

**UNOFFICIAL TRANSLATION**

Although the Company pays close attention to provide English translation of the information disclosed in Japanese, the Japanese original prevails over its English translation in the case of any discrepancy.

May 14, 2021

JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for  
the Fiscal Year Ended March 31, 2021**

JAPAN POST INSURANCE Co., Ltd. (the “Company”; SENDA Tetsuya, Director and President, CEO, Representative Executive Officer) hereby announces its financial results for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021).

<Table of Contents>

1. Business Highlights	1
2. Policy in Force by Benefit Type as of March 31, 2021	3
3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2021	4
4. Investment Overview for the Fiscal Year Ended March 31, 2021 (General Account)	8
5. Unaudited Non-Consolidated Balance Sheets	17
6. Unaudited Non-Consolidated Statements of Income	18
7. Unaudited Non-Consolidated Statements of Changes in Net Assets	19
8. Breakdown of Ordinary Profit (Core Profit)	29
9. Loans by Borrower Category	30
10. Status of Risk-Monitored Loans	30
11. Solvency Margin Ratio	31
12. Separate Account for the Fiscal Year Ended March 31, 2021	32
13. Consolidated Financial Summary	32

End

## 1. Business Highlights

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

#### ▪ Policies in Force

(Thousands of policies, billions of yen, %)

As of March 31	2020				2021			
	Number of policies		Policy amount		Number of policies		Policy amount	
		% of March 31, 2019 total		% of March 31, 2019 total		% of March 31, 2020 total		% of March 31, 2020 total
Individual insurance	17,163	94.8	49,915.5	94.2	15,893	92.6	45,912.2	92.0
Individual annuities	1,164	91.8	1,930.6	82.9	1,009	86.8	1,563.8	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.

#### ▪ New Policies

(Thousands of policies, billions of yen, %)

Fiscal years ended March 31	2020						2021					
	Number of policies		Policy amount				Number of policies		Policy amount			
		% of March 31, 2019 total	% of March 31, 2019 total	New policies	Net increase arising from the conversion		% of March 31, 2020 total	% of March 31, 2020 total	New policies	Net increase arising from the conversion		
Individual insurance	644	37.7	1,893.7	34.0	1,893.7	-	124	19.4	390.3	20.6	390.3	-
Individual annuities	0	135.2	3.5	178.7	3.5	-	0	5.5	0.1	5.0	0.1	-
Group insurance	-	-	-	-	-	-	-	-	-	-	-	-
Group annuities	-	-	-	-	-	-	-	-	-	-	-	-

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

## (2) Annualized Premiums

### ▪ Policies in Force

(Billions of yen, %)

As of March 31	2020		2021	
		% of March 31, 2019 total		% of March 31, 2020 total
Individual insurance	3,144.6	93.5	2,840.0	90.3
Individual annuities	412.0	91.1	357.1	86.7
Total	3,556.6	93.2	3,197.2	89.9
Medical coverage, living benefits and other	393.8	95.9	364.6	92.6

### ▪ New Policies

(Billions of yen, %)

Fiscal years ended March 31	2020		2021	
		% of March 31, 2019 total		% of March 31, 2020 total
Individual insurance	146.9	41.8	30.6	20.9
Individual annuities	0.3	183.6	0.0	5.1
Total	147.2	41.9	30.6	20.8
Medical coverage, living benefits and other	22.1	35.9	1.4	6.6

Notes: 1. Annualized premiums are calculated by multiplying the amount of a single premium installment payment by a multiplier determined according to the relevant payment method to arrive at a single annualized amount. For lump-sum payments, annualized premiums are calculated by dividing the total premium by the insured period.

2. Medical coverage, living benefits and other includes medical benefits (including hospitalization and surgery benefits), living benefits (including limited illness and nursing care benefits), and premium payment waivers benefits (excluding disability and including specified diseases and nursing benefits).

## 2. Policy in Force by Benefit Type as of March 31, 2021

(Thousands of policies, billions of yen)

Items		Individual insurance		Individual annuities		Group insurance		Total	
		Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Death benefit	General death	14,252	42,451.5	-	-	-	-	14,252	42,451.5
	Accidental death	23,583	55,427.7	2	10.6	-	-	23,586	55,438.4
	Other conditional death	-	-	-	-	-	-	-	-
Survival benefit		1,640	3,460.6	1,009	1,563.8	-	-	2,650	5,024.5
Hospitalization benefit	Hospitalization due to accident	11,782	45.8	4	0.0	-	-	11,787	45.8
	Hospitalization due to illness	11,665	45.4	1	0.0	-	-	11,666	45.4
	Other conditional hospitalization	9,001	5.8	4	0.0	-	-	9,006	5.8
Disability benefit		9,494	-	2	-	-	-	9,497	-
Surgery benefit		11,938	-	4	-	-	-	11,943	-

Items	Group annuities		Asset-formation insurance / asset-formation annuities		Total	
	Number of policies	Policy amount	Number of policies	Policy amount	Number of policies	Policy amount
Survival benefit	-	-	0	0.1	0	0.1

Items	Medical benefit insurance		Items	Occupational disability insurance	
	Number of policies	Policy amount		Number of policies	Policy amount
Hospitalization benefit	-	-	Occupational disability benefit	-	-

- Notes: 1. Figures for number of policies for asset-formation insurance and asset-formation annuities are the number of insured persons.  
2. For survival benefit, 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, and the policy amount for asset-formation insurance is the amount of policy reserves.  
3. Amount for hospitalization benefit is the amount of daily hospitalization benefits.  
4. As reinsurance from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as the "Management Network"), which is an independent administrative institution, the Company holds 8,944 thousand policies or ¥23,634.8 billion for insurance, and 1,426 thousand policies or ¥478.9 billion for annuities.

### 3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2021

(1) The overview of policyholder dividends based on the financial results for the fiscal year ended March 31, 2021 is as follows:

1. Japan Post Insurance Policies (individual insurance / individual annuities, etc. purchased on and after October 1, 2007)  
The payout ratio of policyholder dividends remain unchanged from the previous fiscal year.
2. Former Postal Life Insurance Policies (Postal Life Insurance Policies concluded by September 30, 2007)  
The Company posted provision for reserve for policyholder dividends of ¥46,710 million under the reinsurance contract concluded with the Management Network based on the performance of the category of the reinsurance.

(2) Policyholder dividends on Japan Post Insurance policies based on the financial results for the fiscal year ended March 31, 2021 are as detailed below. Each example shows the case of the insurance concluded in July:

Ex. 1 Ordinary endowment insurance

[Concluded at age of 40 and matured at 50; monthly premium by direct debit; ¥1 million maturity benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥103,320 ¥102,840	¥0 ¥0
Fiscal year ended March 31, 2017 <five years>	Male Female	¥103,320 ¥102,840	¥0 ¥0

Ex. 2 Special endowment insurance

[Concluded at age of 40 and matured at 60; monthly premium by direct debit; ¥2 million death benefit; ¥1 million maturity benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥55,440 ¥52,800	¥0 ¥0
Fiscal year ended March 31, 2017 <five years>	Male Female	¥55,440 ¥52,800	¥0 ¥0

Ex. 3 Ordinary term insurance

[Concluded at age of 40 and matured at 50; monthly premium by direct debit; ¥2 million death benefit]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥10,080 ¥7,680	¥3,091 ¥1,436
Fiscal year ended March 31, 2017 <five years>	Male Female	¥10,080 ¥7,680	¥1,881 ¥1,040

Ex. 4 Educational endowment insurance

[Concluded at when the insured is at age of 0 and the policyholder is at age of 40, and matured at when the insured is at age of 18 (with living benefit); monthly premium by direct debit; ¥1 million insured amount on insurance policy]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥56,760 ¥56,280	¥0 ¥0

Notes: 1. The sex of the policyholder and the insured are assumed to be the same.

2. The living benefit of ¥100,000 is paid when the insured turns 12 and 15, with a maturity benefit of ¥800,000.

Ex. 5 Educational endowment insurance (H24)

[Concluded at when the insured is at age of 0 and the policyholder is at age of 40, and matured at when the insured is at age of 18 (upon full-term payment of premium); monthly premium by direct debit; ¥1 million insured amount on insurance policy]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2017 <five years>	Male Female	¥54,120 ¥53,640	¥0 ¥0

Notes: 1. The sex of the policyholder and the insured are assumed to be the same.

2. In the event that the policyholder deceases, the insurance policies stipulate that premium payment thereafter is waived.

Ex. 6 Ordinary whole life insurance

[Concluded at age of 40; premium paid until the age of 60; monthly premium by direct debit; ¥1 million death benefit (¥200,000 after completion of premium payment)]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥12,600 ¥10,200	¥1,313 ¥559
Fiscal year ended March 31, 2017 <five years>	Male Female	¥12,600 ¥10,200	¥722 ¥339

Ex. 7 Accidental rider

[Concluded at age of 40; monthly premium by direct debit; ¥1 million rider benefit; added to ordinary endowment insurance policy (concluded at the age of 40 and matured at the age of 50)]

Fiscal year of purchase <number of years since purchase>	Sex	Insurance premium (on an annual basis)	Dividends for the fiscal year
Fiscal year ended March 31, 2012 <ten years>	Male Female	¥600 ¥360	¥240 ¥160
Fiscal year ended March 31, 2017 <five years>	Male Female	¥600 ¥360	¥260 ¥190

The dividends are the total of a., b., c., and d., summed up on the basic policy and each rider respectively:

a. Dividends from mortality rate margin [Unchanged]

Calculated by multiplying the amount at risk by a payout ratio for dividends from mortality rate margin according to the insured's age, sex and category in an expected mortality table, etc.

(Ex.) Ordinary endowment insurance, age 40, male

Period of purchase	Payout ratio for dividends from mortality rate margin (per amount at risk of ¥1 million)
October 1, 2007 to August 1, 2016	¥660
August 2, 2016 to March 31, 2018	¥280

b. Dividends from morbidity rate margin [Unchanged]

Calculated by multiplying the rider benefit by a payout ratio for dividends from morbidity rate margin according to the insured's age, sex and category in an expected rider payment rate table, etc.

(Ex.) Accidental rider, age 40, male

Period of purchase	Payout ratio for dividends from morbidity rate margin (per rider benefit of ¥1 million)
October 1, 2007 to April 1, 2017	¥280
April 2, 2017 to February 1, 2018	¥100

c. Dividends from administrative expense margin [Unchanged]

Calculated by multiplying the insured amount on the insurance policy, etc. by a payout ratio for dividends from administrative expense margin

(Ex.) Ordinary endowment insurance

Payout ratio for dividends from administrative expense margin	
Payout ratio for dividends from administrative expense margin in proportion to claim payment (per insured amount of ¥1 million)	¥0
Payout ratio for dividends from administrative expense margin in proportion to premium (per monthly premium by direct debit of ¥10,000)	¥0

d. Dividends from spread [Unchanged]

Calculated by multiplying the policy reserve by a payout ratio for dividends from spread  
(Ex.) Ordinary endowment insurance

Period of purchase	Payout ratio for dividends from spread
October 2007 to March 2008	1.3% – assumed rates of return
April 2008 to March 2009	1.2% – assumed rates of return
April 2009 to March 2010	1.1% – assumed rates of return
April 2010 to March 2012	1.0% – assumed rates of return
April 2012 to March 2013	0.9% – assumed rates of return
April 2013 to March 2014	0.8% – assumed rates of return
April 2014 to March 2015	0.6% – assumed rates of return
April 2015 to March 2016	0.5% – assumed rates of return
April 2016 to March 2018	0.4% – assumed rates of return

Please note that the dividend is ¥0 if the total of a., b., c., and d. is negative.

The dividend shall be ¥0 for lump-sum payment annuities insurance and their additional riders.

(3) Policyholder dividends on Former Postal Life Insurance Policies will be determined by Management Network.



## 4. Investment Overview for the Fiscal Year Ended March 31, 2021 (General Account)

### (1) Investment Environment

#### 1) Investment environment

The Japanese economy rapidly deteriorated due to the implementation of countermeasures against the spread of COVID-19 at the beginning of the fiscal year, which was subsequently followed by movements toward recovery due to large-scale fiscal and monetary policy packages and gradual resumption of economic activities. However, recovery was moderate due primarily to intermittent resurgence of the spread of COVID-19. Overseas economies including the U.S. and the Eurozone also suffered a sharp deterioration from the beginning of the fiscal year due to the implementation of countermeasures against the spread of COVID-19, which was followed by continuing recovery supported by government policies in the U.S. and the Eurozone experienced a moderate recovery due to the prolonged restrictions on activities in response to the resurgence of the spread of COVID-19.

Under these economic circumstances, the investment environment was as follows.

#### Domestic Bond Market

The domestic long-term yield moved around 0.00% level from the first half of the year under the policy of Monetary Easing with Yield Curve Control by the Bank of Japan. Subsequently, triggered by the rise in the U.S. long-term yield, domestic long-term yield also rose to 0.15% at one point at the end of February. However, when the Bank of Japan articulated that long-term yield could fluctuate within the range of around positive and negative 0.25%, domestic long-term yield declined to around 0.10% at the end of March, based on the sentiment that the rise in interest rates would be checked.

#### Domestic Stock Market

The Nikkei Stock Average had been hovering around the ¥17,000 level at the beginning of the fiscal year due primarily to concerns over the downturn in corporate earnings amid the spread of COVID-19 and stagnated economic activities, but thanks to the proactive monetary and fiscal policy packages in each country and the gradual resumption of economic activities, the index reached the ¥30,000 level by the middle of February. Subsequently, although the index fell at one point, due to the sense of stocks being overvalued and views of the early tapering of monetary easing policies in the U.S., it recovered again to the ¥29,000 level at the end of March due to expectations for resumption of normal economic activities associated with the spread of the vaccine.

#### Foreign Exchange Markets

Regarding the USD/JPY exchange rate, the basic trend of the depreciating dollar against appreciating yen continued from the first half of the fiscal year due to expectations for the U.S. monetary easing policies to prolong and the dollar fell to the ¥102 level in January. Subsequently, the U.S. long-term yield rose backed by expectations for a massive fiscal policy in the U.S. to come into effect and for the early tapering of monetary easing policies, and the gap between Japan-U.S. interest rates widened, resulting in the appreciation of the dollar and the depreciation of the yen, and the dollar reached the ¥110 level at the end of March.

Regarding the EUR/JPY exchange rate, the euro depreciated and the yen appreciated at the beginning of the fiscal year due to factors including the spread of COVID-19, and the euro declined to the ¥114 level in May. Subsequently, the euro began to trend upwards in response to the agreement on the establishment of the European Recovery Fund, and reached the ¥129 level at the end of March.

#### 2) Investment Policies

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

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

### 3) Performance Overview

#### [Assets]

At March 31, 2021, total assets of the Company amounted to ¥70,173.8 billion, a decrease of ¥1,493.5 billion from ¥71,667.3 billion at the end of the previous fiscal year.

The balance of return-seeking assets including stocks and foreign securities increased, due to an increase in unrealized gains following the recovery of the indices such as the Nikkei Stock Average.

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

For loans, the Company provided loans including loans to the Management Network, syndicated loans, loans to local governments and policy loans. The amount of loans decreased due to the repayment of loans to the Management Network.

#### [Investment Income and Expenses]

For the fiscal year ended March 31, 2021, while gains on money held in trust increased, investment income of the Company decreased by ¥16.1 billion from the previous corresponding period to ¥1,121.6 billion mainly due to a decrease in interest and dividend income caused primarily by a decrease in total assets.

Investment expenses decreased by ¥53.1 billion from the previous corresponding period to ¥70.8 billion mainly due to a decrease in losses on derivative financial instruments for hedging foreign exchange fluctuation risks.

As a result, investment income and expenses amounted to ¥1,050.8 billion, an increase of ¥37.0 billion from the previous corresponding period.

## (2) Asset Composition

(Billions of yen, %)

As of March 31	2020		2021	
	Amount	Ratio	Amount	Ratio
Cash, deposits, call loans	1,786.6	2.5	1,459.7	2.1
Receivables under resale agreements	-	-	-	-
Receivables under securities borrowing transactions	3,191.7	4.5	2,585.0	3.7
Monetary claims bought	318.5	0.4	276.7	0.4
Trading account securities	-	-	-	-
Money held in trust	3,056.0	4.3	4,189.2	6.0
Securities	55,871.5	78.0	55,274.5	78.8
Corporate and government bonds	48,954.5	68.3	48,264.4	68.8
Domestic stocks	286.9	0.4	404.5	0.6
Foreign securities	4,687.3	6.5	4,632.3	6.6
Foreign corporate and government bonds	4,522.1	6.3	4,479.8	6.4
Foreign stocks and other securities	165.1	0.2	152.5	0.2
Other securities	1,942.7	2.7	1,973.1	2.8
Loans	5,662.7	7.9	4,964.0	7.1
Real estate	89.5	0.1	88.7	0.1
Deferred tax assets	1,173.7	1.6	904.3	1.3
Other	517.2	0.7	431.6	0.6
Reserve for possible loan losses	(0.4)	(0.0)	(0.3)	(0.0)
Total	71,667.3	100.0	70,173.8	100.0
Foreign currency-denominated assets	4,980.0	6.9	5,397.0	7.7

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

**(3) Increase/Decrease in Assets**

(Billions of yen)

Fiscal years ended March 31	2020	2021
Cash, deposits, call loans	725.2	(326.8)
Receivables under resale agreements	-	-
Receivables under securities borrowing transactions	399.5	(606.6)
Monetary claims bought	(36.3)	(41.8)
Trading account securities	-	-
Money held in trust	268.5	1,133.2
Securities	(2,581.0)	(596.9)
Corporate and government bonds	(2,174.2)	(690.0)
Domestic stocks	80.4	117.6
Foreign securities	(597.5)	(54.9)
Foreign corporate and government bonds	(586.6)	(42.3)
Foreign stocks and other securities	(10.9)	(12.6)
Other securities	110.4	30.4
Loans	(1,123.3)	(698.6)
Real estate	(1.5)	(0.8)
Deferred tax assets	151.7	(269.4)
Other	(40.0)	(85.6)
Reserve for possible loan losses	0.0	0.0
Total	(2,237.1)	(1,493.5)
Foreign currency-denominated assets	(533.1)	417.0

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

**(4) Investment Income**

(Billions of yen)

Fiscal years ended March 31	2020	2021
Interest and dividend income	1,049.8	1,004.6
Interest on deposits	0.0	0.0
Interest and dividends on securities	924.0	898.4
Interest on loans	14.6	13.3
Interest on loans to the Management Network	105.8	86.9
Rent revenue from real estate	-	-
Other interest and dividend income	5.1	5.9
Gains on trading account securities	-	-
Gains on money held in trust	51.5	87.5
Gains on trading securities	-	-
Gains on sales of securities	35.6	20.4
Gains on sales of Japanese government bonds and other bonds	12.6	4.8
Gains on sales of domestic stocks and other securities	6.7	14.6
Gains on sales of foreign securities	16.3	0.8
Other gains on sales of securities	-	-
Gains on redemption of securities	0.6	1.1
Gains on derivative financial instruments	-	-
Gains on foreign exchanges	-	7.7
Reversal of reserve for possible loan losses	0.0	0.0
Other investment income	0.1	0.0
Total	1,137.7	1,121.6

**(5) Investment Expenses**

(Billions of yen)

Fiscal years ended March 31	2020	2021
Interest expenses	2.1	2.3
Losses on trading account securities	-	-
Losses on money held in trust	-	-
Losses on trading securities	-	-
Losses on sales of securities	32.0	32.7
Losses on sales of Japanese government bonds and other bonds	0.8	1.0
Losses on sales of domestic stocks and other securities	11.2	13.8
Losses on sales of foreign securities	18.3	4.3
Other losses on sales of securities	1.7	13.5
Losses on valuation of securities	2.6	-
Losses on valuation of Japanese government bonds and other bonds	-	-
Losses on valuation of domestic stocks and other securities	-	-
Losses on valuation of foreign securities	2.6	-
Other losses on valuation of securities	-	-
Losses on redemption of securities	6.8	10.9
Losses on derivative financial instruments	74.7	21.6
Losses on foreign exchanges	2.0	-
Provision for reserve for possible loan losses	-	-
Write-off loans	-	-
Depreciation of real estate for lease and other assets	-	-
Other investment expenses	3.4	3.2
Total	123.9	70.8

## (6) Investment Related Efficiency

### 1) Yield by Asset Type

Fiscal 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
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 securities trust.  
3. "Overseas loans and investments" is the total of assets denominated in foreign-currencies and yen-denominated assets.

### 2) Net Valuation Gain/Loss of Trading Securities

The Company does not hold securities for trading.

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

(Billions of yen)

As of March 31	2020					2021				
	Book value	Fair value	Net unrealized gains			Book value	Fair value	Net unrealized gains		
			(losses)					(losses)		
			Gains	Losses				Gains	Losses	
Held-to-maturity bonds	35,735.7	41,953.3	6,217.6	6,217.7	0.0	35,327.9	40,512.9	5,184.9	5,225.9	40.9
Policy-reserve-matching bonds	9,574.6	10,578.5	1,003.8	1,007.4	3.5	9,382.4	10,158.5	776.1	798.4	22.3
Equities of subsidiaries and affiliates	-	-	-	-	-	-	-	-	-	-
Available-for-sale securities	13,651.6	14,021.7	370.1	786.8	416.7	13,445.1	14,865.0	1,419.8	1,521.5	101.6
Corporate and government bonds	3,700.4	3,742.1	41.7	46.7	4.9	3,519.1	3,554.0	34.8	42.3	7.4
Domestic stocks	1,710.0	1,765.1	55.1	265.1	210.0	1,754.3	2,514.2	759.9	790.2	30.2
Foreign securities	4,754.4	5,159.2	404.8	448.6	43.7	4,835.9	5,398.1	562.1	578.6	16.5
Foreign corporate and government bonds	4,048.9	4,424.1	375.1	378.5	3.3	4,147.5	4,479.8	332.2	348.6	16.3
Foreign stocks and other securities	705.4	735.1	29.6	70.0	40.4	688.3	918.2	229.8	230.0	0.1
Other securities	2,635.1	2,501.5	(133.6)	24.3	157.9	2,580.5	2,641.8	61.2	108.5	47.3
Monetary claims bought	316.5	318.5	2.0	2.0	-	275.1	276.7	1.5	1.5	-
Negotiable certificates of deposit	535.0	535.0	-	-	-	480.0	480.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	58,962.0	66,553.7	7,591.6	8,012.0	420.3	58,155.5	65,536.5	7,380.9	7,545.9	164.9
Corporate and government bonds	48,912.7	56,175.8	7,263.0	7,271.6	8.6	48,229.5	54,225.5	5,995.9	6,066.8	70.8
Domestic stocks	1,710.0	1,765.1	55.1	265.1	210.0	1,754.3	2,514.2	759.9	790.2	30.2
Foreign securities	4,852.4	5,257.5	405.0	448.8	43.7	4,835.9	5,398.1	562.1	578.6	16.5
Foreign corporate and government bonds	4,146.9	4,522.4	375.4	378.7	3.3	4,147.5	4,479.8	332.2	348.6	16.3
Foreign stocks and other securities	705.4	735.1	29.6	70.0	40.4	688.3	918.2	229.8	230.0	0.1
Other securities	2,635.1	2,501.5	(133.6)	24.3	157.9	2,580.5	2,641.8	61.2	108.5	47.3
Monetary claims bought	316.5	318.5	2.0	2.0	-	275.1	276.7	1.5	1.5	-
Negotiable certificates of deposit	535.0	535.0	-	-	-	480.0	480.0	-	-	-
Other	-	-	-	-	-	-	-	-	-	-

Note: This table includes money held in trust other than trading securities and its book value is ¥2,549.0 billion with net unrealized gains of ¥73.0 billion as of March 31, 2020 and ¥2,647.0 billion with net unrealized gains of ¥920.1 billion as of March 31, 2021.



The book values of securities for which the fair values are deemed extremely difficult to determine are as follows:  
(Billions of yen)

As of March 31	2020	2021
Held-to-maturity bonds	-	-
Unlisted foreign bonds	-	-
Other	-	-
Policy-reserve-matching bonds	-	-
Equities of subsidiaries and affiliates	10.9	18.8
Available-for-sale securities	305.1	445.1
Unlisted domestic stocks (excluding OTC traded equities)	4.2	4.2
Unlisted foreign stocks (excluding OTC traded equities)	-	-
Unlisted foreign bonds	-	-
Other	300.9	440.9
Total	316.0	464.0

Notes: 1. This table includes money held in trust other than trading securities (¥300.9 billion as of March 31, 2020 and ¥440.9 billion as of March 31, 2021).

2. Net unrealized gains (losses) based on foreign exchange valuation of the foreign currency-denominated assets classified as securities for which the fair values are deemed extremely difficult to determine are ¥(4.6) billion as of March 31, 2020 and ¥6.7 billion as of March 31, 2021.

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

#### 4) Fair Value of Money Held in Trust

(Billions 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	2,744.3	2,744.3	-	-	-	3,696.9	3,696.9	-	-	-

#### - Money held in trust for trading purposes

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

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

(Billions of yen)

As of March 31	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	2,671.2	2,744.3	73.0	339.5	266.4	2,776.7	3,696.9	920.1	970.0	49.8

Note: Fair value information of money held in trust does not include other money held in trust for which the fair value is deemed extremely difficult to determine (¥311.7 billion as of March 31, 2020 and ¥492.3 billion as of March 31, 2021).

## 5. Unaudited Non-Consolidated Balance Sheets

(Millions of yen)

Items	Year	As of March 31,	As of March 31,	Items	Year	As of March 31,	As of March 31,
		2020	2021			2020	2021
		Amount	Amount			Amount	Amount
<b>ASSETS:</b>				<b>LIABILITIES:</b>			
<b>Cash and deposits</b>		<b>1,406,640</b>	<b>1,329,749</b>	<b>Policy reserves and others</b>		<b>64,191,926</b>	<b>61,159,597</b>
Cash		485	662	Reserve for outstanding claims		461,224	419,021
Deposits		1,406,154	1,329,087	Policy reserves		62,293,166	59,397,720
<b>Call loans</b>		<b>380,000</b>	<b>130,000</b>	Reserve for policyholder dividends		1,437,535	1,342,855
<b>Receivables under securities borrowing transactions</b>		<b>3,191,710</b>	<b>2,585,087</b>	<b>Reinsurance payables</b>		<b>6,595</b>	<b>6,394</b>
<b>Monetary claims bought</b>		<b>318,581</b>	<b>276,772</b>	<b>Bonds payable</b>		<b>100,000</b>	<b>300,000</b>
<b>Money held in trust</b>		<b>3,056,072</b>	<b>4,189,294</b>	<b>Other liabilities</b>		<b>4,485,343</b>	<b>4,891,788</b>
<b>Securities</b>		<b>55,871,541</b>	<b>55,274,594</b>	Payables under securities lending transactions		4,290,140	4,587,469
Japanese government bonds		36,730,786	37,345,671	Income taxes payable		62,298	42,915
Japanese local government bonds		6,737,380	5,593,508	Accounts payable		18,175	20,468
Japanese corporate bonds		5,486,350	5,325,276	Accrued expenses		24,756	28,488
Stocks		286,975	404,577	Deposits received		2,247	2,520
Foreign securities		4,687,342	4,632,376	Deposits from the Management Network		42,231	41,143
Other securities		1,942,706	1,973,184	Guarantee deposits received		73	73
<b>Loans</b>		<b>5,662,748</b>	<b>4,964,087</b>	Derivative financial instruments		35,305	157,418
Policy loans		152,681	161,419	Lease obligations		2,095	1,950
Industrial and commercial loans		994,446	996,127	Asset retirement obligation		5	5
Loans to the Management Network		4,515,620	3,806,540	Suspense receipt		829	2,491
<b>Tangible fixed assets</b>		<b>109,704</b>	<b>104,977</b>	Other liabilities		7,183	6,842
Land		47,828	47,828	<b>Reserve for insurance claims and others</b>		<b>29,722</b>	<b>2,851</b>
Buildings		41,556	40,299	<b>Reserve for employees' retirement benefits</b>		<b>68,831</b>	<b>69,659</b>
Leased assets		2,007	1,839	<b>Reserve for management board benefit trust</b>		<b>164</b>	<b>110</b>
Construction in progress		176	579	<b>Reserve for price fluctuations</b>		<b>858,339</b>	<b>904,816</b>
Other tangible fixed assets		18,135	14,429	<b>Total liabilities</b>		<b>69,740,924</b>	<b>67,335,219</b>
<b>Intangible fixed assets</b>		<b>140,696</b>	<b>118,748</b>	<b>NET ASSETS:</b>			
Software		140,679	118,734	<b>Capital stock</b>		<b>500,000</b>	<b>500,000</b>
Other intangible fixed assets		16	14	<b>Capital surplus</b>		<b>405,044</b>	<b>405,044</b>
<b>Agency accounts receivable</b>		<b>45,587</b>	<b>53,250</b>	Legal capital surplus		405,044	405,044
<b>Reinsurance receivables</b>		<b>4,057</b>	<b>3,938</b>	<b>Retained earnings</b>		<b>757,826</b>	<b>902,034</b>
<b>Other assets</b>		<b>306,755</b>	<b>239,407</b>	Legal retained earnings		60,485	64,761
Accounts receivable		70,594	67,545	Other retained earnings		697,340	837,272
Prepaid expenses		2,285	2,473	Reserve for reduction entry of real estate		5,545	5,286
Accrued income		149,756	144,746	Retained earnings brought forward		691,794	831,986
Money on deposit		6,896	7,863	<b>Treasury stock</b>		<b>(422)</b>	<b>(397)</b>
Margin deposits for futures transactions		-	1,105	<b>Total shareholders' equity</b>		<b>1,662,447</b>	<b>1,806,680</b>
Derivative financial instruments		72,301	752	<b>Net unrealized gains (losses) on available-for-sale securities</b>		<b>264,009</b>	<b>1,031,384</b>
Cash collateral paid for financial instruments		2,319	11,286	<b>Net deferred gains (losses) on hedges</b>		<b>16</b>	<b>573</b>
Suspense payments		916	1,771	<b>Total valuation and translation adjustments</b>		<b>264,026</b>	<b>1,031,957</b>
Other assets		1,685	1,863	<b>Total net assets</b>		<b>1,926,474</b>	<b>2,838,638</b>
<b>Deferred tax assets</b>		<b>1,173,751</b>	<b>904,333</b>	<b>Total liabilities and net assets</b>		<b>71,667,398</b>	<b>70,173,857</b>
<b>Reserve for possible loan losses</b>		<b>(448)</b>	<b>(384)</b>				
<b>Total assets</b>		<b>71,667,398</b>	<b>70,173,857</b>				

## 6. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Amount	Amount
<b>ORDINARY INCOME</b>		<b>7,211,403</b>	<b>6,786,210</b>
<b>Insurance premiums and others</b>		<b>3,245,541</b>	<b>2,697,936</b>
Insurance premiums		3,229,518	2,682,067
Reinsurance income		16,022	15,868
<b>Investment income</b>		<b>1,137,789</b>	<b>1,121,668</b>
Interest and dividend income		1,049,804	1,004,635
Interest on deposits		23	29
Interest and dividends on securities		924,098	898,429
Interest on loans		14,684	13,314
Interest on loans to the Management Network		105,830	86,934
Other interest and dividend income		5,167	5,926
Gains on money held in trust		51,560	87,593
Gains on sales of securities		35,699	20,422
Gains on redemption of securities		614	1,170
Gains on foreign exchanges		-	7,759
Reversal of reserve for possible loan losses		8	0
Other investment income		101	86
<b>Other ordinary income</b>		<b>2,828,072</b>	<b>2,966,604</b>
Reversal of reserve for outstanding claims		58,343	42,203
Reversal of policy reserves		2,767,383	2,895,445
Reversal of reserve for insurance claims and others		-	26,870
Other ordinary income		2,346	2,084
<b>ORDINARY EXPENSES</b>		<b>6,924,573</b>	<b>6,441,187</b>
<b>Insurance claims and others</b>		<b>6,191,369</b>	<b>5,866,091</b>
Insurance claims		4,889,175	4,681,106
Annuity payments		394,005	359,821
Benefits		110,254	120,324
Surrender benefits		602,583	480,477
Other refunds		171,590	201,420
Reinsurance premiums		23,760	22,940
<b>Provision for policy reserves and others</b>		<b>8</b>	<b>8</b>
Provision for interest on policyholder dividends		8	8
<b>Investment expenses</b>		<b>123,999</b>	<b>70,863</b>
Interest expenses		2,130	2,311
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	-
Other investment expenses		3,425	3,207
<b>Operating expenses</b>		<b>472,177</b>	<b>402,065</b>
<b>Other ordinary expenses</b>		<b>137,018</b>	<b>102,158</b>
Taxes		43,974	38,402
Depreciation and amortization		59,125	61,214
Provision for reserve for insurance claims and others		29,722	-
Provision for reserve for employees' retirement benefits		262	716
Other ordinary expenses		3,934	1,825
<b>ORDINARY PROFIT</b>		<b>286,829</b>	<b>345,022</b>
<b>EXTRAORDINARY GAINS</b>		<b>39,546</b>	<b>-</b>
Gains on sales of fixed assets		393	-
Reversal of reserve for price fluctuations		39,152	-
<b>EXTRAORDINARY LOSSES</b>		<b>303</b>	<b>46,732</b>
Losses on sales and disposal of fixed assets		303	255
Provision for reserve for price fluctuations		-	46,477
Provision for reserve for policyholder dividends		109,236	65,465
Income before income taxes		216,835	232,824
Income taxes - Current		143,463	91,510
Income taxes - Deferred		(77,759)	(24,272)
Total income taxes		65,703	67,238
Net income		151,132	165,586

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of real estate	Retained earnings brought forward	
<b>Balance at the beginning of the fiscal year</b>	<b>500,000</b>	<b>405,044</b>	<b>95,000</b>	<b>500,044</b>	<b>47,569</b>	<b>5,805</b>	<b>622,867</b>	<b>676,242</b>
<b>Changes in the fiscal year</b>								
Cash dividends					12,915		(77,494)	(64,578)
Net income							151,132	151,132
Purchases of treasury stock								
Disposals of treasury stock								
Cancellation of treasury stock			(99,970)	(99,970)				
Reversal of reserve for reduction entry of real estate						(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								
<b>Net changes in the fiscal year</b>	<b>-</b>	<b>-</b>	<b>(95,000)</b>	<b>(95,000)</b>	<b>12,915</b>	<b>(259)</b>	<b>68,927</b>	<b>81,583</b>
<b>Balance at the end of the fiscal year</b>	<b>500,000</b>	<b>405,044</b>	<b>-</b>	<b>405,044</b>	<b>60,485</b>	<b>5,545</b>	<b>691,794</b>	<b>757,826</b>

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>Balance at the beginning of the fiscal year</b>	<b>(450)</b>	<b>1,675,836</b>	<b>456,694</b>	<b>33</b>	<b>456,727</b>	<b>2,132,564</b>
<b>Changes in the fiscal year</b>						
Cash dividends		(64,578)				(64,578)
Net income		151,132				151,132
Purchases of treasury stock	(99,999)	(99,999)				(99,999)
Disposals of treasury stock	57	57				57
Cancellation of treasury stock	99,970	-				-
Reversal of reserve for reduction entry of real estate		-				-
Transfer from retained earnings to capital surplus		-				-
Net changes in items other than shareholders' equity in the fiscal year			(192,684)	(16)	(192,701)	(192,701)
<b>Net changes in the fiscal year</b>	<b>28</b>	<b>(13,388)</b>	<b>(192,684)</b>	<b>(16)</b>	<b>(192,701)</b>	<b>(206,089)</b>
<b>Balance at the end of the fiscal year</b>	<b>(422)</b>	<b>1,662,447</b>	<b>264,009</b>	<b>16</b>	<b>264,026</b>	<b>1,926,474</b>

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Legal retained earnings	Other retained earnings		Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of real estate	Retained earnings brought forward	
<b>Balance at the beginning of the fiscal year</b>	500,000	405,044	-	405,044	60,485	5,545	691,794	757,826
<b>Changes in the fiscal year</b>								
Cash dividends					4,275		(25,654)	(21,378)
Net income							165,586	165,586
Purchases of treasury stock								
Disposals of treasury stock								
Reversal of reserve for reduction entry of real estate						(259)	259	-
Net changes in items other than shareholders' equity in the fiscal year								
<b>Net changes in the fiscal year</b>	-	-	-	-	4,275	(259)	140,191	144,207
<b>Balance at the end of the fiscal year</b>	500,000	405,044	-	405,044	64,761	5,286	831,986	902,034

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total valuation and translation adjustments	
<b>Balance at the beginning of the fiscal year</b>	(422)	1,662,447	264,009	16	264,026	1,926,474
<b>Changes in the fiscal year</b>						
Cash dividends		(21,378)				(21,378)
Net income		165,586				165,586
Purchases of treasury stock	(0)	(0)				(0)
Disposals of treasury stock	25	25				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
<b>Net changes in the fiscal year</b>	25	144,233	767,374	556	767,931	912,164
<b>Balance at the end of the fiscal year</b>	(397)	1,806,680	1,031,384	573	1,031,957	2,838,638

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

## (Notes to the Unaudited Non-Consolidated Balance Sheet)

### 1. Significant Accounting Policies

#### (1) Valuation Criteria and Methods for Securities

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

##### 1) Held-to-maturity Bonds

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

##### 2) Policy-reserve-matching Bonds

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

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

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

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

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

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

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

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

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

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

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

All derivative transactions are valued at fair value.

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

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

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

(i) Buildings: 2-60 years

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

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

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

##### 3) Leased Assets

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

#### (4) Recognition of Reserves

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

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

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

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

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the fiscal year ended March 31, 2021 was ¥96 million.

2) Reserve for Insurance Claims and Others

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

3) Reserve for Employees' Retirement Benefits

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

(i) Method for Attributing Expected Benefits to Periods

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

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

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

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

(Additional information)

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

4) Reserve for Management Board Benefit Trust

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

(5) Reserve for Price Fluctuations

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

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

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

(7) Hedge Accounting

1) Methods for Hedge Accounting

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

2) Hedging Instruments and Hedged Items

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

3) Hedging Policies

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

4) Assessment of Hedge Effectiveness

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

(8) Policy Reserves

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

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of reinsurance contracts from the Management Network and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public notice No. 48 issued by the Ministry of Finance in 1996).

2) Reserves for other contracts are calculated based on the net level premium method.

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

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

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

(9) Employees' Retirement Benefits Accounting

Unrecognized actuarial differences and unrecognized prior service cost related to retirement benefits are treated differently from the consolidated financial statements.

(10) Consumption Taxes

All figures are net of consumption taxes.

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

Notes to the transactions for granting shares and others of the Company to Executive Officers of the Company through trust are omitted as they are presented in NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2021 (Notes to the Unaudited Consolidated Balance Sheet).

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

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

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

The Company categorizes its insurance products into the following sub-groups based on the attributes of each product in order to manage risks arising from fluctuations in interest rates of assets and liabilities, and adopts a



management policy whereby the duration gap between policy-reserve-matching bonds and policy reserves by sub-groups are reconciled within a certain range and the duration gap is periodically checked.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Assets pledged as collateral consisted of the following:

Securities	¥3,965,725 million
------------	--------------------

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

Payables under securities lending transactions	¥4,587,469 million
--	--------------------

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

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

Securities	¥438,177 million
Margin deposits for futures transactions	¥1,105 million
Cash collateral paid for financial instruments	¥11,286 million

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

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

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders’ equity, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

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

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

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

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

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

18. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥31,408,726 million and are provided at amounts calculated based on the statement of calculation procedures for the Company’s insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,129,662 million and ¥655,111 million, respectively, for the category of the reinsurance.

19. Deposits from the Management Network in the balance sheet refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Network, which was deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy and which remains unpaid at the end of the fiscal year ended March 31, 2021.

20. Efforts to regain customers’ trust

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

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

21. Notes on the subsequent events are as follows:

(Acquisition of treasury stock)

The Company has resolved matters related to the acquisition of its treasury stock based on Article 39, Paragraph 1 of the Company's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act at a meeting of the Board of Directors held on May 14, 2021.

(1) Resolution of the Board of Directors regarding the acquisition of treasury stock

1) Reason for the acquisition of treasury stock

The acquisition of treasury stock will be implemented with the aim of improving capital efficiency and enhancing shareholder returns. It is 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, that 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.

2) Details of the acquisition

(i) Class of shares to be acquired: Common stock of the Company

(ii) Total number of shares to be acquired: 162,906,300 shares (maximum)

(The ratio of the total number of shares to be acquired to the total number of shares issued (excluding treasury stock): 29.0%)

(iii) Total amount of shares to be acquired: 439,847,010,000 yen (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.

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

1. Significant Accounting Policies

(1) Recognition of insurance premiums

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

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

(2) Recognition of insurance claims and others

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

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

(Additional information)

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

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

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

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

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

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

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

8. Net income per share was ¥294.41.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.

Average number of treasury stock during the fiscal year which were deducted from the calculation of net income per share for the fiscal year ended March 31, 2021 was 159,503 shares.

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

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

11. Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Network, was ¥46,710 million for the fiscal year ended March 31, 2021.

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

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

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

Conditions of transactions and policies to decide the conditions

- (\*1) Based on the concept that the benefits of brand value enjoyed by the Company from maintaining its membership in Japan Post Group is reflected on the Company's performance, brand royalty fees are calculated by multiplying the amount of insurance policies in force as of the end of the previous fiscal year, which is a financial indicator whereupon such benefits have been reflected, by a fixed rate.
- (\*2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.

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

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

Conditions of transactions and policies to decide the conditions

- (\*1) The Company makes payments including commission of insurance solicitation calculated by multiplying the insurance amounts and insurance premiums of each contract by commission rates set for each class of insurance, and commission of maintenance and collection calculated by multiplying unit prices set for each type of outsourcing services, such as collection of insurance premiums and payments for insurance money, by the volume of work.
- (\*2) Transaction amount does not include consumption taxes. Year-end balance includes consumption taxes.
- (\*3) In addition to the above, from the fiscal year ended March 31, 2020, out of the expenses required for the maintenance of the post office network, the expenses necessary to ensure universal service will be covered by the funds provided to Japan Post Co., Ltd. from the Management Network using the contributions from the Company and JAPAN POST BANK Co., Ltd. as funds, with the exception of the amount to be borne by Japan Post Co., Ltd., in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network. In the fiscal year ended March 31, 2021, the contributions paid by the Company to the Management Network amounted to ¥56,063 million.

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

Type and Number of Treasury Stock

(Thousands of shares)

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

- (\*1) Numbers of treasury stock at the beginning and the end of the fiscal year ended March 31, 2021 include shares of the Company held in the BBT, and were 166 thousand shares and 156 thousand shares, respectively.
- (\*2) The increase of 0 thousand shares in the number of treasury stock was attributable to the purchases of shares of less than one unit.
- (\*3) The decrease of 10 thousand shares in the number of treasury stock was attributable to the granting of shares via the BBT.

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

(Millions of yen)

Fiscal years ended March 31		2020	2021
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: 1. The amount equivalent to income gains associated with money held in trust (¥78,097 million for the fiscal year ended March 31, 2020 and ¥78,484 million for the fiscal year ended March 31, 2021) is recognized as “other capital losses” and included in core profit.
2. “Other” in “other one-time losses” includes the amount of additional policy reserves accumulated pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act (¥176,734 million for the fiscal year ended March 31, 2020 and ¥245,841 million for the fiscal year ended March 31, 2021).

## 9. 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:
1. Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.
  2. Doubtful loans are loans which principal and interest are unlikely to be collected or received as stipulated in an agreement due to the borrower's deteriorating financial conditions and results even though the borrower is not fallen into bankruptcy.
  3. Substandard loans are past due loans for three months or more and restructured loans.  
 "Past due loans for three months or more" are loans for which principal or interest payments are delinquent for three months or more under the term of the loans from the day following the contractual due date (excluding the loans noted in 1 and 2). "Restructured loans" are loans for which certain concessions favorable to borrowers, such as interest reduction or exemption, postponement of principal or interest payments, debt waiver or other arrangements, have been made for the purpose of assisting and supporting the borrowers in the restructuring of their business (excluding the loans noted in 1 and 2, and past due loans for three months or more).
  4. Normal loans are loans which do not fall under the loans noted in 1 to 3 above as there are no particular problems found with the borrower's financial conditions and results.

## 10. Status of Risk-Monitored Loans

Not applicable.

## 11. 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 <sub>1</sub>	137,197	130,961
Underwriting risk of third-sector insurance	R <sub>8</sub>	54,172	49,371
Anticipated yield risk	R <sub>2</sub>	136,652	131,404
Minimum guarantee risk	R <sub>7</sub>	-	-
Investment risk	R <sub>3</sub>	788,454	942,799
Business management risk	R <sub>4</sub>	22,329	25,090
Solvency margin ratio			
$\frac{(A)}{(1/2) \times (B)} \times 100$		1,068.9 %	1,118.1 %

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



## 12. Separate Account for the Fiscal Year Ended March 31, 2021

Not applicable.

## 13. Consolidated Financial Summary

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

(Millions of yen)

Fiscal year ended March 31	2020	2021
Ordinary income	7,211,405	6,786,226
Ordinary profit	286,601	345,736
Net income attributable to Japan Post Insurance	150,687	166,103
Comprehensive income (loss)	(42,235)	934,447

As of March 31	2020	2021
Total assets	71,664,781	70,172,982
Consolidated solvency margin ratio	1,070.9 %	1,121.2 %

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

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

(3) Unaudited Consolidated Balance Sheets

(Millions of yen)

Year	As of March	As of March	Year	As of March	As of March
	31, 2020	31, 2021		31, 2020	31, 2021
Items	Amount	Amount	Items	Amount	Amount
<b>ASSETS:</b>			<b>LIABILITIES:</b>		
Cash and deposits	1,410,298	1,335,014	Policy reserves and others	64,191,926	61,159,597
Call loans	380,000	130,000	Reserve for outstanding claims	461,224	419,021
Receivables under securities borrowing transactions	3,191,710	2,585,087	Policy reserves	62,293,166	59,397,720
Monetary claims bought	318,581	276,772	Reserve for policyholder dividends	1,437,535	1,342,855
Money held in trust	3,056,072	4,189,294	Reinsurance payables	6,595	6,394
Securities	55,870,557	55,273,610	Bonds payable	100,000	300,000
Loans	5,662,748	4,964,087	Payables under securities lending transactions	4,290,140	4,587,469
Tangible fixed assets	110,219	105,399	Other liabilities	193,449	303,851
Land	47,828	47,828	Reserve for insurance claims and others	29,722	2,851
Buildings	41,710	40,439	Liability for retirement benefits	66,060	66,414
Leased assets	2,203	1,978	Reserve for management board benefit trust	164	110
Construction in progress	176	579	Reserve for price fluctuations	858,339	904,816
Other tangible fixed assets	18,300	14,573	<b>Total liabilities</b>	<b>69,736,400</b>	<b>67,331,506</b>
Intangible fixed assets	135,010	113,420	<b>NET ASSETS:</b>		
Software	134,993	113,405	Capital stock	500,000	500,000
Other intangible fixed assets	16	14	Capital surplus	405,044	405,044
Agency accounts receivable	45,587	53,250	Retained earnings	756,665	901,390
Reinsurance receivables	4,057	3,938	Treasury stock	(422)	(397)
Other assets	306,596	239,354	Total shareholders' equity	1,661,286	1,806,036
Deferred tax assets	1,173,789	904,135	Net unrealized gains (losses) on available-for-sale securities	264,009	1,031,384
Reserve for possible loan losses	(448)	(384)	Net deferred gains (losses) on hedges	16	573
			Accumulated adjustments for retirement benefits	3,067	3,480
			Total accumulated other comprehensive income	267,094	1,035,438
			<b>Total net assets</b>	<b>1,928,380</b>	<b>2,841,475</b>
<b>Total assets</b>	<b>71,664,781</b>	<b>70,172,982</b>	<b>Total liabilities and net assets</b>	<b>71,664,781</b>	<b>70,172,982</b>

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

(Unaudited Consolidated Statements of Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Amount	Amount
<b>ORDINARY INCOME</b>		<b>7,211,405</b>	<b>6,786,226</b>
<b>Insurance premiums and others</b>		<b>3,245,541</b>	<b>2,697,936</b>
<b>Investment income</b>		<b>1,137,789</b>	<b>1,121,668</b>
Interest and dividend income		1,049,804	1,004,635
Gains on money held in trust		51,560	87,593
Gains on sales of securities		35,699	20,422
Gains on redemption of securities		614	1,170
Gains on foreign exchanges		-	7,759
Reversal of reserve for possible loan losses		8	0
Other investment income		101	86
<b>Other ordinary income</b>		<b>2,828,074</b>	<b>2,966,621</b>
Reversal of reserve for outstanding claims		58,343	42,203
Reversal of policy reserves		2,767,383	2,895,445
Other ordinary income		2,348	28,971
<b>ORDINARY EXPENSES</b>		<b>6,924,803</b>	<b>6,440,490</b>
<b>Insurance claims and others</b>		<b>6,191,369</b>	<b>5,866,091</b>
Insurance claims		4,889,175	4,681,106
Annuity payments		394,005	359,821
Benefits		110,254	120,324
Surrender benefits		602,583	480,477
Other refunds		171,590	201,420
Reinsurance premiums		23,760	22,940
<b>Provision for policy reserves and others</b>		<b>8</b>	<b>8</b>
Provision for interest on policyholder dividends		8	8
<b>Investment expenses</b>		<b>124,000</b>	<b>70,865</b>
Interest expenses		2,132	2,312
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	-
Other investment expenses		3,425	3,207
<b>Operating expenses</b>		<b>473,871</b>	<b>403,033</b>
<b>Other ordinary expenses</b>		<b>135,553</b>	<b>100,492</b>
<b>ORDINARY PROFIT</b>		<b>286,601</b>	<b>345,736</b>
<b>EXTRAORDINARY GAINS</b>		<b>39,546</b>	<b>-</b>
Gains on sales of fixed assets		393	-
Reversal of reserve for price fluctuations		39,152	-
<b>EXTRAORDINARY LOSSES</b>		<b>303</b>	<b>46,732</b>
Losses on sales and disposal of fixed assets		303	255
Provision for reserve for price fluctuations		-	46,477
Provision for reserve for policyholder dividends		109,236	65,465
<b>Income before income taxes</b>		<b>216,607</b>	<b>233,537</b>
<b>Income taxes - Current</b>		<b>143,539</b>	<b>91,632</b>
<b>Income taxes - Deferred</b>		<b>(77,618)</b>	<b>(24,197)</b>
<b>Total income taxes</b>		<b>65,920</b>	<b>67,434</b>
<b>Net income</b>		<b>150,687</b>	<b>166,103</b>
Net income attributable to non-controlling interests		-	-
<b>Net income attributable to Japan Post Insurance</b>		<b>150,687</b>	<b>166,103</b>

## (Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Amount	Amount
<b>Net income</b>		<b>150,687</b>	<b>166,103</b>
<b>Other comprehensive income (loss)</b>		<b>(192,923)</b>	<b>768,344</b>
Net unrealized gains (losses) on available-for-sale securities		(192,684)	767,374
Net deferred gains (losses) on hedges		(16)	556
Adjustments for retirement benefits		(221)	413
<b>Total comprehensive income (loss)</b>		<b>(42,235)</b>	<b>934,447</b>
Comprehensive income (loss) attributable to Japan Post Insurance		(42,235)	934,447
Comprehensive income (loss) attributable to non-controlling interests		-	-

(5) Unaudited Consolidated Statements of Cash Flows

(Millions of yen)

Items	Year	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
		Amount	Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income taxes		216,607	233,537
Depreciation and amortization		57,496	59,387
Net change in reserve for outstanding claims		(58,343)	(42,203)
Net change in policy reserves		(2,767,383)	(2,895,445)
Provision for interest on policyholder dividends		8	8
Provision for reserve for policyholder dividends		109,236	65,465
Net change in reserve for possible loan losses		(10)	(64)
Net change in reserve for insurance claims and others		29,722	(26,870)
Net change in liability for retirement benefits		798	353
Net change in reserve for management board benefit trust		(38)	(53)
Net change in reserve for price fluctuations		(39,152)	46,477
Interest and dividend income (accrual basis)		(1,049,804)	(1,004,635)
Net (gains) losses on securities		5,243	22,147
Interest expenses (accrual basis)		2,132	2,312
Net (gains) losses on foreign exchanges		2,085	(7,759)
Net (gains) losses on tangible fixed assets		(272)	119
Net change in agency accounts receivable		(23,627)	(7,662)
Net change in reinsurance receivables		(185)	118
Net change in other assets (excluding those related to investing activities and financing activities)		47,682	2,584
Net change in reinsurance payables		125	(201)
Net change in other liabilities (excluding those related to investing activities and financing activities)		(23,353)	(1,108)
Other, net		26,826	(61,457)
<b>Subtotal</b>		<b>(3,464,204)</b>	<b>(3,614,951)</b>
Interest and dividend received (cash basis)		1,168,879	1,059,143
Interest paid (cash basis)		(2,080)	(2,041)
Policyholder dividends paid		(185,042)	(159,817)
Income taxes paid		(107,767)	(88,635)
<b>Net cash used in operating activities</b>		<b>(2,590,214)</b>	<b>(2,806,302)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of call loans		(8,110,000)	(7,660,000)
Proceeds from redemption of call loans		7,880,000	7,910,000
Net change in receivables under securities borrowing transactions		(399,508)	606,623
Purchases of monetary claims bought		(1,524,997)	(1,434,928)
Proceeds from sale and redemption of monetary claims bought		1,561,185	1,476,386
Purchases of money held in trust		(578,400)	(234,480)
Proceeds from decrease in money held in trust		26,627	34,428
Purchases of securities		(2,089,450)	(2,702,286)
Proceeds from sale and redemption of securities		4,484,366	3,659,771
Payments for loans		(718,896)	(571,239)
Proceeds from collection of loans		1,842,215	1,269,894
Net change in payables under securities lending transactions		867,329	297,328
Other, net		53,220	(63,911)
<b>Total of net cash provided by investment transactions</b>		<b>3,293,691</b>	<b>2,587,587</b>
<b>Total of net cash provided by (used in) operating activities and investment transactions</b>		<b>703,477</b>	<b>(218,714)</b>
Purchases of tangible fixed assets		(10,040)	(3,838)
Proceeds from sales of tangible fixed assets		573	-
Purchases of intangible fixed assets		(36,618)	(28,487)
Other, net		603	(986)
<b>Net cash provided by investing activities</b>		<b>3,248,209</b>	<b>2,554,274</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of lease obligations		(875)	(669)
Proceeds from issuance of bonds		-	198,798
Purchases of treasury stock		(99,999)	(0)
Dividends paid		(64,529)	(21,385)
<b>Net cash provided by (used in) financing activities</b>		<b>(165,405)</b>	<b>176,743</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>		<b>492,590</b>	<b>(75,283)</b>
<b>Cash and cash equivalents at the beginning of the fiscal year</b>		<b>917,708</b>	<b>1,410,298</b>
<b>Cash and cash equivalents at the end of the fiscal year</b>		<b>1,410,298</b>	<b>1,335,014</b>

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at the beginning of the fiscal year</b>	<b>500,000</b>	<b>500,044</b>	<b>675,526</b>	<b>(450)</b>	<b>1,675,120</b>
<b>Changes in the fiscal year</b>					
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					
<b>Net changes in the fiscal year</b>	<b>-</b>	<b>(95,000)</b>	<b>81,138</b>	<b>28</b>	<b>(13,833)</b>
<b>Balance at the end of the fiscal year</b>	<b>500,000</b>	<b>405,044</b>	<b>756,665</b>	<b>(422)</b>	<b>1,661,286</b>

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance at the beginning of the fiscal year</b>	<b>456,694</b>	<b>33</b>	<b>3,289</b>	<b>460,017</b>	<b>2,135,137</b>
<b>Changes in the fiscal year</b>					
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)
<b>Net changes in the fiscal year</b>	<b>(192,684)</b>	<b>(16)</b>	<b>(221)</b>	<b>(192,923)</b>	<b>(206,756)</b>
<b>Balance at the end of the fiscal year</b>	<b>264,009</b>	<b>16</b>	<b>3,067</b>	<b>267,094</b>	<b>1,928,380</b>

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at the beginning of the fiscal year</b>	<b>500,000</b>	<b>405,044</b>	<b>756,665</b>	<b>(422)</b>	<b>1,661,286</b>
<b>Changes in the fiscal year</b>					
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					
<b>Net changes in the fiscal year</b>	<b>-</b>	<b>-</b>	<b>144,724</b>	<b>25</b>	<b>144,750</b>
<b>Balance at the end of the fiscal year</b>	<b>500,000</b>	<b>405,044</b>	<b>901,390</b>	<b>(397)</b>	<b>1,806,036</b>

	Accumulated other comprehensive income				Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income	
<b>Balance at the beginning of the fiscal year</b>	<b>264,009</b>	<b>16</b>	<b>3,067</b>	<b>267,094</b>	<b>1,928,380</b>
<b>Changes in the fiscal year</b>					
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
<b>Net changes in the fiscal year</b>	<b>767,374</b>	<b>556</b>	<b>413</b>	<b>768,344</b>	<b>913,094</b>
<b>Balance at the end of the fiscal year</b>	<b>1,031,384</b>	<b>573</b>	<b>3,480</b>	<b>1,035,438</b>	<b>2,841,475</b>

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

### (Basis for Preparation of the Unaudited Consolidated Financial Statements)

#### 1. Scope of Consolidation

- (1) Number of consolidated subsidiaries: 1  
Name of consolidated subsidiary: JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.
- (2) Number of non-consolidated subsidiaries: 0

#### 2. Application of the Equity Method

- (1) Number of non-consolidated subsidiaries and affiliates accounted for under the equity method: 0
- (2) Number of affiliates accounted for under the equity method: 0
- (3) Number of non-consolidated subsidiaries and affiliates not accounted for under the equity method: 0
- (4) Affiliates not accounted for under the equity method

Japan Post Investment Corporation and two other companies have been excluded from the scope of application of the equity method, as they both have become insignificant as a whole, with minimal influence on the consolidated financial statements, in terms of net income or loss (an amount corresponding to ownership), retained earnings (an amount corresponding to ownership) and other items.

#### 3. Fiscal Year-end Date of the Consolidated Subsidiary

The consolidated subsidiary has the same fiscal year-end date as that of consolidated financial statements.

### (Notes to the Unaudited Consolidated Balance Sheet)

#### 1. Significant Accounting Policies

##### (1) Valuation Criteria and Methods for Securities

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

##### 1) Held-to-maturity Bonds

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

##### 2) Policy-reserve-matching Bonds

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

##### 3) Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method

Stocks of subsidiaries and affiliates that are neither consolidated nor accounted for under the equity method are carried at cost using the moving-average method.

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

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

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

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

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

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

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

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

All derivative transactions are valued at fair value.



(3) Depreciation Methods for Significant Depreciable Assets

1) Tangible Fixed Assets (excluding leased assets)

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

- (i) Buildings: 2-60 years
- (ii) Other tangible fixed assets: 2-20 years

2) Intangible Fixed Assets (excluding leased assets)

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

3) Leased Assets

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

(4) Recognition of Significant Reserves

1) Reserve for Possible Loan Losses

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

All loans and claims are assessed initially by the relevant departments based on internal rules for self-assessment of asset quality. The asset evaluation department, which is independent from the relevant departments, reviews these self-assessments. The above reserves and allowances are recorded based on the results of these assessments.

For loans and guaranteed loans that were extended to borrowers that have filed for bankruptcy including legal bankruptcy or civil rehabilitation, or that are considered substantially bankrupt, an allowance is provided for in the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. Reserve for possible loan losses also includes amounts set aside for other assets subject to valuation allowance. The amount written off for loans and other assets during the fiscal year ended March 31, 2021 was ¥96 million.

2) Reserve for Insurance Claims and Others

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

3) Reserve for Management Board Benefit Trust

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

(5) Employees' Retirement Benefits Accounting

1) Method for Attributing Expected Benefits to Periods

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

2) Method for Recognizing Actuarial Differences and Prior Service Cost

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

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

(Additional information)

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

- (6) Reserve for Price Fluctuations  
Reserve for price fluctuations in security investments is calculated based on Article 115 of the Insurance Business Act.
- (7) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies  
Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.
- (8) Significant Hedge Accounting
- 1) Methods for Hedge Accounting  
The Company and its subsidiary (the “Group”) applies fair value hedge accounting for foreign currency exchange contracts to hedge foreign exchange fluctuation risk for a portion of its foreign-currency-denominated bonds as well as the exceptional treatment and deferred hedge accounting for interest rate swaps to hedge variability in cash flows on a portion of loans in accordance with the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10).
  - 2) Hedging Instruments and Hedged Items
    - (i) Hedging instrument: Foreign currency exchange contracts  
Hedged item: Foreign-currency-denominated bonds
    - (ii) Hedging instrument: Interest rate swaps  
Hedged item: Loans
  - 3) Hedging Policies  
Foreign currency exchange contracts are used to hedge fluctuations in foreign currency exchange rates of foreign-currency-denominated bonds within a predetermined range. Interest rate swap contracts are used to hedge fluctuations in interest rates of loans within a certain range.
  - 4) Assessment of Hedge Effectiveness  
Hedge effectiveness is assessed by comparing the aggregate changes in quotations or cash flows of hedged items and hedging instruments. The evaluation of hedge effectiveness is omitted in cases of foreign exchange contracts where there is a high correlation between hedged items and hedging instruments, or interest rate swap contracts which applied the exceptional treatment for interest rate swaps.
- (9) Policy Reserves  
To prepare for the future performance of obligations under insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation procedures for insurance premiums and policy reserves (Article 4, Paragraph 2, Item 4 of the Insurance Business Act) and accumulated, pursuant to Article 116, Paragraph 1 of the Insurance Business Act.  
Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of reinsurance contracts from the Management Network and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.
- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public notice No. 48 issued by the Ministry of Finance in 1996).
  - 2) Reserves for other contracts are calculated based on the net level premium method.  
For the fiscal year ended March 31, 2021, additional policy reserves were accumulated for a portion of reinsurance contracts from the Management Network, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. As a result, the amount of additionally accumulated policy reserves was ¥245,841 million. However, there is no impact on ordinary profit and income before income taxes due to the reversal of contingency reserves in the same amount.  
Among the policy reserves, contingency reserves are accumulated to ensure the future performance of obligations under insurance contracts in the amount of risks that may accrue in the future, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.  
The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves have been appropriately accumulated for each accounting period.

(10) Consumption Taxes

All figures are net of consumption taxes.

2. Unadopted Accounting Standards, etc.

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

(1) Outline

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

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

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

(2) Scheduled Date of Adoption

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

(3) Impact of Adoption of the Accounting Standard

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

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

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

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

(1) Outline of the Transaction

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

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

(2) Shares of the Company Held by Trust

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

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

(1) Matters Regarding Status of Financial Instruments

1) Policy for handling financial instruments

The Company promotes matching between assets and liabilities using yen-denominated interest-bearing assets, taking into consideration the characteristics of liabilities so as to maintain sound management and ensure payments for insurance claims and others. The Company endeavors to invest in yen-denominated bonds such as Japanese local government bonds and Japanese corporate bonds, of which yield is expected to be relatively higher than that of Japanese government bonds, as well as in “return-seeking assets” (which we

previously referred to as “risk assets”) including foreign bonds and stocks from the perspective of improving profitability as well as to strengthen the risk management system.

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

## 2) Features and risks of financial instruments

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

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

## 3) Risk management framework for financial instruments

### (i) Management of market risk

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

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

### (ii) Management of credit risk

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

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

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

## 4) Additional notes concerning the fair value of financial instruments

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

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

(2) Fair Values of Financial Instruments

Amounts carried on the consolidated balance sheets, fair values and the difference between them as of March 31, 2021 were as follows.

Financial instruments for which the fair values are deemed extremely difficult to determine are not included in the following table, but described in “Note 2” below.

(Millions of yen)

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

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

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

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

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

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

### Assets

#### 1) Cash and deposits

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

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

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

#### 4) Monetary claims bought

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

#### 5) Money held in trust

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

Money held in trust is provided in “(4) Money Held in Trust” in accordance with the purpose of the holdings.

#### 6) Securities

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

Securities are described in “(3) Securities” in accordance with the purpose of keeping in possession.

#### 7) Loans

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

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

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

### Liabilities

#### 1) Bonds payable

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

#### 2) Payables under securities lending transactions

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

### Derivative transactions

Notes on the fair value of derivatives are presented in “(5) Derivative Transactions.”

Note 2: Financial instruments for which the fair values are deemed extremely difficult to determine

(Millions of yen)

	Consolidated balance sheet amount
Money held in trust (*1)	492,384
Securities	22,102
Unlisted stocks (*2)	4,735
Investment in partnership (*2)	17,366
Total	514,487

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

(3) Securities

1) Held-to-maturity Bonds

(Millions of yen)

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

2) Policy-reserve-matching Bonds

(Millions of yen)

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



## 3) Available-for-sale Securities

(Millions of yen)

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

(4) Money Held in Trust

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

(Millions of yen)

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

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

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

(5) Derivative Transactions

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

Currency-related derivatives

(Millions of yen)

Category	Type of derivative	Contract amount	Contract amount due after 1 year	Fair value	Net Valuation Gain/Loss
OTC	Forward foreign exchange				
	Sold	16,771	-	(889)	(889)
	U.S. dollars	16,771	-	(889)	(889)
	Bought	8,552	-	33	33
	U.S. dollars	8,552	-	33	33
Total		-	-	-	(855)

(\*) Method for calculating fair value

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

## 2) Derivative transactions to which the hedge accounting is applied

## Currency-related derivatives

(Millions of yen)

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

(\*) Method for calculating fair value

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

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

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

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

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

1) Postal Life Insurance Contracts (insurance policies with a remaining period within 30 years)

2) Japan Post Insurance life insurance contracts (general) (all insurance policies)

3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Assets pledged as collateral consisted of the following:

Securities ¥3,965,725 million

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

Payables under securities lending transactions ¥4,587,469 million

The above securities are those pledged as collateral for securities lending transactions with cash collateral.

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

Securities ¥438,177 million

Margin deposits for futures transactions ¥1,105 million

Cash collateral paid for financial instruments ¥11,286 million

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

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

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders’ equity, were included in treasury stock to be deducted from the calculation of the total number of shares issued at the end of the fiscal year, for the purpose of calculating net assets per share.

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

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

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

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

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

19. Matters related to retirement benefits are as follows:

(1) Outline of retirement benefits

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

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

(2) Defined benefit plans

1) Changes in retirement benefit obligations

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

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

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

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

3) Retirement benefit costs

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

4) Adjustments for retirement benefits

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

	(Millions of yen)
Prior service cost	839
Actuarial differences	(265)
Total	<u>573</u>

5) Accumulated adjustments for retirement benefits

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

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

6) Actuarial assumptions

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

Discount rate	0.3 to 0.7%
---------------	-------------

20. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥31,408,726 million and are provided at amounts calculated based on the statement of calculation procedures for the Company's insurance premiums and policy reserves. The amounts calculated based on the foregoing procedures are not less than the amounts calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005).

In addition, contingency reserve and reserve for price fluctuations are provided in the amount of ¥1,129,662 million and ¥655,111 million, respectively, for the category of the reinsurance.

21. "Other liabilities" in the consolidated balance sheet includes ¥41,143 million of deposits from the Management Network.

Deposits from the Management Network refer to the amounts equivalent to the reserve for outstanding claims and reserve for losses on compensation for damages related to litigation or conciliation of the Management Network, which was deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy and which remains unpaid at the end of the fiscal year ended March 31, 2021.

22. Efforts to regain customers' trust

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

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

23. Notes on the subsequent events are as follows:

(Acquisition of treasury stock)

The Company has resolved matters related to the acquisition of its treasury stock based on Article 39, Paragraph 1 of the Company's Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act at a meeting of the Board of Directors held on May 14, 2021.

(1) Resolution of the Board of Directors regarding the acquisition of treasury stock

1) Reason for the acquisition of treasury stock

The acquisition of treasury stock will be implemented with the aim of improving capital efficiency and enhancing shareholder returns. It is 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, that 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.

2) Details of the acquisition

(i) Class of shares to be acquired: Common stock of the Company

(ii) Total number of shares to be acquired: 162,906,300 shares (maximum)

(The ratio of the total number of shares to be acquired to the total number of shares issued (excluding treasury stock): 29.0%)

(iii) Total amount of shares to be acquired: 439,847,010,000 yen (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.

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

1. Significant Accounting Policies

(1) Recognition of insurance premiums

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

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

(2) Recognition of insurance claims and others

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

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

(Additional information)

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

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

3. Net income per share was ¥295.33.

The Company has established a Board Benefit Trust (BBT) and shares of the Company held by trust, which were recorded as treasury stock under the category of shareholders' equity, were included in treasury stock to be deducted from the calculation of the average number of shares during the period, for the purpose of calculating net income per share.

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

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

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

6. Provision for reserve for policyholder dividends, which is provided for the Management Network based on gains or losses and others arising in the category of the reinsurance due to the reinsurance contracts with the Management Network, was ¥46,710 million for the fiscal year ended March 31, 2021.



**(Notes to the Unaudited Consolidated Statement of Comprehensive Income)**

(Millions of yen)

Net unrealized gains (losses) on available-for-sale securities:	
Amount arising during the fiscal year	1,062,340
Reclassification adjustments	(1,491)
Before tax effect adjustments	1,060,848
Tax effect	(293,473)
Net unrealized gains (losses) on available-for-sale securities	767,374
Net deferred gains (losses) on hedges:	
Amount arising during the fiscal year	778
Reclassification adjustments	(5)
Before tax effect adjustments	772
Tax effect	(216)
Net deferred gains (losses) on hedges	556
Adjustments for retirement benefits:	
Amount arising during the fiscal year	1,181
Reclassification adjustments	(608)
Before tax effect adjustments	573
Tax effect	(160)
Adjustments for retirement benefits	413
Total other comprehensive income (loss)	768,344

**(Notes to the Unaudited Consolidated Statement of Cash Flows)**

## 1. Scope of Cash and Cash Equivalents

Cash and cash equivalents consists of “Cash and deposits” in the consolidated balance sheet.

## 2. The reconciliation of cash and cash equivalents in the consolidated statement of cash flows to cash and deposits in the consolidated balance sheet as of March 31, 2021 was as follows:

Cash and deposits	¥1,335,014 million
Cash and cash equivalents	¥1,335,014 million

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

## 1. Type and Number of Shares Issued and Treasury Stock

(Thousands of shares)

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

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

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

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

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

Not applicable.

### 3. Information on Dividends

#### (1) Dividends Paid

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

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

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

Resolution	Class of shares	Total amount (Millions of yen)	Source of dividends	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	42,756	Retained earnings	76.00	March 31, 2021	June 17, 2021

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

**(7) Status of Risk-Monitored Loans (Consolidated)**

Not applicable.

**(8) 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		
$\sqrt{(\sqrt{R_1^2 + R_5^2 + R_8 + R_9})^2 + (R_2 + R_3 + R_7)^2} + R_4 + R_6$ (B)	963,888	1,108,789
Insurance risk R <sub>1</sub>	137,197	130,961
General insurance risk R <sub>5</sub>	-	-
Catastrophe risk R <sub>6</sub>	-	-
Underwriting risk of third-sector insurance R <sub>8</sub>	54,172	49,371
Small amount and short-term insurance risk R <sub>9</sub>	-	-
Anticipated yield risk R <sub>2</sub>	136,652	131,404
Minimum guarantee risk R <sub>7</sub>	-	-
Investment risk R <sub>3</sub>	785,317	937,296
Business management risk R <sub>4</sub>	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 Notice No. 23 issued by the Financial Services Agency in 2011, and Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act.

**(9) Segment Information**

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