of progress in the investigation of insurance policies in accounting estimates. Consequently, reserve for insurance claims and others stood at ¥2,851 million as of March 31, 2021. The amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are included in other ordinary income in the consolidated statement of income for the fiscal year ended March 31, 2021.

(Notes to the Consolidated Statement of Income)

1. Significant Accounting Policies

(1) Recognition of insurance premiums

The first premium is recognized for premiums that have been collected and for which the policy has commenced, in the amount collected. Premiums thereafter are recognized in the amount of each collection.

Portions of collected insurance premiums corresponding to the unearned period as of the fiscal year-end are accumulated as policy reserves, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(2) Recognition of insurance claims and others

When an insured event occurs and payment is made in the amount calculated based on the insurance contract, insurance claims and others (excluding reinsurance premiums) are recognized in the amount of such payment.

Reserve for outstanding claims has been accumulated for insurance claims, etc. for which payment is due but has not been paid at the fiscal year-end, or insurance claims, etc. for which the occurrence of the insured event has not been reported but the Company deems that the insured event provided in the insurance contract has occurred, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

(Additional information)

The Company has applied "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) to its consolidated financial statements from the fiscal year ended March 31, 2021. Accordingly, the Company has stated "(1) Recognition of insurance premiums" and "(2) Recognition of insurance claims and others" as accounting principles and procedures adopted in cases where the relevant accounting standards are not clear.

2. 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 fiscal year ended March 31, 2021 was ¥54 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥32 million.

3. Net income per share was ¥295.33.

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, 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 fiscal year which was deducted from the calculation of net income per share for the fiscal year ended March 31, 2021 was 159,503 shares.

4. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the fiscal year ended March 31, 2021 were ¥364,196 million.

5. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the fiscal year ended March 31, 2021 were ¥2,940,643 million.

6. 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 ¥46,710 million for the fiscal year ended March 31, 2021.

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

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

	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued				
Common stock	562,600	-	-	562,600
Treasury stock				
Common stock	178	0	10	167

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

(*2) The increase of 0 thousand shares in the number of treasury stock was attributable to the purchases of shares of less than one unit.

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

2. Stock Acquisition Rights Including Those Owned by the Company

Not applicable.

3. Information on Dividends

(1) Dividends Paid

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

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

(2) Dividends whose effective date falls after the end of the fiscal year ended March 31, 2021

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 May 14, 2021	Common stock	42,756	Retained earnings	76.00	March 31, 2021	June 17, 2021

(*) Total amount of dividends includes ¥11 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2021

(Notes to the Non-Consolidated Balance Sheet)

1. Significant Accounting Policies

(1) Valuation Criteria and Methods for Securities

Securities including cash and deposits as well as monetary claims bought which are equivalent to securities, and securities invested in money held in trust, are recorded based on the following:

1) Held-to-maturity Bonds

Held-to-maturity bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

2) Policy-reserve-matching Bonds

In accordance with “Temporary Treatment of Accounting and Auditing Concerning Policy-reserve-matching Bonds in the Insurance Industry” (Japanese Institute of Certified Public Accountants (“JICPA”) Industry Audit Committee Report No. 21), policy-reserve-matching bonds are carried at amortized cost and the cost of these securities sold is calculated using the moving-average method. Amortization is calculated using the straight-line method.

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

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 fiscal year, of which average market prices during the final month 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 fiscal year ended March 31, 2021 was ¥96 million.

2) Reserve for Insurance Claims and Others

With regard to policies that have been discovered through investigations to have likely caused disadvantages to customers in a way that was not in line with their intentions, reserve for insurance claims and others is provided in the projected amount of insurance claims arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

3) Reserve for Employees' Retirement Benefits

In order to provide for payment of retirement benefits to employees, a reserve for employees' retirement benefits is provided based on the projected amount of retirement benefit obligations at the end of the fiscal year.

(i) Method for Attributing Expected Benefits to Periods

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

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

Actuarial difference is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service period for employees from the fiscal year following the respective fiscal year in which the difference is incurred.

Prior service cost is amortized using the straight-line method over a period of 14 years, which is less than the estimated average remaining service lives for employees in the fiscal year of incurrence.

(Additional information)

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

4) Reserve for Management Board Benefit Trust

In order to provide for the granting of shares of the Company to Executive Officers of the Company in accordance with the Stock Benefit Rules, reserve for management board benefit trust is provided in the projected amount of stock benefit obligations.

(5) Reserve for Price Fluctuations

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

(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 fiscal year-end.

(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" (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

To prepare for the future performance of obligations under insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) and accumulated, pursuant to Article 116, Paragraph 1 of the Insurance Business Act.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as the "Management Network") and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

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.

For the fiscal year ended March 31, 2021, additional policy reserves were accumulated for a portion of reinsurance contracts from the Management Network, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. As a result, the amount of additionally accumulated policy reserves was ¥245,841 million. However, there is no impact on ordinary profit and income before income taxes due to the reversal of contingency reserves in the same amount.

Among the policy reserves, contingency reserves are accumulated to ensure the future performance of obligations under insurance contracts in the amount of risks that may accrue in the future, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.

The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves have been appropriately accumulated for each accounting period.

(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 CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2021 (Notes to the Consolidated Balance Sheet).

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

(1) The balance sheet amount and fair value of policy-reserve-matching bonds amount to ¥9,382,446 million and ¥10,158,590 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 ¥5,249,528 million were included in "Securities" in the balance sheets as of March 31, 2021.

5. There were no bankrupt loans, non-interest accrual loans, past due loans for three months or more, or restructured loans as of March 31, 2021. 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 March 31, 2021 was ¥24,863 million.

7. Accumulated depreciation for tangible fixed assets as of March 31, 2021 was ¥53,323 million.

8. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥245 million and ¥13,948 million, respectively.

9. Total deferred tax assets and total deferred tax liabilities were ¥1,349,644 million and ¥431,949 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥13,361 million.

Significant components of deferred tax assets include ¥1,011,450 million of policy reserves, ¥223,044 million of reserve for price fluctuations, ¥38,126 million of reserve for outstanding claims, ¥19,506 million of reserve for employees' retirement benefits, and ¥27,983 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥422,761 million of unrealized gains on available-for-sale securities.

Deferred tax assets associated with policy reserves and reserve for price fluctuations have the effect of reducing the amount of tax burden through future taxable income over the long term.

10. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2021 were as follows:

Balance at the beginning of the fiscal year	¥1,437,535 million
Policyholder dividends paid	¥159,817 million
Interest accrual	¥8 million
Reduction due to the acquisition of additional annuity	¥336 million
Provision for reserve for policyholder dividends	¥65,465 million
Balance at the end of the fiscal year	¥1,342,855 million

11. Equities, etc. of subsidiaries and affiliates were ¥18,846 million.

12. Assets pledged as collateral consisted of the following:

Securities	¥3,965,725 million

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

Payables under securities lending transactions	¥4,587,469 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	¥438,177 million
Margin deposits for futures transactions	¥1,105 million
Cash collateral paid for financial instruments	¥11,286 million

13. Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the Ordinance (hereinafter referred to as "reserve for outstanding claims-ceded"), as of March 31, 2021 was ¥418 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 March 31, 2021 were ¥935 million.

14. Net assets per share were ¥5,047.07.

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

Total number of treasury stock at the end of the fiscal year which was deducted from the calculation of net assets per share for the fiscal year ended March 31, 2021 was 156,200 shares.

15. The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and securities exchange settlements. The fair value of such securities held in hand was ¥2,909,293 million as of March 31, 2021.

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

17. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,629 million as of March 31, 2021 pursuant to Article 259 of the Insurance Business Act.

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

18. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥31,408,726 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 ¥1,129,662 million and ¥655,111 million, respectively, for the category of the reinsurance.

19. Deposits from the Management Network in the balance sheet 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 and which remains unpaid at the end of the fiscal year ended March 31, 2021.

20. Efforts to regain customers' trust

On December 27, 2019, the Company received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems. The Company is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making company-wide efforts. Additionally, the Company has been confirming with all customers with insurance policies whether their insurance policies are in line with their intentions, and compensating customers who have suffered disadvantages.

In the fiscal year ended March 31, 2021, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others, and the corresponding adjustment to policy reserves as part of reversal of policy reserves, while recording a reduction of the net amount totaling ¥21,589 million from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million, a decrease as a result of reflecting the status of progress in the investigation of insurance policies in accounting estimates. Consequently, reserve for insurance claims and others stood at ¥2,851 million as of March 31, 2021. The amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are recorded as reversal of reserve for insurance claims and others in the non-consolidated statement of income for the fiscal year ended March 31, 2021.

(Notes to the Non-Consolidated Statement of Income)

1. Significant Accounting Policies

(1) Recognition of insurance premiums

The first premium is recognized for premiums that have been collected and for which the policy has commenced, in the amount collected. Premiums thereafter are recognized in the amount of each collection.

Portions of collected insurance premiums corresponding to the unearned period as of the fiscal year-end are accumulated as policy reserves, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Insurance Business Act.

(2) Recognition of insurance claims and others

When an insured event occurs and payment is made in the amount calculated based on the insurance contract, insurance claims and others (excluding reinsurance premiums) are recognized in the amount of such payment.

Reserve for outstanding claims has been accumulated for insurance claims, etc. for which payment is due but has not been paid at the fiscal year-end, or insurance claims, etc. for which the occurrence of the insured event has not been reported but the Company deems that the insured event provided in the insurance contract has occurred, pursuant to Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

(Additional information)

The Company has applied "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) to its non-consolidated financial statements from the fiscal year ended March 31, 2021. Accordingly, the Company has stated "(1) Recognition of insurance premiums" and "(2) Recognition of insurance claims and others" as accounting principles and procedures adopted in cases where the relevant accounting standards are not clear.

2. Total income from transactions with subsidiaries and affiliates amounted to ¥0 million, and total expenses amounted to ¥15,061 million.

3. Gains on sales of securities comprise domestic bonds of ¥4,876 million, domestic stocks of ¥14,692 million and foreign securities of ¥853 million.

4. Losses on sales of securities comprise domestic bonds of ¥1,063 million, domestic stocks of ¥13,895 million, foreign securities of ¥4,326 million and other securities of ¥13,504 million.

5. Gains on money held in trust include losses on valuation of ¥13,285 million.

6. Losses on derivative financial instruments include losses on valuation of ¥156,665 million.

7. 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 fiscal year ended March 31, 2021 was ¥54 million. The amount of reversal of policy reserves-ceded that is deducted from the calculation of reversal of policy reserves for the fiscal year ended March 31, 2021 was ¥32 million.

8. Net income per share was ¥294.41.

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, 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 fiscal year which was deducted from the calculation of net income per share for the fiscal year ended March 31, 2021 was 159,503 shares.

9. Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the fiscal year ended March 31, 2021 were ¥364,196 million.

10. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the fiscal year ended March 31, 2021 were ¥2,940,643 million.

11. 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 ¥46,710 million for the fiscal year ended March 31, 2021.

12. Transactions of the Company with related parties are as follows:

(1) Parent company, major shareholders (limited only to companies), and others

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	Japan Post Holdings Co., Ltd.	Directly owned 64.48%	Group management Interlocking officers	Payment of brand royalty fees (*1)	¥2,739 million	Accounts Payable	¥251 million

Conditions of transactions and policies to decide the conditions

(*1) Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group is reflected on the Company's performance, brand royalty fees are calculated by multiplying the amount of insurance policies in force as of the end of the previous fiscal year, which is a financial indicator whereupon such benefits have been reflected, by a fixed rate.

(*2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(2) Companies, etc. sharing the same parent company and subsidiaries, etc. of other related companies

Type	Company name	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Subsidiary of parent company	Japan Post Co., Ltd.	None	Insurance agency Interlocking officers	Payments for commission of agency services (*1)	¥198,126 million	Agency accounts payable	¥8,369 million

Conditions of transactions and policies to decide the conditions

(*1) The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and insurance premiums of each contract by commission rates set for each class of insurance, and commission of maintenance and collection calculated by multiplying unit prices set for each type of outsourcing services, such as collection of insurance premiums and payments for insurance money, by the volume of work.

(*2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

(*3) In addition to the above, from the fiscal year ended March 31, 2020, out of the expenses required for the maintenance of the post office network, the expenses necessary to ensure universal service will be covered by the funds provided to Japan Post Co., Ltd. from the Management Network using the contributions from the Company and JAPAN POST BANK Co., Ltd. as funds, with the exception of the amount to be borne by Japan Post Co., Ltd., in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network. In the fiscal year ended March 31, 2021, the contributions paid by the Company to the Management Network amounted to ¥56,063 million.

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

Type and Number of Treasury Stock

(Thousands of shares)

	April 1, 2020	Increase	Decrease	March 31, 2021
Treasury stock				
Common stock	178	0	10	167

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

(*2) The increase of 0 thousand shares in the number of treasury stock was attributable to the purchases of shares of less than one unit.

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