

Financial Statements

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Notes:

1. Figures (except for % and %) shown in this Annual Report have been truncated, with exceptions as indicated.
2. [-] indicates "not applicable," and [0] indicates less than one unit.

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1 Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021

To address the issues related to solicitation quality that occurred during the fiscal year ended March 31, 2020, we have made company-wide efforts including investigation into insurance policies to eliminate disadvantages for customers and implementing preventive countermeasures. As for sales activities of products, which we have suspended and refrained from conducting since July 2019, we resumed our activities aimed at regaining customers' trust last October, placing top priority on apologizing to our customers. We then shifted to a new sales stance in April this year to reconstruct trust relationships with customers through sales activities by proposing insurance products and services in accordance with the needs of customers.

In response to the global spread of COVID-19, we have implemented a measure to include death due to COVID-19 in the scope of double payment of insurance benefits, the extension of the grace period for payment of premiums, and investments in COVID-19 bonds for the purpose of infectious disease countermeasures. We have continued initiatives like this to protect the lives of customers and support society as a whole as a life insurance company.

Ordinary income amounted to ¥6,786.2 billion (5.9% decrease year on year), comprising the sum of insurance premiums and others of ¥2,697.9 billion (16.9% decrease year on year), investment income of ¥1,121.6 billion (1.4% decrease year on year), and other ordinary income of ¥2,966.6 billion (4.9% increase year on year).

Ordinary expenses amounted to ¥6,440.4 billion (7.0% decrease year on year), comprising the sum of insurance claims and others of ¥5,866.0 billion (5.3% decrease year on year), investment expenses of ¥70.8 billion (42.9% decrease year on year), operating expenses of ¥403.0 billion (14.9% decrease year on year), and other ordinary expenses of ¥100.4 billion (25.9% decrease year on year).

As a result, ordinary profit amounted to ¥345.7 billion (20.6% increase year on year), and net income attributable to Japan Post Insurance amounted to ¥166.1 billion (10.2% increase year on year), which is calculated by subtracting extraordinary losses, provision for reserve for policyholder dividends, and total income taxes from ordinary profit.

2 Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and deposits (Notes 3 and 25)	¥ 1,335,014	¥ 1,410,298	\$ 12,059
Call loans (Note 25)	130,000	380,000	1,174
Receivables under securities borrowing transactions (Note 25)	2,585,087	3,191,710	23,350
Monetary claims bought (Note 25)	276,772	318,581	2,500
Money held in trust (Notes 4 and 25)	4,189,294	3,056,072	37,840
Securities (Notes 4, 5 and 25)	55,273,610	55,870,557	499,265
Loans (Notes 6 and 25)	4,964,087	5,662,748	44,839
Tangible fixed assets (Note 7):			
Land	47,828	47,828	432
Buildings	40,439	41,710	365
Leased assets	1,978	2,203	18
Construction in progress	579	176	5
Other tangible fixed assets	14,573	18,300	132
Total tangible fixed assets	105,399	110,219	952
Intangible fixed assets:			
Software	113,405	134,993	1,024
Other intangible fixed assets	14	16	0
Total intangible fixed assets	113,420	135,010	1,024
Agency accounts receivable	53,250	45,587	481
Reinsurance receivables	3,938	4,057	36
Other assets (Note 5)	239,354	306,596	2,162
Deferred tax assets (Note 15)	904,135	1,173,789	8,167
Reserve for possible loan losses	(384)	(448)	(3)
Total assets	¥ 70,172,982	¥ 71,664,781	\$ 633,845
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 8)	¥ 419,021	¥ 461,224	\$ 3,785
Policy reserves (Notes 8 and 13)	59,397,720	62,293,166	536,516
Reserve for policyholder dividends (Note 10)	1,342,855	1,437,535	12,129
Total policy reserves and others	61,159,597	64,191,926	552,431
Reinsurance payables	6,394	6,595	58
Bonds payable (Notes 11 and 25)	300,000	100,000	2,710
Payables under securities lending transactions (Notes 5, 11 and 25)	4,587,469	4,290,140	41,437
Other liabilities (Notes 11 and 14)	303,851	193,449	2,745
Reserve for insurance claims and others	2,851	29,722	26
Liability for retirement benefits (Note 12)	66,414	66,060	600
Reserve for management board benefit trust	110	164	1
Reserve for price fluctuations (Note 13)	904,816	858,339	8,173
Total liabilities	¥ 67,331,506	¥ 69,736,400	\$ 608,179
NET ASSETS (Note 16):			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,516
Capital surplus	405,044	405,044	3,659
Retained earnings	901,390	756,665	8,142
Treasury stock	(397)	(422)	(4)
Total shareholders' equity	1,806,036	1,661,286	16,313
Net unrealized gains (losses) on available-for-sale securities	1,031,384	264,009	9,316
Net deferred gains (losses) on hedges	573	16	5
Accumulated adjustments for retirement benefits	3,480	3,067	31
Total accumulated other comprehensive income	1,035,438	267,094	9,353
Total net assets	2,841,475	1,928,380	25,666
Total liabilities and net assets	¥ 70,172,982	¥ 71,664,781	\$ 633,845

See accompanying notes to consolidated financial statements.

Message from the CEO

About Japan Post Insurance

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JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
ORDINARY INCOME:			
Insurance premiums and others (Note 19)	¥ 2,697,936	¥ 3,245,541	\$ 24,369
Investment income:			
Interest and dividend income	1,004,635	1,049,804	9,074
Gains on money held in trust	87,593	51,560	791
Gains on sales of securities	20,422	35,699	184
Gains on redemption of securities	1,170	614	11
Gains on foreign exchanges	7,759	—	70
Reversal of reserve for possible loan losses	0	8	0
Other investment income	86	101	1
Total investment income	1,121,668	1,137,789	10,132
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 18)	42,203	58,343	381
Reversal of policy reserves (Note 18)	2,895,445	2,767,383	26,153
Other ordinary income	28,971	2,348	262
Total other ordinary income	2,966,621	2,828,074	26,796
Total ordinary income	6,786,226	7,211,405	61,297
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 20)	4,681,106	4,889,175	42,283
Annuity payments	359,821	394,005	3,250
Benefits	120,324	110,254	1,087
Surrender benefits	480,477	602,583	4,340
Other refunds	201,420	171,590	1,819
Reinsurance premiums	22,940	23,760	207
Total insurance claims and other	5,866,091	6,191,369	52,986
Provision for interest on policyholder dividends	8	8	0
Investment expenses:			
Interest expenses	2,312	2,132	21
Losses on sales of securities	32,789	32,020	296
Losses on valuation of securities	—	2,689	—
Losses on redemption of securities	10,950	6,847	99
Losses on derivative financial instruments	21,604	74,799	195
Losses on foreign exchanges	—	2,085	—
Other investment expenses	3,207	3,425	29
Total investment expenses	70,865	124,000	640
Operating expenses (Note 17)	403,033	473,871	3,640
Other ordinary expenses	100,492	135,553	908
Total ordinary expenses	6,440,490	6,924,803	58,174
Ordinary profit	345,736	286,601	3,123

See accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
EXTRAORDINARY GAINS (Note 21)	¥ —	¥ 39,546	\$ —
EXTRAORDINARY LOSSES (Note 22)	46,732	303	422
Provision for reserve for policyholder dividends (Note 23)	65,465	109,236	591
Income before income taxes	233,537	216,607	2,109
Income taxes (Note 15):			
Current	91,632	143,539	828
Deferred	(24,197)	(77,618)	(219)
Total income taxes	67,434	65,920	609
Net income	¥ 166,103	¥ 150,687	\$ 1,500
Net income attributable to non-controlling interests	¥ —	¥ —	\$ —
Net income attributable to Japan Post Insurance	166,103	150,687	1,500

	Yen		U.S. Dollars
	2021	2020	2021
Per share of common stock (Note 30):			
Basic net income	¥ 295.33	¥ 267.40	\$ 2.67
Diluted net income	—	—	—

See accompanying notes to consolidated financial statements.

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JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
Net income	¥ 166,103	¥ 150,687	\$ 1,500
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on available-for-sale securities	767,374	(192,684)	6,931
Net deferred gains (losses) on hedges	556	(16)	5
Adjustments for retirement benefits	413	(221)	4
Total other comprehensive income (loss)	768,344	(192,923)	6,940
Comprehensive income (loss)	¥ 934,447	¥ (42,235)	\$ 8,440
Total comprehensive income (loss) attributable to:			
Japan Post Insurance	¥ 934,447	¥ (42,235)	\$ 8,440
Non-controlling interests	—	—	—

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2019	¥ 500,000	¥ 500,044	¥ 675,526	¥ (450)	¥ 1,675,120
Changes in the fiscal year:					
Cash dividends			(64,578)		(64,578)
Net income attributable to Japan Post Insurance			150,687		150,687
Purchases of treasury stock				(99,999)	(99,999)
Disposals of treasury stock				57	57
Cancellation of treasury stock		(99,970)		99,970	-
Transfer from retained earnings to capital surplus		4,970	(4,970)		-
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	(95,000)	81,138	28	(13,833)
BALANCE, MARCH 31, 2020	500,000	405,044	756,665	(422)	1,661,286
Changes in the fiscal year:					
Cash dividends			(21,378)		(21,378)
Net income attributable to Japan Post Insurance			166,103		166,103
Purchases of treasury stock				(0)	(0)
Disposals of treasury stock				25	25
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	-	-	144,724	25	144,750
BALANCE, MARCH 31, 2021	¥ 500,000	¥ 405,044	¥ 901,390	¥ (397)	¥ 1,806,036

	Millions of Yen				
	Accumulated other comprehensive income				
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
BALANCE, APRIL 1, 2019	¥ 456,694	¥ 33	¥ 3,289	¥ 460,017	¥ 2,135,137
Changes in the fiscal year:					
Cash dividends					(64,578)
Net income attributable to Japan Post Insurance					150,687
Purchases of treasury stock					(99,999)
Disposals of treasury stock					57
Cancellation of treasury stock					-
Transfer from retained earnings to capital surplus					-
Net changes in items other than shareholders' equity in the fiscal year	(192,684)	(16)	(221)	(192,923)	(192,923)
Net changes in the fiscal year	(192,684)	(16)	(221)	(192,923)	(206,756)
BALANCE, MARCH 31, 2020	264,009	16	3,067	267,094	1,928,380
Changes in the fiscal year:					
Cash dividends					(21,378)
Net income attributable to Japan Post Insurance					166,103
Purchases of treasury stock					(0)
Disposals of treasury stock					25
Net changes in items other than shareholders' equity in the fiscal year	767,374	556	413	768,344	768,344
Net changes in the fiscal year	767,374	556	413	768,344	913,094
BALANCE, MARCH 31, 2021	¥ 1,031,384	¥ 573	¥ 3,480	¥ 1,035,438	¥ 2,841,475

See accompanying notes to consolidated financial statements.

Millions of U.S. Dollars (Note 1)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, MARCH 31, 2020	\$ 4,516	\$ 3,659	\$ 6,835	\$ (4)	\$ 15,006
Changes in the fiscal year:					
Cash dividends			(193)		(193)
Net income attributable to Japan Post Insurance			1,500		1,500
Purchases of treasury stock				(0)	(0)
Disposals of treasury stock				0	0
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	–	–	1,307	0	1,307
BALANCE, MARCH 31, 2021	\$ 4,516	\$ 3,659	\$ 8,142	\$ (4)	\$ 16,313

Millions of U.S. Dollars (Note 1)

Accumulated other comprehensive income

	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	Total net assets
BALANCE, MARCH 31, 2020	\$ 2,385	\$ 0	\$ 28	\$ 2,413	\$ 17,418
Changes in the fiscal year:					
Cash dividends					(193)
Net income attributable to Japan Post Insurance					1,500
Purchases of treasury stock					(0)
Disposals of treasury stock					0
Net changes in items other than shareholders' equity in the fiscal year	6,931	5	4	6,940	6,940
Net changes in the fiscal year	6,931	5	4	6,940	8,248
BALANCE, MARCH 31, 2021	\$ 9,316	\$ 5	\$ 31	\$ 9,353	\$ 25,666

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 233,537	¥ 216,607	\$ 2,109
Depreciation and amortization	59,387	57,496	536
Net change in reserve for outstanding claims	(42,203)	(58,343)	(381)
Net change in policy reserves	(2,895,445)	(2,767,383)	(26,153)
Provision for interest on policyholder dividends	8	8	0
Provision for reserve for policyholder dividends	65,465	109,236	591
Net change in reserve for possible loan losses	(64)	(10)	(1)
Net change in reserve for insurance claims and others	(26,870)	29,722	(243)
Net change in liability for retirement benefits	353	798	3
Net change in reserve for management board benefit trust	(53)	(38)	(0)
Net change in reserve for price fluctuations	46,477	(39,152)	420
Interest and dividend income (accrual basis)	(1,004,635)	(1,049,804)	(9,074)
Net (gains) losses on securities	22,147	5,243	200
Interest expenses (accrual basis)	2,312	2,132	21
Net (gains) losses on foreign exchanges	(7,759)	2,085	(70)
Net (gains) losses on tangible fixed assets	119	(272)	1
Net change in agency accounts receivable	(7,662)	(23,627)	(69)
Net change in reinsurance receivables	118	(185)	1
Net change in other assets (excluding those related to investing activities and financing activities)	2,584	47,682	23
Net change in reinsurance payables	(201)	125	(2)
Net change in other liabilities (excluding those related to investing activities and financing activities)	(1,108)	(23,353)	(10)
Other, net	(61,457)	26,826	(555)
Subtotal	(3,614,951)	(3,464,204)	(32,652)
Interest and dividend received (cash basis)	1,059,143	1,168,879	9,567
Interest paid (cash basis)	(2,041)	(2,080)	(18)
Policyholder dividends paid	(159,817)	(185,042)	(1,444)
Income taxes paid	(88,635)	(107,767)	(801)
Net cash used in operating activities	¥ (2,806,302)	¥ (2,590,214)	\$ (25,348)

See accompanying notes to consolidated financial statements.

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	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (7,660,000)	¥ (8,110,000)	\$ (69,190)
Proceeds from redemption of call loans	7,910,000	7,880,000	71,448
Net change in receivables under securities borrowing transactions	606,623	(399,508)	5,479
Purchases of monetary claims bought	(1,434,928)	(1,524,997)	(12,961)
Proceeds from sale and redemption of monetary claims bought	1,476,386	1,561,185	13,336
Purchases of money held in trust	(234,480)	(578,400)	(2,118)
Proceeds from decrease in money held in trust	34,428	26,627	311
Purchases of securities	(2,702,286)	(2,089,450)	(24,409)
Proceeds from sale and redemption of securities	3,659,771	4,484,366	33,057
Payments for loans	(571,239)	(718,896)	(5,160)
Proceeds from collection of loans	1,269,894	1,842,215	11,470
Net change in payables under securities lending transactions	297,328	867,329	2,686
Other, net	(63,911)	53,220	(577)
Total of net cash provided by investment transactions	2,587,587	3,293,691	23,373
Total of net cash provided by (used in) operating activities and investment transactions	(218,714)	703,477	(1,976)
Purchases of tangible fixed assets	(3,838)	(10,040)	(35)
Proceeds from sales of tangible fixed assets	—	573	—
Purchases of intangible fixed assets	(28,487)	(36,618)	(257)
Other, net	(986)	603	(9)
Net cash provided by investing activities	2,554,274	3,248,209	23,072
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of lease obligations	(669)	(875)	(6)
Proceeds from issuance of bonds	198,798	—	1,796
Purchases of treasury stock	(0)	(99,999)	(0)
Dividends paid	(21,385)	(64,529)	(193)
Net cash provided by (used in) financing activities	176,743	(165,405)	1,596
Effect of exchange rate changes on cash and cash equivalents	—	—	—
Net change in cash and cash equivalents	(75,283)	492,590	(680)
Cash and cash equivalents at the beginning of the year	1,410,298	917,708	12,739
Cash and cash equivalents at the end of the year (Note 3)	¥ 1,335,014	¥ 1,410,298	\$ 12,059

See accompanying notes to consolidated financial statements.

JAPAN POST INSURANCE CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2021 AND 2020

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. (the "Company"), have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of consolidated financial statements, the Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards. Intercompany balances and transactions have been eliminated.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share information. Accordingly, the total of each account might not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to US\$1, the approximate rate of exchange as of March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements for all periods presented include the accounts of the Company and a subsidiary, JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd. (collectively, the "Group"). There are no non-consolidated subsidiaries.

2) Application of the equity method

A company is required to apply the equity method accounting to its non-consolidated subsidiaries and affiliates under Japanese GAAP. There are no non-consolidated subsidiaries that qualify for the equity method accounting, while the Company has 3 affiliates in 2021 (3 in 2020) including Japan Post Investment Corporation that are not accounted for by the equity method because their net income (loss), retained earnings and others are immaterial, and the exclusion of these companies from the scope of com-

panies accounted for by the equity method does not hinder a reasonable understanding of the Group's financial position and results of operations.

3) Fiscal year-end date of the consolidated subsidiary

The fiscal year-end date of the consolidated subsidiary is the same as the consolidated balance sheet date.

(2) 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 the "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) Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method

Investments in non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are carried at cost, and the cost of these securities sold is calculated using the moving-average method.

4) Available-for-sale securities

A) Available-for-sale securities at fair value

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

B) Available-for-sale securities for which the fair values are deemed extremely difficult to determine

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

(3) Derivative Transactions

All derivative transactions are valued at fair value.

(4) Hedge Accounting**1) Methods for hedge accounting**

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). The exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

2) Hedging instruments and hedged items

- A) Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds
- B) Hedging instrument: Interest rate swaps
Hedged item: Loans

3) Hedging policies

Foreign currency exchange contracts are used to hedge fluctuations in the 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 that applied the exceptional treatment for interest rate swaps.

(5) Depreciation**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:

- Buildings : 2–60 years
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

The Group mainly leases vehicles under finance lease arrangements that do not transfer the ownership of leased property to the lessee.

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.

(6) 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 a 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 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. The reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2021 and 2020, were ¥96 million (\$1 million) and ¥49 million, respectively.

(7) Policy Reserves

To prepare for the fulfilment of future obligations under the 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 methodology 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.

The amount of policy reserves may be affected if actual results of basis of the calculation of policy reserves such as assumed mortality rates, assumed interest rates, and expected rate of expenses deviate significantly or deviations are expected in the future due to changes in the environment.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for the portion of the reinsurance contracts issued to the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter 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.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves were accumulated, in preparation for the fulfilment of future obligations, over a 10-year period for a portion of the reinsurance contracts from the Management Network. As a result, the amount of provision for additional policy reserves was ¥176,734 million for the year ended March 31, 2020.

In addition, for the year ended March 31, 2021, additional policy reserves were accumulated for a portion of

the 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 (\$2,221 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 fulfillment of future obligations under insurance contracts in preparation of possible future risks, 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 as of the fiscal year-end have been appropriately accumulated.

The Management Network was established in October 2007 to support the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited and Postal Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately and to fulfill the relevant liabilities without fail.

The Company has entered into the reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and the reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management Network.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from Japan Post Corporation, the Company has lent loans to the Management Network under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(8) Insurance Premiums

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

The portion of collected insurance premiums corresponding to the unexpired 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.

(9) 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 recorded in the amount of the payment.

Reserve for outstanding claims has been accumulated for insurance claims and others, for which payment is due but has not been paid at the fiscal year-end, and 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 but not yet paid, 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 year ended March 31, 2021. Accordingly, the Company has stated "(8) Insurance Premiums" and "(9) Insurance Claims and Others" as accounting principles and procedures adopted in cases where the relevant accounting standards are not clear.

(10) 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 and others arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

(11) Retirement Benefits

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

The 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 period 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 (\$11 million) was recognized.

(12) Reserve for Management Board Benefit Trust

To provide for the granting of shares and others 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.

(13) Reserve for Price Fluctuations

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

(14) 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.

(15) Consolidated Statement of Cash Flows

Cash and cash equivalents consist of “Cash and deposits” in the consolidated balance sheets.

(16) Consumption Taxes

All figures are net of consumption taxes.

(17) 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 has 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”

In addition, 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 year ending March 31, 2022.

3) Impact of adoption of the accounting standards

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

(18) Additional Information**1) Transactions for granting shares and others of the Company to executive officers of the Company through a trust**

The Company has introduced a trust-based performance-linked stock compensation system for executive officers of the Company from the year ended March 31, 2017.

The Company has adopted “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.

A) Outline of the transaction

In accordance with 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 requirements for eligibility at the time

of their retirement a given 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.

B) Shares of the Company held in trust

Shares of the Company held in trust are recorded as treasury stock under the category of net assets at book value in the trust (excluding accompanying expenses). The book value of such treasury stock at the end of the years ended March 31, 2021 and 2020, was ¥367 million (\$3 million) and ¥393 million, respectively, while the number of such treasury stock was 156 thousand shares and 166 thousand shares, respectively.

2) Efforts to regain to 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 to do so. In addition, 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.

At the year ended March 31, 2020, the company reasonably estimated insurance-related expenses to be incurred due to the refund of premiums and the payment of insurance claims to compensate for the disadvantages suffered by customers, and recorded reserve for insurance claims and others in the amount of ¥29,722 million.

In the year ended March 31, 2021, the Company recorded the refund of premiums and the 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 (\$195 million) from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million (\$48 million), as a result of reflecting the progress in the investigation of insurance policies in accounting estimates. Consequently, reserve for insurance claims and others stood at ¥2,851 million (\$26 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 year ended March 31, 2021.

3. RECONCILIATIONS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of March 31, 2021 and 2020, and cash and deposits in the consolidated balance sheets as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Cash and deposits	¥ 1,335,014	¥ 1,410,298	\$ 12,059
Cash and cash equivalents at the end of the year	¥ 1,335,014	¥ 1,410,298	\$ 12,059

4. SECURITIES

(1) Securities

Securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Japanese government bonds	¥ 37,345,671	¥ 36,730,786	\$ 337,329
Japanese local government bonds	5,593,508	6,737,380	50,524
Japanese corporate bonds	5,325,276	5,486,350	48,101
Stocks	403,593	285,991	3,645
Foreign securities	4,632,376	4,687,342	41,842
Other	1,973,184	1,942,706	17,823
Total	¥ 55,273,610	¥ 55,870,557	\$ 499,265

Investments in affiliates included in "Stocks" and "Other" as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Stocks (included in "Stocks")	¥ 495	¥ 495	\$ 4
Investments in capital (included in "Other")	17,366	9,427	157
Total	¥ 17,862	¥ 9,923	\$ 161

Securities lent under lending agreements in the amount of ¥5,249,528 million (\$47,417 million) and ¥4,872,448 million were included in "Securities" in the consolidated balance sheets as of March 31, 2021 and 2020, respectively.

The Group has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and exchange settlements. The fair value of such securities held in hand was ¥2,909,293 million (\$26,279 million) and ¥3,545,026 million as of March 31, 2021 and 2020, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Consolidated balance sheet amount	¥ 9,382,446	¥ 9,574,646	\$ 84,748
Fair value	10,158,590	10,578,535	91,759

The outline of the risk management policy of policy-reserve-matching bonds was as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product to manage risks arising from fluctuations in the 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 is reconciled within a certain range and 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)

(3) Fair Value Information on Securities
1) Held-to-maturity bonds

(Millions of Yen)

	2021				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	¥ 35,327,980	¥ 40,512,921	¥ 5,184,940	¥ 5,225,937	¥ (40,996)
Japanese government bonds	29,111,354	33,971,068	4,859,713	4,893,310	(33,597)
Japanese local government bonds	4,159,058	4,374,098	215,039	218,181	(3,142)
Japanese corporate bonds	2,057,566	2,167,755	110,188	114,445	(4,256)
Total	¥ 35,327,980	¥ 40,512,921	¥ 5,184,940	¥ 5,225,937	¥ (40,996)

(Millions of Yen)

	2020				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	¥ 35,637,724	¥ 41,855,150	¥ 6,217,425	¥ 6,217,504	¥ (79)
Japanese government bonds	28,216,592	34,000,585	5,783,993	5,783,993	–
Japanese local government bonds	5,216,321	5,487,564	271,242	271,321	(79)
Japanese corporate bonds	2,204,810	2,367,000	162,189	162,189	–
Foreign securities	98,000	98,238	238	238	–
Foreign bonds	98,000	98,238	238	238	–
Total	¥ 35,735,724	¥ 41,953,389	¥ 6,217,664	¥ 6,217,743	¥ (79)

(Millions of U.S. Dollars)

	2021				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	\$ 319,104	\$ 365,937	\$ 46,834	\$ 47,204	\$ (370)
Japanese government bonds	262,951	306,847	43,896	44,199	(303)
Japanese local government bonds	37,567	39,510	1,942	1,971	(28)
Japanese corporate bonds	18,585	19,580	995	1,034	(38)
Total	\$ 319,104	\$ 365,937	\$ 46,834	\$ 47,204	\$ (370)

2) Policy-reserve-matching bonds

(Millions of Yen)

		2021				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		¥ 9,382,446	¥ 10,158,590	¥ 776,143	¥ 798,498	¥ (22,355)
Japanese government bonds		7,806,263	8,547,628	741,365	754,653	(13,288)
Japanese local government bonds		558,247	577,868	19,621	20,007	(385)
Japanese corporate bonds		1,017,936	1,033,093	15,157	23,837	(8,680)
Total		¥ 9,382,446	¥ 10,158,590	¥ 776,143	¥ 798,498	¥ (22,355)

(Millions of Yen)

		2020				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		¥ 9,574,646	¥ 10,578,535	¥ 1,003,888	¥ 1,007,456	¥ (3,567)
Japanese government bonds		8,166,779	9,106,225	939,445	939,446	(0)
Japanese local government bonds		570,267	595,338	25,070	25,124	(53)
Japanese corporate bonds		837,599	876,971	39,372	42,885	(3,513)
Total		¥ 9,574,646	¥ 10,578,535	¥ 1,003,888	¥ 1,007,456	¥ (3,567)

(Millions of U.S. Dollars)

		2021				
March 31		Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Bonds		\$ 84,748	\$ 91,759	\$ 7,011	\$ 7,213	\$ (202)
Japanese government bonds		70,511	77,207	6,696	6,816	(120)
Japanese local government bonds		5,042	5,220	177	181	(3)
Japanese corporate bonds		9,195	9,332	137	215	(78)
Total		\$ 84,748	\$ 91,759	\$ 7,011	\$ 7,213	\$ (202)

3) Available-for-sale securities

(Millions of Yen)

	2021				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	¥ 3,554,029	¥ 3,519,145	¥ 34,883	¥ 42,363	¥ (7,480)
Japanese government bonds	428,052	425,434	2,617	3,424	(806)
Japanese local government bonds	876,202	874,051	2,151	2,703	(552)
Japanese corporate bonds	2,249,773	2,219,659	30,114	36,236	(6,122)
Stocks	398,858	322,829	76,028	77,138	(1,109)
Foreign securities	4,632,376	4,290,127	342,248	358,767	(16,518)
Foreign bonds	4,479,823	4,147,536	332,287	348,645	(16,358)
Foreign other securities	152,552	142,590	9,961	10,121	(159)
Other ¹	2,712,589	2,666,035	46,554	73,212	(26,658)
Total	¥ 11,297,852	¥ 10,798,137	¥ 499,715	¥ 551,482	¥ (51,766)

(Millions of Yen)

	2020				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	¥ 3,742,144	¥ 3,700,415	¥ 41,729	¥ 46,711	¥ (4,981)
Japanese government bonds	347,414	340,299	7,115	7,223	(108)
Japanese local government bonds	950,791	948,633	2,158	2,657	(499)
Japanese corporate bonds	2,443,939	2,411,482	32,456	36,831	(4,374)
Stocks	281,256	322,068	(40,811)	3,885	(44,697)
Foreign securities	4,589,342	4,221,663	367,679	378,826	(11,146)
Foreign bonds	4,424,175	4,048,995	375,180	378,559	(3,379)
Foreign other securities	165,167	172,668	(7,500)	266	(7,766)
Other ²	2,786,861	2,858,425	(71,564)	17,886	(89,450)
Total	¥ 11,399,605	¥ 11,102,572	¥ 297,033	¥ 447,309	¥ (150,276)

(Millions of U.S. Dollars)

	2021				
	Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31					
Bonds	\$ 32,102	\$ 31,787	\$ 315	\$ 383	\$ (68)
Japanese government bonds	3,866	3,843	24	31	(7)
Japanese local government bonds	7,914	7,895	19	24	(5)
Japanese corporate bonds	20,321	20,049	272	327	(55)
Stocks	3,603	2,916	687	697	(10)
Foreign securities	41,842	38,751	3,091	3,241	(149)
Foreign bonds	40,464	37,463	3,001	3,149	(148)
Foreign other securities	1,378	1,288	90	91	(1)
Other ¹	24,502	24,081	421	661	(241)
Total	\$ 102,049	\$ 97,535	\$ 4,514	\$ 4,981	\$ (468)

Notes:

- "Other" includes negotiable certificates of deposit (cost: ¥480,000 million (\$4,336 million), consolidated balance sheet amount: ¥480,000 million (\$4,336 million)) presented as "Cash and deposits" in the consolidated balance sheet and monetary claims bought (cost: ¥275,183 million (\$2,486 million), consolidated balance sheet amount: ¥276,772 million (\$2,500 million)) as of March 31, 2021.
- "Other" includes negotiable certificates of deposit (cost: ¥535,000 million, consolidated balance sheet amount: ¥535,000 million) presented as "Cash and deposits" in the consolidated balance sheet and monetary claims bought (cost: ¥316,576 million, consolidated balance sheet amount: ¥318,581 million) as of March 31, 2020.

4) Policy-reserve-matching bonds sold for the years ended March 31, 2021 and 2020

(Millions of Yen)

March 31

Bonds
Japanese government bonds
Japanese local government bonds
Japanese corporate bonds
Total

2021		
Sales	Gains	Losses
¥ 219,915	¥ 3,006	¥ -
183,831	2,424	-
18,702	312	-
17,381	269	-
¥ 219,915	¥ 3,006	¥ -

(Millions of Yen)

March 31

Bonds
Japanese government bonds
Total

2020		
Sales	Gains	Losses
¥ 198,497	¥ 5,779	¥ -
198,497	5,779	-
¥ 198,497	¥ 5,779	¥ -

(Millions of U.S. Dollars)

March 31

Bonds
Japanese government bonds
Japanese local government bonds
Japanese corporate bonds
Total

2021		
Sales	Gains	Losses
\$ 1,986	\$ 27	\$ -
1,660	22	-
169	3	-
157	2	-
\$ 1,986	\$ 27	\$ -

5) Available-for-sale securities sold for the years ended March 31, 2021 and 2020

(Millions of Yen)

March 31

Bonds
Japanese government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Foreign other securities
Other securities
Total

2021		
Sales	Gains	Losses
¥ 140,960	¥ 1,869	¥ (1,063)
124,627	1,789	(1,060)
16,333	80	(3)
136,613	14,692	(13,895)
127,647	853	(4,326)
95,207	853	(1,812)
32,440	-	(2,513)
136,495	-	(13,504)
¥ 541,718	¥ 17,416	¥ (32,789)

(Millions of Yen)

March 31

Bonds
Japanese government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Foreign other securities
Other securities
Total

2020		
Sales	Gains	Losses
¥ 201,051	¥ 6,878	¥ (802)
111,423	6,597	-
89,627	280	(802)
92,583	6,730	(11,204)
743,189	16,310	(18,307)
725,995	16,310	(18,166)
17,193	-	(140)
134,112	-	(1,705)
¥ 1,170,936	¥ 29,919	¥ (32,020)

(Millions of U.S. Dollars)

March 31

Bonds
Japanese government bonds
Japanese corporate bonds
Stocks
Foreign securities
Foreign bonds
Foreign other securities
Other securities
Total

2021		
Sales	Gains	Losses
\$ 1,273	\$ 17	\$ (10)
1,126	16	(10)
148	1	(0)
1,234	133	(126)
1,153	8	(39)
860	8	(16)
293	-	(23)
1,233	-	(122)
\$ 4,893	\$ 157	\$ (296)

6) Securities for which losses on valuation were recognized

No losses on valuation of securities were recognized for the year ended March 31, 2021. The Group recognized losses on valuation of available-for-sale securities with fair values of ¥2,689 million for the year ended March 31, 2020.

Available-for-sale securities 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 their credit standing is deemed to be below a certain level, shall be subjected to recognition of losses on valuation, unless fair values are deemed likely to recover to the acquisition costs.

(4) Money Held in Trust**Money Held in Trust Classified as Other than Trading, Held-to-Maturity and Policy-Reserve-Matching**

(Millions of Yen)

		2021				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 3,696,910	¥ 2,776,753	¥ 920,156	¥ 970,021	¥ (49,865)

(Millions of Yen)

		2020				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	¥ 2,744,305	¥ 2,671,219	¥ 73,086	¥ 339,561	¥ (266,474)

(Millions of U.S. Dollars)

		2021				
		Consolidated balance sheet amount	Cost	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
March 31	Specified money held in trust	\$ 33,393	\$ 25,081	\$ 8,311	\$ 8,762	\$ (450)

Note:

The Group recognized losses on valuation of ¥13,285 million (\$120 million) and ¥32,103 million for the years ended March 31, 2021 and 2020, respectively.

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.

For stocks other than the above, those 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, shall be subjected to recognition of losses on valuation, unless fair values are deemed likely to recover to the acquisition costs.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Assets pledged as collateral:			
Securities	¥ 3,965,725	¥ 3,622,145	\$ 35,821
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	4,587,469	4,290,140	41,437

All of the above securities were pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following was pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Securities	¥ 438,177	¥ 480,477	\$ 3,958
Margin deposits for futures transactions	1,105	—	10
Cash collateral paid for financial instruments	11,286	2,319	102

6. LOANS

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 and 2020. 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). The interest accruals of such loans are suspended because 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 to assist and support 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.

The amounts of unused commitments as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Amount of unused commitments	¥ 24,863	¥ 17,717	\$ 225

7. TANGIBLE FIXED ASSETS

Accumulated depreciation as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Accumulated depreciation	¥ 53,637	¥ 45,479	\$ 484

8. REINSURANCE

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 the "reserve for outstanding claims—ceded"), as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Reserve for outstanding claims—ceded	¥ 418	¥ 473	\$ 4

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter "policy reserves—ceded") as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Policy reserves—ceded	¥ 935	¥ 967	\$ 8

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The Company estimated future contributions to Life Insurance Policyholders Protection Corporation in the amounts of ¥33,629 million (\$304 million) and ¥34,524 million as of March 31, 2021 and 2020, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

10. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Balance at the beginning of the year	¥ 1,437,535	¥ 1,513,634	\$ 12,985
Policyholder dividends paid	(159,817)	(185,042)	(1,444)
Interest accrual	8	8	0
Reduction due to the acquisition of additional annuity	(336)	(301)	(3)
Provision for reserve for policyholder dividends	65,465	109,236	591
Balance at the end of the year	¥ 1,342,855	¥ 1,437,535	\$ 12,129

11. BONDS PAYABLE, LEASE OBLIGATIONS AND OTHER INTEREST-BEARING DEBT

Bonds payable as of March 31, 2021 and 2020, were as follows:

	Date of issuance	Millions of Yen		Millions of U.S. Dollars	Interest rate	Collateral	Maturity date
		2021	2020	2021			
March 31							
Issued by JAPAN POST INSURANCE Co., Ltd.:							
First series of subordinated unsecured bonds with interest deferral option and early redemption option	January 29, 2019	¥ 100,000	¥ 100,000	\$ 903	1.00% ¹	None	January 29, 2049
Second series of subordinated unsecured bonds with interest deferral option and early redemption option	January 28, 2021	200,000	—	1,807	1.050% ²	None	January 28, 2051
Total	—	¥ 300,000	¥ 100,000	\$ 2,710	—	—	—

Notes:

- Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%.
- Interest rate from the day immediately following January 28, 2031, shall be the interest rate of 5-year Japanese government bonds plus 2.010% (reset every five years).
- No scheduled redemption is due within 5 years after the end of the year ended March 31, 2021.
- Bonds payable are subordinated bonds stipulating that their priorities are ranked behind other obligations.

Lease obligations and other interest-bearing debt as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2021	2020	2021	2021	
March 31					
Lease obligations	¥ 2,068	¥ 2,258	\$ 19	—	March 2028
Other interest-bearing debt:					
Payables under securities lending transactions	4,587,469	4,290,140	41,437	0.02%	—
Total	¥ 4,589,537	¥ 4,292,399	\$ 41,455	—	—

Notes:

- Lease obligations are included in "Other liabilities" in the consolidated balance sheets.
- The average interest rate of lease obligations is not presented above because interest is included in the total amount of lease payments.
- The interest rates of payables under securities lending transactions are calculated using the weighted-average method based on the balance at the fiscal year-end.
- Payables under securities lending transactions are scheduled to be settled within one year.

The repayment schedule on lease obligations as of March 31, 2021, was as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	
	¥		\$	
Within 1 year	¥	602	\$	5
Due after 1 year through 2 years		484		4
Due after 2 years through 3 years		372		3
Due after 3 years through 4 years		273		2
Due after 4 years through 5 years		181		2
Due after 5 years		152		1
Total	¥	2,068	\$	19

12. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Group has adopted lump-sum severance indemnity plans as unfunded defined benefit plans.

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 a new pension system to replace the discontinued occupational portion (third-tier portion) of the mutual pension, and the pension contribution amount required for the Company for the years ended March 31, 2021 and 2020, was ¥369 million (\$3 million) and ¥376 million, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance at the beginning of the year	¥ 66,060	¥ 65,262	\$ 597
Service cost	4,152	4,221	38
Interest cost	455	451	4
Actuarial differences	31	(279)	0
Benefits paid	(3,041)	(3,591)	(27)
Prior service cost	(1,273)	–	(11)
Other	30	(2)	0
Balance at the end of the year	¥ 66,414	¥ 66,060	\$ 600

Note: 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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Unfunded retirement benefit obligations	¥ 66,414	¥ 66,060	\$ 600
Liability for retirement benefits recorded on the consolidated balance sheets	¥ 66,414	¥ 66,060	\$ 600

3) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Service cost	¥ 4,152	¥ 4,221	\$ 38
Interest cost	455	451	4
Amortization of actuarial differences	(234)	(214)	(2)
Amortization of prior service cost	(434)	(373)	(4)
Other	134	115	1
Retirement benefit expenses of defined benefit plans	¥ 4,073	¥ 4,199	\$ 37

4) Adjustments for retirement benefits (before tax effect)

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Prior service cost	¥ 839	¥ (373)	\$ 8
Actuarial differences	(265)	65	(2)
Total	¥ 573	¥ (308)	\$ 5

5) Accumulated adjustments for retirement benefits (before tax effect)

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Unrecognized prior service cost	¥ 4,186	¥ 3,347	\$ 38
Unrecognized actuarial differences	648	913	6
Total	¥ 4,835	¥ 4,261	\$ 44

6) Actuarial assumptions

The principal actuarial assumptions used for the years ended March 31, 2021 and 2020, were as follows:

Years ended March 31	2021	2020
Discount rate	0.3% – 0.7%	0.3% – 0.7%

13. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network 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 for the category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Policy reserves (excluding contingency reserve)	¥ 31,408,726	¥ 33,324,093	\$ 283,703
Contingency reserve	1,129,662	1,320,677	10,204
Reserve for price fluctuations	655,111	631,990	5,917

14. DEPOSITS FROM THE MANAGEMENT NETWORK

"Other liabilities" in the consolidated balance sheets include 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 were 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 remained unpaid at the end of the fiscal years ended March 31, 2021 and 2020.

Deposits from the Management Network as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Deposits from the Management Network	¥ 41,143	¥ 42,231	\$ 372

15. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Policy reserves	¥ 1,011,450	¥ 995,598	\$ 9,136
Reserve for price fluctuations	223,044	203,752	2,015
Reserve for outstanding claims	38,126	42,014	344
Liability for retirement benefits	18,638	18,537	168
Unrealized losses on available-for-sale securities	27,983	118,027	253
Other	30,223	35,567	273
Subtotal	1,349,468	1,413,497	12,189
Valuation allowance	(13,375)	(11,268)	(121)
Total deferred tax assets	1,336,093	1,402,228	12,068
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(422,761)	(219,330)	(3,819)
Other	(9,196)	(9,109)	(83)
Total deferred tax liabilities	(431,957)	(228,439)	(3,902)
Net deferred tax assets (liabilities)	¥ 904,135	¥ 1,173,789	\$ 8,167

Note: Deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable.

The Company and its domestic subsidiary are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 28.00% for the years ended March 31, 2021 and 2020.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the year ended March 31, 2020, was as follows:

Year ended March 31	2020
Statutory tax rate	28.00%
Changes in valuation allowance	2.41
Other	0.02
Effective income tax rate	30.43%

Note: Reconciliation of the statutory tax rate and the effective income tax rate for the year ended March 31, 2021, is omitted as the difference was less than 5% of the statutory tax rate.

16. NET ASSETS

(1) Type and Number of Shares Issued and Treasury Stock

Year ended March 31, 2021	Thousands of shares			March 31, 2021
	April 1, 2020	Increase	Decrease	
Shares issued:				
Common stock	562,600	–	–	562,600
Total	562,600	–	–	562,600
Treasury stock				
Common stock	178	0	10	167
Total	178	0	10	167

Notes:

- The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2021, included shares of the Company held in the BBT and was 166 thousand shares and 156 thousand shares, respectively.
- The increase of 0 thousand shares in the number of treasury stock was attributable to the purchases of shares of less than one unit.
- The decrease of 10 thousand shares in the number of treasury stock was attributable to the granting of shares via the BBT.

Year ended March 31, 2020	Thousands of shares			
	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued:				
Common stock	600,000	–	37,400	562,600
Total	600,000	–	37,400	562,600
Treasury stock				
Common stock	191	37,411	37,424	178
Total	191	37,411	37,424	178

Notes:

- The decrease of 37,400 thousand shares in the number of shares issued was attributable to the cancellation of shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019.
- The number of treasury stock of common stock at the beginning and the end of the year ended March 31, 2020, included shares of the Company held in the BBT and was 191 thousand shares and 166 thousand shares, respectively.
- The increase of 37,411 thousand shares of treasury stock of common stock was attributable to the purchases of treasury stock based on the resolution at the Board of Directors' meeting held on April 4, 2019.
- The decrease of 37,424 thousand shares in the number of treasury stock was attributable to the cancellation of 37,400 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on May 15, 2019, and the granting of 24 thousand shares via the BBT.

(2) Information on Dividends**1) Dividends paid****Dividends paid for the year ended March 31, 2021**

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2020	Common stock	¥ 21,378	\$ 193	¥ 38.00	\$ 0.34	March 31, 2020	June 16, 2020

Note: Total amount of dividends included ¥6 million (\$0 million) of dividends paid to shares of the Company held in the BBT.

Dividends paid for the year ended March 31, 2020

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019	Common stock	¥ 43,200	¥ 72.00	March 31, 2019	June 18, 2019
Board of Directors' meeting held on November 14, 2019	Common stock	¥ 21,378	¥ 38.00	September 30, 2019	December 6, 2019

Notes:

- Total amount of dividends based on the resolution at the Board of Directors' meeting held on May 15, 2019, included ¥13 million of dividends paid to shares of the Company held in the BBT and the amount of dividends per share included a special dividend of ¥4 per share.
- Total amount of dividends based on the resolution at the Board of Directors' meeting held on November 14, 2019, included ¥6 million of dividends paid to shares of the Company held in the BBT.

2) Dividends for which the effective date falls after the end of the fiscal year**Dividends for which the effective date falls after the end of the year ended March 31, 2021**

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	¥ 42,756	\$ 386	Retained earnings	¥ 76.00	\$ 0.69	March 31, 2021	June 17, 2021

Note: Total amount of dividends includes ¥11 million (\$0 million) of dividends paid to shares of the Company held in the BBT.

17. OPERATING EXPENSES

Operating expenses for the years ended March 31, 2021 and 2020, consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Sales activity expenses	¥ 51,416	¥ 111,079	\$ 464
Sales administration expenses	10,917	15,003	99
General administration expenses	340,699	347,788	3,077
Total	¥ 403,033	¥ 473,871	\$ 3,640

18. REVERSAL OF RESERVE FOR OUTSTANDING CLAIMS AND REVERSAL OF POLICY RESERVES

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 year ended March 31, 2021, was ¥54 million (\$0 million). The amount of provision for reserve for outstanding claims—ceded that is added to the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2020, was ¥18 million.

The amount of reversal of policy reserves—ceded that is deducted from the calculation of reversal of policy reserves for the years ended March 31, 2021 and 2020, was ¥32 million (\$0 million) and ¥18 million, respectively.

19. INSURANCE PREMIUMS AND OTHERS

Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums and others for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Insurance premiums	¥ 364,196	¥ 459,151	\$ 3,290

20. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Insurance claims	¥ 2,940,643	¥ 3,349,302	\$ 26,562

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Gains on sales of fixed assets	¥ –	¥ 393	\$ –
Reversal of reserve for price fluctuations	–	39,152	–
Total	¥ –	¥ 39,546	\$ –

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Losses on sales and disposal of fixed assets	¥ 255	¥ 303	\$ 2
Provision for reserve for price fluctuations	46,477	–	420
Total	¥ 46,732	¥ 303	\$ 422

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

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 reinsurance due to the reinsurance contracts with the Management Network, for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Provision for reserve for policyholder dividends	¥ 46,710	¥ 93,775	\$ 422

24. OTHER COMPREHENSIVE INCOME

The amount reclassified and the tax-effect amounts related to other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 1,062,340	¥ (299,101)	\$ 9,596
Reclassification adjustments	(1,491)	32,431	(13)
Before tax-effect adjustments	1,060,848	(266,670)	9,582
Tax effect	(293,473)	73,985	(2,651)
Net unrealized gains (losses) on available-for-sale securities	767,374	(192,684)	6,931
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	778	(22)	7
Reclassification adjustments	(5)	–	(0)
Before tax-effect adjustments	772	(22)	7
Tax effect	(216)	6	(2)
Net deferred gains (losses) on hedges	556	(16)	5
Adjustments for retirement benefits:			
Amount arising during the fiscal year	1,181	279	11
Reclassification adjustments	(608)	(588)	(5)
Before tax-effect adjustments	573	(308)	5
Tax effect	(160)	86	(1)
Adjustments for retirement benefits	413	(221)	4
Total other comprehensive income (loss)	¥ 768,344	¥ (192,923)	\$ 6,940

25. 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 the yield is expected to be relatively higher than that of Japanese government bonds, as well as in return-seeking assets (previously referred to as risk assets) including foreign bonds and stocks from the perspective of improving profitability and strengthening 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 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 foreign exchange risk. Moreover, the Company owns loans with floating interest rates, which are exposed to interest rate risk.

Derivative transactions that the Company uses are mainly foreign exchange contracts and interest rate swaps. These are identified as a key hedging method against foreign exchange fluctuation risk and interest rate risk. Other derivative transactions are also 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

1) 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 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 the quantified risks.

2) 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 the financial conditions of borrowers and other reasons.

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 concen-

tration 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 for which the market prices are not readily available. In calculating prices, certain premises

and assumptions are adopted, and the use of different assumptions could lead to changes in pricing.

The contract amounts of derivative transactions in Note 26 "DERIVATIVE TRANSACTIONS" do not indicate the market risk related to derivative transactions.

(5) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the differences between them as of March 31, 2021 and 2020, were as follows. Financial instruments for which the fair values are extremely difficult to determine are not included in the table below.

March 31

1) Cash and deposits	
Available-for-sale securities (negotiable certificates of deposit)	
2) Call loans	
3) Receivables under securities borrowing transactions	
4) Monetary claims bought	
Available-for-sale securities	
5) Money held in trust ¹	
6) Securities	
Held-to-maturity bonds	
Policy-reserve-matching bonds	
Available-for-sale securities	
7) Loans	
Policy loans	
Industrial and commercial loans ²	
Loans to the Management Network ²	
Reserve for possible loan losses ³	
Total assets	

1) Bonds payable	
2) Payables under securities lending transactions	
Total liabilities	

Derivative transactions ⁴	
Hedge accounting not applied	
Hedge accounting applied	
Total derivative transactions	

(Millions of Yen)

	2021		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
¥ 1,335,014	¥ 1,335,014	¥ -	
480,000	480,000	-	
130,000	130,000	-	
2,585,087	2,585,087	-	
276,772	276,772	-	
276,772	276,772	-	
3,696,910	3,696,910	-	
55,251,508	61,212,592	5,961,084	
35,327,980	40,512,921	5,184,940	
9,382,446	10,158,590	776,143	
10,541,080	10,541,080	-	
4,964,051	5,276,267	312,215	
161,419	161,419	-	
996,127	1,039,595	43,503	
3,806,540	4,075,252	268,711	
(36)	-	-	
¥ 68,239,343	¥ 74,512,644	¥ 6,273,300	
¥ 300,000	¥ 300,290	¥ 290	
4,587,469	4,587,469	-	
¥ 4,887,469	¥ 4,887,759	¥ 290	
¥ (855)	¥ (855)	¥ -	
(155,809)	(155,809)	-	
¥ (156,665)	¥ (156,665)	¥ -	

(Millions of Yen)

	2020		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	¥ 1,410,298	¥ 1,410,298	¥ –
Available-for-sale securities (negotiable certificates of deposit)	535,000	535,000	–
2) Call loans	380,000	380,000	–
3) Receivables under securities borrowing transactions	3,191,710	3,191,710	–
4) Monetary claims bought	318,581	318,581	–
Available-for-sale securities	318,581	318,581	–
5) Money held in trust ¹	2,744,305	2,744,305	–
6) Securities	55,856,394	63,077,948	7,221,553
Held-to-maturity bonds	35,735,724	41,953,389	6,217,664
Policy-reserve-matching bonds	9,574,646	10,578,535	1,003,888
Available-for-sale securities	10,546,023	10,546,023	–
7) Loans	5,662,711	6,054,193	391,481
Policy loans	152,681	152,681	–
Industrial and commercial loans ²	994,446	1,051,900	57,491
Loans to the Management Network ²	4,515,620	4,849,611	333,990
Reserve for possible loan losses ³	(36)	–	–
Total assets	¥ 69,564,003	¥ 77,177,038	¥ 7,613,034
1) Bonds payable	¥ 100,000	¥ 98,740	¥ (1,260)
2) Payables under securities lending transactions	4,290,140	4,290,140	–
Total liabilities	¥ 4,390,140	¥ 4,388,880	¥ (1,260)
Derivative transactions ⁴			
Hedge accounting not applied	¥ (2)	¥ (2)	¥ –
Hedge accounting applied	36,998	36,998	–
Total derivative transactions	¥ 36,995	¥ 36,995	¥ –

(Millions of U.S. Dollars)

	2021		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
March 31			
1) Cash and deposits	\$ 12,059	\$ 12,059	\$ –
Available-for-sale securities (negotiable certificates of deposit)	4,336	4,336	–
2) Call loans	1,174	1,174	–
3) Receivables under securities borrowing transactions	23,350	23,350	–
4) Monetary claims bought	2,500	2,500	–
Available-for-sale securities	2,500	2,500	–
5) Money held in trust ¹	33,393	33,393	–
6) Securities	499,065	552,909	53,844
Held-to-maturity bonds	319,104	365,937	46,834
Policy-reserve-matching bonds	84,748	91,759	7,011
Available-for-sale securities	95,213	95,213	–
7) Loans	44,838	47,658	2,820
Policy loans	1,458	1,458	–
Industrial and commercial loans ²	8,998	9,390	393
Loans to the Management Network ²	34,383	36,810	2,427
Reserve for possible loan losses ³	(0)	–	–
Total assets	\$ 616,379	\$ 673,043	\$ 56,664
1) Bonds payable	\$ 2,710	\$ 2,712	\$ 3
2) Payables under securities lending transactions	41,437	41,437	–
Total liabilities	\$ 44,147	\$ 44,149	\$ 3
Derivative transactions ⁴			
Hedge accounting not applied	\$ (8)	\$ (8)	\$ –
Hedge accounting applied	(1,407)	(1,407)	–
Total derivative transactions	\$ (1,415)	\$ (1,415)	\$ –

Notes:

1. Money held in trust classified as other than trading, held-to-maturity 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.

The calculation methods for fair values of financial instruments are as follows:

Assets

- 1) Cash and deposits
Deposits (including negotiable certificates of deposit) mature within the 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 the 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 "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 stocks and the net asset value for mutual funds.
Money held in trust is provided in Note 4 (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 the 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 the net asset value.

The consolidated balance sheet amounts of financial instruments for which the fair values are deemed extremely difficult to determine are as shown below:

March 31

Money held in trust ¹
Securities
Unlisted stocks ²
Investments in partnerships ²
Total

Notes:

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 partnerships where partnership assets comprise primarily unlisted stocks, etc., are not included in "Assets 6) Securities," as the fair values are deemed extremely difficult to determine.

Securities are described in Note 4 "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 the 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, for which the 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 the short term (one year), and their fair value approximates book value.

Derivatives

Notes on the fair value of derivatives are presented in Note 26 "DERIVATIVE TRANSACTIONS." Interest rate swaps subject to exceptional treatment for interest rate swaps are jointly disclosed with hedged industrial and commercial loans. Therefore, their fair values are included in the relevant industrial and commercial loans.

Millions of Yen		Millions of U.S. Dollars
2021	2020	2021
¥ 492,384	¥ 311,766	\$ 4,448
22,102	14,162	200
4,735	4,735	43
17,366	9,427	157
¥ 514,487	¥ 325,929	\$ 4,647

Redemption schedules of major monetary claims and securities with maturities were as follows:

(Millions of Yen)

	2021			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
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
Foreign securities	-	-	-	-
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

(Millions of Yen)

	2020			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
March 31				
Deposits	¥ 1,409,812	¥ -	¥ -	¥ -
Call loans	380,000	-	-	-
Receivables under securities borrowing transactions	3,191,710	-	-	-
Monetary claims bought	295,000	-	-	21,577
Securities	2,230,230	9,591,623	14,025,937	26,583,415
Held-to-maturity bonds	1,475,873	4,806,182	8,406,920	20,575,151
Bonds	1,377,873	4,806,182	8,406,920	20,575,151
Japanese government bonds	75,700	1,170,100	8,107,700	18,400,300
Japanese local government bonds	1,112,901	2,736,211	250,620	1,109,691
Japanese corporate bonds	189,272	899,871	48,600	1,065,160
Foreign securities	98,000	-	-	-
Policy-reserve-matching bonds	416,864	3,003,336	2,369,100	3,572,773
Bonds	416,864	3,003,336	2,369,100	3,572,773
Japanese government bonds	377,000	2,631,100	2,361,600	2,589,200
Japanese local government bonds	25,090	306,238	400	238,173
Japanese corporate bonds	14,774	65,998	7,100	745,400
Available-for-sale securities with maturities	337,492	1,782,104	3,249,917	2,435,491
Bonds	308,797	737,396	1,414,651	1,228,801
Japanese government bonds	-	-	-	340,200
Japanese local government bonds	68,977	169,581	552,118	153,566
Japanese corporate bonds	239,820	567,814	862,532	735,034
Foreign securities	28,695	1,044,708	1,835,266	1,191,933
Other securities	-	-	-	14,755
Loans	1,119,837	2,381,209	1,393,775	768,317
Total	¥ 8,626,591	¥ 11,972,833	¥ 15,419,713	¥ 27,373,311

(Millions of U.S. Dollars)

March 31	2021			
	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Deposits	\$ 12,053	\$ -	\$ -	\$ -
Call loans	1,174	-	-	-
Receivables under securities borrowing transactions	23,350	-	-	-
Monetary claims bought	2,303	-	-	182
Securities	24,254	74,917	139,771	229,044
Held-to-maturity bonds	13,692	38,605	85,976	176,881
Bonds	13,692	38,605	85,976	176,881
Japanese government bonds	2,374	17,062	81,920	157,725
Japanese local government bonds	8,560	16,173	3,347	9,425
Japanese corporate bonds	2,759	5,370	709	9,731
Foreign securities	-	-	-	-
Policy-reserve-matching bonds	7,342	19,229	23,613	32,893
Bonds	7,342	19,229	23,613	32,893
Japanese government bonds	6,977	16,179	22,843	22,879
Japanese local government bonds	336	2,271	3	2,431
Japanese corporate bonds	29	778	767	7,584
Available-for-sale securities with maturities	3,220	17,084	30,182	19,270
Bonds	2,096	6,878	11,390	11,349
Japanese government bonds	-	-	-	3,855
Japanese local government bonds	696	2,033	3,794	1,340
Japanese corporate bonds	1,399	4,845	7,596	6,154
Foreign securities	1,124	10,206	18,792	7,793
Other securities	-	-	-	129
Loans	9,314	18,765	10,676	6,088
Total	\$ 72,448	\$ 93,682	\$ 150,447	\$ 235,315

Redemption schedules of bonds payable and payables under securities lending transactions were as follows:

(Millions of Yen)

March 31	2021					
	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

(Millions of Yen)

March 31	2020					
	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	¥ -	¥ -	¥ -	¥ -	¥ -	¥ 100,000
Payables under securities lending transactions	4,290,140	-	-	-	-	-
Total	¥ 4,290,140	¥ -	¥ -	¥ -	¥ -	¥ 100,000

(Millions of U.S. Dollars)

March 31	2021					
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,710
Payables under securities lending transactions	41,437	-	-	-	-	-
Total	\$ 41,437	\$ -	\$ -	\$ -	\$ -	\$ 2,710

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26. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Is Not Applied Currency-related derivatives

(Millions of Yen)

March 31		2021			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	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)

(Millions of Yen)

March 31		2020			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	¥ 204	¥ –	¥ (2)	¥ (2)
	U.S. dollars	204	–	(2)	(2)
	Total				¥ (2)

(Millions of U.S. dollars)

March 31		2021			
Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net valuation gains (losses)
Over-the-counter transactions	Forward foreign exchange				
	Sold	\$ 151	\$ –	\$ (8)	\$ (8)
	U.S. dollars	151	–	(8)	(8)
	Bought	77	–	0	0
	U.S. dollars	77	–	0	0
	Total				\$ (8)

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

(2) Derivative Transactions to Which the Hedge Accounting Is Applied 1) Currency-related derivatives

(Millions of Yen)

March 31			2021		
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				
	Sold	Foreign-currency-denominated bonds	¥ 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)

(Millions of Yen)

March 31			2020		
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		¥ 3,382,993	¥ –	¥ 36,973
	U.S. dollars		2,093,405	–	(32,310)
	Euros		523,596	–	6,238
	Australian dollars		256,452	–	30,310
	Other		509,538	–	32,734
		Total			¥ 36,973

(Millions of U.S. Dollars)

March 31			2021		
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		\$ 31,320	\$ –	\$ (1,407)
	U.S. dollars		17,829	–	(678)
	Euros		4,854	–	(177)
	Australian dollars		3,739	–	(320)
	Other		4,898	–	(232)
		Total			\$ (1,407)

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

2) Interest-rate-related derivatives

There was no interest-rate-related derivative as of March 31, 2021.

(Millions of Yen)

March 31			2020		
Hedge accounting method	Type of derivative	Major hedged item	Contract amount	Contract amount due after 1 year	Fair value
Deferred hedge method	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		¥ 6,150	¥ 3,900	¥ 24
Exceptional treatment for interest rate swaps	Interest rate swaps:	Loans			
	Receivable fixed rate/ Payable floating rate		26,050	23,950	– ²
		Total			¥ 24

Notes:

1. Fair value is calculated using discounted present value.

2. Interest rate swap amounts measured by the exceptional treatment for interest rate swaps are disclosed with the loans that are subject to the hedge. Therefore, such fair value is included in the fair value of the relevant loans.

27. LEASE TRANSACTIONS

Operating Leases

As lessee

Future lease payments under non-cancelable operating leases as of March 31, 2021 and 2020, were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 6,292	¥ 5,749	\$ 57
Due after 1 year	34,198	40,433	309
Total	¥ 40,491	¥ 46,183	\$ 366

28. SEGMENT INFORMATION

(1) Segment Information

The Group has only one segment, namely, the life insurance business in Japan.

(2) Information on Losses on Impairment of Fixed Assets by Reportable Segment

No losses on impairment of fixed assets were recognized for the years ended March 31, 2021 and 2020.

(3) Supplemental Information

1) Information by product and service

The Group's products and services are placed under one category for the years ended March 31, 2021 and 2020.

2) Information by geographic region

Ordinary income in Japan exceeded 90% of ordinary income in the consolidated statements of income, and the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the years ended March 31, 2021 and 2020.

3) Information by major customer

No customer accounted for 10% or more of ordinary income in the consolidated statements of income for the years ended March 31, 2021 and 2020.

29. RELATED PARTY TRANSACTIONS

(1) Related Party Transactions

Transactions of the Company with related parties for the years ended March 31, 2021 and 2020, were as follows:

2021										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million (\$31,614 million)	Formulation of group management strategy	Directly owned 64.48%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥2,739 million (\$25 million)	Accounts payable—other	¥251 million (\$2 million)
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million (\$3,613 million)	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥198,126 million (\$1,790 million)	Agency accounts payable	¥8,369 million (\$76 million)
2020										
Type	Company name	Location	Capital	Business	Percentage of voting rights	Relationship	Transaction	Transaction amount	Account	Year-end balance
Parent company	JAPAN POST HOLDINGS Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000 million	Formulation of group management strategy	Directly owned 64.48%	Group management Interlocking officers	Payments of brand royalty fees ¹	¥2,958 million	Accounts payable—other	¥271 million
Subsidiary of parent company	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000 million	Postal and logistics business Post office business	—	Insurance agency Interlocking officers	Payments for commission of agency services ²	¥248,798 million	Agency accounts payable	¥15,416 million

Notes:

- Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group are 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.
- The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and the insurance premiums of each contract by the commission rates set for each class of insurance, and the commission of maintenance and collection calculated by multiplying the unit prices set for each type of outsourcing services, such as the collection of insurance premiums and payments for insurance money, by the volume of work.
- Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.
- In addition to the above, from the 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 years ended March 31, 2021 and 2020, the contributions paid by the Company to the Management Network amounted to ¥56,063 million (\$506 million) and ¥57,574 million, respectively.

(2) Parent Company

JAPAN POST HOLDINGS Co., Ltd. (Listed on the Tokyo Stock Exchange)

30. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2021	2020	2021
Net assets per share	¥ 5,052.12	¥ 3,428.71	\$ 45.63
Years ended March 31	Yen		U.S. Dollars
	2021	2020	2021
Net income per share	¥ 295.33	¥ 267.40	\$ 2.67

Notes:

- Diluted net income per share is not presented for the years ended March 31, 2021 and 2020, as potential common stock did not exist.
- Net income per share is calculated based on the following:

Years ended March 31

Net income
Amount not attributable to common stockholders
Net income attributable to common stock

Millions of Yen		Millions of U.S. Dollars
2021	2020	2021
¥ 166,103	¥ 150,687	\$ 1,500
–	–	–
¥ 166,103	¥ 150,687	\$ 1,500

Years ended March 31

Average number of common stock during the fiscal year

Thousands of shares	
2021	2020
562,429	563,533

3. Net assets per share is calculated based on the following:

March 31

Net assets
Amount deducted from net assets
Net assets attributable to common stock at the fiscal year-end

Millions of Yen		Millions of U.S. Dollars
2021	2020	2021
¥ 2,841,475	¥ 1,928,380	\$ 25,666
–	–	–
¥ 2,841,475	¥ 1,928,380	\$ 25,666

March 31

Number of common stock at the fiscal year-end used for the calculation of net assets per share

Thousands of shares	
2021	2020
562,432	562,422

4. The Company establishes the Board Benefit Trust (BBT). Shares of the Company held in 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 fiscal year for the purpose of calculating net income per share. In addition, they 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.

The average number of treasury stock during the fiscal year that was deducted from the calculation of net income per share for the years ended March 31, 2021 and 2020, was 159,503 shares and 176,573 shares, respectively. The number of treasury stock at the end of the fiscal year that was deducted from the calculation of net assets per share as of March 31, 2021 and 2020, was 156,200 shares and 166,900 shares, respectively.

31. SUBSEQUENT EVENTS

(1) Acquisition of Treasury Stock

The Company resolved matters related to the acquisition of its treasury stock in accordance with Article 156, Paragraph 1 of the Companies Act based on Article 39, Paragraph 1 of the Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the same Act at the Board of Directors meeting held on May 14, 2021, and the acquisition was completed on May 17, 2021.

1) Resolution of the Board of Directors Regarding the Acquisition of Treasury Stock

A) Reason for the acquisition of treasury stock

The acquisition of treasury stock was implemented with the aim of improving capital efficiency and enhancing shareholder returns. It was also intended to further advance the privatization of the postal service and lead to the relaxation of certain legal restrictions under the Postal Service Privatization Act, which are not applicable to other life insurance companies, by reducing the voting rights held in the Company by JAPAN POST HOLDINGS Co., Ltd., to 50% or less of total voting rights.

B) Details of the acquisition

- (i) Class of shares acquired: Common stock of the Company
- (ii) Total number of shares acquired: 162,906,300 shares (maximum)
(The ratio of the total number of shares acquired to the total number of shares issued (excluding treasury stock): 29.0%)
- (iii) Total amount of shares acquired: ¥439,847,010,000 (\$3,972,965,495) (maximum)
- (iv) Acquisition date: May 17, 2021
- (v) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(vi) In addition to the matters described above, any matters required for the acquisition of treasury stock shall be determined at the sole discretion of the President, CEO, Representative Executive Officer of the Company or a person appointed by the President, CEO, Representative Executive Officer of the Company.

2) Details of the Acquisition of Treasury Stock

- A) Class of shares acquired: Common stock of the Company
- B) Total number of shares acquired: 162,906,300 shares
- C) Total amount of shares acquired: ¥358,882,578,900 (\$3,241,645,551)
- D) Acquisition date: May 17, 2021
- E) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(2) Cancellation of Treasury Stock

The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors meeting held on July 28, 2021.

- 1) Class of shares to be cancelled: Common stock of the Company
- 2) Number of shares to be cancelled: 162,906,300 shares (29.0% of the total number of shares issued before the cancellation)
- 3) Scheduled date of the cancellation: August 20, 2021 (Reference)
Total number of shares issued (after the cancellation): 399,693,700 shares

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of JAPAN POST INSURANCE Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. ("the Company") and its consolidated subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Accuracy of the calculation and sufficiency of policy reserves	
The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of Japan Post Insurance Co., Ltd. (the “Company”) and its consolidated subsidiary, Policy reserves of ¥59,397,720 million were recognized as of March 31, 2021, accounting for a significant portion (88.2%) of total liabilities therein.</p> <p>As described in Note 2, “SIGNIFICANT ACCOUNTING POLICIES, (7) Policy Reserves”, policy reserves are set aside for the fulfilment of future obligations under the insurance contracts pursuant to the Insurance Business Act and other applicable laws and regulations (hereinafter collectively referred to as the “Act”).</p> <p>Pursuant to the Act, policy reserves, which represent a large portion of total liabilities of an insurance company, are required to be accumulated each accounting period in accordance with the statements of calculation methodology approved by the Financial Services Agency in Japan (FSA). In addition, the Act requires an insurance company to validate the sufficiency of policy reserves, and an additional policy reserve may be required to be provided for, as necessary.</p> <p>Policy reserves are calculated based on certain calculation assumptions affecting long-term future cash flows, such as assumed mortality rates, assumed interest rates, and expected operating expense ratios. The calculation formula for policy reserves stipulated in the statements of calculation methodology approved by the FSA is complex, and therefore involves a high level of expertise in actuarial valuation. In addition, pursuant to the Act, in order to validate the sufficiency of policy reserves, an analysis on future income and expenses must be performed by the chief actuary. This analysis requires significant management judgment on assumptions underlying the estimate of future cash flows, such as a level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating</p>	<p>In order to assess whether the calculation of policy reserves was accurate and the amount of policy reserves was sufficient, we performed the following procedures, among others, by involving actuarial specialists and IT system specialists within our firm:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls over the processes to ensure the accuracy of the calculation and sufficiency of policy reserves. In the assessment, special attention was given to the following controls:</p> <ul style="list-style-type: none"> • IT controls over the policy reserve calculation system to ensure the accuracy of the calculation of policy reserves; • controls that the actuarial-related departments ensure that policy reserves are recognized completely for all of the Company’s insurance contracts; • controls that the actuarial-related departments ensure the accuracy of the calculation of policy reserves by reperforming the calculation of policy reserves on a sample basis, and assessing the consistency with the amount of policy reserves calculated by a system other than the policy reserve calculation system used for financial reporting purpose; and • controls that the Company’s management receives the opinion report of the chief actuary to evaluate the sufficiency of policy reserves. <p>(2) Assessment of the accuracy of the calculation of policy reserves</p> <ul style="list-style-type: none"> • We confirmed that the policy reserves for existing insurance products whose policy reserve rates were revised during the current fiscal year were accurately calculated in accordance with the statements of calculation methodology approved by the FSA through recalculation; and • We confirmed that the changes in policy reserves from the previous fiscal year were consistent with insurance premium, insurance claims and operating expenses for the current fiscal year. <p>(3) Assessment of the sufficiency of the amount of policy reserves</p>

<p>expenses, which involves a high level of expertise in actuarial valuation.</p> <p>We, therefore, determined that our assessment of the accuracy of the calculation and sufficiency of policy reserves was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<ul style="list-style-type: none"> We assessed whether the amount of policy reserves was sufficient by confirming that an analysis on future income and expenses was appropriately performed pursuant to the Act in accordance with the “Standard of Practice for Appointed Actuaries of Life Insurance Companies” issued by the Institute of Actuaries of Japan, and comparing the amount of policy reserves with the calculation results of the previous fiscal year; and We assessed the contents of the opinion and supplementary reports of the chief actuary considering the chief actuary’s opinion, and inquired of the chief actuary about the reports.
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Reasonableness of management’s judgment on the recoverability of deferred tax assets

The key audit matter	How the matter was addressed in our audit
<p>In the consolidated balance sheet of Japan Post Insurance Co., Ltd. (the “Company”) and its consolidated subsidiary, Deferred tax assets of ¥904,135 million were recognized as of March 31, 2021. As described in Note 15, “DEFERRED TAX ASSETS AND LIABILITIES” to the consolidated financial statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥1,336,093 million. Of this amount, the deferred tax assets related to policy reserves and reserve for price fluctuations were ¥1,011,450 million and ¥223,044 million, respectively, accounting for a significant portion.</p> <p>Deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The amount recognized as deferred tax assets depends on the appropriateness of a company category determined in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets” (Guidance No. 26 of the Accounting Standards Board of Japan) and the estimated future taxable income.</p> <p>As described in Note 15, “DEFERRED TAX ASSETS AND LIABILITIES”, the Company determined that deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future</p>	<p>In order to assess whether management’s judgment on the recoverability of deferred tax assets was appropriate, we performed the following audit procedures, among others:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the estimate of future taxable income, including those over the development of a business plan.</p> <p>(2) Assessment of a company category</p> <p>We evaluated the appropriateness of a company category determined in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets,” with a particular focus on the assessment of whether significant changes in the business environment of the insurance subsidiary were expected in the near future.</p> <p>(3) Assessment of the reasonableness and feasibility of estimated future taxable income</p> <ul style="list-style-type: none"> We obtained an understanding of assumptions underlying the insurance subsidiary’s business plan, which formed the basis for the estimate of future taxable income by inquiring of the Company’s management and the personnel in the relevant department; We compared the future taxable income estimated in the previous fiscal years with actual

<p>taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable. The future taxable income to be generated was estimated based on the business plan prepared by management of the Company. Accordingly, the estimate involved significant management judgment on key assumptions, such as forecasts of the level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating expenses.</p> <p>We, therefore, determined that our assessment of the reasonableness of management’s judgment on the recoverability of deferred tax assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>results; and</p> <ul style="list-style-type: none"> • We confirmed the consistency between the estimated future taxable income and the business plan.
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Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers’ and directors’ performance of their duties with regard to the design, implementation and maintenance of the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ TATSUMI Yukihiisa
Designated Engagement Partner
Certified Public Accountant

/S/ KANNO Masako
Designated Engagement Partner
Certified Public Accountant

/S/ SATO Eihiro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
August 11, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

3 Non-Consolidated Financial Statements

JAPAN POST INSURANCE CO., LTD. NON-CONSOLIDATED BALANCE SHEETS

MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
ASSETS:			
Cash and deposits:			
Cash	¥ 662	¥ 485	\$ 6
Deposits	1,329,087	1,406,154	12,005
Total cash and deposits	1,329,749	1,406,640	12,011
Call loans	130,000	380,000	1,174
Receivables under securities borrowing transactions	2,585,087	3,191,710	23,350
Monetary claims bought	276,772	318,581	2,500
Money held in trust	4,189,294	3,056,072	37,840
Securities (Notes 3 and 4):			
Japanese government bonds	37,345,671	36,730,786	337,329
Japanese local government bonds	5,593,508	6,737,380	50,524
Japanese corporate bonds	5,325,276	5,486,350	48,101
Stocks	404,577	286,975	3,654
Foreign securities	4,632,376	4,687,342	41,842
Other securities	1,973,184	1,942,706	17,823
Total securities	55,274,594	55,871,541	499,274
Loans (Note 5):			
Policy loans	161,419	152,681	1,458
Industrial and commercial loans	996,127	994,446	8,998
Loans to the Management Network	3,806,540	4,515,620	34,383
Total loans	4,964,087	5,662,748	44,839
Tangible fixed assets (Note 26):			
Land	47,828	47,828	432
Buildings	40,299	41,556	364
Leased assets	1,839	2,007	17
Construction in progress	579	176	5
Other tangible fixed assets	14,429	18,135	130
Total tangible fixed assets	104,977	109,704	948
Intangible fixed assets (Note 26):			
Software	118,734	140,679	1,072
Other intangible fixed assets	14	16	0
Total intangible fixed assets	118,748	140,696	1,073
Agency accounts receivable	53,250	45,587	481
Reinsurance receivables	3,938	4,057	36
Other assets:			
Accounts receivable	67,545	70,594	610
Prepaid expenses (Note 26)	2,473	2,285	22
Accrued income	144,746	149,756	1,307
Money on deposit	7,863	6,896	71
Margin deposits for futures transactions (Note 4)	1,105	–	10
Derivative financial instruments	752	72,301	7
Cash collateral paid for financial instruments (Note 4)	11,286	2,319	102
Suspense payments	1,771	916	16
Other assets	1,863	1,685	17
Total other assets	239,407	306,755	2,162
Deferred tax assets (Note 12)	904,333	1,173,751	8,168
Reserve for possible loan losses (Note 26)	(384)	(448)	(3)
Total assets	¥ 70,173,857	¥ 71,667,398	\$ 633,853

See accompanying notes to non-consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
LIABILITIES:			
Policy reserves and others:			
Reserve for outstanding claims (Note 6)	¥ 419,021	¥ 461,224	\$ 3,785
Policy reserves (Notes 6 and 9)	59,397,720	62,293,166	536,516
Reserve for policyholder dividends (Note 8)	1,342,855	1,437,535	12,129
Total policy reserves and others	61,159,597	64,191,926	552,431
Reinsurance payables	6,394	6,595	58
Bonds payable (Note 10)	300,000	100,000	2,710
Other liabilities:			
Payables under securities lending transactions (Note 4)	4,587,469	4,290,140	41,437
Income taxes payable	42,915	62,298	388
Accounts payable	20,468	18,175	185
Accrued expenses	28,488	24,756	257
Deposits received	2,520	2,247	23
Deposits from the Management Network (Note 11)	41,143	42,231	372
Guarantee deposits received	73	73	1
Derivative financial instruments	157,418	35,305	1,422
Lease obligations	1,950	2,095	18
Asset retirement obligation	5	5	0
Suspense receipt	2,491	829	23
Other liabilities	6,842	7,183	62
Total other liabilities	4,891,788	4,485,343	44,186
Reserve for insurance claims and others (Note 26)	2,851	29,722	26
Reserve for employees' retirement benefits	69,659	68,831	629
Reserve for management board benefit trust (Note 26)	110	164	1
Reserve for price fluctuations (Notes 9 and 26)	904,816	858,339	8,173
Total liabilities	¥ 67,335,219	¥ 69,740,924	\$ 608,213
NET ASSETS:			
Capital stock	¥ 500,000	¥ 500,000	\$ 4,516
Capital surplus:			
Legal capital surplus	405,044	405,044	3,659
Total capital surplus	405,044	405,044	3,659
Retained earnings:			
Legal retained earnings	64,761	60,485	585
Other retained earnings:			
Reserve for reduction entry of real estate	5,286	5,545	48
Retained earnings brought forward	831,986	691,794	7,515
Total other retained earnings	837,272	697,340	7,563
Total retained earnings	902,034	757,826	8,148
Treasury stock	(397)	(422)	(4)
Total shareholders' equity	1,806,680	1,662,447	16,319
Net unrealized gains (losses) on available-for-sale securities	1,031,384	264,009	9,316
Net deferred gains (losses) on hedges	573	16	5
Total valuation and translation adjustments	1,031,957	264,026	9,321
Total net assets	2,838,638	1,926,474	25,640
Total liabilities and net assets	¥ 70,173,857	¥ 71,667,398	\$ 633,853

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021	2020	2021
ORDINARY INCOME:			
Insurance premiums and others:			
Insurance premiums (Note 14)	¥ 2,682,067	¥ 3,229,518	\$ 24,226
Reinsurance income	15,868	16,022	143
Total insurance premiums and others	2,697,936	3,245,541	24,369
Investment income:			
Interest and dividend income:			
Interest on deposits	29	23	0
Interest and dividends on securities	898,429	924,098	8,115
Interest on loans	13,314	14,684	120
Interest on loans to the Management Network	86,934	105,830	785
Other interest and dividend income	5,926	5,167	54
Total interest and dividend income	1,004,635	1,049,804	9,074
Gains on money held in trust (Note 16)	87,593	51,560	791
Gains on sales of securities (Note 17)	20,422	35,699	184
Gains on redemption of securities	1,170	614	11
Gains on foreign exchanges	7,759	–	70
Reversal of reserve for possible loan losses	0	8	0
Other investment income	86	101	1
Total investment income	1,121,668	1,137,789	10,132
Other ordinary income:			
Reversal of reserve for outstanding claims (Note 13)	42,203	58,343	381
Reversal of policy reserves (Note 13)	2,895,445	2,767,383	26,153
Reversal of reserve for insurance claims and others	26,870	–	243
Other ordinary income	2,084	2,346	19
Total other ordinary income	2,966,604	2,828,072	26,796
Total ordinary income	6,786,210	7,211,403	61,297
ORDINARY EXPENSES:			
Insurance claims and others:			
Insurance claims (Note 15)	4,681,106	4,889,175	42,283
Annuity payments	359,821	394,005	3,250
Benefits	120,324	110,254	1,087
Surrender benefits	480,477	602,583	4,340
Other refunds	201,420	171,590	1,819
Reinsurance premiums	22,940	23,760	207
Total insurance claims and other	5,866,091	6,191,369	52,986
Provision for interest on policyholder dividends	8	8	0
Investment expenses:			
Interest expenses	2,311	2,130	21
Losses on sales of securities (Note 18)	32,789	32,020	296
Losses on valuation of securities (Note 19)	–	2,689	–
Losses on redemption of securities	10,950	6,847	99
Losses on derivative financial instruments (Note 20)	21,604	74,799	195
Losses on foreign exchanges	–	2,085	–
Other investment expenses	3,207	3,425	29
Total investment expenses	70,863	123,999	640
Operating expenses (Note 26)	402,065	472,177	3,632
Other ordinary expenses:			
Taxes	38,402	43,974	347
Depreciation and amortization	61,214	59,125	553
Provision for reserve for insurance claims and others	–	29,722	–
Provision for reserve for employees' retirement benefits	716	262	6
Other ordinary expenses	1,825	3,934	16
Total other ordinary expenses	102,158	137,018	923
Total ordinary expenses	6,441,187	6,924,573	58,181
Ordinary profit	345,022	286,829	3,116
EXTRAORDINARY GAINS (Note 21)	–	39,546	–
EXTRAORDINARY LOSSES (Note 22)	46,732	303	422
Provision for reserve for policyholder dividends (Note 23)	65,465	109,236	591
Income before income taxes	232,824	216,835	2,103
Income taxes (Note 12):			
Current	91,510	143,463	827
Deferred	(24,272)	(77,759)	(219)
Total income taxes	67,238	65,703	607
Net income	¥ 165,586	¥ 151,132	\$ 1,496

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen									
	Capital surplus				Shareholders' equity					
					Retained earnings		Other retained earnings		Treasury stock	Total shareholders' equity
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry of real estate	Retained earnings brought forward	Total retained earnings		
BALANCE, APRIL 1, 2019	¥ 500,000	¥ 405,044	¥ 95,000	¥ 500,044	¥ 47,569	¥ 5,805	¥ 622,867	¥ 676,242	¥ (450)	¥1,675,836
Changes in the fiscal year:										
Cash dividends					12,915		(77,494)	(64,578)		(64,578)
Net income							151,132	151,132		151,132
Purchases of treasury stock									(99,999)	(99,999)
Disposals of treasury stock									57	57
Cancellation of treasury stock			(99,970)	(99,970)					99,970	
Reversal of reserve for reduction entry of real estate						(259)	259	-		
Transfer from retained earnings to capital surplus			4,970	4,970			(4,970)	(4,970)		
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	-	-	(95,000)	(95,000)	12,915	(259)	68,927	81,583	28	(13,388)
BALANCE, MARCH 31, 2020	500,000	405,044	-	405,044	60,485	5,545	691,794	757,826	(422)	1,662,447
Changes in the fiscal year:										
Cash dividends					4,275		(25,654)	(21,378)		(21,378)
Net income							165,586	165,586		165,586
Purchases of treasury stock									(0)	(0)
Disposals of treasury stock									25	25
Reversal of reserve for reduction entry of real estate						(259)	259	-		
Net changes in items other than shareholders' equity in the fiscal year										
Net changes in the fiscal year	-	-	-	-	4,275	(259)	140,191	144,207	25	144,233
BALANCE, MARCH 31, 2021	¥ 500,000	¥ 405,044	¥ -	¥ 405,044	¥ 64,761	¥ 5,286	¥ 831,986	¥ 902,034	¥ (397)	¥1,806,680

	Millions of Yen			
	Valuation and translation adjustments			
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	Total net assets
BALANCE, APRIL 1, 2019	¥ 456,694	¥ 33	¥ 456,727	¥ 2,132,564
Changes in the fiscal year:				
Cash dividends				(64,578)
Net income				151,132
Purchases of treasury stock				(99,999)
Disposals of treasury stock				57
Cancellation of treasury stock				-
Reversal of reserve for reduction entry of real estate				-
Transfer from retained earnings to capital surplus				-
Net changes in items other than shareholders' equity in the fiscal year	(192,684)	(16)	(192,701)	(192,701)
Net changes in the fiscal year	(192,684)	(16)	(192,701)	(206,089)
BALANCE, MARCH 31, 2020	264,009	16	264,026	1,926,474
Changes in the fiscal year:				
Cash dividends				(21,378)
Net income				165,586
Purchases of treasury stock				(0)
Disposals of treasury stock				25
Reversal of reserve for reduction entry of real estate				-
Net changes in items other than shareholders' equity in the fiscal year	767,374	556	767,931	767,931
Net changes in the fiscal year	767,374	556	767,931	912,164
BALANCE, MARCH 31, 2021	¥ 1,031,384	¥ 573	¥ 1,031,957	¥ 2,838,638

See accompanying notes to non-consolidated financial statements.

Millions of U.S. Dollars (Note 1)

	Shareholders' equity											
	Capital surplus				Retained earnings						Treasury stock	Total shareholders' equity
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings				
						Reserve for reduction entry of real estate	Retained earnings brought forward					
BALANCE, MARCH 31, 2020	\$ 4,516	\$ 3,659	\$ -	\$ 3,659	\$ 546	\$ 50	\$ 6,249	\$ 6,845	\$ (4)	\$ 15,016		
Changes in the fiscal year:												
Cash dividends					39		(232)	(193)		(193)		
Net income							1,496	1,496		1,496		
Purchases of treasury stock									(0)	(0)		
Disposals of treasury stock									0	0		
Reversal of reserve for reduction entry of real estate						(2)	2	-		-		
Net changes in items other than shareholders' equity in the fiscal year												
Net changes in the fiscal year	-	-	-	-	39	(2)	1,266	1,303	0	1,303		
BALANCE, MARCH 31, 2021	\$ 4,516	\$ 3,659	\$ -	\$ 3,659	\$ 585	\$ 48	\$ 7,515	\$ 8,148	\$ (4)	\$ 16,319		

Millions of U.S. Dollars (Note 1)

	Valuation and translation adjustments				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments		
BALANCE, MARCH 31, 2020	\$ 2,385	\$ 0	\$ 2,385	\$ 17,401	
Changes in the fiscal year:					
Cash dividends				(193)	
Net income				1,496	
Purchases of treasury stock				(0)	
Disposals of treasury stock				0	
Reversal of reserve for reduction entry of real estate				-	
Net changes in items other than shareholders' equity in the fiscal year	6,931	5	6,936	6,936	
Net changes in the fiscal year	6,931	5	6,936	8,239	
BALANCE, MARCH 31, 2021	\$ 9,316	\$ 5	\$ 9,321	\$ 25,640	

See accompanying notes to non-consolidated financial statements.

JAPAN POST INSURANCE CO., LTD.**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED MARCH 31, 2021 AND 2020

1. BASIS OF PRESENTATION

The accompanying financial statements of JAPAN POST INSURANCE Co., Ltd. (the "Company"), have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations concerning preparation of financial statements, the Ordinance for Enforcement of Insurance Business Act and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of the International Financial Reporting Standards.

In preparing these non-consolidated financial statements, certain reclassifications and rearrangements have been made to the non-consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

All Japanese yen figures in the non-consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account might not be equal to the combined total of individual items.

The non-consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and mainly operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to US\$1, the approximate rate of exchange as of March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES**(1) 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 the "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

Equities of subsidiaries and affiliates are carried at cost, and the cost of these securities sold is calculated using the moving-average method.

4) Available-for-sale securities**A) Available-for-sale securities at fair value**

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

B) Available-for-sale securities for which the fair values are deemed extremely difficult to determine

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

All derivative transactions are valued at fair value.

(3) Hedge Accounting**1) Methods for hedge accounting**

The Company applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10). The exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

2) Hedging instruments and hedged items

A) Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds
B) Hedging instrument: Interest rate swaps
Hedged item: Loans

3) Hedging policies

Foreign currency exchange contracts are used to hedge fluctuations in the 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 that applied the exceptional treatment for interest rate swaps.

(4) Depreciation**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:

Buildings : 2–60 years

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

The Company mainly leases vehicles under finance lease arrangements that do not transfer the ownership of leased property to the lessee.

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.

(5) 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 a 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 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. The reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amounts written off for loans and other assets during the years ended March 31, 2021 and 2020, were ¥96 million (\$1 million) and ¥49 million, respectively.

(6) Policy Reserves

To prepare for the fulfillment of future obligations under the 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 methodology 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.

The amount of policy reserves may be affected if actual results of basis of the calculation of policy reserves such as assumed mortality rates, assumed interest rates, and expected rate of expenses deviate significantly or deviations are expected in the future due to changes in the environment.

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for the portion of the reinsurance contracts issued to 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.

Pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, effective from the year ended March 31, 2011, additional policy reserves were accumulated, in preparation for the fulfillment of future obligations, over a 10-year period for a portion of the reinsurance contracts from the Management Network. As a result, the amount of provision for additional policy reserves was ¥176,734 million for the year ended March 31, 2020.

In addition, for the year ended March 31, 2021, additional policy reserves were accumulated for a portion of the 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 (\$2,221 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 fulfillment of future obligations under insurance contracts in preparation of possible future risks, 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 as of the fiscal year-end have been appropriately accumulated.

The Management Network was established in October 2007 to support the privatization of Japan Post by succeeding from Japan Post postal savings such as fixed amount or term postal savings deposited and Postal Life Insurance Contracts concluded by September 2007 to ensure that such postal savings and Postal Life Insurance are managed appropriately and to fulfill the relevant liabilities without fail.

The Company has entered into the reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and the reinsurance contracts for insurance liabilities based on former Postal Life Insurance Contracts, for Postal Life Insurance Contracts concluded by September 2007 that have been assumed by the Management Network.

In addition, based on the master plan by the Postal Service Privatization Act, with respect to the amount equivalent to that lent to policyholders of the Postal Life Insurance Contracts and to Japanese local governments and others succeeded from Japan Post Corporation, the Company has lent loans to the Management Network under the same loan conditions as those of the contracts between Japan Post and its counterparties.

(7) Insurance Premiums

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

The portion of collected insurance premiums corresponding to the unexpired 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.

(8) 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 recorded in the amount of the payment.

Reserve for outstanding claims has been accumulated for insurance claims and others, for which payment is due but has not been paid at the fiscal year-end, and 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 but not yet paid, 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 year ended March 31, 2021. Accordingly, the Company has stated "(7) Insurance Premiums" and "(8) Insurance Claims and Others" as accounting principles and procedures adopted in cases where the relevant accounting standards are not clear.

(9) 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 and others arising due to future policy measures to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

(10) Reserve for Employees' Retirement Benefits

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.

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

The 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 period for employees in the fiscal year of incurrence.

Accounting methods for unrecognized actuarial difference and unrecognized prior service cost are different from those of the consolidated financial statements.

(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 (\$11 million) was recognized.

(11) Reserve for Management Board Benefit Trust

To provide for the granting of shares and others 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.

(12) Reserve for Price Fluctuations

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

(13) 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.

(14) Consumption Taxes

All figures are net of consumption taxes.

(15) Additional Information

1) Transactions for granting shares and others of the Company to executive officers of the Company through a trust

Notes to the transactions for granting shares and others of the Company to executive officers of the Company through a trust are omitted as they are presented in Note 2 (18) "Additional Information" of the consolidated financial statements as of and for the year ended March 31, 2021.

2) Efforts to regain to 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 to do so. In addition, 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.

At the year ended March 31, 2020, the company reasonably estimated insurance-related expenses to be incurred due to the refund of premiums and the payment of insurance claims to compensate for the disadvantages suffered by customers, and recorded reserve for insurance claims and others in the amount of ¥29,722 million.

In the year ended March 31, 2021, the Company recorded the refund of premiums and the 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 (\$195 million) from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million (\$48 million), as a result of reflecting the progress in the investigation of insurance policies in accounting estimates. Consequently, reserve for insurance claims and others stood at ¥2,851 million (\$26 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 year ended March 31, 2021.

3. SECURITIES

(1) Securities

Equities of subsidiaries and affiliates were included in "Stocks," and investments in capital of affiliates were included in "Other securities." All of which are carried at cost because their fair values are deemed extremely difficult to determine. Such securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Equities of subsidiaries	¥ 984	¥ 984	\$ 9
Equities of affiliates	495	495	4
Investments in capital of affiliates	17,366	9,427	157

Securities lent under lending agreements in the amount of ¥5,249,528 million (\$47,417 million) and ¥4,872,448 million were included in "Securities" in the balance sheets as of March 31, 2021 and 2020, respectively.

The Company has the right to sell or pledge securities received as collateral for transactions such as borrowing agreements and exchange settlements. The fair value of such securities held in hand was ¥2,909,293 million (\$26,279 million) and ¥3,545,026 million as of March 31, 2021 and 2020, respectively.

(2) Policy-Reserve-Matching Bonds

The balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Balance sheet amount	¥ 9,382,446	¥ 9,574,646	\$ 84,748
Fair value	10,158,590	10,578,535	91,759

The outline of the risk management policy of policy-reserve-matching bonds was as follows:

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product to manage risks arising from fluctuations in the 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 is reconciled within a certain range and 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. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Assets pledged as collateral:			
Securities	¥ 3,965,725	¥ 3,622,145	\$ 35,821
Liabilities corresponding to assets pledged as collateral:			
Payables under securities lending transactions	4,587,469	4,290,140	41,437

All of the above securities were pledged as collateral for securities lending transactions with cash collateral.

In addition to the above, the following was pledged as collateral for the transactions such as transactions under securities lending secured by securities and exchange settlements.

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Securities	¥ 438,177	¥ 480,477	\$ 3,958
Margin deposits for futures transactions	1,105	—	10
Cash collateral paid for financial instruments	11,286	2,319	102

5. LOANS

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 and 2020. 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). The interest accruals of such loans are suspended because 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 to assist and support 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.

The amounts of unused commitments as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Amount of unused commitments	¥ 24,863	¥ 17,717	\$ 225

6. REINSURANCE

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 the "reserve for outstanding claims—ceded"), as of March 31, 2021 and 2020, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Reserve for outstanding claims—ceded	¥ 418	¥ 473	\$ 4

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance (hereinafter "policy reserves—ceded") as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Policy reserves—ceded	¥ 935	¥ 967	\$ 8

7. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN

The Company estimated future contributions to Life Insurance Policyholders Protection Corporation in the amounts of ¥33,629 million (\$304 million) and ¥34,524 million, as of March 31, 2021 and 2020, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are made.

8. RESERVE FOR POLICYHOLDER DIVIDENDS

Changes in reserve for policyholder dividends for the years ended March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Balance at the beginning of the year	¥ 1,437,535	¥ 1,513,634	\$ 12,985
Policyholder dividends paid	(159,817)	(185,042)	(1,444)
Interest accrual	8	8	0
Reduction due to the acquisition of additional annuity	(336)	(301)	(3)
Provision for reserve for policyholder dividends	65,465	109,236	591
Balance at the end of the year	¥ 1,342,855	¥ 1,437,535	\$ 12,129

9. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network 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 for the category of the reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations mentioned above as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Policy reserves (excluding contingency reserve)	¥ 31,408,726	¥ 33,324,093	\$ 283,703
Contingency reserve	1,129,662	1,320,677	10,204
Reserve for price fluctuations	655,111	631,990	5,917

10. BONDS PAYABLE

Bonds payable, which are subordinated bonds stipulating that their priorities are ranked behind other obligations, as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Subordinated bonds	¥ 300,000	¥ 100,000	\$ 2,710

11. 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 were 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 remained unpaid at the end of the fiscal years ended March 31, 2021 and 2020.

12. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Deferred tax assets:			
Policy reserves	¥ 1,011,450	¥ 995,598	\$ 9,136
Reserve for price fluctuations	223,044	203,752	2,015
Reserve for outstanding claims	38,126	42,014	344
Reserve for employees' retirement benefits	19,506	19,274	176
Unrealized losses on available-for-sale securities	27,983	118,027	253
Other	29,532	34,768	267
Subtotal	1,349,644	1,413,436	12,191
Valuation allowance	(13,361)	(11,254)	(121)
Total deferred tax assets	1,336,282	1,402,181	12,070
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(422,761)	(219,330)	(3,819)
Other	(9,188)	(9,099)	(83)
Total deferred tax liabilities	(431,949)	(228,430)	(3,902)
Net deferred tax assets (liabilities)	¥ 904,333	¥ 1,173,751	\$ 8,168

Note: Deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable.

The Company is subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 28.00% for the years ended March 31, 2021 and 2020.

Reconciliation of the effective income tax rate reflected in the accompanying non-consolidated statements of income to the statutory tax rate for the year ended March 31, 2020, was as follows:

Year ended March 31

	2020
Statutory tax rate	28.00%
Changes in valuation allowance	2.41
Other	(0.11)
Effective income tax rate	30.30%

Note: Reconciliation of the statutory tax rate and the effective income tax rate for the year ended March 31, 2021, is omitted as the difference was less than 5% of the statutory tax rate.

13. REVERSAL OF RESERVE FOR OUTSTANDING CLAIMS AND REVERSAL OF POLICY RESERVES

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 year ended March 31, 2021, was ¥54 million (\$0 million). The amount of provision for reserve for outstanding claims—ceded that is added to the calculation of reversal of reserve for outstanding claims for the year ended March 31, 2020, was ¥18 million.

The amount of reversal of policy reserves—ceded that is deducted from the calculation of reversal of policy reserves for the years ended March 31, 2021 and 2020, was ¥32 million (\$0 million) and ¥18 million, respectively.

14. INSURANCE PREMIUMS

Insurance premiums assumed based on reinsurance contracts with the Management Network included in insurance premiums for the years ended March 31, 2021 and 2020, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Insurance premiums	¥ 364,196	¥ 459,151	\$ 3,290

15. INSURANCE CLAIMS

Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the years ended March 31, 2021 and 2020, were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Insurance claims	¥ 2,940,643	¥ 3,349,302	\$ 26,562

16. GAINS ON MONEY HELD IN TRUST

Gains on money held in trust included losses on valuation of ¥13,285 million (\$120 million) and ¥32,103 million for the years ended March 31, 2021 and 2020, respectively.

17. GAINS ON SALES OF SECURITIES

Gains on sales of securities were recognized on the following securities:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Japanese government bonds, etc.	¥ 4,876	¥ 12,657	\$ 44
Stocks	14,692	6,730	133
Foreign securities	853	16,310	8

18. LOSSES ON SALES OF SECURITIES

Losses on sales of securities were recognized on the following securities:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Japanese government bonds, etc.	¥ 1,063	¥ 802	\$ 10
Stocks	13,895	11,204	126
Foreign securities	4,326	18,307	39
Other securities	13,504	1,705	122

19. LOSSES ON VALUATION OF SECURITIES

Losses on valuation of securities were recognized on the following securities:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Foreign securities	¥ –	¥ 2,689	\$ –

20. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Losses on derivative financial instruments included losses on valuation of ¥156,665 million (\$1,415 million) for the year ended March 31, 2021, and gains on valuation of ¥36,971 million for the year ended March 31, 2020.

21. EXTRAORDINARY GAINS

Extraordinary gains for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Gains on sales of fixed assets	¥ –	¥ 393	\$ –
Reversal of reserve for price fluctuations	–	39,152	–
Total	¥ –	¥ 39,546	\$ –

22. EXTRAORDINARY LOSSES

Extraordinary losses for the years ended March 31, 2021 and 2020, consisted of the following:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Losses on sales and disposal of fixed assets	¥ 255	¥ 303	\$ 2
Provision for reserve for price fluctuations	46,477	–	420
Total	¥ 46,732	¥ 303	\$ 422

23. PROVISION FOR RESERVE FOR POLICYHOLDER DIVIDENDS

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 reinsurance due to the reinsurance contracts with the Management Network, for the years ended March 31, 2021 and 2020, was as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Provision for reserve for policyholder dividends	¥ 46,710	¥ 93,775	\$ 422

24. TRANSACTIONS WITH SUBSIDIARIES AND AFFILIATES

Transactions with the subsidiaries and affiliates for the years ended March 31, 2021 and 2020, and outstanding balances arising from such transactions as of March 31, 2021 and 2020, were as follows:

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Years ended March 31			
Income	¥ 0	¥ 0	\$ 0
Expenses	15,061	14,505	136

	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
March 31			
Monetary claims	¥ 245	¥ 367	\$ 2
Monetary obligations	13,948	14,803	126

25. SUBSEQUENT EVENTS

(1) Acquisition of Treasury Stock

The Company resolved matters related to the acquisition of its treasury stock in accordance with Article 156, Paragraph 1 of the Companies Act based on Article 39, Paragraph 1 of the Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the same Act at the Board of Directors meeting held on May 14, 2021, and the acquisition was completed on May 17, 2021.

1) Resolution of the Board of Directors Regarding the Acquisition of Treasury Stock

- A) Reason for the acquisition of treasury stock
The acquisition of treasury stock was implemented with the aim of improving capital efficiency and enhancing shareholder returns. It was also intended to further advance the privatization of the postal service and lead to the relaxation of certain legal restrictions under the Postal Service Privatization Act, which are not applicable to other life insurance companies, by reducing the voting rights held in the Company by JAPAN POST HOLDINGS Co., Ltd., to 50% or less of total voting rights.
- B) Details of the acquisition
- (i) Class of shares acquired: Common stock of the Company
 - (ii) Total number of shares acquired: 162,906,300 shares (maximum)
(The ratio of the total number of shares acquired to the total number of shares issued (excluding treasury stock): 29.0%)
 - (iii) Total amount of shares acquired: ¥439,847,010,000 (\$3,972,965,495) (maximum)
 - (iv) Acquisition date: May 17, 2021
 - (v) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.
 - (vi) In addition to the matters described above, any matters required for the acquisition of treasury stock shall be determined at the sole discretion of the President, CEO, Representative Executive Officer of the Company or a person appointed by the President, CEO, Representative Executive Officer of the Company.

2) Details of the Acquisition of Treasury Stock

- A) Class of shares acquired: Common stock of the Company
- B) Total number of shares acquired: 162,906,300 shares
- C) Total amount of shares acquired: ¥358,882,578,900 (\$3,241,645,551)
- D) Acquisition date: May 17, 2021
- E) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

(2) Cancellation of Treasury Stock

The Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the Board of Directors meeting held on July 28, 2021.

- 1) Class of shares to be cancelled: Common stock of the Company
- 2) Number of shares to be cancelled: 162,906,300 shares (29.0% of the total number of shares issued before the cancellation)
- 3) Scheduled date of the cancellation: August 20, 2021

(Reference)

Total number of shares issued (after the cancellation): 399,693,700 shares

26. SUPPLEMENTARY SCHEDULES

Schedule of Operating Expenses

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Sales activity expenses:	¥ 51,416	¥ 111,079	\$ 464
Field sales staff-related expenses	9,138	10,102	83
Sales agencies-related expenses	42,276	100,976	382
Selection expenses of policyholders	0	0	0
Sales administration expenses:	10,917	15,003	99
Management of sales agencies	9,473	10,363	86
Training and education of sales staff	38	28	0
Advertising	1,405	4,611	13
General administration expenses:	339,731	346,095	3,069
Personnel expenses	47,227	48,752	427
Property expenses	290,093	294,868	2,620
Donation, contribution and miscellaneous dues	558	983	5
Obligations	2,410	2,474	22
Total	¥ 402,065	¥ 472,177	\$ 3,632

Notes:

1. "Property expenses" include consignment costs related to the maintenance and control of insurance policies, IT-system-related costs and contributions based on Article 18-3 of the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network.

2. "Obligations" are obligations paid to Life Insurance Policyholders Protection Corporation based on the provision of Article 259 of the Insurance Business Act.

Schedule of Tangible and Intangible Fixed Assets

Type of assets	Millions of Yen						
	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance
Year ended March 31, 2021							
Tangible fixed assets:							
Land	¥ –	¥ –	¥ –	¥ 47,828	¥ –	¥ –	¥ 47,828
Buildings	–	–	–	65,924	25,624	3,206	40,299
Leased assets	–	–	–	4,298	2,458	637	1,839
Construction in progress	–	–	–	579	–	–	579
Other	–	–	–	39,669	25,239	4,944	14,429
Total tangible fixed assets	–	–	–	158,300	53,323	8,788	104,977
Intangible fixed assets:							
Software	–	–	–	520,566	401,831	52,368	118,734
Other	–	–	–	30	16	2	14
Total intangible fixed assets	–	–	–	520,596	401,847	52,371	118,748
Long-term prepaid expenses	709	–	–	709	434	54	275
Deferred assets	–	–	–	–	–	–	–

Millions of Yen									
Year ended March 31, 2020									
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance		
Tangible fixed assets:									
Land	¥	–	¥	–	¥	–	¥	47,828	
Buildings		–		–	63,895	22,338	3,278	41,556	
Leased assets		–		–	4,265	2,257	675	2,007	
Construction in progress		–		–	176	–	–	176	
Other		–		–	38,781	20,645	4,185	18,135	
Total tangible fixed assets		–		–	154,946	45,242	8,139	109,704	
Intangible fixed assets:									
Software		–		–	492,322	351,643	50,931	140,679	
Other		–		–	30	13	2	16	
Total intangible fixed assets		–		–	492,353	351,657	50,934	140,696	
Long-term prepaid expenses		615		102	7	709	380	52	329
Deferred assets		–		–	–	–	–	–	

Millions of U.S. Dollars										
Year ended March 31, 2021										
Type of assets	Beginning balance	Increase	Decrease	Ending balance	Accumulated depreciation and amortization at the end of the year	Depreciation and amortization for the year	Net ending balance			
Tangible fixed assets:										
Land	\$	–	\$	–	\$	–	\$	–	\$	432
Buildings		–		–	595	231	29	364		
Leased assets		–		–	39	22	6	17		
Construction in progress		–		–	5	–	–	5		
Other		–		–	358	228	45	130		
Total tangible fixed assets		–		–	1,430	482	79	948		
Intangible fixed assets:										
Software		–		–	4,702	3,630	473	1,072		
Other		–		–	0	0	0	0		
Total intangible fixed assets		–		–	4,702	3,630	473	1,073		
Long-term prepaid expenses		6		–	6	4	0	2		
Deferred assets		–		–	–	–	–	–		

Notes:

- "Beginning balance," "Increase" and "Decrease" of tangible fixed assets and intangible fixed assets are omitted because the amounts are less than 1% of total assets.
- Long-term prepaid expenses are included in "Prepaid expenses" in the non-consolidated balance sheets.

Schedule of Reserves

Millions of Yen						
Year ended March 31, 2021						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 448	¥ 384	¥ 40	¥ 408	¥ 384	
General reserve	37	36	–	37	36	
Specific reserve	411	347	40	371	347	
Reserve for insurance claims and others	29,722	–	21,589	5,280	2,851	
Reserve for management board benefit trust	164	–	49	4	110	
Reserve for price fluctuations	858,339	46,477	–	–	904,816	

Millions of Yen						
Year ended March 31, 2020						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	¥ 459	¥ 448	¥ 33	¥ 426	¥ 448	
General reserve	45	37	–	45	37	
Specific reserve	413	411	33	380	411	
Reserve for insurance claims and others	–	29,722	–	–	29,722	
Reserve for management board benefit trust	203	–	32	6	164	
Reserve for price fluctuations	897,492	19,375	58,528	–	858,339	

Millions of U.S. Dollars						
Year ended March 31, 2021						
	Beginning balance	Increase	Decrease (used for original purposes)	Decrease (for other reasons)	Ending balance	
Reserve for possible loan losses	\$ 4	\$ 3	\$ 0	\$ 4	\$ 3	
General reserve	0	0	–	0	0	
Specific reserve	4	3	0	3	3	
Reserve for insurance claims and others	268	–	195	48	26	
Reserve for management board benefit trust	1	–	0	0	1	
Reserve for price fluctuations	7,753	420	–	–	8,173	

Notes:

1. Decrease (for other reasons) of reserve for possible loan losses represents the reversed amount of the unused balance of the previous year's reserve.
2. Decrease (for other reasons) of reserve for insurance claims and others is due to a decrease in the projected amount.
3. Decrease (for other reasons) of reserve for management board benefit trust is due to a decrease in the projected amount.

Independent Auditor's Report



Independent auditor's report

To the Board of Directors of JAPAN POST INSURANCE Co., Ltd.:

Opinion

We have audited the accompanying non-consolidated financial statements of JAPAN POST INSURANCE Co., Ltd. ("the Company"), which comprise the non-consolidated balance sheets as at March 31, 2021 and 2020, the non-consolidated statements of income, changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the non-consolidated financial statements of the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of the calculation and sufficiency of policy reserves

The descriptions of the above key audit matter to be provided in our auditor's report on the non-consolidated financial statements are substantially the same as those described for the key audit matter, "Accuracy of the calculation and sufficiency of policy reserves" in our auditor's report on the consolidated financial statements. Therefore, information concerning this key audit matter is omitted in the auditor's report on the non-consolidated financial statements.

Reasonableness of management's judgment on the recoverability of deferred tax assets

The descriptions of the above key audit matter to be provided in our auditor's report on the non-consolidated financial statements are substantially the same as those described for the key audit matter, "Reasonableness of management's judgment on the recoverability of deferred tax assets" in our auditor's report on the consolidated financial statements. Therefore, information concerning this key audit matter is omitted in the auditor's report on the non-consolidated financial statements.

Responsibilities of Management and the Audit Committee for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such

disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the non-consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ TATSUMI Yukihisa

Designated Engagement Partner

Certified Public Accountant

/S/ KANNO Masako

Designated Engagement Partner

Certified Public Accountant

/S/ SATO Eihiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 11, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

4 Status of Financial Assets (Consolidated)

4-1 Status of Risk-Monitored Loans (Consolidated)

Not applicable.

4-2 Status of Insurance Claims Paying Ability of the Company and Its Subsidiaries (Consolidated Solvency Margin Ratio)

(Millions of yen)

As of March 31		2020	2021
Total amount of solvency margin (A)	¥	5,161,600	¥ 6,216,257
Capital stock, etc.		1,639,908	1,763,280
Reserve for price fluctuations		858,339	904,816
Contingency reserve		1,797,366	1,611,343
Catastrophe loss reserve		—	—
General reserve for possible loan losses		37	36
(Net unrealized gains (losses) on available-for-sale securities (before taxes)·Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		328,782	1,283,545
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		19	2,203
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		4,261	4,835
Excess of continued Zillmerized reserve		442,807	364,059
Capital raised through debt financing		100,000	300,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin		—	—
Deductions		(9,923)	(17,862)
Other		—	—
Total amount of risk (B)		963,888	1,108,789
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$			
Insurance risk R ₁		137,197	130,961
General insurance risk R ₅		—	—
Catastrophe risk R ₆		—	—
Underwriting risk of third-sector insurance R ₈		54,172	49,371
Small amount and short-term insurance risk R ₉		—	—
Anticipated yield risk R ₂		136,652	131,404
Minimum guarantee risk R ₇		—	—
Investment risk R ₃		785,317	937,296
Business management risk R ₄		22,266	24,980
Solvency margin ratio $\frac{(A)}{(1/2) \times (B)} \times 100$		1,070.9%	1,121.2%

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

4-3 Status of Insurance Claims Paying Ability of the Company's Subsidiaries (Solvency Margin Ratio)

There are no subsidiaries classified as an insurance company.

5 Status of Financial Assets (Non-Consolidated)

5-1 Loans by Borrower Category

(Millions of yen, %)

As of March 31	2020	2021
Bankrupt or quasi-bankrupt loans	¥ –	¥ –
Doubtful loans	–	–
Substandard loans	–	–
Subtotal	–	–
(Percentage in total)	(–)	(–)
Normal loans	7,412,339	7,630,495
Total	7,412,339	7,630,495

Notes:

- Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
- Doubtful loans are loans for which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower has not fallen into bankruptcy.
- Substandard loans are past due loans for three months or more and restructured loans.
"Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
- Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

5-2 Status of Risk-Monitored Loans

There were no such outstanding balances as of March 31, 2020 and 2021.

5-3 Loans Concerning the Trusts with Contracts Indemnifying the Principal Amounts

There were no such outstanding balances as of March 31, 2020 and 2021.

5-4 Status of Insurance Claims Paying Ability (Solvency Margin Ratio)

(Millions of yen)

As of March 31	2020	2021
Total amount of solvency margin (A)	¥ 5,168,422	¥ 6,229,928
Capital stock, etc.	1,641,069	1,763,923
Reserve for price fluctuations	858,339	904,816
Contingency reserve	1,797,366	1,611,343
General reserve for possible loan losses	37	36
(Net unrealized gains (losses) on available-for-sale securities (before taxes)-Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)	328,782	1,283,545
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)	19	2,203
Excess of continued Zillmerized reserve	442,807	364,059
Capital raised through debt financing	100,000	300,000
Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin	–	–
Deductions	–	–
Other	–	–
Total amount of risk (B)	967,023	1,114,326
$\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$		
Insurance risk R ₁	137,197	130,961
Underwriting risk of third-sector insurance R ₈	54,172	49,371
Anticipated yield risk R ₂	136,652	131,404
Minimum guarantee risk R ₇	–	–
Investment risk R ₃	788,454	942,799
Business management risk R ₄	22,329	25,090
Solvency margin ratio (A) ————— × 100 (1/2) × (B)	1,068.9%	1,118.1%

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

5-5 Real Net Assets

(Millions of yen, %)

As of March 31	2020	2021
Real net assets	¥ 12,347,875	¥ 12,077,534
[Ratio to general account assets]	[17.2]	[17.2]

Note: These figures are calculated based on the provisions set forth in Article 3, Paragraph 2 of the “Order Providing for Categories Prescribed in Article 132, Paragraph 2 of the Insurance Business Act.”

5-6 Fair Value Information of Securities (Company Total)

(1) Fair Value Information of Securities

1) Net Valuation Gain/Loss of Trading Securities

The Company did not hold securities for trading as of March 31, 2020 and 2021.

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

(Millions of yen)

As of March 31	2020					2021				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥35,735,724	¥41,953,389	¥6,217,664	¥6,217,743	¥ 79	¥35,327,980	¥40,512,921	¥5,184,940	¥5,225,937	¥40,996
Policy-reserve-matching bonds	9,574,646	10,578,535	1,003,888	1,007,456	3,567	9,382,446	10,158,590	776,143	798,498	22,355
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,651,666	14,021,785	370,119	786,871	416,751	13,445,144	14,865,016	1,419,871	1,521,504	101,632
Corporate and government bonds	3,700,415	3,742,144	41,729	46,711	4,981	3,519,145	3,554,029	34,883	42,363	7,480
Domestic stocks	1,710,037	1,765,197	55,159	265,192	210,032	1,754,330	2,514,296	759,966	790,263	30,297
Foreign securities	4,754,442	5,159,292	404,849	448,638	43,788	4,835,932	5,398,112	562,180	578,698	16,518
Foreign corporate and government bonds	4,048,995	4,424,175	375,180	378,559	3,379	4,147,536	4,479,823	332,287	348,645	16,358
Foreign stocks and other securities	705,447	735,117	29,669	70,078	40,409	688,396	918,289	229,893	230,052	159
Other securities	2,635,194	2,501,569	(133,625)	24,323	157,948	2,580,552	2,641,805	61,253	108,589	47,336
Monetary claims bought	316,576	318,581	2,005	2,005	-	275,183	276,772	1,588	1,588	-
Negotiable certificates of deposit	535,000	535,000	-	-	-	480,000	480,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	58,962,037	66,553,710	7,591,672	8,012,071	420,398	58,155,572	65,536,528	7,380,955	7,545,940	164,984
Corporate and government bonds	48,912,786	56,175,830	7,263,044	7,271,672	8,628	48,229,573	54,225,541	5,995,967	6,066,800	70,832
Domestic stocks	1,710,037	1,765,197	55,159	265,192	210,032	1,754,330	2,514,296	759,966	790,263	30,297
Foreign securities	4,852,442	5,257,531	405,088	448,877	43,788	4,835,932	5,398,112	562,180	578,698	16,518
Foreign corporate and government bonds	4,146,995	4,522,414	375,418	378,798	3,379	4,147,536	4,479,823	332,287	348,645	16,358
Foreign stocks and other securities	705,447	735,117	29,669	70,078	40,409	688,396	918,289	229,893	230,052	159
Other securities	2,635,194	2,501,569	(133,625)	24,323	157,948	2,580,552	2,641,805	61,253	108,589	47,336
Monetary claims bought	316,576	318,581	2,005	2,005	-	275,183	276,772	1,588	1,588	-
Negotiable certificates of deposit	535,000	535,000	-	-	-	480,000	480,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,647,007 million with net unrealized gains of ¥920,156 million as of March 31, 2021 and ¥2,549,094 million with net unrealized gains of ¥73,086 million as of March 31, 2020.

○ Held-to-maturity bonds

(Millions of yen)

As of March 31	2020			2021		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 35,729,524	¥ 41,947,268	¥ 6,217,743	¥ 33,566,561	¥ 38,792,499	¥ 5,225,937
Corporate and government bonds	35,631,524	41,849,029	6,217,504	33,566,561	38,792,499	5,225,937
Foreign securities	98,000	98,238	238	–	–	–
Other	–	–	–	–	–	–
Those for which fair value does not exceed the balance sheet amount	6,200	6,120	(79)	1,761,418	1,720,422	(40,996)
Corporate and government bonds	6,200	6,120	(79)	1,761,418	1,720,422	(40,996)
Foreign securities	–	–	–	–	–	–
Other	–	–	–	–	–	–

○ Policy-reserve-matching bonds

(Millions of yen)

As of March 31	2020			2021		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Those for which fair value exceeds the balance sheet amount	¥ 9,322,412	¥ 10,329,868	¥ 1,007,456	¥ 8,424,838	¥ 9,223,337	¥ 798,498
Corporate and government bonds	9,322,412	10,329,868	1,007,456	8,424,838	9,223,337	798,498
Foreign securities	–	–	–	–	–	–
Other	–	–	–	–	–	–
Those for which fair value does not exceed the balance sheet amount	252,234	248,667	(3,567)	957,608	935,253	(22,355)
Corporate and government bonds	252,234	248,667	(3,567)	957,608	935,253	(22,355)
Foreign securities	–	–	–	–	–	–
Other	–	–	–	–	–	–

○ Available-for-sale securities

(Millions of yen)

As of March 31	2020			2021		
	Book value	Balance sheet amount	Difference	Book value	Balance sheet amount	Difference
Those for which the balance sheet amount exceeds book value	¥ 7,489,235	¥ 7,936,545	¥ 447,309	¥ 8,243,471	¥ 8,794,953	¥ 551,482
Corporate and government bonds	2,834,438	2,881,150	46,711	2,881,106	2,923,470	42,363
Domestic stocks	60,634	64,520	3,885	298,652	375,790	77,138
Foreign securities	3,885,173	4,263,999	378,826	3,669,886	4,028,653	358,767
Other securities	687,411	703,292	15,880	1,373,635	1,445,259	71,624
Monetary claims bought	21,577	23,583	2,005	20,190	21,779	1,588
Negotiable certificates of deposit	–	–	–	–	–	–
Other	–	–	–	–	–	–
Those for which the balance sheet amount does not exceed book value	3,613,336	3,463,059	(150,276)	2,554,666	2,502,899	(51,766)
Corporate and government bonds	865,976	860,994	(4,981)	638,039	630,558	(7,480)
Domestic stocks	261,433	216,735	(44,697)	24,177	23,067	(1,109)
Foreign securities	336,489	325,343	(11,146)	620,240	603,722	(16,518)
Other securities	1,319,437	1,229,986	(89,450)	537,216	510,558	(26,658)
Monetary claims bought	294,998	294,998	–	254,992	254,992	–
Negotiable certificates of deposit	535,000	535,000	–	480,000	480,000	–
Other	–	–	–	–	–	–

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

(Millions of yen)

As of March 31	2020	2021
Held-to-maturity bonds	¥ -	¥ -
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	10,907	18,846
Available-for-sale securities	305,190	445,184
Unlisted domestic stocks (excluding OTC traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	300,951	440,944
Total	316,098	464,030

Notes:

1. This table includes money held in trust other than trading securities (¥300,951 million as of March 31, 2020 and ¥440,944 million as of March 31, 2021).
2. Net unrealized gains (losses) on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: ¥(4,633) million as of March 31, 2020 and ¥6,740 million as of March 31, 2021.

(2) Data on Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2020					2021				
	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	¥ 2,744,305	¥ 2,744,305	¥ -	¥ -	¥ -	¥ 3,696,910	¥ 3,696,910	¥ -	¥ -	¥ -

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥311,766 million as of March 31, 2020 and ¥492,384 million as of March 31, 2021).

1) Money Held in Trust for Trading Purposes

The Company did not have money held in trust for trading purposes as of March 31, 2020 and 2021.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2020					2021				
	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	2,671,219	2,744,305	73,086	339,561	266,474	2,776,753	3,696,910	920,156	970,021	49,865
Domestic stocks	1,387,969	1,483,941	95,971	261,306	165,334	1,431,501	2,115,438	683,937	713,124	29,187
Foreign stocks	297,237	323,512	26,275	52,834	26,558	303,379	489,519	186,140	186,140	-
Foreign bonds	736,002	698,499	(37,503)	23,453	60,956	742,769	779,998	37,229	57,823	20,593
Other	250,009	238,353	(11,656)	1,967	13,623	299,104	311,953	12,848	12,933	84

Notes:

1. Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥311,766 million as of March 31, 2020 and ¥492,384 million as of March 31, 2021).
2. "Domestic stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds as well as mutual funds which exclusively invest in these assets.
3. "Other" includes cash and deposits, bank loans, and real estate funds.

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)

1) Qualitative Information

(i) Detail of the transactions

The derivative transactions used by the Company are as follows:

- Currency-related: Foreign exchange contracts and currency option transactions
- Interest rate-related: Interest rate swaps
- Bond-related: Over-the-counter bond options

(ii) Policy for using derivative transactions

The Company uses derivative transactions primarily for the purpose of hedging interest rate risk and foreign exchange fluctuation risk of our investment assets.

(iii) Purposes of the use of derivative transactions

The Company mainly conducts derivative transactions relating to currencies to control foreign exchange risks associated with foreign currency-denominated assets and derivative transactions relating to interest rates to fix the floating interest rates of loans. An overview of the hedge accounting using derivative transactions conducted by the Company is as follows:

(1) Methods for hedge accounting

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). The exceptional method is used for interest rate swap contracts that are used as hedges and meet certain hedging criteria. Under this method, the net amount to be paid or received under the contract is added to or deducted from the interest on the loans for which the swap contract was executed.

(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 the 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 that applied the exceptional treatment for interest rate swaps.

(iv) Description of the risks

Derivative transactions used by the Company are exposed to market risk (risks due to fluctuations in foreign exchange rates and interest rates) and credit risk (risks of transaction partners’ default, including bankruptcy).

The Company uses derivative transactions primarily for the purpose of hedging the risks of our investment assets, and therefore it believes that the market-related risk of derivative transactions is reduced and limited.

Meanwhile, as we select transaction partners with superior creditworthiness based on their ratings and other factors, the credit risk of derivative transactions is believed to be limited. The Company conducts derivative transactions over the counter.

(v) Risk management framework

The Company has formulated the Basic Risk Management Policy, which sets out the investment policies of derivative transactions, and uses derivative transactions primarily for hedging purposes.

In addition, we prevent risks by setting credit limits for each transaction partner selected on the basis of superior creditworthiness verified by their ratings and other factors.

The Risk Management Department is in place as an organizational unit responsible for comprehensively managing all types of risks, as part of an effort to reinforce our internal management system.

(vi) Additional notes about quantitative information

– Additional notes about credit risk

We calculate the credit risk amount associated with derivative transactions by using the current exposure method.

– Additional notes about the calculation of fair value

We calculate fair value on the following basis:

[Foreign exchange contracts]

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

[Currency options]

Fair value is based on prices offered by the financial institutions.

[Interest rate swaps]

Theoretical values are calculated by discounting the difference in future cash flows to present values based on the published market interest rate.

[Over-the-counter bond options]

Fair value is based on prices offered by the financial institutions.

– Additional notes about net unrealized gains (losses)

We use derivative transactions primarily as a means to hedge the market risk of our investment assets, and there are no so-called transactions for trading purposes.

Profit or loss from derivative transactions and the hedged investments is recognized on a combined basis, whereby the effect of a reduction in interest rate risk and foreign exchange fluctuation risk has been verified.

2) Quantitative Information

(i) Breakdown of net unrealized gains (losses) (breakdown of portions with hedge accounting applied and not applied)

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
As of March 31, 2020	¥ 980	¥ 36,971	¥ -	¥ -	¥ -	¥ 37,952
Portion with hedge accounting applied	980	36,973	-	-	-	37,954
Portion with hedge accounting not applied	-	(2)	-	-	-	(2)
As of March 31, 2021	-	(156,665)	-	-	-	(156,665)
Portion with hedge accounting applied	-	(155,809)	-	-	-	(155,809)
Portion with hedge accounting not applied	-	(855)	-	-	-	(855)

Notes:

- Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥36,973 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2020 are accrued in the statement of income.
- Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥(155,809) million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2021, are accrued in the statement of income.

Derivative transactions to which hedge accounting is not applied

(ii) Interest rate-related derivatives

There were no such outstanding balances as of March 31, 2020 and 2021.

(iii) Currency-related derivatives

(Millions of yen)

Category	Type	As of March 31, 2020				As of March 31, 2021			
		Contract amount, etc.		Fair value	Net unrealized gains (losses)	Contract amount, etc.		Fair value	Net unrealized gains (losses)
			Due after 1 year				Due after 1 year		
Over-the-counter	Foreign currency exchange contracts								
	Sold	¥ 204	¥ -	¥ (2)	¥ (2)	¥16,771	¥ -	¥ (889)	¥ (889)
	U.S. dollars	204	-	(2)	(2)	16,771	-	(889)	(889)
	Purchased	-	-	-	-	8,552	-	33	33
	U.S. dollars	-	-	-	-	8,552	-	33	33
Total					(2)				(855)

Notes:

- Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
- Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2020 and 2021.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2020 and 2021.

(vi) Others

There were no such outstanding balances as of March 31, 2020 and 2021.

Derivative transactions to which hedge accounting is applied

(ii) Interest rate-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2020			As of March 31, 2021		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Deferred hedge method	Interest rate swaps Receivable fixed rate/Payable floating rate	Loans	¥ 6,150	¥ 3,900	¥ 24	¥ -	¥ -	¥ -
Exceptional treatment for interest rate swaps	Interest rate swaps Receivable fixed rate/Payable floating rate	Loans	26,050	23,950	956	-	-	-
Total					980			-

Note: Fair value (current value) of interest rate swaps is represented by net unrealized gains (losses).

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2020	¥ 4,350	¥ 8,600	¥ 14,250	¥ 5,000	¥ -	¥ -	¥ 32,200
Fixed receipt swap notional principal	4,350	8,600	14,250	5,000	-	-	32,200
Average fixed interest receipt	0.55	0.61	0.92	1.12	-	-	0.82
Average floating interest payment	0.05	0.07	0.06	0.08	-	-	0.06
Fixed payment swap notional principal	-	-	-	-	-	-	-
Average fixed interest payment	-	-	-	-	-	-	-
Average floating interest receipt	-	-	-	-	-	-	-
As of March 31, 2021	-	-	-	-	-	-	-
Fixed receipt swap notional principal	-	-	-	-	-	-	-
Average fixed interest receipt	-	-	-	-	-	-	-
Average floating interest payment	-	-	-	-	-	-	-
Fixed payment swap notional principal	-	-	-	-	-	-	-
Average fixed interest payment	-	-	-	-	-	-	-
Average floating interest receipt	-	-	-	-	-	-	-

(iii) Currency-related derivatives

(Millions of yen)

Hedge accounting method	Type	Major hedged item	As of March 31, 2020			As of March 31, 2021		
			Contract amount, etc.		Fair value	Contract amount, etc.		Fair value
				Due after 1 year			Due after 1 year	
Fair value hedge accounting	Foreign exchange contracts							
	Sold		¥ 3,382,993	¥ -	¥ 36,973	¥ 3,467,449	¥ -	¥(155,809)
	U.S. dollars	Available-for-sale securities	2,093,405	-	(32,310)	1,973,848	-	(75,029)
	Euros		523,596	-	6,238	537,353	-	(19,578)
	Australian dollars		256,452	-	30,310	413,962	-	(35,464)
	Other		509,538	-	32,734	542,285	-	(25,737)
Purchased		-	-	-	-	-	-	
Total					36,973			(155,809)

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock-related derivatives

There were no such outstanding balances as of March 31, 2020 and 2021.

(v) Bond-related derivatives

There were no such outstanding balances as of March 31, 2020 and 2021.

(vi) Others

There were no such outstanding balances as of March 31, 2020 and 2021.

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5-7 Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

For the years ended March 31		2020	2021
Core income		¥ 7,213,587	¥ 6,808,737
Insurance premiums and others		3,245,541	2,697,936
Investment income		1,128,627	1,084,377
Other ordinary income		2,839,418	3,026,422
Reversal of policy reserves		2,778,729	2,955,263
Core expenses		6,812,978	6,386,793
Insurance claims and others		6,191,369	5,866,091
Provision for policy reserves and others		8	8
Investment expenses		12,403	16,469
Operating expenses		472,177	402,065
Other ordinary expenses		137,018	102,158
Core profit	A	400,609	421,943
Capital gains		87,260	115,775
Gains on money held in trust		51,560	87,593
Gains on trading securities		–	–
Gains on sales of securities		35,699	20,422
Gains on derivative financial instruments		–	–
Gains on foreign exchanges		–	7,759
Other capital gains		–	–
Capital losses		189,693	132,878
Losses on money held in trust		–	–
Losses on trading securities		–	–
Losses on sales of securities		32,020	32,789
Losses on valuation of securities		2,689	–
Losses on derivative financial instruments		74,799	21,604
Losses on foreign exchanges		2,085	–
Other capital losses		78,097	78,484
Net capital gains (losses)	B	(102,433)	(17,102)
Core profit including net capital gains (losses)	A+B	298,175	404,840
Other one-time gains		165,388	186,023
Reinsurance income		–	–
Reversal of contingency reserve		165,388	186,023
Reversal of specific reserve for possible loan losses		–	–
Other		–	–
Other one-time losses		176,734	245,841
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		176,734	245,841
Other one-time profits (losses)	C	(11,345)	(59,818)
Ordinary profit	A+B+C	286,829	345,022

Notes:

- “Investment income” and “investment expenses” exclude the amount regarding net capital gains (losses).
- “Reversal of policy reserves” excludes the amount regarding other one-time profits (reversal of contingency reserve) and includes the amount regarding other one-time losses (provision for contingency reserve and the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act).
- Amount equivalent to income gains associated with money held in trust (¥78,097 million for 2020 and ¥78,484 million for 2021) is recognized as “other capital losses” and included in “investment income.”
- “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 (¥176,734 million for 2020 and ¥245,841 million for 2021).

(Reference) Breakdown of Core Profit

(Millions of yen)

For the years ended March 31	2020	2021
Core profit	¥ 400,609	¥ 421,943
Spread (positive/negative spread)	80,466	76,330
Core profit attributable to life insurance activities	320,142	345,612

Spread (Positive/Negative Spread)

A spread is the differential between the assumed return on insurance premium investments and the actual investment return. When the actual investment return is higher than the assumed return on insurance premium investments, there is a "positive spread." Conversely, a "negative spread" exists when the actual investment return is lower than the assumed return on insurance premium investments. For the year ended March 31, 2021, there was a positive spread of ¥76.3 billion.

The spread (positive/negative spread) is calculated according to the following formula:

$$\begin{array}{l} \text{Positive spread} \\ \text{[¥76.3 billion]} \end{array} = \begin{array}{l} \text{[investment return on core profit} \\ \text{[1.82\%]} \end{array} - \begin{array}{l} \text{average assumed rate of return} \\ \text{[1.69\%]} \end{array} \times \begin{array}{l} \text{general account policy reserves} \\ \text{[¥58,645.3 billion]} \end{array}$$

- Investment return on core profit is the return on general account policy reserves after deducting the provision for interest on policyholder dividends from the general account investment revenue included in core profit.
- Average assumed rate of return is the return of assumed interest on general account policy reserves.
- General account policy reserves are calculated as follows for policy reserves in the general account, excluding contingency reserve:
(Policy reserves at beginning of period + policy reserves at end of period – assumed interest) × 1/2
- Policy reserves and assumed interest are calculated based on the actual cumulative amount.

6 Main Business Indicators

6-1 Key Business Indicators (Non-Consolidated)

(Billions of yen unless specifically indicated)

As of/For the years ended March 31	2017	2018	2019	2020	2021
Ordinary income	¥ 8,659.4	¥ 7,952.9	¥ 7,916.6	¥ 7,211.4	¥ 6,786.2
Ordinary profit	279.3	308.8	265.1	286.8	345.0
Core profit	390.0	386.1	377.1	400.6	421.9
Net income	88.5	104.3	120.9	151.1	165.5
Capital stock	500.0	500.0	500.0	500.0	500.0
(Number of shares issued: thousands of shares)	(600,000)	(600,000)	(600,000)	(562,600)	(562,600)
Total assets	80,336.4	76,832.5	73,904.5	71,667.3	70,173.8
Separate account	—	—	—	—	—
Policy reserves	70,175.2	67,777.2	65,060.5	62,293.1	59,397.7
Loans	8,060.9	7,627.1	6,786.0	5,662.7	4,964.0
Securities	63,486.2	60,131.8	58,452.5	55,871.5	55,274.5
Solvency margin ratio (%)	1,289.1%	1,130.5%	1,188.0%	1,068.9%	1,118.1%
Number of employees (persons)	7,424	7,490	7,617	7,638	7,645
Policy amount in force	53,229.1	55,102.2	55,331.3	51,846.2	47,476.0
Individual insurance	50,097.9	52,359.7	53,001.8	49,915.5	45,912.2
Individual annuities	3,131.1	2,742.5	2,329.4	1,930.6	1,563.8
Group insurance	—	—	—	—	—
Policy amount in force for group annuities	—	—	—	—	—

Notes:

1. The Company cancelled its treasury stock on May 31, 2019, reducing the total number of shares issued by 37,400 thousand shares.

2. "Policy amount in force" is the total of individual insurance, individual annuities and group insurance.

Figures 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.

6-2 Selected Financial Data and Other Information

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2020				2021			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
Individual insurance	17,163,300	94.8%	¥ 49,915,586	94.2%	15,893,392	92.6%	¥ 45,912,230	92.0%
Individual annuities	1,164,059	91.8	1,930,642	82.9	1,009,956	86.8	1,563,865	81.0
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.

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2020						2021					
	Number of policies		Policy amount				Number of policies		Policy amount			
		Year-on-year comparison	Year-on-year comparison	New policies	Net increase by conversion		Year-on-year comparison	Year-on-year comparison	New policies	Net increase by conversion		
Individual insurance	644,499	37.7%	¥ 1,893,727	34.0%	¥ 1,893,727	-	124,933	19.4%	¥ 390,355	20.6%	¥ 390,355	-
Individual annuities	549	135.2	3,527	178.7	3,527	-	30	5.5	176	5.0	176	-
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

1) Policies in Force

(Millions of yen, %)

As of March 31	2020		2021	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 3,144,610	93.5%	¥ 2,840,092	90.3%
Individual annuities	412,062	91.1	357,160	86.7
Total	¥ 3,556,673	93.2	¥ 3,197,252	89.9
Medical coverage, living benefits and other	393,881	95.9	364,682	92.6

Notes:

- 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.
- "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) New Policies

(Millions of yen, %)

For the years ended March 31	2020		2021	
		Year-on-year comparison		Year-on-year comparison
Individual insurance	¥ 146,966	41.8%	¥ 30,643	20.9%
Individual annuities	314	183.6	16	5.1
Total	¥ 147,280	41.9	¥ 30,659	20.8
Medical coverage, living benefits and other	22,132	35.9	1,459	6.6

Notes:

- 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.
- "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).

(3) New Policies by Product

(Number of policies, millions of yen)

For the years ended March 31	2020		2021	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	644,499	¥ 1,893,727	124,933	¥ 390,355
Ordinary whole life insurance	163,628	502,026	9,526	29,414
Fixed amount type	60,445	119,377	2,764	5,276
Increased amount type	103,183	382,648	6,762	24,138
(Inclusive) Ordinary whole life insurance (low cash value)	31,100	83,323	2,452	7,444
Fixed amount type	14,583	27,939	864	1,785
Increased amount type	16,517	55,383	1,588	5,658
Ordinary whole life insurance with relaxed underwriting criteria	64,491	60,207	575	415
(Inclusive) Ordinary whole life insurance with relaxed underwriting criteria (low cash value)	13,094	10,741	195	157
Special whole life insurance	24,918	89,608	2,090	5,330
(Inclusive) Special whole life insurance (low cash value)	5,558	19,599	604	1,706
Ordinary term insurance	767	1,604	185	420
Ordinary endowment insurance	189,254	616,914	66,644	216,274
Ordinary endowment insurance with relaxed underwriting criteria	33,837	34,405	1,515	2,212
Special endowment insurance	121,460	495,456	23,192	90,831
Designated endowment insurance	8	10	–	(1)
Educational endowment insurance (H24)	46,136	93,494	21,206	45,457
Individual annuities	549	¥ 3,527	30	¥ 176
Deferred term annuity	–	–	–	(0)
Longevity support insurance (low cash value)	549	3,527	30	177
Asset-formation insurance	2	¥ 0	4	¥ 0
Asset-formation savings insurance	2	0	4	0
Asset-formation housing funding insurance	–	–	–	–
Asset-formation annuities	–	¥ –	–	¥ –
Asset-formation whole life annuity	–	–	–	–

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- Policy amount for "asset-formation insurance" is the amount of the first premium payment.
- The negative amount is due to the fact that withdrawal of new policies, etc. exceeded conclusion.

(4) Policies in Force by Product

(Number of policies, millions of yen)

As of March 31	2020		2021	
	Number of policies	Policy amount	Number of policies	Policy amount
Individual insurance	17,163,300	¥ 49,915,586	15,893,392	¥ 45,912,230
Ordinary whole life insurance	3,473,737	10,600,951	3,310,923	9,955,503
Fixed amount type	1,261,517	2,834,704	1,200,370	2,683,476
Increased amount type	2,212,220	7,766,247	2,110,553	7,272,027
(Inclusive) Ordinary whole life insurance (low cash value)	218,490	586,198	207,832	554,932
Fixed amount type	99,891	193,727	94,540	181,969
Increased amount type	118,599	392,470	113,292	372,962
Ordinary whole life insurance with relaxed underwriting criteria	57,768	53,214	53,522	95,341
(Inclusive) Ordinary whole life insurance with relaxed underwriting criteria (low cash value)	11,782	9,574	11,133	17,769
Special whole life insurance	1,893,885	6,319,678	1,839,866	6,071,265
(Inclusive) Special whole life insurance (low cash value)	41,453	142,074	39,759	134,068
Whole life insurance with nursing care benefit	108	261	106	220
Ordinary term insurance	5,402	21,165	4,952	21,252
Ordinary endowment insurance	5,936,109	15,407,654	5,236,485	13,515,432
Ordinary endowment insurance with relaxed underwriting criteria	31,095	31,713	30,631	60,611
Special endowment insurance	2,975,441	11,925,917	2,684,900	10,762,665
Designated endowment insurance	34,299	65,212	21,763	42,249
Educational endowment insurance	1,021,115	1,838,202	989,302	1,772,980
Educational endowment insurance with scholarship annuity	81,928	158,511	79,800	152,613
Educational endowment insurance (H24)	1,652,038	3,491,595	1,640,775	3,460,699
Husband-and-wife insurance	34	101	33	99
Whole life insurance with whole life annuity	340	1,402	333	1,291
Husband-and-wife insurance with husband-and-wife annuity	1	3	1	3
Individual annuities	1,164,059	¥ 1,930,642	1,009,956	¥ 1,563,865
Longevity support insurance (low cash value)	1,334	7,090	1,267	6,629
Immediate whole life annuity	872	3,241	821	2,979
Deferred whole life annuity	9,668	75,305	9,506	73,641
Whole life annuity with additional nursing annuity	5	51	5	50
Immediate term annuity	254,666	206,342	185,111	128,487
Deferred term annuity	897,504	1,638,554	813,236	1,352,020
Immediate husband-and-wife annuity	1	3	1	2
Deferred husband-and-wife annuity	9	54	9	53
Asset-formation insurance	61	¥ 64	50	¥ 56
Asset-formation savings insurance	57	59	46	50
Asset-formation housing funding insurance	4	5	4	6
Asset-formation annuities	11	¥ 47	11	¥ 47
Asset-formation whole life annuity	11	47	11	47

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation 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.
- Policy amount for "asset-formation insurance" is the amount of policy reserves.
- "Educational endowment insurance (H24)" includes educational endowment insurance (H24) (without premium protection agreement).

(5) Policies in Force by Benefit Type

(Millions of yen)

As of March 31			Policy amount in force	
			2020	2021
Death benefit	General death	Individual insurance	¥ 46,423,990	¥ 42,451,530
		Individual annuities	–	–
		Group insurance	–	–
		Group annuities	–	–
		Net, including others	67,322,726	60,679,819
	Accidental death	Individual insurance	[58,397,757]	[55,427,766]
		Individual annuities	[12,460]	[10,682]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[99,297,614]	[92,044,662]
	Other conditional death	Individual insurance	[–]	[–]
		Individual annuities	[–]	[–]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[–]	[–]
Survival benefit	Maturity/living benefits	Individual insurance	3,491,595	3,460,699
		Individual annuities	441,993	322,889
		Group insurance	–	–
		Group annuities	–	–
		Net, including others	5,509,104	5,164,660
	Annuities	Individual insurance	[19,493]	[18,997]
		Individual annuities	[419,888]	[366,990]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[1,002,768]	[892,556]
	Others	Individual insurance	–	–
		Individual annuities	1,488,648	1,240,975
		Group insurance	–	–
		Group annuities	–	–
		Net, including others	10,506,515	10,117,786
Hospitalization benefit	Hospitalization due to accident	Individual insurance	[49,644]	[45,839]
		Individual annuities	[30]	[25]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[83,908]	[76,696]
	Hospitalization due to illness	Individual insurance	[49,146]	[45,438]
		Individual annuities	[7]	[6]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[83,308]	[76,210]
	Other conditional hospitalization	Individual insurance	[6,404]	[5,828]
		Individual annuities	[4]	[4]
		Group insurance	[–]	[–]
		Group annuities	[–]	[–]
		Net, including others	[10,219]	[9,308]

Notes:

- Figures within brackets “[]” are supplementary benefits of the basic policy and rider benefits.
- Policy amounts for “individual annuities” in the “maturity/living benefits” column in “survival benefit” are the accumulated contribution payments as of the date of annuity payment commencement for the annuity before payments commence.
- Policy amounts of “annuities” in survival benefit are the amounts of annuities to be paid annually.
- Policy amounts of “others” in survival benefit are the amounts of policy reserves for individual annuities (the annuity after payments have commenced).
- Policy amounts for “hospitalization benefits” are the amounts of daily hospitalization benefits.

(Number of policies)

As of March 31		Number of policies in force	
		2020	2021
Disability benefit	Individual insurance	[10,317,191]	[9,494,895]
	Individual annuities	[3,441]	[2,942]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[19,137,690]	[17,440,080]
Surgery benefit	Individual insurance	[12,883,121]	[11,938,977]
	Individual annuities	[5,637]	[4,822]
	Group insurance	[-]	[-]
	Group annuities	[-]	[-]
	Net, including others	[22,929,616]	[21,072,383]

Note: Figures within brackets “[]” are supplementary benefits of the basic policy and rider benefits.

(6) Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

As of March 31		Policy amount in force	
		2020	2021
Death protection insurance	Whole life insurance	¥ 16,974,106	¥ 16,122,331
	Whole life insurance with term rider	-	-
	Term insurance	21,165	21,252
	Net, including others	16,996,677	16,144,878
Mixed insurance	Endowment insurance	27,430,498	24,380,959
	Endowment insurance with term rider	-	-
	Term insurance with living benefits	-	-
	Net, including others	29,427,313	26,306,652
Pure endowment insurance		3,491,595	3,460,699
Annuities	Individual annuities	1,930,642	1,563,865
Accident/illness riders	Accident rider	23,766,485	21,596,468
	Nursing care rider	188	183
	Accident hospitalization rider	2	2
	Illness hospitalization rider	0	0
	Illness and accident hospitalization rider	552	522
	Non-participating accident hospitalization rider	428	322
	Non-participating illness and accident hospitalization rider	37,658	34,327
	Non-participating accidental rider	4,760,829	4,625,239
	Non-participating injury medical care rider	89	96
	Non-participating general medical care rider	10,812	10,355
	Non-participating general medical care rider with relaxed underwriting criteria	130	240
	Non-participating advanced medical care rider	(Number of policies) 143,449	(Number of policies) 156,619

Notes:

1. 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.
2. Policy amounts for “hospitalization/medical riders” are the amounts of daily hospitalization benefits.
3. The figure for “non-participating advanced medical care rider” represents the number of policies.

(7) Annualized Premiums from Policies in Force by Type of Policy of Individual Insurance and Individual Annuity

(Millions of yen)

As of March 31		Annualized premiums from policies in force	
		2020	2021
Death protection insurance	Whole life insurance	¥ 788,598	¥ 744,876
	Whole life insurance with term rider	–	–
	Term insurance	195	178
	Net, including others	788,898	745,156
Mixed insurance	Endowment insurance	1,989,087	1,735,809
	Endowment insurance with term rider	–	–
	Term insurance with living benefits	–	–
	Net, including others	2,120,346	1,862,258
Pure endowment insurance		235,365	232,676
Annuities	Individual annuities	412,062	357,160

Note: 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.

(8) Embedded Value (“EV”)

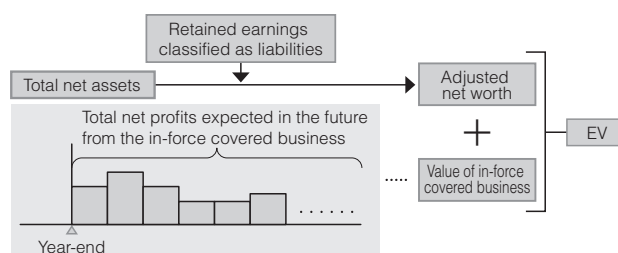
Embedded value (“EV”) is one of the corporate value indicators for life insurance companies.

The profit-loss structure in the life insurance business involves a loss at the time of sale and profit over a policy’s duration. A loss occurs temporarily at the time of sale, caused by a considerable amount of expenses generally incurred with the sale of a policy. Future profit is generated as the policy’s long duration serves to provide revenues over a long period of time, covering these initial expenses.

Under the current statutory accounting practices in Japan, gains and losses are recognized as they occur in each fiscal year. EV, on the other hand, is used to represent the present value of gains and losses that cover the entire duration. EV is the sum of the adjusted net worth (ANW), which reflects gains/losses from business activities in the past, and the value of in-force covered business (VIF), which is the present value of the expected future profits from the in-force covered business.

Since the end of the year ended March 31, 2013, we have been disclosing EV calculated on the basis of the European Embedded Value Principles (“EEV Principles”) as additional information supplementary to the financial data provided under the current statutory accounting practices.

Outline of EV



Notes:

The EEV Principles and Guidance were published in May 2004 by the CFO Forum, a group representing the Chief Financial Officers of major European insurance companies, in order to improve consistency and transparency in EV calculation and reporting.

1) EV Results

(Billions of yen)

As of March 31	2020	2021	
			Increase (Decrease)
EV	¥ 3,324.2	¥ 4,026.2	¥ 701.9
Adjusted net worth	2,212.4	2,376.8	164.4
Total net assets on the balance sheet (Note 1)	1,661.6	1,806.4	144.7
Reserve for price fluctuations (Note 2)	226.3	249.7	23.3
Contingency reserve (Note 2)	476.6	481.6	4.9
Others (Note 3)	61.8	60.9	(0.9)
Tax effect on the above	(214.1)	(221.8)	(7.6)
Value of in-force covered business	1,111.8	1,649.3	537.4
Certainty equivalent present value of future profits	1,806.7	2,054.1	247.3
Time value of financial options and guarantees	(456.0)	(232.3)	223.6
Cost of holding required capital	(0.0)	(0.0)	0.0
Allowance for non-hedgeable risk	(238.8)	(172.4)	66.4

For the years ended March 31	2020	2021	
			Increase (Decrease)
Value of new business (Note 4)	¥ 60.6	¥ (12.7)	¥ (73.3)
Certainty equivalent present value of future profits	70.1	(11.0)	(81.1)
Time value of financial options and guarantees	(5.7)	(1.1)	4.5
Cost of holding required capital	(0.0)	(0.0)	(0.0)
Allowance for non-hedgeable risk	(3.7)	(0.5)	3.2

Notes:

- The total net assets are the total net assets as on the consolidated balance sheet, excluding the total amount of accumulated other comprehensive income.
In addition, the board benefit trust reported as treasury stock has been added at book value.
- Excluding amounts in respect of the Postal Life Insurance policies that are included in the VIF.
- Unrealized gains/losses on securities, loans and real estate; general reserve for possible loan losses (excluding those related to insurance policies); unfunded retirement benefit obligations (unrecognized prior service costs and unrecognized actuarial differences); and unrealized gains/losses on subordinated bonds.
- The value of new business includes the difference in value arising from the switchover subscription to riders launched in October 2017 and subscription to the conditional cancellation system started in April 2020.

2) Movement Analysis

(Billions of yen)

	Adjusted net worth	Value of in-force covered business	EV
Values as of March 31, 2020	¥ 2,212.4	¥ 1,111.8	¥ 3,324.2
(1) Opening adjustments	(21.3)	—	(21.3)
Values as of March 31, 2020 after adjustment	¥ 2,191.0	¥ 1,111.8	¥ 3,302.8
(2) Value of new business	—	(12.7)	(12.7)
(3) Expected existing business contribution (risk-free rate)	(2.5)	74.8	72.2
(4) Expected existing business contribution (in excess of risk-free rate)	4.6	59.9	64.6
(5) Expected transfer from value of in-force covered business to adjusted net worth	142.5	(142.5)	—
On in-force at the beginning of the fiscal year	149.5	(149.5)	—
On new business	(6.9)	6.9	—
(6) Non-economic experience variances	38.3	(3.0)	35.2
(7) Non-economic assumption changes	—	4.0	4.0
(8) Economic variances	2.9	556.8	559.7
Values as of March 31, 2021	¥ 2,376.8	¥ 1,649.3	¥ 4,026.2

3) Sensitivities

(Billions of yen)

Assumptions	EV	
		Change in EV
Base Scenario March 31, 2021	¥ 4,026.2	¥ —
Sensitivity 1 50bp increase in risk-free rate (Note 1)	4,111.7	85.5
Sensitivity 2 50bp decrease in risk-free rate (Notes 1 and 2)	3,822.3	(203.8)
Sensitivity 3 10% decrease in equity and real estate value	3,897.3	(128.8)
Sensitivity 4 10% decrease in maintenance expenses	4,225.3	199.1
Sensitivity 5 10% decrease in surrender and lapse rates	4,038.2	12.0
Sensitivity 6 5% decrease in claim incidence rates for life business	4,136.9	110.7
Sensitivity 7 5% decrease in claim incidence rates for annuity business	3,925.4	(100.7)
Sensitivity 8 Change the required capital to statutory minimum	4,026.2	0.0
Sensitivity 9 25% increase in implied volatilities of equity and real estate values	3,931.2	(94.9)
Sensitivity 10 25% increase in implied volatilities of swaptions	3,968.7	(57.4)

Notes:

- For the long-duration risk-free rates at terms longer than the extrapolation entry term, extrapolation to the ultimate forward rate is applied without changing the ultimate forward rate itself.
- The 50bp decrease is applied to both positive and negative risk-free rates, without a floor.

In the fiscal year ended March 31, 2021, we refrained from proactive sales activities, so the volume of new policies was so small that the sensitivity of the value of new business is deemed immaterial and is accordingly not calculated.

4) Main EV Assumptions

(i) Economic Assumptions

Based on the assets held by Japan Post Insurance, the risk-free rates for use in the certainty equivalent calculation have been determined based on Japanese government bonds as of the valuation date.

The table on the right shows, for selected terms, the risk-free rates (converted to spot rates) used for the calculation. For interest rates at longer durations, for which reference rates are not available, we take an extrapolation approach utilizing an ultimate forward rate assumed to converge over a period of time to a fixed ultimate level, commonly set based on macroeconomic or other methods.

We have assumed an ultimate forward rate of 3.8%, and as the market of Japanese government bonds beyond 30 years is not considered deep and liquid, we have determined the extrapolation entry term as 30 years. For the forward rate for year 31 and later years, we have applied the Smith-Wilson approach with convergence to the ultimate forward rate over 30 years.

Term (Years)	For calculation of the value of in-force covered business		For calculation of the value of new business	
	March 31, 2020	March 31, 2021	Fiscal year ended March 31, 2020 (Rate at December 31, 2019)	Fiscal year ended March 31, 2021 (Rate at June 30, 2020)
1	(0.150)%	(0.129)%	(0.129)%	(0.180)%
2	(0.130)%	(0.130)%	(0.134)%	(0.140)%
3	(0.148)%	(0.136)%	(0.139)%	(0.144)%
4	(0.119)%	(0.118)%	(0.133)%	(0.128)%
5	(0.115)%	(0.083)%	(0.130)%	(0.102)%
10	0.032%	0.105%	(0.015)%	0.043%
15	0.286%	0.314%	0.154%	0.286%
20	0.319%	0.496%	0.285%	0.427%
25	0.405%	0.610%	0.379%	0.556%
30	0.427%	0.697%	0.421%	0.603%
40	0.923%	1.187%	0.932%	1.083%
50	1.455%	1.671%	1.463%	1.586%
60	1.837%	2.019%	1.845%	1.947%

Source: Analysis of Ministry of Finance data

(ii) Non-Economic Assumptions

All cash flows (premiums, expenses, claims and benefits, cash surrender values, taxes, etc.) are projected applying the best estimate assumptions up to the termination of the policies. Best estimate assumptions are specified by product group, considering recent experience and expected future prospects.

5) Notes on the Use of Results

- (i) As the profits arising from the release of the contingency reserve and reserve for price fluctuations related to the Postal Life Insurance policies form a part of the reinsurance dividend paid to the Organization for Postal Savings, Postal Life Insurance and Post Office Network, the EV calculations take into consideration the profits net of this reinsurance dividend. Therefore, the contingency reserve and reserve for price fluctuations related to these policies are included in the VIF, rather than the ANW, as it is assumed that these reserves will be released in the future.
- (ii) The calculation of EV is based on many assumptions, including future outlook, which involves certain risks and uncertainties. Since actual performance may differ materially from these assumptions, we strongly recommend that users exercise caution.
- (iii) We requested an independent actuarial firm to review the assumptions and the calculation of our EV results and obtained a written opinion verifying the validity. For further details of this written opinion and our EV, please refer to our website (https://www.jp-life.japanpost.jp/english/news/2021/en_news_id000117.html).

6-3 Insurance Policy Indicators

(1) Policies in Force and New Policies

1) Policies in Force

(Number of policies, millions of yen, %)

As of March 31	2020				2021			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	17,163,300	(5.2)%	¥ 49,915,586	(5.8)%	15,893,392	(7.4)%	¥ 45,912,230	(8.0)%
Death protection insurance	5,431,241	(1.5)	16,996,677	(3.3)	5,209,703	(4.1)	16,144,878	(5.0)
Mixed insurance	10,080,021	(7.8)	29,427,313	(7.9)	9,042,914	(10.3)	26,306,652	(10.6)
Pure endowment insurance	1,652,038	0.3	3,491,595	0.1	1,640,775	(0.7)	3,460,699	(0.9)
Individual annuities	1,164,059	(8.2)	1,930,642	(17.1)	1,009,956	(13.2)	1,563,865	(19.0)
Group insurance	–	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–	–
Asset-formation insurance	61	(29.1)	64	(25.5)	50	(18.0)	56	(12.5)
Asset-formation annuities	11	(8.3)	47	(8.7)	11	0.0	47	0.0

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation 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.
- Policy amount for "asset-formation insurance" is the amount of policy reserves.

2) New Policies

(Number of policies, millions of yen, %)

For the years ended March 31	2020				2021			
	Number of policies		Policy amount		Number of policies		Policy amount	
		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease		Rate of increase/decrease
Individual insurance	644,499	(62.3)%	¥ 1,893,727	(66.0)%	124,933	(80.6)%	¥ 390,355	(79.4)%
Death protection insurance	253,804	(65.8)	653,446	(72.0)	12,376	(95.1)	35,581	(94.6)
Mixed insurance	344,559	(59.1)	1,146,785	(61.4)	91,351	(73.5)	309,316	(73.0)
Pure endowment insurance	46,136	(63.9)	93,494	(63.6)	21,206	(54.0)	45,457	(51.4)
Individual annuities	549	35.2	3,527	78.7	30	(94.5)	176	(95.0)
Group insurance	–	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–	–
Asset-formation insurance	2	0.0	0	(66.7)	4	100.0	0	500.0
Asset-formation annuities	–	–	–	–	–	–	–	–

Notes:

- Figures for number of policies for "asset-formation insurance" and "asset-formation annuities" are the number of insured persons.
- Policy amounts for "individual annuities" and "asset-formation annuities" are the total of the accumulated contribution payment as of the date of annuity payment commencement.
- Policy amount for "asset-formation insurance" is the amount of the first premium payment.

(2) Average Policy Amount of New Policies and Policies in Force (individual insurance)

(Thousands of yen)

Items	New Policies		Policies in Force	
	For the year ended March 31, 2020	For the year ended March 31, 2021	As of March 31, 2020	As of March 31, 2021
Individual insurance	¥ 2,938	¥ 3,124	¥ 2,908	¥ 2,888
Death protection insurance	2,574	2,875	3,129	3,099
Mixed insurance	3,328	3,386	2,919	2,909
Pure endowment insurance	2,026	2,143	2,113	2,109

(3) Ratio of New Policies (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2020	2021
Individual insurance	3.6%	0.8%
Individual annuities	0.2	0.0
Group insurance	—	—

Note: This refers to the ratio of the policy amount of new policies against the policy amount in force at the beginning of fiscal year.

(4) Ratio of Surrender and Lapse (against the policy in force at the beginning of fiscal year)

(%)

For the years ended March 31	2020	2021
Individual insurance	5.1%	3.1%
Individual annuities	1.0	0.4
Group insurance	—	—

Notes:

- Ratio of surrender and lapse is calculated based on the policy amount associated with surrenders and lapses as modified by decrease or increase in policy amount, as well as the amount of the policy reinstatement.
- Ratio of surrender and lapse for "individual annuities" is based on the annuity before payments commence.

(5) Average Premium for New Policies of Individual Insurance (monthly payment agreement)

(Yen)

For the years ended March 31	2020	2021
Individual insurance	¥ 254,427	¥ 253,911

Note: These are annual premiums for the policies involving monthly payment agreement.

(6) Mortality Rates (basic policies in individual insurance)

(‰)

For the years ended March 31	2020	2021
In terms of number of policies	2.02‰	2.27‰
In terms of policy amount	1.63	1.84

Notes:

- Mortality rates are calculated by dividing the number of/policy amount for policies filing death claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing death claim) ÷ 2

(7) Ratio of Riders Filing Claim (individual insurance)

For the years ended March 31		2020	2021
Accident death benefit policy	In terms of number of policies	0.10%	0.11%
	In terms of policy amount	0.09	0.09
Disability benefit policy	In terms of number of policies	0.25	0.27
	In terms of policy amount	0.07	0.07
Accident hospitalization benefit policy	In terms of number of policies	5.99	5.69
	In terms of policy amount	0.19	0.18
Illness hospitalization benefit policy	In terms of number of policies	48.20	44.55
	In terms of policy amount	1.01	0.99
Lifestyle disease hospitalization benefit policy	In terms of number of policies	–	–
	In terms of policy amount	–	–
Illness/accident surgery benefit policy	In terms of number of policies	37.29	35.37
Lifestyle disease surgery benefit policy	In terms of number of policies	–	–

Notes:

- Ratio of the number of/policy amount for riders filing claim is calculated by dividing the number of/policy amount for riders filing claim by the number of/policy amount for policies exposed to risk.
- Number of/policy amount for policies exposed to risk is calculated by the formula as follows:
(Number of/policy amount for policies in force at the beginning of fiscal year + number of/policy amount for policies in force at the end of fiscal year + the number of/policy amount for policies filing full-paid rider claim) ÷ 2

(8) Ratio of Operating Expenses (against premium revenues)

For the year ended March 31, 2020	For the year ended March 31, 2021
14.62%	14.99%

(9) In the Cases Where Insurance Policies are Reinsured, Number of Principal Insurance Companies Accepting Reinsurance

(Number of companies)

For the year ended March 31, 2020	For the year ended March 31, 2021
4	4

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(10) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid to the Top Five Reinsurers in Terms of the Volume of Reinsurance Premiums Paid, Against Reinsurance Premiums Paid to All Reinsurers Accepting Reinsurance

For the year ended March 31, 2020	For the year ended March 31, 2021
100.0%	100.0%

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(11) In the Cases Where Insurance Policies are Reinsured, Ratio of Reinsurance Premiums Paid, of Each Group of Principal Reinsurers Accepting Reinsurance, Where the Grouping is Done Based on Ratings by a Rating Agency

(%)

Category of credit ratings	For the year ended March 31, 2020	For the year ended March 31, 2021
A or superior	100.0%	100.0%
BBB or superior	—	—
Other	—	—

Notes:

- The above ratings are based on the ratings provided by S&P (Standard & Poor's) at each fiscal year-end, where "A or superior" represents A- or superior, while "BBB or superior" represents the range from BBB- to less than A-.
- This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(12) Amount of Reinsurance Proceeds Yet to be Recovered

(Millions of yen)

For the year ended March 31, 2020	For the year ended March 31, 2021
¥ 3,432	¥ 3,443

Note: This is not applicable to third-sector insurance, in which the accumulation of insurance premium reserves is not required pursuant to Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

(13) Ratio of the Insurance Amount Paid Against Earned Premiums by Reason of Benefit or Class of Insurance in Third-Sector Insurance

(%)

For the years ended March 31	2020	2021
Claim-filing ratio in third-sector insurance	38.5%	36.6%
Medical (Illness)	31.6	29.8
Cancer	—	—
Nursing care	62.3	64.3
Other	80.0	77.7

6-4 Accounting Data

(1) Reserve for Outstanding Claims

(Millions of yen)

As of March 31		2020	2021
Insurance claims	Death benefits	¥ 12,484	¥ 13,004
	Accidental benefits	2,164	2,323
	Serious disability benefits	1,298	1,301
	Maturity benefits	76,844	82,908
	Other	308,115	266,783
	Subtotal	400,908	366,320
Annuity payments		7,534	7,645
Benefits		23,647	21,110
Surrender benefits		28,035	22,773
Deferred insurance benefits payment		—	—
Net, including other reserve for outstanding claims		461,224	419,021

(2) Policy Reserves

(Millions of yen)

As of March 31		2020		2021	
Policy reserves [excluding contingency reserve]	Individual insurance	¥	25,282,332	¥	24,845,103
	[General account]	[	25,282,332]	[	24,845,103]
	[Separate account]	[-]	[-]
	Individual annuities		1,889,285		1,532,465
	[General account]	[	1,889,285]	[	1,532,465]
	[Separate account]	[-]	[-]
	Group insurance		-		-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
	Group annuities		-		-
	[General account]	[-]	[-]
	[Separate account]	[-]	[-]
Other		33,324,181		31,408,808	
[General account]	[	33,324,181]	[	31,408,808]	
[Separate account]	[-]	[-]	
Subtotal		60,495,799		57,786,377	
[General account]	[	60,495,799]	[	57,786,377]	
[Separate account]	[-]	[-]	
Contingency reserve			1,797,366		1,611,343
Total			62,293,166		59,397,720
[General account]		[	62,293,166]	[	59,397,720]
[Separate account]		[-]	[-]

Note: "Other" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

(3) Balance of Policy Reserves

(Millions of yen)

	Insurance premium reserves	Unearned premiums	Reserve for refunds	Contingency reserve	Total
As of March 31, 2020	¥ 52,589,960	¥ 7,905,839	¥ -	¥ 1,797,366	¥ 62,293,166
As of March 31, 2021	51,328,903	6,457,473	-	1,611,343	59,397,720

(4) Reserving Method, Reserve Ratio and Reserve Balance for Policy Reserves for Individual Insurance and Individual Annuities (by contract year)**1) Reserving Method and Reserve Ratio for Policy Reserves**

As of March 31		2020		2021	
Reserving method	Contracts subject to the standard policy reserves	The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)		The method prescribed by Ordinance No. 48 issued by the Ministry of Finance in 1996 (standard policy reserves)	
	Contracts outside the scope of the standard policy reserves	—		—	
Reserve ratio (excluding contingency reserve)		100.0%		100.0%	

Notes:

- Individual insurance and individual annuities are subject to the reserving method and the reserve ratio. Asset-formation insurance, asset-formation annuities and receiving reinsurance are not included here, while they are computed based on the net level premium method.
- Reserve ratios here are the ratios against insurance premium reserves and unearned premiums as calculated by the method prescribed by the public notification No. 48 issued by the Ministry of Finance in 1996.

2) Balance of Policy Reserves (by contract year)

(Millions of yen)

Contract year	Balance of policy reserves	Assumed rates of return
For the years ended March 31, 2008 to 2011	¥ 4,069,482	1.00%–1.50%
For the year ended March 31, 2012	3,060,981	0.80%–1.50%
For the year ended March 31, 2013	3,153,348	0.70%–1.50%
For the year ended March 31, 2014	3,155,468	0.70%–1.00%
For the year ended March 31, 2015	3,485,111	0.55%–1.00%
For the year ended March 31, 2016	3,000,948	0.50%–1.00%
For the year ended March 31, 2017	3,066,681	0.50%–1.00%
For the year ended March 31, 2018	1,676,959	0.25%
For the year ended March 31, 2019	1,248,851	0.25%
For the year ended March 31, 2020	415,570	0.25%
For the year ended March 31, 2021	44,164	0.25%

Notes:

- Balance of policy reserves includes policy reserves for individual insurance and individual annuities (excluding policy reserves in the separate account and the contingency reserve).
- Assumed rates of return here refer to the main assumed rates of return applicable to policy reserves by contract year.

(5) Balance of Policy Reserves in General Account Associated with Insurance Policies Involving a Separate Account with a Guarantee for Minimum Insurance Claims and Others, Their Calculation Methods and the Multiplier Used in Such Calculation

Not applicable as of March 31, 2020 and 2021.

(6) Rationality and Adequacy of the Confirmation under Article 121, Paragraph 1, Item 1 of the Insurance Business Act (limited to the confirmation pertaining to third-sector insurance)

1) Principles for Ensuring Appropriateness of Policy Reserves for Third-sector Insurance

We carry out the liability adequacy test and stress test as required by laws and regulations in order to ensure a sufficient level of policy reserves.

The scope of the stress test includes the applicable products of Postal Life Insurance.

2) Rationality and Adequacy of the Level of Risk Frequency and Others Assumed for the Purpose of the Liability Adequacy Test and Stress Test

For the purpose of assuming risk frequency, we calculate the occurrence rate that covers the fluctuations of payment of hospitalization benefits and others with certain rates of probability (99% and 97.7%) during the next 10 years, based on the historical actual payment, etc. of hospitalization benefits and others.

3) Results of the Liability Adequacy Test and Stress Test

We have verified as a result of the stress test that there is no need for an additional provision of contingency reserve or policy reserves for third-sector insurance, as the expected occurrence rate we assumed beforehand adequately covers the risks expected to materialize in the future.

(7) Reserve for Policyholder Dividends

(Millions of yen)

	Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance Asset-formation annuities	Other insurance	Total
For the year ended March 31, 2020							
Balance at the beginning of the fiscal year	¥ 100,226	¥ 1,244	¥ -	¥ -	¥ -	¥ 1,412,163	¥ 1,513,634
Interest accrual	8	0	-	-	-	-	8
Reduction due to policyholder dividends paid	13,788	8	-	-	-	171,245	185,042
Reduction due to the acquisition of additional annuity	-	2	-	-	-	298	301
Provision for reserve for policyholder dividends	15,458	2	-	-	-	93,775	109,236
Balance at the end of the fiscal year	101,905	1,234	-	-	-	1,334,395	1,437,535
	[85,197]	[1,232]	[-]	[-]	[-]	[-]	[86,429]
For the year ended March 31, 2021							
Balance at the beginning of the fiscal year	101,905	1,234	-	-	-	1,334,395	1,437,535
Interest accrual	8	0	-	-	-	-	8
Reduction due to policyholder dividends paid	12,497	8	-	-	-	147,311	159,817
Reduction due to the acquisition of additional annuity	-	4	-	-	-	332	336
Provision for reserve for policyholder dividends	18,751	2	-	-	-	46,710	65,465
Balance at the end of the fiscal year	108,168	1,225	-	-	-	1,233,462	1,342,855
	[88,323]	[1,222]	[-]	[-]	[-]	[-]	[89,545]

Note: Figures within brackets “[]” are accumulated dividends. Meanwhile, the reserve for policyholder dividends associated with the reinsurance from the Management Network (¥1,334,395 million for the year ended March 31, 2020 and ¥1,223,462 million for the year ended March 31, 2021) is scheduled to be distributed/paid to the Management Network, based on the reinsurance contract.

(8) Reserves

(Millions of yen)

For the years ended March 31		2020			2021		
		Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year	Balance at the beginning of the fiscal year	Balance at the end of the fiscal year	Changes in the fiscal year
Reserve for Possible Loan Losses	General reserve for possible loan losses	¥ 45	¥ 37	¥ (8)	¥ 37	¥ 36	¥ (0)
	Specific reserve for possible loan losses	413	411	(1)	411	347	(63)
	Reserve for specific foreign loans	-	-	-	-	-	-
Reserve for insurance claims and others		-	29,722	29,722	29,722	2,851	(26,870)
Reserve for employees' retirement benefits		68,450	68,831	380	68,831	69,659	828
Reserve for management board benefit trust		203	164	(38)	164	110	(53)
Reserve for price fluctuations		897,492	858,339	(39,152)	858,339	904,816	46,477

Note: Reason for reserving and its calculation method are omitted here as they are stated in the notes (notes to non-consolidated financial statements).

(9) Provision for Reserve for Specific Foreign Loans

Not applicable for the years ended March 31, 2020 and 2021.

(10) Capital Stock, etc.

(Millions of yen)

		Balance at the beginning of the year ended March 31, 2021	Increase in the fiscal year	Decrease in the fiscal year	Balance at the end of the year ended March 31, 2021	Remarks
Capital stock		¥ 500,000	¥ –	¥ –	¥ 500,000	
Of which shares issued	[Common stock]	[562,600 thousand shares]	–	–	[562,600 thousand shares]	
		500,000	–	–	500,000	
	Total	500,000	–	–	500,000	
Capital surplus	[Legal capital surplus]	405,044	–	–	405,044	
	Total	405,044	–	–	405,044	

(11) Premiums

(Millions of yen)

For the years ended March 31	2020	2021
Individual insurance	¥ 2,753,753	¥ 2,305,399
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	2,753,753	2,305,399
Individual annuities	14,072	9,687
(Lump-sum payment)	–	–
(Annual payment)	–	–
(Semi-annual payment)	–	–
(Monthly payment)	14,072	9,687
Group insurance	–	–
Group annuities	–	–
Net, including other premiums	3,229,518	2,682,067

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

• Premiums by Income Year

(Millions of yen)

For the years ended March 31		2020	2021
Individual insurance	First-year premiums	¥ 237,643	¥ 39,544
	Premiums for the following years	2,530,182	2,275,543
	Subtotal	2,767,826	2,315,087
Group insurance	First-year premiums	–	–
	Premiums for the following years	–	–
	Subtotal	–	–
Net, including other premiums	First-year premiums	238,434	39,763
	Premiums for the following years	2,991,083	2,642,304
	Total	3,229,518	2,682,067

Note: "Net, including other premiums" includes asset-formation insurance, asset-formation annuities and receiving reinsurance.

(12) Insurance Claims**1) Insurance Claims (amounts)**

(Millions of yen)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2020						
Individual insurance	¥ 80,344	¥ 5,551	¥ 2,015	¥ 1,450,927	¥ –	¥ 1,538,838
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	26	–	26
Other insurance	–	–	–	–	3,350,310	3,350,310
Total	80,344	5,551	2,015	1,450,954	3,350,310	4,889,175
For the year ended March 31, 2021						
Individual insurance	84,533	5,735	2,207	1,646,699	–	1,739,176
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	17	–	17
Other insurance	–	–	–	–	2,941,912	2,941,912
Total	84,533	5,735	2,207	1,646,717	2,941,912	4,681,106

Note: "Other insurance" includes receiving reinsurance.

2) Insurance Claims (number of benefits)

(Number of benefits)

	Death benefits	Accidental benefits	Serious disability benefits	Maturity benefits	Other	Total
For the year ended March 31, 2020						
Individual insurance	33,789	2,517	787	710,162	–	747,255
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	20	–	20
Other insurance	–	–	–	–	11,435,367	11,435,367
Total	33,789	2,517	787	710,182	11,435,367	12,182,642
For the year ended March 31, 2021						
Individual insurance	35,578	2,704	825	783,938	–	823,045
Individual annuities	–	–	–	–	–	–
Group insurance	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	13	–	13
Other insurance	–	–	–	–	10,405,665	10,405,665
Total	35,578	2,704	825	783,951	10,405,665	11,228,723

Note: "Other insurance" includes receiving reinsurance.

(13) Annuities

(Millions of yen)

For the year ended March 31, 2020						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 80	¥ 393,924	¥ –	¥ –	¥ –	¥ –	¥ 394,005

For the year ended March 31, 2021						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 102	¥ 359,719	¥ –	¥ –	¥ –	¥ –	¥ 359,821

(14) Benefits**1) Benefits (amounts)**

(Millions of yen)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2020							
Individual insurance	¥ 73	¥ 40,643	¥ 29,301	¥ 1,971	¥ 37,055	¥ 1,161	¥ 110,207
Individual annuities	–	26	10	10	–	0	47
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	73	40,669	29,311	1,981	37,055	1,162	110,254
For the year ended March 31, 2021							
Individual insurance	56	36,778	26,149	2,045	54,203	1,061	120,295
Individual annuities	–	15	8	3	–	0	28
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	56	36,794	26,158	2,049	54,203	1,062	120,324

2) Benefits (number of benefits)

(Number of benefits)

	Death benefits	Hospitalization benefits	Surgery benefits	Disability benefits	Living benefits	Other	Total
For the year ended March 31, 2020							
Individual insurance	129	784,233	436,208	2,557	156,749	16,593	1,396,469
Individual annuities	–	209	117	6	–	8	340
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	129	784,442	436,325	2,563	156,749	16,601	1,396,809
For the year ended March 31, 2021							
Individual insurance	79	689,731	387,677	2,561	224,081	15,874	1,320,003
Individual annuities	–	160	94	3	–	6	263
Group insurance	–	–	–	–	–	–	–
Group annuities	–	–	–	–	–	–	–
Asset-formation insurance, asset-formation annuities	–	–	–	–	–	–	–
Other insurance	–	–	–	–	–	–	–
Total	79	689,891	387,771	2,564	224,081	15,880	1,320,266

(15) Surrender Benefits

(Millions of yen)

For the year ended March 31, 2020						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 596,086	¥ 6,485	¥ –	¥ –	¥ 10	¥ –	¥ 602,583

For the year ended March 31, 2021						
Individual insurance	Individual annuities	Group insurance	Group annuities	Asset-formation insurance, asset-formation annuities	Other insurance	Total
¥ 476,097	¥ 4,378	¥ –	¥ –	¥ 1	¥ –	¥ 480,477

(16) Depreciation and Amortization

(Millions of yen, %)

	Cost	Depreciation and amortization in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Accumulated depreciation percentage
For the year ended March 31, 2020					
Tangible fixed assets	¥ 106,941	¥ 8,139	¥ 45,242	¥ 61,699	42.3
Buildings	63,895	3,278	22,338	41,556	35.0
Leased assets	4,265	675	2,257	2,007	52.9
Other tangible fixed assets	38,781	4,185	20,645	18,135	53.2
Intangible fixed assets	492,353	50,934	351,657	140,696	71.4
Others	709	52	380	329	53.6
Total	600,005	59,125	397,280	202,725	66.2
For the year ended March 31, 2021					
Tangible fixed assets	109,892	8,788	53,323	56,569	48.5
Buildings	65,924	3,206	25,624	40,299	38.9
Leased assets	4,298	637	2,458	1,839	57.2
Other tangible fixed assets	39,669	4,944	25,239	14,429	63.6
Intangible fixed assets	520,596	52,371	401,847	118,748	77.2
Others	709	54	434	275	61.3
Total	631,198	61,214	455,605	175,593	72.2

Notes:

1. "Buildings" includes all buildings, facilities and structures.
2. "Intangible fixed assets" includes software in progress.

(17) Operating Expenses

(Millions of yen)

For the years ended March 31	2020	2021
Sales activity expenses	¥ 111,079	¥ 51,416
Sales administration expenses	15,003	10,917
General administration expenses	346,095	339,731
Total	472,177	402,065

Note: "General administration expenses" include the contributions to the Life Insurance Policyholders Protection Corporation of Japan (¥2,474 million for the year ended March 31, 2020 and ¥2,410 million for the year ended March 31, 2021), pursuant to Article 259 of the Insurance Business Act.

(18) Taxes

(Millions of yen)

For the years ended March 31	2020		2021	
National taxes	¥	29,339	¥	25,123
Consumption tax		26,390		23,262
Special local corporation tax		2,589		1,664
Stamp duty		358		197
Registration license tax		0		0
Other national taxes		0		–
Local taxes		14,635		13,279
Local consumption tax		7,282		6,563
Enterprise tax		6,213		5,549
Fixed property tax		890		910
Real estate acquisition tax		–		0
Business office tax		248		255
Other local taxes		–		–
Total		43,974		38,402

Notes:

1. The figure for “Special local corporation tax” in 2021 includes Special corporate enterprise tax.
2. “Fixed property tax” includes city planning tax.

(19) Lease Transactions

Lease transactions (as lessee)

[Finance lease transactions without transfer of ownership that apply an accounting treatment equivalent to those for operating lease transactions]

Not applicable for the years ended March 31, 2020 and 2021.

(20) Borrowings by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2020							
Bonds payable	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 100,000	¥ 100,000
Payables under securities lending transactions	4,290,140	–	–	–	–	–	4,290,140
Total	4,290,140	–	–	–	–	100,000	4,390,140
As of March 31, 2021							
Bonds payable	–	–	–	–	–	300,000	300,000
Payables under securities lending transactions	4,587,469	–	–	–	–	–	4,587,469
Total	4,587,469	–	–	–	–	300,000	4,887,469

6-5 Indicators Related to Asset Management (General Account)

(1) Portfolio Trends

Asset Structure, Increase/Decrease in Assets

(Millions of yen, %)

As of March 31	2020			2021		
	Amount	Percentage	Increase/decrease	Amount	Percentage	Increase/decrease
Cash, deposits, call loans	¥ 1,786,640	2.5	¥ 725,296	¥ 1,459,749	2.1	¥ (326,890)
Receivables under resale agreements	–	–	–	–	–	–
Receivables under securities borrowing transactions	3,191,710	4.5	399,508	2,585,087	3.7	(606,623)
Monetary claims bought	318,581	0.4	(36,376)	276,772	0.4	(41,809)
Trading account securities	–	–	–	–	–	–
Money held in trust	3,056,072	4.3	268,516	4,189,294	6.0	1,133,222
Securities	55,871,541	78.0	(2,581,023)	55,274,594	78.8	(596,946)
Corporate and government bonds	48,954,516	68.3	(2,174,242)	48,264,456	68.8	(690,059)
Domestic stocks	286,975	0.4	80,406	404,577	0.6	117,601
Foreign securities	4,687,342	6.5	(597,593)	4,632,376	6.6	(54,966)
Foreign corporate and government bonds	4,522,175	6.3	(586,613)	4,479,823	6.4	(42,351)
Foreign stocks and other securities	165,167	0.2	(10,979)	152,552	0.2	(12,615)
Other securities	1,942,706	2.7	110,405	1,973,184	2.8	30,477
Loans	5,662,748	7.9	(1,123,326)	4,964,087	7.1	(698,661)
Policy loans	152,681	0.2	8,114	161,419	0.2	8,737
Industrial and commercial loans	994,446	1.4	3,136	996,127	1.4	1,681
Loans to the Management Network	4,515,620	6.3	(1,134,577)	3,806,540	5.4	(709,080)
Real estate	89,561	0.1	(1,525)	88,707	0.1	(853)
Investment property	–	–	–	–	–	–
Deferred tax assets	1,173,751	1.6	151,751	904,333	1.3	(269,417)
Other	517,239	0.7	(40,009)	431,615	0.6	(85,624)
Reserve for possible loan losses	(448)	(0.0)	10	(384)	(0.0)	64
General account total	71,667,398	100.0	(2,237,178)	70,173,857	100.0	(1,493,540)
Foreign-currency-denominated assets	4,980,015	6.9	(533,121)	5,397,078	7.7	417,062

Notes:

1. "Loans to the Management Network" includes lending to the Management Network (Postal Life Insurance Account).
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.

(2) Yield

For the years ended March 31	2020	2021
Cash, deposits and call loans	0.00%	0.00%
Receivables under resale agreements	–	–
Receivables under securities borrowing transactions	–	–
Monetary claims bought	0.17	0.14
Trading account securities	–	–
Money held in trust	1.99	2.86
Securities	1.47	1.57
Corporate and government bonds	1.53	1.51
Domestic stocks	1.24	2.72
Foreign securities	0.97	2.16
Loans	1.94	1.82
Industrial and commercial loans	1.12	1.09
Real estate	–	–
General account total	1.41	1.51
Overseas loans and investments	1.21	2.15

Notes:

1. Yields are calculated by dividing investment income less investment expenses by the daily average balance based on book value.
2. "General account total" includes assets related to securities trusts.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(3) Average Balance on Primary Assets

For the years ended March 31	2020	2021
Cash, deposits and call loans	¥ 871,393	¥ 971,519
Receivables under resale agreements	–	–
Receivables under securities borrowing transactions	–	–
Monetary claims bought	245,585	331,785
Trading account securities	–	–
Money held in trust	2,590,039	3,060,875
Securities	57,277,536	55,266,241
Corporate and government bonds	50,390,583	48,761,968
Domestic stocks	246,486	325,661
Foreign securities	4,817,411	4,239,811
Loans	6,225,901	5,509,886
Industrial and commercial loans	1,011,092	1,014,293
Real estate	90,107	88,497
General account total	72,010,400	69,581,188
Overseas loans and investments	5,618,940	5,207,411

Notes:

1. "General account total" includes assets related to securities trusts.
2. "Real estate" is booked as the sum total of land, buildings and construction in progress.
3. "Overseas loans and investments" is the total of assets denominated in foreign currencies and yen-denominated assets.

(4) Investment Income

(Millions of yen)

For the years ended March 31	2020	2021
Interest and dividend income	¥ 1,049,804	¥ 1,004,635
Gains on trading account securities	–	–
Gains on money held in trust	51,560	87,593
Gains on trading securities	–	–
Gains on sales of securities	35,699	20,422
Gains on redemption of securities	614	1,170
Gains on derivative financial instruments	–	–
Gains on foreign exchanges	–	7,759
Reversal of reserve for possible loan losses	8	0
Other investment income	101	86
Total	1,137,789	1,121,668

(5) Investment Expenses

(Millions of yen)

For the years ended March 31	2020	2021
Interest expenses	¥ 2,130	¥ 2,311
Losses on trading account securities	–	–
Losses on money held in trust	–	–
Losses on trading securities	–	–
Losses on sales of securities	32,020	32,789
Losses on valuation of securities	2,689	–
Losses on redemption of securities	6,847	10,950
Losses on derivative financial instruments	74,799	21,604
Losses on foreign exchanges	2,085	–
Provision for reserve for possible loan losses	–	–
Write-off loans	–	–
Depreciation of real estate for lease and other assets	–	–
Other investment expenses	3,425	3,207
Total	123,999	70,863

(6) Interest, Dividends and Other Income

(Millions of yen)

For the years ended March 31	2020	2021
Interest on deposits	¥ 23	¥ 29
Interest and dividends on securities	924,098	898,429
Interest on corporate and government bonds	762,037	733,226
Domestic stock dividends	7,646	8,263
Interest and dividends on foreign securities	129,742	115,851
Interest on loans	14,684	13,314
Interest on loans to the Management Network	105,830	86,934
Rent revenue from real estate	—	—
Net, including other income	1,049,804	1,004,635

(7) Gains on Sales of Securities

(Millions of yen)

For the years ended March 31	2020	2021
Japanese government bonds and other bonds	¥ 12,657	¥ 4,876
Domestic stocks and other securities	6,730	14,692
Foreign securities	16,310	853
Net, including other gains on sales of securities	35,699	20,422

(8) Losses on Sales of Securities

(Millions of yen)

For the years ended March 31	2020	2021
Japanese government bonds and other bonds	¥ 802	¥ 1,063
Domestic stocks and other securities	11,204	13,895
Foreign securities	18,307	4,326
Net, including other losses on sales of securities	32,020	32,789

(9) Losses on Valuation of Securities

(Millions of yen)

For the years ended March 31	2020	2021
Japanese government bonds and other bonds	¥ —	¥ —
Domestic stocks and other securities	—	—
Foreign securities	2,689	—
Net, including other losses on valuation of securities	2,689	—

(10) Proprietary Trading Securities

Not applicable as of March 31, 2020 and 2021.

(11) Proceeds on Sales of Proprietary Trading Securities

Not applicable as of March 31, 2020 and 2021.

(12) Securities Composition

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Corporate and government bonds	¥ 48,954,516	87.6	¥ 48,264,456	87.3
Japanese government bonds	36,730,786	65.7	37,345,671	67.6
Japanese local government bonds	6,737,380	12.1	5,593,508	10.1
Japanese corporate bonds	5,486,350	9.8	5,325,276	9.6
Public entity bonds	3,516,937	6.3	3,290,216	6.0
Domestic stocks	286,975	0.5	404,577	0.7
Foreign securities	4,687,342	8.4	4,632,376	8.4
Foreign corporate and government bonds	4,522,175	8.1	4,479,823	8.1
Foreign stocks and other securities	165,167	0.3	152,552	0.3
Other securities	1,942,706	3.5	1,973,184	3.6
Total	55,871,541	100.0	55,274,594	100.0

(13) Securities by Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2020	¥ 3,066,028	¥ 5,058,151	¥ 4,651,108	¥ 3,986,343	¥10,245,029	¥29,718,461	¥56,725,123
Securities	2,236,029	5,058,151	4,651,108	3,986,343	10,245,029	29,694,878	55,871,541
Japanese government bonds	455,383	1,939,008	1,884,588	2,732,186	7,764,053	21,955,566	36,730,786
Japanese local government bonds	1,207,198	1,862,098	1,352,690	567,258	239,569	1,508,564	6,737,380
Japanese corporate bonds	445,162	1,063,949	478,359	263,174	665,094	2,570,610	5,486,350
Domestic stocks	–	–	–	–	–	286,975	286,975
Foreign securities	128,285	193,095	935,470	423,724	1,576,312	1,430,454	4,687,342
Foreign corporate and government bonds	128,285	193,095	935,470	423,724	1,576,312	1,265,287	4,522,175
Foreign stocks and other securities	–	–	–	–	–	165,167	165,167
Other securities	–	–	–	–	–	1,942,706	1,942,706
Monetary claims bought	294,998	–	–	–	–	23,583	318,581
Negotiable certificates of deposit	535,000	–	–	–	–	–	535,000
Other	–	–	–	–	–	–	–
As of March 31, 2021	3,426,249	4,688,622	3,720,570	5,920,893	9,769,118	28,505,912	56,031,366
Securities	2,691,256	4,688,622	3,720,570	5,920,893	9,769,118	28,484,133	55,274,594
Japanese government bonds	1,038,615	1,745,328	1,947,364	4,168,507	7,457,485	20,988,368	37,345,671
Japanese local government bonds	1,062,081	1,610,124	660,103	470,617	322,756	1,467,825	5,593,508
Japanese corporate bonds	464,276	796,006	428,791	403,942	614,823	2,617,436	5,325,276
Domestic stocks	–	–	–	–	–	404,577	404,577
Foreign securities	126,282	537,163	684,310	877,826	1,374,052	1,032,741	4,632,376
Foreign corporate and government bonds	126,282	537,163	684,310	877,826	1,374,052	880,188	4,479,823
Foreign stocks and other securities	–	–	–	–	–	152,552	152,552
Other securities	–	–	–	–	–	1,973,184	1,973,184
Monetary claims bought	254,992	–	–	–	–	21,779	276,772
Negotiable certificates of deposit	480,000	–	–	–	–	–	480,000
Other	–	–	–	–	–	–	–

Note: Includes the handling of securities based on "Accounting Standard for Financial Instruments"(Accounting Standards Board of Japan ("ASBJ") Statement No. 10).

(14) Bond Term-End Balance Yield

(%)

As of March 31	2020	2021
Corporate and government bonds	1.52%	1.51%
Foreign corporate and government bonds	2.61	2.55

(15) Breakdown of Local Government Bonds by Region

(Millions of yen)

As of March 31	2020	2021
Hokkaido	¥ 144,133	¥ 127,932
Tohoku	62,937	56,429
Kanto	1,570,288	1,345,027
Chubu	703,516	636,366
Kinki	823,720	733,345
Chugoku	221,468	185,059
Shikoku	41,827	28,500
Kyushu	500,847	428,728
Other	2,668,640	2,052,118
Total	6,737,380	5,593,508

Note: "Other" indicates the balance of joint issuance local government bonds.

(16) Shareholdings by Industry Sector

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Fishery, agriculture and forestry	¥ –	–	¥ –	–
Mining	842	0.3	–	–
Construction	7,435	2.6	17,658	4.4
Manufacturing				
Foods	2,118	0.7	11,740	2.9
Textiles and apparel	737	0.3	2,980	0.7
Pulp and paper	–	–	–	–
Chemicals	38,102	13.3	71,040	17.6
Pharmaceuticals	17,438	6.1	19,331	4.8
Oil and coal products	1,420	0.5	1,915	0.5
Rubber products	1,405	0.5	1,706	0.4
Glass and ceramic products	3,922	1.4	9,425	2.3
Iron and steel	–	–	–	–
Nonferrous metals	3,401	1.2	6,889	1.7
Metal products	2,291	0.8	5,604	1.4
Machinery	18,522	6.5	26,669	6.6
Electric appliances	36,472	12.7	57,206	14.1
Transportation equipment	7,109	2.5	10,707	2.6
Precision instruments	10,593	3.7	14,442	3.6
Other products	7,851	2.7	11,422	2.8
Electric power and gas	–	–	–	–
Transportation, information and communications				
Land transportation	12,647	4.4	3,895	1.0
Marine transportation	–	–	–	–
Air transportation	1,419	0.5	–	–
Warehousing and port transportation services	–	–	–	–
Information and communications	39,367	13.7	30,351	7.5
Trade and services				
Wholesale trade	22,554	7.9	26,811	6.6
Retail trade	16,855	5.9	35,028	8.7
Finance and insurance				
Banking	13,169	4.6	19,067	4.7
Securities and trading	495	0.2	495	0.1
Insurance	3,199	1.1	3,478	0.9
Other financial services	4,629	1.6	3,168	0.8
Real estate	5,862	2.0	3,996	1.0
Services	7,109	2.5	9,543	2.4
Total	286,975	100.0	404,577	100.0

Note: Industry sector category is based on the sector classification table of the Securities Identification Code Committee.

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(17) Loans

(Millions of yen)

As of March 31	2020	2021
Policy loans	¥ 152,681	¥ 161,419
Policyholder loans	152,680	161,418
Policy premium loans	1	0
Industrial and commercial loans	5,510,067	4,802,668
(Loans to non-residents)	(-)	(-)
Loans to companies	4,674,702	3,958,194
(Loans to domestic corporations)	(4,674,702)	(3,958,194)
Loans to state, international organizations and government organizations	-	-
Loans to public bodies and public businesses	835,365	844,474
Housing loans	-	-
Consumer loans	-	-
Other	-	-
Total	5,662,748	4,964,087

Note: Loans to the Management Network (Postal Life Insurance account) are recorded as loans to companies, as they are classified into loans to companies in "finance and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(18) Loans by Contractual Maturity Date

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
Total industrial and commercial loans as of March 31, 2020	¥ 761,372	¥ 1,517,225	¥ 1,069,770	¥ 713,597	¥ 680,111	¥ 767,989	¥ 5,510,067
Floating rate loans	4,592	9,525	15,175	5,925	1,388	4,112	40,721
Fixed rate loans	756,780	1,507,699	1,054,594	707,671	678,722	763,877	5,469,346
Total industrial and commercial loans as of March 31, 2021	715,402	1,349,925	881,802	597,462	584,367	673,708	4,802,668
Floating rate loans	5,700	12,150	5,000	5,000	-	-	27,850
Fixed rate loans	709,702	1,337,775	876,802	592,462	584,367	673,708	4,774,818

Notes:

- "Fixed rate loans" includes loans to the Management Network (Postal Life Insurance Account).
- Among the loans to the Management Network (Postal Life Insurance Account), the legal designated period is accrued as current maturity.

(19) Loans to Domestic Companies by Company Size

(Number of borrowers, millions of yen, %)

As of March 31		2020		2021	
			Percentage		Percentage
Large companies	Number of borrowers	23	65.7	21	61.8
	Amount of loans	¥ 126,970	2.7	¥ 115,620	2.9
Medium-sized companies	Number of borrowers	–	–	–	–
	Amount of loans	¥ –	–	¥ –	–
Small companies	Number of borrowers	12	34.3	13	38.2
	Amount of loans	¥ 4,547,732	97.3	¥ 3,842,574	97.1
Total loans to domestic companies	Number of borrowers	35	100.0	34	100.0
	Amount of loans	¥ 4,674,702	100.0	¥ 3,958,194	100.0

Notes:

- Loans to the Management Network (Postal Life Insurance Account) are classified as “small and medium-sized companies” in the “Corporate Guideline of Entry Statistics Questionnaire” as specified by the Research and Statistics Department, the Bank of Japan.
- Classifications are defined as shown below.
- “Number of borrowers” indicates the number of borrowers identified by name and is not the number of loans.

Industry type	1. All industries (excluding 2–4)		2. Retail and restaurant		3. Service		4. Wholesale	
		Paid-in capital over ¥1 billion		Paid-in capital over ¥1 billion		Paid-in capital over ¥1 billion		Paid-in capital over ¥1 billion
Large companies	More than 300 employees	Paid-in capital over ¥1 billion	More than 50 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion	More than 100 employees	Paid-in capital over ¥1 billion
Medium-sized companies		Paid-in capital between ¥0.3 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.05 billion and ¥1 billion		Paid-in capital between ¥0.1 billion and ¥1 billion
Small companies	Paid-in capital under ¥0.3 billion or fewer than 300 employees		Paid-in capital under ¥0.05 billion or fewer than 50 employees		Paid-in capital under ¥0.05 billion or fewer than 100 employees		Paid-in capital under ¥0.1 billion or fewer than 100 employees	

(20) Breakdown of Loans by Industry

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Domestic				
Manufacturing	¥ 22,650	0.4	¥ 20,550	0.4
Foods	—	—	—	—
Textiles and apparel	—	—	—	—
Wood, wood products	—	—	—	—
Pulp and paper	8,950	0.2	6,850	0.1
Printing	—	—	—	—
Chemicals	6,100	0.1	6,100	0.1
Oil and coal products	600	0.0	600	0.0
Ceramics, soil and stone	7,000	0.1	7,000	0.1
Iron and steel	—	—	—	—
Nonferrous metals	—	—	—	—
Metal products	—	—	—	—
General purpose, production and industrial machinery	—	—	—	—
Electric appliances	—	—	—	—
Transportation equipment	—	—	—	—
Other manufacturing products	—	—	—	—
Agriculture and forestry	—	—	—	—
Fishery	—	—	—	—
Mining, quarrying and gravel extraction	—	—	—	—
Construction	900	0.0	—	—
Electric power, gas, heat supply and waterworks	19,582	0.4	28,712	0.6
Information and communications	2,750	0.0	1,400	0.0
Transportation and postal	31,611	0.6	24,528	0.5
Wholesale trade	39,900	0.7	39,900	0.8
Retail trade	—	—	—	—
Financing and insurance	4,535,620	82.3	3,821,540	79.6
Real estate	21,687	0.4	21,562	0.4
Rental	—	—	—	—
Academic research, specialist and technology services	—	—	—	—
Lodging	—	—	—	—
Restaurant	—	—	—	—
Lifestyle-related services, amusement	—	—	—	—
Education and learning support	—	—	—	—
Medical and welfare	—	—	—	—
Other services	—	—	—	—
Local organizations and public entities	835,365	15.2	844,474	17.6
Individuals (residential/consumption/local taxes/other)	—	—	—	—
Total	5,510,067	100.0	4,802,668	100.0
Overseas				
Governments and public entities	—	—	—	—
Financial institutions	—	—	—	—
Commerce and industry, etc.	—	—	—	—
Total	—	—	—	—
Total industrial and commercial loans	5,510,067	100.0	4,802,668	100.0

Notes:

- Domestic classification is based on the industrial classification of the Bank of Japan's rental payment previous to loans (by industry and new loans for equipment rentals).
- Loans to the Management Network (Postal Life Insurance Account) are classified as "financing and insurance" in the Loans Questionnaire by Industrial Type in the "Guideline of Entry Statistics Questionnaire" as specified by the Research and Statistics Department, the Bank of Japan.

(21) Breakdown of Industrial Loans by Use

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Capital investments	¥ 711,821	12.9	¥ 728,898	15.2
Operations	4,798,246	87.1	4,073,769	84.8
Total	5,510,067	100.0	4,802,668	100.0

Note: Loans to the Management Network (Postal Life Insurance Account) are classified as "operations."

(22) Breakdown of Loans by Region

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Hokkaido	¥ 2,901	0.1	¥ 2,802	0.1
Tohoku	43,523	0.8	42,156	0.9
Kanto	4,912,383	89.2	4,190,024	87.2
Chubu	194,282	3.5	239,578	5.0
Kinki	190,618	3.5	171,105	3.6
Chugoku	54,637	1.0	48,654	1.0
Shikoku	7,248	0.1	6,654	0.1
Kyushu	104,472	1.9	101,692	2.1
Total	5,510,067	100.0	4,802,668	100.0

Notes:

- Loans to individuals, non-residents and for insurance policies are not included.
- Regional classification depends on the location of the borrower's headquarters.
- Loans to the Management Network (Postal Life Insurance Account) are classified under "Kanto," as the Network is located in Tokyo.

(23) Breakdown of Loans by Collateral

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Secured loans	¥ 21,711	0.4	¥ 30,633	0.6
Loans secured by securities	—	—	—	—
Loans secured by real estate, movable property or foundation	—	—	—	—
Loans secured by nominative claims	21,711	0.4	30,633	0.6
Guaranteed loans	16,840	0.3	7,040	0.1
Credit loans	955,895	17.3	958,454	20.0
Other	4,515,620	82.0	3,806,540	79.3
Industrial and commercial loans	5,510,067	100.0	4,802,668	100.0
Subordinated loans	1,000	0.0	1,000	0.0

Note: Loans to the Management Network (Postal Life Insurance Account) are classified as "Other."

(24) Tangible Fixed Assets**1) Tangible Fixed Assets**

(Millions of yen, %)

	Balance at the end of the previous fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Depreciation in the fiscal year	Balance at the end of the fiscal year	Accumulated depreciation	Accumulated depreciation percentage
For the year ended March 31, 2020							
Land	¥ 48,008	¥ –	¥ 179	¥ –	¥ 47,828	¥ –	–
Buildings, net	43,078	1,818	62	3,278	41,556	22,338	35.0
Leased assets, net	2,117	568	3	675	2,007	2,257	52.9
Construction in progress	–	2,260	2,084	–	176	–	–
Others, net	14,659	7,755	94	4,185	18,135	20,645	53.2
Total	107,865	12,402	2,423	8,139	109,704	45,242	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–
For the year ended March 31, 2021							
Land	47,828	–	–	–	47,828	–	–
Buildings, net	41,556	1,986	37	3,206	40,299	25,624	38.9
Leased assets, net	2,007	480	11	637	1,839	2,458	57.2
Construction in progress	176	2,633	2,230	–	579	–	–
Others, net	18,135	1,290	51	4,944	14,429	25,239	63.6
Total	109,704	6,391	2,330	8,788	104,977	53,323	–
(Includes rentals and other real estate)	–	–	–	–	–	–	–

Note: "Buildings, net" includes all buildings, facilities and structures.

2) Breakdown of Real Estate Holdings by Use

(Millions of yen, number of buildings)

As of March 31	2020	2021
Value of real estate holdings	¥ 89,561	¥ 88,707
For business operations	89,561	88,707
For lease	–	–
Number of buildings held for leasing	–	–

Note: "Value of real estate holdings" includes all land, buildings (including facilities and structures) and construction in progress.

(25) Gains on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2020	2021
Tangible fixed assets	¥ 393	¥ –
Land	390	–
Buildings	2	–
Leased assets	–	–
Other assets	–	–
Intangible fixed assets	–	–
Others	–	–
Total	393	–
Includes rentals and other real estate	–	–

(26) Losses on Disposal of Fixed Assets

(Millions of yen)

For the years ended March 31	2020		2021	
Tangible fixed assets	¥	181	¥	118
Land		–		–
Buildings		83		48
Leased assets		3		11
Other assets		94		58
Intangible fixed assets		122		136
Others		–		–
Total		303		255
Includes rentals and other real estate		–		–

(27) Depreciation on Real Estate, Movable and Other Assets Held for Leasing

Not applicable for the years ended March 31, 2020 and 2021.

(28) Overseas Loans and Investments

1) Breakdown by Asset Composition

(Millions of yen, %)

As of March 31		2020		2021	
		Amount	Percentage	Amount	Percentage
Foreign-currency-denominated assets	Corporate and government bonds	¥ 4,250,940	76.1	¥ 4,359,445	73.8
	Stocks	323,512	5.8	489,519	8.3
	Cash and cash equivalents	405,563	7.3	548,114	9.3
	Subtotal	4,980,015	89.1	5,397,078	91.4
Foreign-currency-denominated assets with fixed yen value	Corporate and government bonds	–	–	–	–
	Cash and cash equivalents	–	–	–	–
	Subtotal	–	–	–	–
Yen-denominated assets	Loans to non-residents	–	–	–	–
	Foreign corporate and government bonds and other assets	606,909	10.9	507,037	8.6
	Subtotal	606,909	10.9	507,037	8.6
Net overseas loans and investments		5,586,925	100.0	5,904,116	100.0

Note: "Foreign-currency-denominated assets with fixed yen value" is recorded under assets on the balance sheets as the fixed yen value that was determined at settlement with foreign exchange forward contracts.

2) Overseas Loans and Investments by Geographic Area

(Millions of yen, %)

	Foreign securities						Loans to non-residents	
	Foreign securities		Corporate and government bonds		Stocks and other securities		Amount	Percentage
	Amount	Percentage	Amount	Percentage	Amount	Percentage		
As of March 31, 2020	¥ 5,462,256	100.0	¥ 4,522,175	100.0	¥ 940,081	100.0	¥ –	–
North America	3,387,006	62.0	3,089,472	68.3	297,533	31.6	–	–
Europe	873,964	16.0	837,936	18.5	36,028	3.8	–	–
Oceania	55,364	1.0	55,364	1.2	–	–	–	–
Asia	91,365	1.7	91,365	2.0	–	–	–	–
Central and South America	655,456	12.0	48,937	1.1	606,519	64.5	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
International organization	399,099	7.3	399,099	8.8	–	–	–	–
As of March 31, 2021	5,726,399	100.0	4,479,823	100.0	1,246,576	100.0	–	–
North America	3,362,126	58.7	2,909,283	64.9	452,842	36.3	–	–
Europe	953,164	16.6	898,956	20.1	54,208	4.3	–	–
Oceania	72,325	1.3	72,325	1.6	–	–	–	–
Asia	93,402	1.6	93,402	2.1	–	–	–	–
Central and South America	788,740	13.8	49,215	1.1	739,525	59.3	–	–
Middle East	–	–	–	–	–	–	–	–
Africa	–	–	–	–	–	–	–	–
International organization	456,640	8.0	456,640	10.2	–	–	–	–

3) Composition of Foreign-Currency-Denominated Assets by Currency

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
U.S. dollar	¥ 3,627,238	72.8	¥ 3,709,226	68.7
Euro	587,927	11.8	658,493	12.2
Australian dollar	229,497	4.6	425,844	7.9
Canadian dollar	153,378	3.1	175,088	3.2
Polish zloty	129,785	2.6	138,391	2.6
Swedish krona	115,010	2.3	133,581	2.5
New Zealand dollar	87,301	1.8	103,999	1.9
Singapore dollar	29,852	0.6	31,929	0.6
British pound	20,024	0.4	20,522	0.4
Total	4,980,015	100.0	5,397,078	100.0

(29) Yield on Overseas Loans and Investments

For the years ended March 31		2020	2021
Yield on overseas loans and investments		1.21	2.15

(%)

(30) Summary of New Public-Sector Investment Underwriting and Loans

For the years ended March 31		2020	2021
Public bonds	Japanese government bonds	¥ -	¥ -
	Japanese local government bonds	-	-
	Public entity bonds	5	4
	Subtotal	5	4
Loans	Government organizations	-	-
	Public entities	51,669	66,757
	Subtotal	51,669	66,757
Total		51,674	66,761

(Millions of yen)

(31) Loan Interest Rates

Not applicable for the years ended March 31, 2020 and 2021.

(32) Other Assets

Asset class	Cost	Balance at the beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	Accumulated depreciation and amortization	Balance at the end of the fiscal year	Remarks
For the year ended March 31, 2020							
Other	¥ 1,685	¥ 2,240	¥ 2,457	¥ 3,012	¥ -	¥ 1,685	
Total	1,685	2,240	2,457	3,012	-	1,685	
For the year ended March 31, 2021							
Other	1,863	1,685	2,919	2,742	-	1,863	
Total	1,863	1,685	2,919	2,742	-	1,863	

(Millions of yen)

6-6 Fair Value Information of Securities (General Account)

(1) Fair Value of Securities

1) Net Valuation Gain/Loss of Trading Securities

Japan Post Insurance did not hold securities for trading as of March 31, 2020 and 2021.

2) Fair Value Information of Securities (with fair value, other than trading securities)

(Millions of yen)

As of March 31	2020					2021				
	Book value	Fair value	Net unrealized gains (losses)			Book value	Fair value	Net unrealized gains (losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	¥35,735,724	¥41,953,389	¥6,217,664	¥6,217,743	¥ 79	¥35,327,980	¥40,512,921	¥5,184,940	¥5,225,937	¥ 40,996
Policy-reserve-matching bonds	9,574,646	10,578,535	1,003,888	1,007,456	3,567	9,382,446	10,158,590	776,143	798,498	22,355
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,651,666	14,021,785	370,119	786,871	416,751	13,445,144	14,865,016	1,419,871	1,521,504	101,632
Corporate and government bonds	3,700,415	3,742,144	41,729	46,711	4,981	3,519,145	3,554,029	34,883	42,363	7,480
Domestic stocks	1,710,037	1,765,197	55,159	265,192	210,032	1,754,330	2,514,296	759,966	790,263	30,297
Foreign securities	4,754,442	5,159,292	404,849	448,638	43,788	4,835,932	5,398,112	562,180	578,698	16,518
Foreign corporate and government bonds	4,048,995	4,424,175	375,180	378,559	3,379	4,147,536	4,479,823	332,287	348,645	16,358
Foreign stocks and other securities	705,447	735,117	29,669	70,078	40,409	688,396	918,289	229,893	230,052	159
Other securities	2,635,194	2,501,569	(133,625)	24,323	157,948	2,580,552	2,641,805	61,253	108,589	47,336
Monetary claims bought	316,576	318,581	2,005	2,005	-	275,183	276,772	1,588	1,588	-
Negotiable certificates of deposit	535,000	535,000	-	-	-	480,000	480,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	58,962,037	66,553,710	7,591,672	8,012,071	420,398	58,155,572	65,536,528	7,380,955	7,545,940	164,984
Corporate and government bonds	48,912,786	56,175,830	7,263,044	7,271,672	8,628	48,229,573	54,225,541	5,995,967	6,066,800	70,832
Domestic stocks	1,710,037	1,765,197	55,159	265,192	210,032	1,754,330	2,514,296	759,966	790,263	30,297
Foreign securities	4,852,442	5,257,531	405,088	448,877	43,788	4,835,932	5,398,112	562,180	578,698	16,518
Foreign corporate and government bonds	4,146,995	4,522,414	375,418	378,798	3,379	4,147,536	4,479,823	332,287	348,645	16,358
Foreign stocks and other securities	705,447	735,117	29,669	70,078	40,409	688,396	918,289	229,893	230,052	159
Other securities	2,635,194	2,501,569	(133,625)	24,323	157,948	2,580,552	2,641,805	61,253	108,589	47,336
Monetary claims bought	316,576	318,581	2,005	2,005	-	275,183	276,772	1,588	1,588	-
Negotiable certificates of deposit	535,000	535,000	-	-	-	480,000	480,000	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Notes:

- This table includes the handling of securities under the Financial Instruments and Exchange Act.
- This table includes money held in trust other than trading securities and its book value was ¥2,647,007 million with net unrealized gains of ¥920,156 million as of March 31, 2021 and ¥2,549,094 million with net unrealized gains of ¥73,086 million as of March 31, 2020.

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

(Millions of yen)

As of March 31	2020	2021
Held-to-maturity bonds	¥ -	¥ -
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	10,907	18,846
Available-for-sale securities	305,190	445,184
Unlisted domestic stocks (excluding OTC-traded equities)	4,239	4,239
Unlisted foreign stocks (excluding OTC-traded equities)	-	-
Unlisted foreign bonds	-	-
Other	300,951	440,944
Total	316,098	464,030

Notes:

- This table includes money held in trust other than trading securities (¥300,951 million as of March 31, 2020 and ¥440,944 million as of March 31, 2021).
- Net unrealized gains (losses) on foreign exchanges for assets denominated in foreign currencies of the securities for which the fair values are deemed extremely difficult to determine are as follows: ¥(4,633) million as of March 31, 2020 and ¥6,740 million as of March 31, 2021.

(2) Fair Value of Money Held in Trust

(Millions of yen)

As of March 31	2020					2021				
	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	¥2,744,305	¥2,744,305	¥ -	¥ -	¥ -	¥3,696,910	¥3,696,910	¥ -	¥ -	¥ -

Note: Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥311,766 million as of March 31, 2020 and ¥492,384 million as of March 31, 2021).

1) Money Held in Trust for Trading Purposes

The Company did not hold money held in trust for trading purposes as of March 31, 2020 and 2021.

2) Assets Held-to-Maturity in Trust/Assets Held for Reserves in Trust/Other Money Held in Trust

(Millions of yen)

As of March 31	2020					2021				
	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	2,671,219	2,744,305	73,086	339,561	266,474	2,776,753	3,696,910	920,156	970,021	49,865
Domestic stocks	1,387,969	1,483,941	95,971	261,306	165,334	1,431,501	2,115,438	683,937	713,124	29,187
Foreign stocks	297,237	323,512	26,275	52,834	26,558	303,379	489,519	186,140	186,140	-
Foreign bonds	736,002	698,499	(37,503)	23,453	60,956	742,769	779,998	37,229	57,823	20,593
Other	250,009	238,353	(11,656)	1,967	13,623	299,104	311,953	12,848	12,933	84

Notes:

- Excluding money held in trust for which the fair values are deemed extremely difficult to determine (¥311,766 million as of March 31, 2020 and ¥492,384 million as of March 31, 2021).
- "Domestic stocks," "Foreign stocks" and "Foreign bonds" include individual stocks and bonds as well as mutual funds which exclusively invest in these assets.
- "Other" includes cash and deposits, bank loans, and real estate funds.

3) Balances of Securities in Money Held in Trust

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2020							
Domestic stocks						¥ 1,483,941	
Foreign securities						774,913	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						774,913	
Other securities						659,643	2,918,498
As of March 31, 2021							
Domestic stocks						2,115,438	
Foreign securities						1,094,023	
Foreign corporate and government bonds						—	
Foreign stocks and other securities						1,094,023	
Other securities						805,385	4,014,847

Note: Including money held in trust for which the fair values are deemed extremely difficult to determine.

4) Currency Composition of Money Held in Trust

(Millions of yen, %)

As of March 31	2020		2021	
	Amount	Percentage	Amount	Percentage
Japanese yen	¥ 2,190,226	75.0	¥ 2,978,688	74.2
U.S. dollar	667,211	22.9	944,421	23.5
Euro	56,834	1.9	85,196	2.1
Others	4,225	0.1	6,541	0.2
Total	2,918,498	100.0	4,014,847	100.0

Note: Includes money held in trust for which the fair values are deemed extremely difficult to determine.
Excluding cash and deposits.

5) Industry Composition of Japanese Stocks of Money Held in Trust

(Millions of yen, %)

As of March 31	2020		2021	
	Fair value	Percentage	Fair value	Percentage
Fishery, agriculture and forestry	¥ 1,288	0.1	¥ 1,840	0.1
Mining	2,805	0.2	3,158	0.1
Construction	48,501	3.3	78,546	3.7
Manufacturing				
Foods	59,833	4.0	72,309	3.4
Textiles and apparel	7,947	0.5	11,312	0.5
Pulp and paper	3,036	0.2	4,358	0.2
Chemicals	108,991	7.3	179,592	8.5
Pharmaceuticals	81,769	5.5	103,203	4.9
Oil and coal products	6,313	0.4	8,437	0.4
Rubber products	16,114	1.1	25,549	1.2
Glass and ceramic products	11,682	0.8	18,629	0.9
Iron and steel	11,137	0.8	13,273	0.6
Nonferrous metals	11,117	0.7	22,221	1.1
Metal products	7,906	0.5	11,237	0.5
Machinery	72,457	4.9	106,560	5.0
Electric appliances	211,855	14.3	341,067	16.1
Transportation equipment	121,821	8.2	143,943	6.8
Precision instruments	34,973	2.4	48,133	2.3
Other products	29,609	2.0	46,493	2.2
Electric power and gas	20,878	1.4	23,936	1.1
Transportation, information and communications				
Land transportation	55,385	3.7	64,816	3.1
Marine transportation	1,603	0.1	3,642	0.2
Air transportation	6,496	0.4	8,557	0.4
Warehousing and port transportation services	2,127	0.1	2,915	0.1
Information and communications	159,812	10.8	216,847	10.3
Trade and services				
Wholesale trade	79,500	5.4	105,092	5.0
Retail trade	60,462	4.1	103,650	4.9
Finance and insurance				
Banking	69,836	4.7	100,500	4.8
Securities and trading	10,276	0.7	15,888	0.8
Insurance	55,149	3.7	69,384	3.3
Other financial services	19,369	1.3	22,019	1.0
Real estate	30,096	2.0	37,064	1.8
Services	63,779	4.3	101,251	4.8
Total	1,483,941	100.0	2,115,438	100.0

(3) Combined Fair Value of Derivative Transactions (with or without Hedge Accounting)**(i) Breakdown of gains (losses) (breakdown of portions with hedge accounting applied and not applied)**

(Millions of yen)

	(ii) Interest rate related	(iii) Currency related	(iv) Stock related	(v) Bond related	(vi) Others	Total
As of March 31, 2020	¥ 980	¥ 36,971	¥ –	¥ –	¥ –	¥ 37,952
Portion with hedge accounting applied	980	36,973	–	–	–	37,954
Portion with hedge accounting not applied	–	(2)	–	–	–	(2)
As of March 31, 2021	–	(156,665)	–	–	–	(156,665)
Portion with hedge accounting applied	–	(155,809)	–	–	–	(155,809)
Portion with hedge accounting not applied	–	(855)	–	–	–	(855)

Notes:

- Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥36,973 million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2020 are accrued in the statement of income.
- Net unrealized gains (losses) on the portion subject to the fair value hedge method (currency related ¥(155,809) million) of the portion with hedge accounting applied, and those on the portion with hedge accounting not applied as of March 31, 2021, are accrued in the statement of income.

(ii) Interest rate related

(Millions of yen)

Category	As of March 31 Type	2020			2021		
		Contract amount, etc. Over one year	Fair value	Net gain/loss	Contract amount, etc. Over one year	Fair value	Net gain/loss
Over-the-counter	Interest rate swap						
	Fixed interest receipt/ floating interest payment	¥ 32,200	¥ 27,850	¥ 980	¥ 980	¥ –	¥ –
Total				980			–

Note: The fair value (current price) of swap transactions is indicated in the net gain/loss column.

Reference: Outstanding balances of interest rate swaps by contractual maturity date

(Millions of yen, %)

Category	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years or having no maturity date	Total
As of March 31, 2020	¥ 4,350	¥ 8,600	¥ 14,250	¥ 5,000	¥ –	¥ –	¥ 32,200
Fixed receipt swap notional principal	4,350	8,600	14,250	5,000	–	–	32,200
Average fixed interest receipt	0.55	0.61	0.92	1.12	–	–	0.82
Average floating interest payment	0.05	0.07	0.06	0.08	–	–	0.06
As of March 31, 2021	–	–	–	–	–	–	–
Fixed receipt swap notional principal	–	–	–	–	–	–	–
Average fixed interest receipt	–	–	–	–	–	–	–
Average floating interest payment	–	–	–	–	–	–	–

(iii) Currency related

(Millions of yen)

Category	As of March 31 Type	2020				2021			
		Contract amount, etc.		Fair value	Net gain/ loss	Contract amount, etc.		Fair value	Net gain/ loss
			Over one year				Over one year		
Over-the-counter	Foreign exchange forward contracts								
	Sold	¥3,383,197	¥ -	¥ 36,971	¥ 36,971	¥3,484,221	¥ -	¥ (156,699)	¥ (156,699)
	U.S. dollars	2,093,610	-	(32,312)	(32,312)	1,990,619	-	(75,918)	(75,918)
	Euros	523,596	-	6,238	6,238	537,353	-	(19,578)	(19,578)
	Australian dollars	256,452	-	30,310	30,310	413,962	-	(35,464)	(35,464)
	Other	509,538	-	32,734	32,734	542,285	-	(25,737)	(25,737)
	Purchased	-	-	-	-	8,552	-	33	33
	U.S. dollars	-	-	-	-	8,552	-	33	33
Total					36,971			(156,665)	

Notes:

1. Fair value is calculated using forward foreign exchange rates at the fiscal year-end.
2. Fair value of foreign exchange contracts is represented by net unrealized gains (losses).

(iv) Stock related

There were no such outstanding balances as of March 31, 2020 and 2021.

(v) Bond related

There were no such outstanding balances as of March 31, 2020 and 2021.

(vi) Others

There were no such outstanding balances as of March 31, 2020 and 2021.

7 Indicators for Separate Accounts

Not applicable.