

UNOFFICIAL TRANSLATION

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May 13, 2022

JAPAN POST INSURANCE Co., Ltd.

**Announcement of Financial Results for
the Fiscal Year Ended March 31, 2022**

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, 2022 (April 1, 2021 to March 31, 2022).

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1. Business Highlights

(1) Policies in Force and New Policies

▪ Policies in Force

(Thousands of policies, billions of yen, %)

| As of March 31 | 2021 | | | | 2022 | | | |
|----------------------|--------------------|---------------------------|---------------|---------------------------|--------------------|---------------------------|---------------|---------------------------|
| | Number of policies | | Policy amount | | Number of policies | | Policy amount | |
| | | % of March 31, 2020 total | | % of March 31, 2020 total | | % of March 31, 2021 total | | % of March 31, 2021 total |
| Individual insurance | 15,893 | 92.6 | 45,912.2 | 92.0 | 14,740 | 92.7 | 42,283.8 | 92.1 |
| Individual annuities | 1,009 | 86.8 | 1,563.8 | 81.0 | 850 | 84.2 | 1,242.7 | 79.5 |
| 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 | 2021 | | | | | | 2022 | | | | | |
|--------------------------------|--------------------|---------------------------|---------------------------|--------------|----------------------------|---|---------------------------|---------------------------|---------------|----------------------------|-------|-----|
| | Number of policies | | Policy amount | | | | Number of policies | | Policy amount | | | |
| | | % of March 31, 2020 total | % of March 31, 2020 total | New policies | Net increase by conversion | | % of March 31, 2021 total | % of March 31, 2021 total | New policies | Net increase by conversion | | |
| Individual insurance | 124 | 19.4 | 390.3 | 20.6 | 390.3 | - | 173 | 138.8 | 577.4 | 147.9 | 577.4 | 0.0 |
| Individual annuities | 0 | 5.5 | 0.1 | 5.0 | 0.1 | - | 0 | 140.0 | 0.2 | 114.8 | 0.2 | - |
| Group insurance | - | - | - | - | - | - | - | - | - | - | - | - |
| Group annuities | - | - | - | - | - | - | - | - | - | - | - | - |

Notes: 1. Number of policies includes policies after conversion.

2. 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 | 2021 | | 2022 | |
|---|---------|------------------------------|---------|------------------------------|
| | | % of March 31, 2020 total | | % of March 31, 2021 total |
| Individual insurance | 2,840.0 | 90.3 | 2,584.3 | 91.0 |
| Individual annuities | 357.1 | 86.7 | 301.8 | 84.5 |
| Total | 3,197.2 | 89.9 | 2,886.2 | 90.3 |
| Medical coverage, living benefits and other | 364.6 | 92.6 | 339.8 | 93.2 |

▪ New Policies

(Billions of yen, %)

| Fiscal years ended March 31 | 2021 | | 2022 | |
|---|------|------------------------------|------|------------------------------|
| | | % of March 31, 2020 total | | % of March 31, 2021 total |
| Individual insurance | 30.6 | 20.9 | 46.1 | 150.7 |
| Individual annuities | 0.0 | 5.1 | 0.0 | 105.8 |
| Total | 30.6 | 20.8 | 46.1 | 150.7 |
| Medical coverage, living benefits and other | 1.4 | 6.6 | 2.1 | 149.0 |

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).

3. New policies include net increase by conversion.

2. Policy in Force by Benefit Type as of March 31, 2022

(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 | 13,114 | 38,860.3 | - | - | - | - | 13,114 | 38,860.3 |
| | Accidental death | 21,614 | 50,679.6 | 2 | 9.0 | - | - | 21,617 | 50,688.6 |
| | Other conditional death | - | - | - | - | - | - | - | - |
| Survival benefit | | 1,625 | 3,423.5 | 850 | 1,242.7 | - | - | 2,476 | 4,666.2 |
| Hospitalization benefit | Hospitalization due to accident | 10,855 | 42.0 | 3 | 0.0 | - | - | 10,859 | 42.0 |
| | Hospitalization due to illness | 10,759 | 41.7 | 1 | 0.0 | - | - | 10,760 | 41.7 |
| | Other conditional hospitalization | 8,124 | 5.2 | 3 | 0.0 | - | - | 8,128 | 5.2 |
| Disability benefit | | 8,710 | - | 2 | - | - | - | 8,712 | - |
| Surgery benefit | | 11,031 | - | 3 | - | - | - | 11,035 | - |

| 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 | 0.0 | 0 | 0.0 |

| 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 8,061 thousand policies or ¥21,261.3 billion for insurance, and 1,327 thousand policies or ¥440.4 billion for annuities.

3. Policyholder Dividends Based on the Financial Results for the Fiscal Year Ended March 31, 2022

(1) The overview of policyholder dividends based on the financial results for the fiscal year ended March 31, 2022 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 remains 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 ¥54,849 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, 2022 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, 2013 <ten years> | Male Female | ¥103,320 ¥102,840 | ¥0 ¥0 |
| Fiscal year ended March 31, 2018 <five years> | Male Female | ¥108,480 ¥108,240 | ¥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, 2013 <ten years> | Male Female | ¥55,440 ¥52,800 | ¥0 ¥0 |
| Fiscal year ended March 31, 2018 <five years> | Male Female | ¥59,760 ¥58,080 | ¥576 ¥457 |

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, 2013 <ten years> | Male Female | ¥10,080 ¥7,680 | ¥3,090 ¥1,436 |
| Fiscal year ended March 31, 2018 <five years> | Male Female | ¥9,120 ¥7,680 | ¥892 ¥755 |

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, 2013 <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, 2018 <five years> | Male Female | ¥59,040 ¥58,680 | ¥74 ¥25 |

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, 2013 <ten years> | Male Female | ¥12,600 ¥10,200 | ¥1,233 ¥492 |
| Fiscal year ended March 31, 2018 <five years> | Male Female | ¥13,800 ¥12,480 | ¥384 ¥323 |

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, 2013 <ten years> | Male Female | ¥600 ¥360 | ¥240 ¥160 |
| Fiscal year ended March 31, 2018 <five years> | Male Female | ¥360 ¥240 | ¥100 ¥70 |

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, 2019 | ¥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 2019 | 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.

Necessary adjustments will be made to policies after conversion.

(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, 2022 (General Account)

(1) Investment Environment

1) Investment environment

The Japanese economy was on a recovery trend due to the effects of various policies and improvements in overseas economies amid the gradual resumption of economic activities. However, recovery was moderate due to the intermittent resurgence of the spread of COVID-19. The U.S. economy continued to recover steadily, mainly driven by domestic demand, despite supply constraints along with price inflation putting downward pressure on the economy. In Europe, the economy remained firm in the first half of the fiscal year, particularly in consumer spending, but the recovery slowed down in the second half of the fiscal year due to the adverse effects of the resurgence of the spread of COVID-19 and price inflation.

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

Domestic Bond Market

The domestic long-term yield moved in a range of around 0% to 0.1% for most of the year under the policy of Monetary Easing with Yield Curve Control by the Bank of Japan. However, the yield started to rise until the end of the fiscal year backed by a rapid increase in overseas interest rates triggered by the start of an interest rate hike in the U.S., and the domestic long-term yield rose to around 0.21% at the end of March.

Domestic Stock Market

The Nikkei Stock Average was on a moderate downward trend from the beginning of the fiscal year amid the resurgence of COVID-19 in Japan. In September, the index surpassed ¥30,000 due to growing expectations for the new domestic administration and a decrease in the number of newly infected patients, but it again turned downward due to the re-spread of infection by the Omicron strain, and fell to the ¥24,000 level in early March, due to the military invasion of Ukraine by Russia. The index subsequently rose to the ¥27,000 level at the end of March, due to a rebound in the U.S. stock market and the yen's depreciation favored by the market.

Foreign Exchange Markets

The USD/JPY exchange rate remained in a range between ¥108 and ¥111 during the first half of the fiscal year, but the dollar appreciated against the yen in the latter half of the fiscal year, amid the market's awareness of the contrast in the direction of monetary policies between Japan and the U.S. In March, the appreciation of the dollar against the yen was exacerbated by the start of interest rate hikes in the U.S. and the sharp rise in U.S. interest rates, reaching the ¥122 level at the end of March.

The EUR/JPY exchange rate remained largely in a range between ¥128 and ¥134 from the beginning of the fiscal year, before the euro started depreciating amid the Russian invasion of Ukraine, declining to the ¥125 level at one point in early March. Subsequently, the euro strengthened against the yen against the backdrop of expectations of a change in monetary policy in the eurozone, and the yen dropped to the ¥136 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]

As of March 31, 2022, total assets of the Company amounted to ¥67,174.8 billion, a decrease of ¥2,999.0 billion from ¥70,173.8 billion at the end of the previous fiscal year.

The balance of return-seeking assets including stocks and foreign securities increased, due to continued investment in alternatives and domestic stocks.

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, 2022, although interest and dividend income reduced primarily by a decrease in total assets, invest income of the Company increased by ¥27.4 billion from the previous corresponding period to ¥1,149.1 billion, mainly due to an increase in gains on money held in trust.

Investment expenses decreased by ¥1.0 billion from the previous corresponding period to ¥69.7 billion mainly due to a decrease in losses on derivative financial instruments for hedging foreign exchange fluctuation risks, despite an increase in losses on sales of securities.

As a result, investment income and expenses amounted to ¥1,079.3 billion, an increase of ¥28.5 billion from the previous corresponding period.

(2) Asset Composition

(Billions of yen, %)

| As of March 31 | 2021 | | 2022 | |
|---|----------|-------|----------|-------|
| | Amount | Ratio | Amount | Ratio |
| Cash, deposits, call loans | 1,459.7 | 2.1 | 1,305.0 | 1.9 |
| Receivables under resale agreements | - | - | 2,120.1 | 3.2 |
| Receivables under securities borrowing transactions | 2,585.0 | 3.7 | - | - |
| Monetary claims bought | 276.7 | 0.4 | 39.5 | 0.1 |
| Trading account securities | - | - | - | - |
| Money held in trust | 4,189.2 | 6.0 | 4,521.9 | 6.7 |
| Securities | 55,274.5 | 78.8 | 53,418.5 | 79.5 |
| Corporate and government bonds | 48,264.4 | 68.8 | 46,747.9 | 69.6 |
| Domestic stocks | 404.5 | 0.6 | 425.5 | 0.6 |
| Foreign securities | 4,632.3 | 6.6 | 4,332.5 | 6.4 |
| Foreign corporate and government bonds | 4,479.8 | 6.4 | 4,181.5 | 6.2 |
| Foreign stocks and other securities | 152.5 | 0.2 | 150.9 | 0.2 |
| Other securities | 1,973.1 | 2.8 | 1,912.5 | 2.8 |
| Loans | 4,964.0 | 7.1 | 4,251.9 | 6.3 |
| Real estate | 88.7 | 0.1 | 80.5 | 0.1 |
| Deferred tax assets | 904.3 | 1.3 | 1,005.3 | 1.5 |
| Other | 431.6 | 0.6 | 432.1 | 0.6 |
| Reserve for possible loan losses | (0.3) | (0.0) | (0.3) | (0.0) |
| Total | 70,173.8 | 100.0 | 67,174.8 | 100.0 |
| Foreign currency-denominated assets | 5,397.0 | 7.7 | 5,466.7 | 8.1 |

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 | 2021 | 2022 |
|---|-----------|-----------|
| Cash, deposits, call loans | (326.8) | (154.6) |
| Receivables under resale agreements | - | 2,120.1 |
| Receivables under securities borrowing transactions | (606.6) | (2,585.0) |
| Monetary claims bought | (41.8) | (237.2) |
| Trading account securities | - | - |
| Money held in trust | 1,133.2 | 332.6 |
| Securities | (596.9) | (1,856.0) |
| Corporate and government bonds | (690.0) | (1,516.5) |
| Domestic stocks | 117.6 | 20.9 |
| Foreign securities | (54.9) | (299.8) |
| Foreign corporate and government bonds | (42.3) | (298.2) |
| Foreign stocks and other securities | (12.6) | (1.5) |
| Other securities | 30.4 | (60.6) |
| Loans | (698.6) | (712.1) |
| Real estate | (0.8) | (8.1) |
| Deferred tax assets | (269.4) | 101.0 |
| Other | (85.6) | 0.4 |
| Reserve for possible loan losses | 0.0 | 0.0 |
| Total | (1,493.5) | (2,999.0) |
| Foreign currency-denominated assets | 417.0 | 69.6 |

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 | 2021 | 2022 |
|---|---------|---------|
| Interest and dividend income | 1,004.6 | 985.8 |
| Interest on deposits | 0.0 | 0.0 |
| Interest and dividends on securities | 898.4 | 894.5 |
| Interest on loans | 13.3 | 14.3 |
| Interest on loans to the Management Network | 86.9 | 72.8 |
| Rent revenue from real estate | - | - |
| Other interest and dividend income | 5.9 | 4.1 |
| Gains on trading account securities | - | - |
| Gains on money held in trust | 87.5 | 114.5 |
| Gains on trading securities | - | - |
| Gains on sales of securities | 20.4 | 26.9 |
| Gains on sales of Japanese government bonds and other bonds | 4.8 | 7.8 |
| Gains on sales of domestic stocks and other securities | 14.6 | 8.0 |
| Gains on sales of foreign securities | 0.8 | 11.0 |
| Other gains on sales of securities | - | - |
| Gains on redemption of securities | 1.1 | 0.7 |
| Gains on derivative financial instruments | - | - |
| Gains on foreign exchanges | 7.7 | 20.8 |
| Reversal of reserve for possible loan losses | 0.0 | 0.0 |
| Other investment income | 0.0 | 0.1 |
| Total | 1,121.6 | 1,149.1 |

(5) Investment Expenses

(Billions of yen)

| Fiscal years ended March 31 | 2021 | 2022 |
|--|------|------|
| Interest expenses | 2.3 | 2.3 |
| Losses on trading account securities | - | - |
| Losses on money held in trust | - | - |
| Losses on trading securities | - | - |
| Losses on sales of securities | 32.7 | 51.1 |
| Losses on sales of Japanese government bonds and other bonds | 1.0 | 13.3 |
| Losses on sales of domestic stocks and other securities | 13.8 | 3.0 |
| Losses on sales of foreign securities | 4.3 | 24.2 |
| Other losses on sales of securities | 13.5 | 10.4 |
| Losses on valuation of securities | - | - |
| 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 | - | - |
| Other losses on valuation of securities | - | - |
| Losses on redemption of securities | 10.9 | 6.0 |
| Losses on derivative financial instruments | 21.6 | 7.3 |
| Losses on foreign exchanges | - | - |
| Provision for reserve for possible loan losses | - | - |
| Write-off loans | - | - |
| Depreciation of real estate for lease and other assets | - | - |
| Other investment expenses | 3.2 | 2.8 |
| Total | 70.8 | 69.7 |

(6) Investment Related Efficiency

1) Yield by Asset Type

| Fiscal years ended March 31 | 2021 | 2022 |
|---|------|------|
| Cash, deposits and call loans | 0.00 | 0.00 |
| Receivables under resale agreements | - | - |
| Receivables under securities borrowing transactions | - | - |
| Monetary claims bought | 0.14 | 0.24 |
| Trading account securities | - | - |
| Money held in trust | 2.86 | 3.49 |
| Securities | 1.57 | 1.63 |
| Corporate and government bonds | 1.51 | 1.49 |
| Domestic stocks | 2.72 | 4.63 |
| Foreign securities | 2.16 | 2.95 |
| Loans | 1.82 | 1.83 |
| Real estate | - | - |
| General account total | 1.51 | 1.61 |
| Overseas loans and investments | 2.15 | 2.95 |

- 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 (Other Than Trading Securities)

(Billions of yen)

| As of March 31 | 2021 | | | | | 2022 | | | | |
|---|------------|------------|----------------------|---------|-------|------------|------------|----------------------|---------|-------|
| | Book value | Fair value | Net unrealized gains | | | Book value | Fair value | Net unrealized gains | | |
| | | | (losses) | | | | | (losses) | | |
| | | | Gains | Losses | | | | Gains | Losses | |
| Held-to-maturity bonds | 35,327.9 | 40,512.9 | 5,184.9 | 5,225.9 | 40.9 | 34,126.2 | 38,143.1 | 4,016.9 | 4,218.5 | 201.6 |
| Policy-reserve-matching bonds | 9,382.4 | 10,158.5 | 776.1 | 798.4 | 22.3 | 8,604.7 | 9,106.0 | 501.2 | 593.1 | 91.8 |
| Equities of subsidiaries and affiliates | - | - | - | - | - | - | - | - | - | - |
| Available-for-sale securities | 13,445.1 | 14,865.0 | 1,419.8 | 1,521.5 | 101.6 | 13,658.4 | 14,812.6 | 1,154.2 | 1,424.2 | 269.9 |
| Corporate and government bonds | 3,519.1 | 3,554.0 | 34.8 | 42.3 | 7.4 | 4,043.7 | 4,016.9 | (26.7) | 19.4 | 46.1 |
| Domestic stocks | 1,754.3 | 2,514.2 | 759.9 | 790.2 | 30.2 | 1,853.5 | 2,614.5 | 761.0 | 819.8 | 58.8 |
| Foreign securities | 4,835.9 | 5,398.1 | 562.1 | 578.6 | 16.5 | 4,809.4 | 5,208.6 | 399.2 | 487.1 | 87.9 |
| Foreign corporate and government bonds | 4,147.5 | 4,479.8 | 332.2 | 348.6 | 16.3 | 4,096.2 | 4,181.5 | 85.2 | 170.7 | 85.4 |
| Foreign stocks and other securities | 688.3 | 918.2 | 229.8 | 230.0 | 0.1 | 713.2 | 1,027.1 | 313.9 | 316.4 | 2.5 |
| Other securities | 2,580.5 | 2,641.8 | 61.2 | 108.5 | 47.3 | 2,508.3 | 2,527.9 | 19.6 | 96.5 | 76.9 |
| Monetary claims bought | 275.1 | 276.7 | 1.5 | 1.5 | - | 38.3 | 39.5 | 1.1 | 1.1 | - |
| Negotiable certificates of deposit | 480.0 | 480.0 | - | - | - | 405.0 | 405.0 | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total | 58,155.5 | 65,536.5 | 7,380.9 | 7,545.9 | 164.9 | 56,389.4 | 62,061.9 | 5,672.4 | 6,235.8 | 563.3 |
| Corporate and government bonds | 48,229.5 | 54,225.5 | 5,995.9 | 6,066.8 | 70.8 | 46,774.6 | 51,266.1 | 4,491.4 | 4,831.0 | 339.5 |
| Domestic stocks | 1,754.3 | 2,514.2 | 759.9 | 790.2 | 30.2 | 1,853.5 | 2,614.5 | 761.0 | 819.8 | 58.8 |
| Foreign securities | 4,835.9 | 5,398.1 | 562.1 | 578.6 | 16.5 | 4,809.4 | 5,208.6 | 399.2 | 487.1 | 87.9 |
| Foreign corporate and government bonds | 4,147.5 | 4,479.8 | 332.2 | 348.6 | 16.3 | 4,096.2 | 4,181.5 | 85.2 | 170.7 | 85.4 |
| Foreign stocks and other securities | 688.3 | 918.2 | 229.8 | 230.0 | 0.1 | 713.2 | 1,027.1 | 313.9 | 316.4 | 2.5 |
| Other securities | 2,580.5 | 2,641.8 | 61.2 | 108.5 | 47.3 | 2,508.3 | 2,527.9 | 19.6 | 96.5 | 76.9 |
| Monetary claims bought | 275.1 | 276.7 | 1.5 | 1.5 | - | 38.3 | 39.5 | 1.1 | 1.1 | - |
| Negotiable certificates of deposit | 480.0 | 480.0 | - | - | - | 405.0 | 405.0 | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - |

Note: 1. This table includes money held in trust other than trading securities and its book value is ¥2,647.0 billion with net unrealized gains of ¥920.1 billion as of March 31, 2021 and ¥2,682.2 billion with net unrealized gains of ¥1,026.6 billion as of March 31, 2022.

2. Stocks, etc. with no market price and investments in partnerships, etc. are not included in this table.

The book values of stocks, etc. with no market price and investments in partnerships, etc. are as follows:

(Billions of yen)

| As of March 31 | 2021 | 2022 |
|---|--------------|--------------|
| Equities of subsidiaries and affiliates | 18.8 | 24.0 |
| Available-for-sale securities | 445.1 | 635.2 |
| Domestic stocks | 4.2 | 4.2 |
| Foreign stocks | - | - |
| Other | 440.9 | 630.9 |
| Total | 464.0 | 659.3 |

Notes: 1. This table includes money held in trust other than trading securities (¥440.9 billion as of March 31, 2021 and ¥630.9 billion as of March 31, 2022).

2. Net unrealized gains (losses) based on foreign exchange valuation of the foreign currency-denominated assets classified as stocks, etc. with no market price and investments in partnerships, etc. are ¥6.7 billion as of March 31, 2021 and ¥51.8 billion as of March 31, 2022.

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 | 2021 | | | | | 2022 | | | | |
|---------------------|----------------------|------------|-------------------------------|-------|--------|----------------------|------------|-------------------------------|-------|--------|
| | 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 | 3,696.9 | 3,696.9 | - | - | - | 3,820.4 | 3,820.4 | - | - | - |

- Money held in trust for trading purposes

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

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

(Billions of yen)

| As of March 31 | 2021 | | | | | 2022 | | | | |
|-----------------------------------|------------|------------|-------------------------------|-------|--------|------------|------------|-------------------------------|---------|--------|
| | 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 | 2,776.7 | 3,696.9 | 920.1 | 970.0 | 49.8 | 2,793.7 | 3,820.4 | 1,026.6 | 1,100.9 | 74.2 |

Note: Other money held in trust, which is not subject to fair value disclosure, is ¥492.3 billion as of March 31, 2021 and ¥701.4 billion as of March 31, 2022.

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, |
|--|------|-------------------|-------------------|---|------|-------------------|-------------------|
| | | 2021 | 2022 | | | 2021 | 2022 |
| | | Amount | Amount | | | Amount | Amount |
| ASSETS: | | | | LIABILITIES: | | | |
| Cash and deposits | | 1,329,749 | 1,265,070 | Policy reserves and others | | 61,159,597 | 58,196,072 |
| Cash | | 662 | 766 | Reserve for outstanding claims | | 419,021 | 402,608 |
| Deposits | | 1,329,087 | 1,264,304 | Policy reserves | | 59,397,720 | 56,533,454 |
| Call loans | | 130,000 | 40,000 | Reserve for policyholder dividends | | 1,342,855 | 1,260,009 |
| Receivables under resale agreements | | - | 2,120,137 | Reinsurance payables | | 6,394 | 6,256 |
| Receivables under securities borrowing transactions | | 2,585,087 | - | Bonds payable | | 300,000 | 300,000 |
| Monetary claims bought | | 276,772 | 39,543 | Other liabilities | | 4,891,788 | 5,210,469 |
| Money held in trust | | 4,189,294 | 4,521,912 | Payables under repurchase agreements | | - | 2,570,899 |
| Securities | | 55,274,594 | 53,418,564 | Payables under securities lending transactions | | 4,587,469 | 2,236,696 |
| Japanese government bonds | | 37,345,671 | 37,408,974 | Income taxes payable | | 42,915 | 39,068 |
| Japanese local government bonds | | 5,593,508 | 4,472,466 | Accounts payable | | 20,468 | 38,447 |
| Japanese corporate bonds | | 5,325,276 | 4,866,504 | Accrued expenses | | 28,488 | 32,026 |
| Stocks | | 404,577 | 425,553 | Deposits received | | 2,520 | 2,295 |
| Foreign securities | | 4,632,376 | 4,332,519 | Deposits from the Management Network | | 41,143 | 39,991 |
| Other securities | | 1,973,184 | 1,912,544 | Guarantee deposits received | | 73 | 73 |
| Loans | | 4,964,087 | 4,251,956 | Derivative financial instruments | | 157,418 | 239,517 |
| Policy loans | | 161,419 | 140,980 | Lease obligations | | 1,950 | 2,734 |
| Industrial and commercial loans | | 996,127 | 965,872 | Asset retirement obligation | | 5 | - |
| Loans to the Management Network | | 3,806,540 | 3,145,103 | Suspense receipt | | 2,491 | 2,732 |
| Tangible fixed assets | | 104,977 | 94,165 | Other liabilities | | 6,842 | 5,987 |
| Land | | 47,828 | 43,112 | Reserve for insurance claims and others | | 2,851 | - |
| Buildings | | 40,299 | 37,027 | Reserve for employees' retirement benefits | | 69,659 | 70,470 |
| Leased assets | | 1,839 | 2,518 | Reserve for management board benefit trust | | 110 | 230 |
| Construction in progress | | 579 | 432 | Reserve for price fluctuations | | 904,816 | 972,606 |
| Other tangible fixed assets | | 14,429 | 11,074 | Total liabilities | | 67,335,219 | 64,756,105 |
| Intangible fixed assets | | 118,748 | 98,291 | NET ASSETS: | | | |
| Software | | 118,734 | 98,276 | Capital stock | | 500,000 | 500,000 |
| Other intangible fixed assets | | 14 | 14 | Capital surplus | | 405,044 | 405,044 |
| Agency accounts receivable | | 53,250 | 47,287 | Legal capital surplus | | 405,044 | 405,044 |
| Reinsurance receivables | | 3,938 | 3,914 | Retained earnings | | 902,034 | 640,289 |
| Other assets | | 239,407 | 269,025 | Legal retained earnings | | 64,761 | 76,909 |
| Accounts receivable | | 67,545 | 70,950 | Other retained earnings | | 837,272 | 563,379 |
| Prepaid expenses | | 2,473 | 3,011 | Reserve for reduction entry of real estate | | 5,286 | 5,026 |
| Accrued income | | 144,746 | 141,542 | Retained earnings brought forward | | 831,986 | 558,353 |
| Money on deposit | | 7,863 | 7,901 | Treasury stock | | (397) | (355) |
| Margin deposits for futures transactions | | 1,105 | 3,674 | Total shareholders' equity | | 1,806,680 | 1,544,978 |
| Derivative financial instruments | | 752 | 68 | Net unrealized gains (losses) on available-for-sale securities | | 1,031,384 | 873,764 |
| Cash collateral paid for financial instruments | | 11,286 | 36,850 | Net deferred gains (losses) on hedges | | 573 | - |
| Suspense payments | | 1,771 | 2,473 | Total valuation and translation adjustments | | 1,031,957 | 873,764 |
| Other assets | | 1,863 | 2,552 | Total net assets | | 2,838,638 | 2,418,743 |
| Deferred tax assets | | 904,333 | 1,005,357 | Total liabilities and net assets | | 70,173,857 | 67,174,848 |
| Reserve for possible loan losses | | (384) | (379) | | | | |
| Total assets | | 70,173,857 | 67,174,848 | | | | |

6. Unaudited Non-Consolidated Statements of Income

(Millions of yen)

| Items | Year | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|--|------|----------------------------------|----------------------------------|
| | | Amount | Amount |
| ORDINARY INCOME | | 6,786,210 | 6,454,192 |
| Insurance premiums and others | | 2,697,936 | 2,418,979 |
| Insurance premiums | | 2,682,067 | 2,403,387 |
| Reinsurance income | | 15,868 | 15,591 |
| Investment income | | 1,121,668 | 1,149,145 |
| Interest and dividend income | | 1,004,635 | 985,879 |
| Interest on deposits | | 29 | 30 |
| Interest and dividends on securities | | 898,429 | 894,502 |
| Interest on loans | | 13,314 | 14,312 |
| Interest on loans to the Management Network | | 86,934 | 72,874 |
| Other interest and dividend income | | 5,926 | 4,160 |
| Gains on money held in trust | | 87,593 | 114,553 |
| Gains on sales of securities | | 20,422 | 26,942 |
| Gains on redemption of securities | | 1,170 | 779 |
| Gains on foreign exchanges | | 7,759 | 20,879 |
| Reversal of reserve for possible loan losses | | 0 | 3 |
| Other investment income | | 86 | 107 |
| Other ordinary income | | 2,966,604 | 2,886,068 |
| Reversal of reserve for outstanding claims | | 42,203 | 16,412 |
| Reversal of policy reserves | | 2,895,445 | 2,864,265 |
| Reversal of reserve for insurance claims and others | | 26,870 | 2,851 |
| Other ordinary income | | 2,084 | 2,538 |
| ORDINARY EXPENSES | | 6,441,187 | 6,098,430 |
| Insurance claims and others | | 5,866,091 | 5,549,315 |
| Insurance claims | | 4,681,106 | 4,477,034 |
| Annuity payments | | 359,821 | 317,508 |
| Benefits | | 120,324 | 137,982 |
| Surrender benefits | | 480,477 | 483,773 |
| Other refunds | | 201,420 | 110,798 |
| Reinsurance premiums | | 22,940 | 22,217 |
| Provision for policy reserves and others | | 8 | 9 |
| Provision for interest on policyholder dividends | | 8 | 9 |
| Investment expenses | | 70,863 | 69,768 |
| Interest expenses | | 2,311 | 2,351 |
| Losses on sales of securities | | 32,789 | 51,108 |
| Losses on redemption of securities | | 10,950 | 6,046 |
| Losses on derivative financial instruments | | 21,604 | 7,398 |
| Other investment expenses | | 3,207 | 2,863 |
| Operating expenses | | 402,065 | 384,598 |
| Other ordinary expenses | | 102,158 | 94,738 |
| Taxes | | 38,402 | 36,603 |
| Depreciation and amortization | | 61,214 | 56,421 |
| Provision for reserve for employees' retirement benefits | | 716 | 690 |
| Other ordinary expenses | | 1,825 | 1,023 |
| ORDINARY PROFIT | | 345,022 | 355,762 |
| EXTRAORDINARY GAINS | | - | 5,696 |
| Gains on sales of fixed assets | | - | 5,696 |
| EXTRAORDINARY LOSSES | | 46,732 | 68,108 |
| Losses on sales and disposal of fixed assets | | 255 | 318 |
| Provision for reserve for price fluctuations | | 46,477 | 67,789 |
| Provision for reserve for policyholder dividends | | 65,465 | 73,113 |
| Income before income taxes | | 232,824 | 220,236 |
| Income taxes - Current | | 91,510 | 101,617 |
| Income taxes - Deferred | | (24,272) | (39,266) |
| Total income taxes | | 67,238 | 62,351 |
| Net income | | 165,586 | 157,885 |

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

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 | |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | - | 405,044 | 60,485 | 5,545 | 691,794 | 757,826 |
| Changes in the fiscal year | | | | | | | | |
| 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 | | | | | | | | |
| Net changes in the fiscal year | - | - | - | - | 4,275 | (259) | 140,191 | 144,207 |
| Balance at the end of the fiscal year | 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 | |
| Balance at the beginning of the fiscal year | (422) | 1,662,447 | 264,009 | 16 | 264,026 | 1,926,474 |
| Changes in the fiscal year | | | | | | |
| 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 |
| Net changes in the fiscal year | 25 | 144,233 | 767,374 | 556 | 767,931 | 912,164 |
| Balance at the end of the fiscal year | (397) | 1,806,680 | 1,031,384 | 573 | 1,031,957 | 2,838,638 |

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|--|-----------------------------------|-------------------------|
| | Capital stock | Capital surplus | | | Legal retained earnings | Retained earnings | | Total retained earnings |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | | Other retained earnings | | |
| | | | | | | Reserve for reduction entry of real estate | Retained earnings brought forward | |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | - | 405,044 | 64,761 | 5,286 | 831,986 | 902,034 |
| Changes in the fiscal year | | | | | | | | |
| Cash dividends | | | | | 12,148 | | (72,890) | (60,742) |
| Net income | | | | | | | 157,885 | 157,885 |
| Purchases of treasury stock | | | | | | | | |
| Disposals of treasury stock | | | | | | | | |
| Cancellation of treasury stock | | | (358,887) | (358,887) | | | | |
| Reversal of reserve for reduction entry of real estate | | | | | | (259) | 259 | - |
| Transfer from retained earnings to capital surplus | | | 358,887 | 358,887 | | | (358,887) | (358,887) |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | | | | |
| Net changes in the fiscal year | - | - | - | - | 12,148 | (259) | (273,633) | (261,744) |
| Balance at the end of the fiscal year | 500,000 | 405,044 | - | 405,044 | 76,909 | 5,026 | 558,353 | 640,289 |

| | 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 | |
| Balance at the beginning of the fiscal year | (397) | 1,806,680 | 1,031,384 | 573 | 1,031,957 | 2,838,638 |
| Changes in the fiscal year | | | | | | |
| Cash dividends | | (60,742) | | | | (60,742) |
| Net income | | 157,885 | | | | 157,885 |
| Purchases of treasury stock | (358,882) | (358,882) | | | | (358,882) |
| Disposals of treasury stock | 37 | 37 | | | | 37 |
| Cancellation of treasury stock | 358,887 | - | | | | - |
| 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 | | | (157,619) | (573) | (158,193) | (158,193) |
| Net changes in the fiscal year | 42 | (261,701) | (157,619) | (573) | (158,193) | (419,894) |
| Balance at the end of the fiscal year | (355) | 1,544,978 | 873,764 | - | 873,764 | 2,418,743 |

NOTES TO THE UNAUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2022

(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 other than stocks, etc. with no market price

Available-for-sale securities other than stocks, etc. with no market price are carried at their market price at the end of the fiscal year. Cost of securities sold is calculated using the moving-average method.

(ii) Stocks, etc. with no market price

Stocks, etc. with no market price 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, 2022 was ¥37 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 and others arising due to future policy termination measures, etc. to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

3) Reserve for Employees' Retirement Benefits

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

(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

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

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

4) Reserve for Management Board Benefit Trust

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 in accordance with the "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan ("ASBJ") Statement No. 10, July 4, 2019; hereinafter referred to as "Financial Instruments Accounting Standard").

2) Hedging Instruments and Hedged Items

Hedging instrument: Foreign currency exchange contracts

Hedged item: Foreign-currency-denominated bonds

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.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the aggregate changes in quotations 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.

(8) Policy Reserves

To prepare for the fulfilment of future obligations under the insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation 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 the portion of the reinsurance contracts issued to the Management Network and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.

- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public Notice No. 48 issued by the Ministry of Finance in 1996).
- 2) Reserves for other contracts are calculated based on the net level premium method.

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

The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves as of the fiscal year-end have been appropriately accumulated.

(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.

2. Changes in Accounting Policies

The Company has applied the "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Statement No. 30, July 4, 2019; hereinafter referred to as "Fair Value Measurement Accounting Standard"), etc. from the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Financial Instruments Accounting Standard, the Company decided to apply a new accounting policy prescribed in the Fair Value Measurement Accounting Standard, etc. into the future. Accordingly, while the fair value method based on the average market price over the month preceding the non-consolidated balance sheet date was previously adopted for stocks with market price included in available-for-sale securities, from the fiscal year ended March 31, 2022, the fair value method based on the market price as of the non-consolidated balance sheet date is adopted.

3. 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, 2022 (Notes to the Unaudited Consolidated Balance Sheet).

4. 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 ¥8,604,735 million and ¥9,106,029 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 (all insurance policies)
 - 2) Japan Post Insurance life insurance contracts (general) (all insurance policies)
 - 3) Japan Post Insurance life insurance contracts (lump-sum payment annuity) (excluding some insurance types)

The remaining period of insurance contracts comprising the sub-group Postal Life Insurance Contracts used to be within 30 years, but has been eliminated from the beginning of the fiscal year ended March 31, 2022, as the issuance of 30- and 40-year Japanese government bonds has stably expanded to facilitate possession of super long-term bonds and duration gap adjustment of longer-term insurance contracts. This change has no impact on profit or loss.

5. Securities lent under lending agreements in the amount of ¥3,172,477 million were included in “Securities” in the balance sheet as of March 31, 2022.

6. There were no bankrupt loans or quasi-bankrupt loans, doubtful loans, past due loans for three months or more, or restructured loans as of March 31, 2022.

Definitions for each of the respective loans are as follows:

Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.

Doubtful loans are loans to borrowers who are yet to have fallen into bankruptcy, but from whom the collection of principal and receipt of interest as committed under an agreement is unlikely to be achieved, due to the borrower’s deteriorating financial conditions and business performance. This category excludes loans classified as bankrupt loans or quasi-bankrupt loans and doubtful 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 those classified as bankrupt loans or quasi-bankrupt 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 or quasi-bankrupt loans, doubtful loans and past due loans for three months or more.

7. The balance of the unused credit under loan commitment line agreements as of March 31, 2022 was ¥25,367 million.

8. Accumulated depreciation for tangible fixed assets as of March 31, 2022 was ¥55,533 million.

9. Total monetary claims and total monetary obligations with respect to subsidiaries and affiliates amounted to ¥263 million and ¥14,882 million, respectively.

10. Total deferred tax assets and total deferred tax liabilities were ¥1,438,585 million and ¥419,106 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥14,120 million.

Significant components of deferred tax assets include ¥1,026,908 million of policy reserves, ¥248,305 million of reserve for price fluctuations, ¥38,057 million of reserve for outstanding claims, ¥19,733 million of reserve for employees’ retirement benefits, and ¥74,964 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥408,207 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, 2022 were as follows:

| | |
|--|---------------------------|
| Balance at the beginning of the fiscal year | ¥1,342,855 million |
| Policyholder dividends paid | ¥155,691 million |
| Interest accrual | ¥9 million |
| Reduction due to the acquisition of additional annuity | ¥278 million |
| Provision for reserve for policyholder dividends | ¥73,113 million |
| <u>Balance at the end of the fiscal year</u> | <u>¥1,260,009 million</u> |

12. Equities, etc. of subsidiaries and affiliates were ¥24,088 million.

13. Assets pledged as collateral consisted of the following:

| | |
|---|--------------------|
| Securities | ¥4,253,107 million |
| Liabilities corresponding to assets pledged as collateral consisted of the following: | |
| Payables under repurchase agreements | ¥2,570,899 million |
| Payables under securities lending transactions | ¥2,236,696 million |

The above securities are those sold under repurchase agreements and 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 derivative transactions.

| | |
|--|------------------|
| Securities | ¥498,437 million |
| Margin deposits for futures transactions | ¥3,674 million |
| Cash collateral paid for financial instruments | ¥36,850 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, 2022 was ¥525 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, 2022 were ¥907 million.

15. Net assets per share were ¥6,053.79.

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, 2022 was 140,300 shares.

16. The Company has the right to sell or pledge securities received as collateral for transactions such as resale agreements, borrowing agreements and derivative transactions. The fair value of such securities held in hand was ¥601,181 million as of March 31, 2022.

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 ¥33,449 million as of March 31, 2022 pursuant to Article 259 of the Insurance Business Act.

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

19. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥29,331,229 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 ¥1,203,243 million and ¥695,157 million, respectively, for the category of the reinsurance.

20. 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 were deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy and which remained unpaid as of the fiscal year ended March 31, 2022.

(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.

2. Total income from transactions with subsidiaries and affiliates amounted to ¥0 million, and total expenses amounted to ¥17,480 million.

3. Gains on sales of securities comprise domestic bonds of ¥7,857 million, domestic stocks of ¥8,005 million and foreign securities of ¥11,079 million.

4. Losses on sales of securities comprise domestic bonds of ¥13,317 million, domestic stocks of ¥3,071 million, foreign securities of ¥24,243 million and other securities of ¥10,475 million.

5. Gains on money held in trust include losses on valuation of ¥8,168 million.

6. Losses on derivative financial instruments include losses on valuation of ¥239,449 million.

7. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the fiscal year ended March 31, 2022 was ¥106 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, 2022 was ¥27 million.

8. Net income per share was ¥374.72.

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, 2022 was 143,901 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, 2022 were ¥286,840 million.

10. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the fiscal year ended March 31, 2022 were ¥2,717,586 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 ¥54,849 million for the fiscal year ended March 31, 2022.

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 49.90% | Group management Interlocking officers | Payment of brand royalty fees (*) | ¥2,504 million | Accounts Payable | ¥229 million |

Conditions of transactions and policies to decide the conditions

(*) 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) 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) | ¥178,630 million | Agency accounts payable | ¥4,295 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) 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, 2022, the contributions paid by the Company to the Management Network amounted to ¥54,005 million.

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

Type and Number of Treasury Stock

(Thousands of shares)

| | April 1, 2021 | Increase | Decrease | March 31, 2022 |
|----------------|---------------|----------|----------|----------------|
| Treasury stock | | | | |
| Common stock | 167 | 162,906 | 162,922 | 151 |

(*1) Numbers of treasury stock at the beginning and the end of the fiscal year ended March 31, 2022 include shares of the Company held in the BBT, and were 156 thousand shares and 140 thousand shares, respectively.

(*2) The increase of 162,906 thousand shares in the number of treasury stock was attributable to the purchases of shares of treasury stock based on the resolution at the Board of Directors meeting held on May 14, 2021.

(*3) The decrease of 162,922 thousand shares in the number of treasury stock was attributable to the cancellation of 162,906 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on July 28, 2021 and the granting of 15 thousand shares via the BBT.

8. Breakdown of Ordinary Profit (Core Profit)

(Millions of yen)

| Fiscal years ended March 31 | | 2021 | 2022 |
|---|-------|----------|----------|
| Core profit | A | 421,943 | 437,123 |
| Capital gains | | 115,775 | 162,375 |
| Gains on money held in trust | | 87,593 | 114,553 |
| Gains on trading securities | | - | - |
| Gains on sales of securities | | 20,422 | 26,942 |
| Gains on derivative financial instruments | | - | - |
| Gains on foreign exchanges | | 7,759 | 20,879 |
| Other capital gains | | - | - |
| Capital losses | | 132,878 | 164,085 |
| Losses on money held in trust | | - | - |
| Losses on trading securities | | - | - |
| Losses on sales of securities | | 32,789 | 51,108 |
| Losses on valuation of securities | | - | - |
| Losses on derivative financial instruments | | 21,604 | 7,398 |
| Losses on foreign exchanges | | - | - |
| Other capital losses | | 78,484 | 105,578 |
| Net capital gains (losses) | B | (17,102) | (1,710) |
| Core profit including net capital gains (losses) | A+B | 404,840 | 435,413 |
| Other one-time gains | | 186,023 | - |
| Reinsurance income | | - | - |
| Reversal of contingency reserve | | 186,023 | - |
| Reversal of specific reserve for possible loan losses | | - | - |
| Other | | - | - |
| Other one-time losses | | 245,841 | 79,651 |
| Reinsurance premiums | | - | - |
| Provision for contingency reserve | | - | 79,651 |
| Provision for specific reserve for possible loan losses | | - | - |
| Provision for reserve for specific foreign loans | | - | - |
| Write-off of loans | | - | - |
| Other | | 245,841 | - |
| Other one-time profits (losses) | C | (59,818) | (79,651) |
| Ordinary profit | A+B+C | 345,022 | 355,762 |

- Notes: 1. The amount equivalent to income gains associated with money held in trust (¥78,484 million for the fiscal year ended March 31, 2021 and ¥105,578 million for the fiscal year ended March 31, 2022) 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 (¥245,841 million for the fiscal year ended March 31, 2021).

9. Status of Loans under the Insurance Business Act

(Millions of yen, %)

| As of March 31 | 2021 | 2022 |
|---|-----------|-----------|
| Bankrupt or quasi-bankrupt loans | - | - |
| Doubtful loans | - | - |
| Past due loans for three months or more | - | - |
| Restructured loans | - | - |
| Subtotal | - | - |
| (Percentage in total) | (-) | (-) |
| Normal loans | 7,630,495 | 7,330,258 |
| Total | 7,630,495 | 7,330,258 |

- 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 (excluding the loans noted in 1).
 3. 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).
 4. 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 to 3).
 5. Normal loans are loans which do not fall under the loans noted in 1 to 4 above as there are no particular problems found with the borrower's financial conditions and results.

10. Solvency Margin Ratio

(Millions of yen)

| As of March 31 | | 2021 | 2022 |
|--|----------------|-----------|-----------|
| Total amount of solvency margin | (A) | 6,229,928 | 5,878,221 |
| Capital stock, etc. | | 1,763,923 | 1,526,993 |
| Reserve for price fluctuations | | 904,816 | 972,606 |
| Contingency reserve | | 1,611,343 | 1,690,994 |
| General reserve for possible loan losses | | 36 | 32 |
| (Net unrealized gains (losses) on available-for-sale securities (before taxes) + Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%) | | 1,283,545 | 1,086,306 |
| Net unrealized gains (losses) on real estate × 85% (if negative, × 100%) | | 2,203 | 1,809 |
| Excess of continued Zillmerized reserve | | 364,059 | 299,478 |
| Capital raised through debt financing | | 300,000 | 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) | 1,114,326 | 1,127,788 |
| $\sqrt{(R_1 + R_8)^2 + (R_2 + R_3 + R_7)^2} + R_4$ | | | |
| Insurance risk | R ₁ | 130,961 | 125,154 |
| Underwriting risk of third-sector insurance | R ₈ | 49,371 | 44,708 |
| Anticipated yield risk | R ₂ | 131,404 | 125,089 |
| Minimum guarantee risk | R ₇ | - | - |
| Investment risk | R ₃ | 942,799 | 964,350 |
| Business management risk | R ₄ | 25,090 | 25,186 |
| Solvency margin ratio | | | |
| $\frac{(A)}{(1/2) \times (B)} \times 100$ | | 1,118.1 % | 1,042.4 % |

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.

11. Separate Account for the Fiscal Year Ended March 31, 2022

Not applicable.

12. Consolidated Financial Summary

(1) Selected Financial Data and Other Information

(Millions of yen)

| Fiscal year ended March 31 | 2021 | 2022 |
|---|-----------|-----------|
| Ordinary income | 6,786,226 | 6,454,208 |
| Ordinary profit | 345,736 | 356,113 |
| Net income attributable to Japan Post Insurance | 166,103 | 158,062 |
| Comprehensive income (loss) | 934,447 | (824) |

| As of March 31 | 2021 | 2022 |
|------------------------------------|------------|------------|
| Total assets | 70,172,982 | 67,174,796 |
| Consolidated solvency margin ratio | 1,121.2 % | 1,045.5 % |

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

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

(3) Unaudited Consolidated Balance Sheets

(Millions of yen)

| Items | Year | As of March | As of March | Items | Year | As of March | As of March |
|---|------|-------------------|-------------------|--|------|-------------------|-------------------|
| | | 31, 2021 | 31, 2022 | | | 31, 2021 | 31, 2022 |
| | | Amount | Amount | | | Amount | Amount |
| ASSETS: | | | | LIABILITIES: | | | |
| Cash and deposits | | 1,335,014 | 1,270,762 | Policy reserves and others | | 61,159,597 | 58,196,072 |
| Call loans | | 130,000 | 40,000 | Reserve for outstanding claims | | 419,021 | 402,608 |
| Receivables under resale agreements | | - | 2,120,137 | Policy reserves | | 59,397,720 | 56,533,454 |
| Receivables under securities borrowing transactions | | 2,585,087 | - | Reserve for policyholder dividends | | 1,342,855 | 1,260,009 |
| Monetary claims bought | | 276,772 | 39,543 | Reinsurance payables | | 6,394 | 6,256 |
| Money held in trust | | 4,189,294 | 4,521,912 | Bonds payable | | 300,000 | 300,000 |
| Securities | | 55,273,610 | 53,417,580 | Payables under repurchase agreements | | - | 2,570,899 |
| Loans | | 4,964,087 | 4,251,956 | Payables under securities lending transactions | | 4,587,469 | 2,236,696 |
| Tangible fixed assets | | 105,399 | 94,497 | Other liabilities | | 303,851 | 402,658 |
| Land | | 47,828 | 43,112 | Reserve for insurance claims and others | | 2,851 | - |
| Buildings | | 40,439 | 37,152 | Liability for retirement benefits | | 66,414 | 68,313 |
| Leased assets | | 1,978 | 2,606 | Reserve for management board benefit trust | | 110 | 230 |
| Construction in progress | | 579 | 432 | Reserve for price fluctuations | | 904,816 | 972,606 |
| Other tangible fixed assets | | 14,573 | 11,193 | Total liabilities | | 67,331,506 | 64,753,732 |
| Intangible fixed assets | | 113,420 | 93,609 | NET ASSETS: | | | |
| Software | | 113,405 | 93,594 | Capital stock | | 500,000 | 500,000 |
| Other intangible fixed assets | | 14 | 14 | Capital surplus | | 405,044 | 405,044 |
| Agency accounts receivable | | 53,250 | 47,287 | Retained earnings | | 901,390 | 639,822 |
| Reinsurance receivables | | 3,938 | 3,914 | Treasury stock | | (397) | (355) |
| Other assets | | 239,354 | 268,626 | Total shareholders' equity | | 1,806,036 | 1,544,511 |
| Deferred tax assets | | 904,135 | 1,005,346 | Net unrealized gains (losses) on available-for-sale securities | | 1,031,384 | 873,764 |
| Reserve for possible loan losses | | (384) | (379) | Net deferred gains (losses) on hedges | | 573 | - |
| | | | | Accumulated adjustments for retirement benefits | | 3,480 | 2,786 |
| | | | | Total accumulated other comprehensive income | | 1,035,438 | 876,551 |
| | | | | Total net assets | | 2,841,475 | 2,421,063 |
| Total assets | | 70,172,982 | 67,174,796 | Total liabilities and net assets | | 70,172,982 | 67,174,796 |

(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, 2021 | Fiscal year ended March 31, 2022 |
|---|------|----------------------------------|----------------------------------|
| | | Amount | Amount |
| ORDINARY INCOME | | 6,786,226 | 6,454,208 |
| Insurance premiums and others | | 2,697,936 | 2,418,979 |
| Investment income | | 1,121,668 | 1,149,145 |
| Interest and dividend income | | 1,004,635 | 985,879 |
| Gains on money held in trust | | 87,593 | 114,553 |
| Gains on sales of securities | | 20,422 | 26,942 |
| Gains on redemption of securities | | 1,170 | 779 |
| Gains on foreign exchanges | | 7,759 | 20,879 |
| Reversal of reserve for possible loan losses | | 0 | 3 |
| Other investment income | | 86 | 107 |
| Other ordinary income | | 2,966,621 | 2,886,083 |
| Reversal of reserve for outstanding claims | | 42,203 | 16,412 |
| Reversal of policy reserves | | 2,895,445 | 2,864,265 |
| Other ordinary income | | 28,971 | 5,405 |
| ORDINARY EXPENSES | | 6,440,490 | 6,098,095 |
| Insurance claims and others | | 5,866,091 | 5,549,315 |
| Insurance claims | | 4,681,106 | 4,477,034 |
| Annuity payments | | 359,821 | 317,508 |
| Benefits | | 120,324 | 137,982 |
| Surrender benefits | | 480,477 | 483,773 |
| Other refunds | | 201,420 | 110,798 |
| Reinsurance premiums | | 22,940 | 22,217 |
| Provision for policy reserves and others | | 8 | 9 |
| Provision for interest on policyholder dividends | | 8 | 9 |
| Investment expenses | | 70,865 | 69,769 |
| Interest expenses | | 2,312 | 2,352 |
| Losses on sales of securities | | 32,789 | 51,108 |
| Losses on redemption of securities | | 10,950 | 6,046 |
| Losses on derivative financial instruments | | 21,604 | 7,398 |
| Other investment expenses | | 3,207 | 2,863 |
| Operating expenses | | 403,033 | 385,928 |
| Other ordinary expenses | | 100,492 | 93,073 |
| ORDINARY PROFIT | | 345,736 | 356,113 |
| EXTRAORDINARY GAINS | | - | 5,696 |
| Gains on sales of fixed assets | | - | 5,696 |
| EXTRAORDINARY LOSSES | | 46,732 | 68,116 |
| Losses on sales and disposal of fixed assets | | 255 | 326 |
| Provision for reserve for price fluctuations | | 46,477 | 67,789 |
| Provision for reserve for policyholder dividends | | 65,465 | 73,113 |
| Income before income taxes | | 233,537 | 220,579 |
| Income taxes - Current | | 91,632 | 101,702 |
| Income taxes - Deferred | | (24,197) | (39,184) |
| Total income taxes | | 67,434 | 62,517 |
| Net income | | 166,103 | 158,062 |
| Net income attributable to non-controlling interests | | - | - |
| Net income attributable to Japan Post Insurance | | 166,103 | 158,062 |

(Unaudited Consolidated Statements of Comprehensive Income)

(Millions of yen)

| Items | Year | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|------|-------------------------------------|-------------------------------------|
| | | Amount | Amount |
| Net income | | 166,103 | 158,062 |
| Other comprehensive income (loss) | | 768,344 | (158,887) |
| Net unrealized gains (losses) on available-for-sale securities | | 767,374 | (157,619) |
| Net deferred gains (losses) on hedges | | 556 | (573) |
| Adjustments for retirement benefits | | 413 | (693) |
| Total comprehensive income (loss) | | 934,447 | (824) |
| Comprehensive income (loss) attributable to Japan Post Insurance | | 934,447 | (824) |
| 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, 2021 | Fiscal year ended March 31, 2022 |
|--|------|-------------------------------------|-------------------------------------|
| | | Amount | Amount |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income taxes | | 233,537 | 220,579 |
| Depreciation and amortization | | 59,387 | 54,562 |
| Net change in reserve for outstanding claims | | (42,203) | (16,412) |
| Net change in policy reserves | | (2,895,445) | (2,864,265) |
| Provision for interest on policyholder dividends | | 8 | 9 |
| Provision for reserve for policyholder dividends | | 65,465 | 73,113 |
| Net change in reserve for possible loan losses | | (64) | (4) |
| Net change in reserve for insurance claims and others | | (26,870) | (2,851) |
| Net change in liability for retirement benefits | | 353 | 1,898 |
| Net change in reserve for management board benefit trust | | (53) | 119 |
| Net change in reserve for price fluctuations | | 46,477 | 67,789 |
| Interest and dividend income (accrual basis) | | (1,004,635) | (985,879) |
| Net (gains) losses on securities | | 22,147 | 29,432 |
| Interest expenses (accrual basis) | | 2,312 | 2,352 |
| Net (gains) losses on foreign exchanges | | (7,759) | (20,879) |
| Net (gains) losses on tangible fixed assets | | 119 | (5,440) |
| Net change in agency accounts receivable | | (7,662) | 5,962 |
| Net change in reinsurance receivables | | 118 | 23 |
| Net change in other assets (excluding those related to investing activities and financing activities) | | 2,584 | (4,270) |
| Net change in reinsurance payables | | (201) | (138) |
| Net change in other liabilities (excluding those related to investing activities and financing activities) | | (1,108) | 1,918 |
| Other, net | | (61,457) | (105,111) |
| Subtotal | | (3,614,951) | (3,547,490) |
| Interest and dividend received (cash basis) | | 1,059,143 | 1,029,437 |
| Interest paid (cash basis) | | (2,041) | (2,457) |
| Policyholder dividends paid | | (159,817) | (155,691) |
| Income taxes paid | | (88,635) | (79,482) |
| Net cash used in operating activities | | (2,806,302) | (2,755,684) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of call loans | | (7,660,000) | (7,600,000) |
| Proceeds from redemption of call loans | | 7,910,000 | 7,690,000 |
| Net change in receivables under resale agreements | | - | (2,120,137) |
| Net change in receivables under securities borrowing transactions | | 606,623 | 2,585,087 |
| Purchases of monetary claims bought | | (1,434,928) | (384,982) |
| Proceeds from sale and redemption of monetary claims bought | | 1,476,386 | 621,790 |
| Purchases of money held in trust | | (234,480) | (192,625) |
| Proceeds from decrease in money held in trust | | 34,428 | 109,700 |
| Purchases of securities | | (2,702,286) | (3,335,435) |
| Proceeds from sale and redemption of securities | | 3,659,771 | 5,087,083 |
| Payments for loans | | (571,239) | (433,954) |
| Proceeds from collection of loans | | 1,269,894 | 1,146,082 |
| Net change in payables under repurchase agreements | | - | 2,570,899 |
| Net change in payables under securities lending transactions | | 297,328 | (2,350,772) |
| Other, net | | (63,911) | (264,496) |
| Total of net cash provided by investment transactions | | 2,587,587 | 3,128,238 |
| Total of net cash provided by (used in) operating activities and investment transactions | | (218,714) | 372,554 |
| Purchases of tangible fixed assets | | (3,838) | (3,772) |
| Proceeds from sales of tangible fixed assets | | - | 13,162 |
| Purchases of intangible fixed assets | | (28,487) | (25,884) |
| Other, net | | (986) | (43) |
| Net cash provided by investing activities | | 2,554,274 | 3,111,700 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of lease obligations | | (669) | (712) |
| Proceeds from issuance of bonds | | 198,798 | - |
| Purchases of treasury stock | | (0) | (358,882) |
| Dividends paid | | (21,385) | (60,673) |
| Net cash provided by (used in) financing activities | | 176,743 | (420,268) |
| Effect of exchange rate changes on cash and cash equivalents | | - | - |
| Net change in cash and cash equivalents | | (75,283) | (64,252) |
| Cash and cash equivalents at the beginning of the fiscal year | | 1,410,298 | 1,335,014 |
| Cash and cash equivalents at the end of the fiscal year | | 1,335,014 | 1,270,762 |

(6) Unaudited Consolidated Statements of Changes in Net Assets

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 |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | 756,665 | (422) | 1,661,286 |
| Changes in the fiscal year | | | | | |
| Cash dividends | | | (21,378) | | (21,378) |
| Net income attributable to Japan Post Insurance | | | 166,103 | | 166,103 |
| Purchases of treasury stock | | | | (0) | (0) |
| Disposals of treasury stock | | | | 25 | 25 |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | - | - | 144,724 | 25 | 144,750 |
| Balance at the end of the fiscal year | 500,000 | 405,044 | 901,390 | (397) | 1,806,036 |

| | 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 | |
| Balance at the beginning of the fiscal year | 264,009 | 16 | 3,067 | 267,094 | 1,928,380 |
| Changes in the fiscal year | | | | | |
| Cash dividends | | | | | (21,378) |
| Net income attributable to Japan Post Insurance | | | | | 166,103 |
| Purchases of treasury stock | | | | | (0) |
| Disposals of treasury stock | | | | | 25 |
| Net changes in items other than shareholders' equity in the fiscal year | 767,374 | 556 | 413 | 768,344 | 768,344 |
| Net changes in the fiscal year | 767,374 | 556 | 413 | 768,344 | 913,094 |
| Balance at the end of the fiscal year | 1,031,384 | 573 | 3,480 | 1,035,438 | 2,841,475 |

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the fiscal year | 500,000 | 405,044 | 901,390 | (397) | 1,806,036 |
| Changes in the fiscal year | | | | | |
| Cash dividends | | | (60,742) | | (60,742) |
| Net income attributable to Japan Post Insurance | | | 158,062 | | 158,062 |
| Purchases of treasury stock | | | | (358,882) | (358,882) |
| Disposals of treasury stock | | | | 37 | 37 |
| Cancellation of treasury stock | | (358,887) | | 358,887 | - |
| Transfer from retained earnings to capital surplus | | 358,887 | (358,887) | | - |
| Net changes in items other than shareholders' equity in the fiscal year | | | | | |
| Net changes in the fiscal year | - | - | (261,567) | 42 | (261,524) |
| Balance at the end of the fiscal year | 500,000 | 405,044 | 639,822 | (355) | 1,544,511 |

| | 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 | |
| Balance at the beginning of the fiscal year | 1,031,384 | 573 | 3,480 | 1,035,438 | 2,841,475 |
| Changes in the fiscal year | | | | | |
| Cash dividends | | | | | (60,742) |
| Net income attributable to Japan Post Insurance | | | | | 158,062 |
| Purchases of treasury stock | | | | | (358,882) |
| Disposals of treasury stock | | | | | 37 |
| Cancellation of treasury stock | | | | | - |
| Transfer from retained earnings to capital surplus | | | | | - |
| Net changes in items other than shareholders' equity in the fiscal year | (157,619) | (573) | (693) | (158,887) | (158,887) |
| Net changes in the fiscal year | (157,619) | (573) | (693) | (158,887) | (420,411) |
| Balance at the end of the fiscal year | 873,764 | - | 2,786 | 876,551 | 2,421,063 |

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED MARCH 31, 2022

(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 four other companies have been excluded from the scope of application of the equity method, as they 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 other than stocks, etc. with no market price

Available-for-sale securities other than stocks, etc. with no market price are carried at their market price at the end of the fiscal year. Cost of securities sold is calculated using the moving-average method.

(ii) Stocks, etc. with no market price

Stocks, etc. with no market price 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, 2022 was ¥37 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 and others arising due to future policy termination measures, etc. to compensate customers for their disadvantages, based on the past record of efforts to address such disadvantages.

3) Reserve for Management Board Benefit Trust

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

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

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

- (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 in accordance with the Financial Instruments Accounting Standard.
 - 2) Hedging Instruments and Hedged Items
Hedging instrument: Foreign currency exchange contracts
Hedged item: Foreign-currency-denominated bonds
 - 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.
 - 4) Assessment of Hedge Effectiveness
Hedge effectiveness is assessed by comparing the aggregate changes in quotations 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.
- (9) Policy Reserves
To prepare for the fulfilment of future obligations under the insurance contracts with respect to policies that have commenced as of the fiscal year-end, policy reserves are calculated in accordance with the statement of calculation 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 the portion of the reinsurance contracts issued to the Management Network and for lump-sum payment annuities, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act.
- 1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for Financial Services Agency (Public Notice No. 48 issued by the Ministry of Finance in 1996).
 - 2) Reserves for other contracts are calculated based on the net level premium method.
Among the policy reserves, contingency reserves are accumulated to ensure the fulfilment of future obligations under insurance contracts in preparation of possible future risks, pursuant to Article 116 of the Insurance Business Act and Article 69, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Insurance Business Act.
The Chief Actuary, pursuant to Article 121, Paragraph 1 of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act, confirms whether the policy reserves as of the fiscal year-end have been appropriately accumulated.

2. Changes in Accounting Policies

The Company has applied the Fair Value Measurement Accounting Standard, etc. from the beginning of the fiscal year ended March 31, 2022. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Financial Instruments Accounting Standard, the Company decided to apply a new accounting policy prescribed in the Fair Value Measurement Accounting Standard, etc. into the future. Accordingly, while the fair value method based on the average market price over the month preceding the consolidated balance sheet date was previously adopted for stocks with market price included in available-for-sale securities, from the fiscal year ended March 31, 2022, the fair value method based on the market price as of the consolidated balance sheet date is adopted.

3. Unadopted Accounting Standards, etc.

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Outline

The method of calculation of the fair value of mutual funds and the handling of the notes thereto, and the handling of notes on the fair value of investments in partnerships, etc. reported in the net amount equivalent to equity in the balance sheets have been determined.

(2) Scheduled Date of Adoption

Scheduled to be adopted from the beginning of the fiscal year ending March 31, 2023.

(3) Impact of Adoption of the Accounting Standard

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

4. 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, 2022 was ¥330 million, while the number of such treasury stock was 140 thousand shares.

5. Matters Regarding 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 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.

Derivative transactions which the Company uses are mainly foreign exchange contracts. Derivative transactions are identified as a key hedging method against foreign exchange fluctuation 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 “(6) 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, 2022 were as follows.

Stocks, etc. with no market price and investments in partnership are not included in the following table and are described in the “Note 1” to the table. In addition, cash, as well as deposits, call loans, receivables under resale agreements, payables under repurchase agreements, and payables under securities lending transactions, whose fair value approximates book value because they are settled within a short term, have been omitted from the Notes.

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Net unrealized gains (losses) |
|---------------------------------------|---|------------|----------------------------------|
| Monetary claims bought | 39,543 | 39,543 | - |
| Available-for-sale securities | 39,543 | 39,543 | - |
| Money held in trust (*1) | 3,820,432 | 3,820,432 | - |
| Securities | 53,390,216 | 57,908,456 | 4,518,240 |
| Held-to-maturity bonds | 34,126,248 | 38,143,194 | 4,016,945 |
| Policy-reserve-matching bonds | 8,604,735 | 9,106,029 | 501,294 |
| Available-for-sale securities | 10,659,233 | 10,659,233 | - |
| Loans | 4,251,924 | 4,478,732 | 226,808 |
| Policy loans | 140,980 | 140,980 | - |
| Industrial and commercial loans (*2) | 965,872 | 993,771 | 27,931 |
| Loans to the Management Network (*2) | 3,145,103 | 3,343,980 | 198,876 |
| Reserve for possible loan losses (*3) | (32) | - | - |
| Total assets | 61,502,117 | 66,247,166 | 4,745,048 |
| Bonds payable | 300,000 | 299,760 | (240) |
| Total liabilities | 300,000 | 299,760 | (240) |
| Derivative transactions (*4) | | | |
| Hedge accounting not applied | [256] | [256] | - |
| Hedge accounting applied | [239,193] | [239,193] | - |
| Total derivative transactions | [239,449] | [239,449] | - |

(*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 [] brackets.

Note 1: The amounts carried on the consolidated balance sheets for stocks, etc. with no market price and investments in partnership are as follows. These amounts are not included in “Money held in trust” and “Securities” disclosed in the table for Fair Values of Financial Instruments.

(Millions of yen)

| | Consolidated balance sheet amount |
|---------------------------------|-----------------------------------|
| Money held in trust (*1) | 701,479 |
| Securities | 27,364 |
| Unlisted stocks (*2) | 4,755 |
| Investments in partnership (*3) | 22,608 |
| Total | 728,844 |

(*1) Trust asset components that are mutual funds are not subject to fair value disclosure in accordance with Paragraph 26 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019; hereinafter referred to as “Fair Value Measurement Implementation Guidance”), and trust asset components that are investments in partnership are not subject to fair value disclosure in accordance with Paragraph 27 of the Fair Value Measurement Implementation Guidance.

(*2) Unlisted stocks are not subject to fair value disclosure in accordance with Paragraph 5 of the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020).

(*3) Investments in partnership are not subject to fair value disclosure in accordance with Paragraph 27 of the Fair Value Measurement Implementation Guidance.

Note 2: 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 |
|---|---------------|----------------------------------|------------------------------------|--------------------|
| Monetary claims bought | 20,000 | - | - | 18,400 |
| Securities | 1,868,266 | 8,344,767 | 15,780,925 | 24,458,758 |
| Held-to-maturity bonds | 1,325,157 | 4,199,972 | 10,291,730 | 17,904,404 |
| Bonds | 1,325,157 | 4,199,972 | 10,291,730 | 17,904,404 |
| Japanese government bonds | 191,100 | 2,930,500 | 9,662,900 | 15,965,100 |
| Japanese local government bonds | 691,955 | 1,116,502 | 467,280 | 945,594 |
| Japanese corporate bonds | 442,102 | 152,970 | 161,550 | 993,710 |
| Policy-reserve-matching bonds | 369,235 | 1,772,981 | 2,755,700 | 3,535,950 |
| Bonds | 369,235 | 1,772,981 | 2,755,700 | 3,535,950 |
| Japanese government bonds | 277,000 | 1,492,400 | 2,536,300 | 2,394,600 |
| Japanese local government bonds | 67,299 | 184,464 | 60,000 | 233,450 |
| Japanese corporate bonds | 24,936 | 96,117 | 159,400 | 907,900 |
| Available-for-sale securities with maturities | 173,873 | 2,371,813 | 2,733,495 | 3,018,403 |
| Bonds | 126,810 | 982,334 | 730,036 | 2,228,777 |
| Japanese government bonds | - | - | - | 1,454,200 |
| Japanese local government bonds | 21,549 | 523,378 | 9,790 | 142,932 |
| Japanese corporate bonds | 105,261 | 458,955 | 720,246 | 631,644 |
| Foreign securities | 47,063 | 1,389,479 | 2,003,458 | 777,000 |
| Other securities | - | - | - | 12,625 |
| Loans | 908,499 | 1,790,599 | 976,524 | 576,734 |
| Total | 2,796,765 | 10,135,367 | 16,757,449 | 25,053,893 |

Note 3: Redemption schedule of bonds payable

(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 |
|--------------------------|---------------|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------------------|
| Japanese corporate bonds | - | - | - | - | - | 300,000 |
| Total | - | - | - | - | - | 300,000 |

(3) Breakdown, etc. of the fair value of financial instruments by level

The Company has classified the fair values of financial instruments into the following three levels according to the observability and materiality of the inputs used for fair value measurement.

Level 1 Fair Values: Fair values measured using observable inputs that are quoted prices for identified assets or liabilities in active markets

Level 2 Fair Values: Fair values measured using observable inputs other than those included within Level 1

Level 3 Fair Values: Fair values measured using unobservable inputs

In cases where multiple inputs with a material impact on fair value measurement are used, fair value is classified into the level to which the input with the lowest priority in fair value measurement belongs.

1) Financial instruments carried at fair value in the consolidated balance sheet

(Millions of yen)

| | Fair Value | | | |
|---------------------------------|------------|-----------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Monetary claims bought | - | 19,999 | 19,544 | 39,543 |
| Money held in trust (*1) | 2,194,752 | - | - | 2,194,752 |
| Securities | | | | |
| Available-for-sale securities | | | | |
| Japanese government bonds | 1,395,688 | - | - | 1,395,688 |
| Japanese local government bonds | - | 664,221 | 34,642 | 698,864 |
| Japanese corporate bonds | - | 1,922,409 | - | 1,922,409 |
| Stocks | 419,814 | - | - | 419,814 |
| Foreign securities (*1) | 1,080,230 | 3,068,946 | 32,350 | 4,181,527 |
| Other securities (*1) | - | - | 12,551 | 12,551 |
| Total assets | 5,090,486 | 5,675,576 | 99,089 | 10,865,151 |
| Derivative transactions (*2) | | | | |
| Currency-related derivatives | - | [239,449] | - | [239,449] |
| Total derivative transactions | - | [239,449] | - | [239,449] |

(*1) In accordance with Paragraph 26 of the Fair Value Measurement Implementation Guidance, mutual funds are not included in the above table. The consolidated balance sheet amount for mutual funds is ¥3,569,216 million.

(*2) Net receivables and payables arising from derivative transactions are stated at net values, and if the values are payable, they are indicated in [] brackets.

2) Financial instruments not carried at fair value in the consolidated balance sheet

(Millions of yen)

| | Fair Value | | | |
|---------------------------------|------------|-----------|-----------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Money held in trust | - | 84,840 | - | 84,840 |
| Securities | | | | |
| Held-to-maturity bonds | | | | |
| Japanese government bonds | 32,950,194 | - | - | 32,950,194 |
| Japanese local government bonds | - | 3,376,814 | 4,130 | 3,380,944 |
| Japanese corporate bonds | - | 1,812,054 | - | 1,812,054 |
| Policy-reserve-matching bonds | | | | |
| Japanese government bonds | 7,378,646 | - | - | 7,378,646 |
| Japanese local government bonds | - | 531,162 | 25,634 | 556,796 |
| Japanese corporate bonds | - | 1,170,585 | - | 1,170,585 |
| Loans | - | - | 4,478,732 | 4,478,732 |
| Total assets | 40,328,841 | 6,975,458 | 4,508,497 | 51,812,797 |
| Bonds payable | - | 299,760 | - | 299,760 |
| Total liabilities | - | 299,760 | - | 299,760 |

Note 1: Calculation methods for fair values of financial instruments and explanation of inputs used in fair value measurement

Assets

Monetary claims bought

The fair value of monetary claims bought that are securitized instruments is based on the appraised values submitted by brokers and other third parties. For monetary claims bought that are not securitized instruments, book value is used as their fair value as they are settled within a short term and their fair value approximates book value.

Among monetary claims bought, securitized instruments are classed in Level 3, and all others are classed in Level 2.

Money held in trust

Among trust asset components that are securities, the fair value of stocks is based on the price quoted by the exchange for shares, and the fair value of mutual funds is based on net asset value. In accordance with Paragraph 26 of the Fair Value Measurement Implementation Guidance, transitional treatment is applied to fair value for mutual funds and no level is assigned. For trust asset components that are not securities, book value is used as fair value as their fair value approximates book value.

The fair value of money held in trust is primarily classed in Level 1 based on the level of its components.

In addition, money held in trust is described in “(5) Money Held in Trust” in accordance with the purpose of the holdings.

Securities

The fair value of stocks is based on the price quoted by the exchange and classed in Level 1, based on the activeness of the market.

Among bonds and other securities, primarily, the fair value of Japanese government bonds is based on the published quoted price and classed in Level 1 based on the activeness of the market. Even if there is a published quoted price, in cases such as when the market is not active or if it is based on appraised values obtained from information vendors and other third parties (excluding cases where material, unobservable inputs are used), fair value is classed in Level 2. This includes Japanese local government bonds, Japanese corporate bonds, and foreign bonds.

If it is calculated with appraised values obtained from brokers and other third parties, and material, unobservable inputs are used, fair value is classed in Level 3.

The fair value of mutual funds is based on net asset value. In accordance with Paragraph 26 of the Fair Value Measurement Implementation Guidance, transitional treatment is applied to fair value for mutual funds and no level is assigned.

Securities are described in “(4) Securities” in accordance with the purpose of the holdings.

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, book value is used as fair value as 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 at an interest rate that is the market interest rate as of the valuation date to which certain adjustments have been made.

The fair value of loans is classed in Level 3.

Liabilities

Bonds payable

The published quoted prices are used as fair value for bonds issued by the Company, which is classed in Level 2.

Derivative transactions

Derivative transactions are over-the-counter currency-related transactions (forward foreign exchange) for which there are no published quoted prices, but their fair value is classed in Level 2 because it is calculated using observable inputs, primarily exchange rates, etc.

Note 2: Information regarding the fair value of financial instruments carried at fair value in the consolidated balance sheet that is classed in Level 3

1) Quantitative information regarding material, unobservable inputs

Not provided, as the Company itself does not estimate unobservable inputs.

2) Changes in net valuation gain/loss recognized in gain/loss for the fiscal year ended March 31, 2022

(Millions of yen)

| | Balance at the beginning of the fiscal year | Gain/loss for period under review or Other comprehensive income (loss) | | Changes due to purchase, sale, issuance, and settlement | Transfer to Level 3 fair value (*3) | Transfer from Level 3 fair value (*4) | Balance at the end of period | Of gain/loss in fiscal year ended March 31, 2022, net valuation gain/loss of financial instruments held on consolidated balance sheet date (*1) |
|---------------------------------|---|--|--|---|-------------------------------------|---------------------------------------|------------------------------|---|
| | | Recorded in gain/loss (*1) | Recorded in Other comprehensive income (loss) (*2) | | | | | |
| Monetary claims bought | 21,779 | - | (444) | (1,790) | - | - | 19,544 | - |
| Securities | | | | | | | | |
| Available-for-sale securities | | | | | | | | |
| Japanese local government bonds | 29,238 | 1,105 | (958) | (759) | 6,016 | - | 34,642 | 1,105 |
| Foreign securities | 27,126 | 2,286 | (2,824) | 10,816 | - | (5,054) | 32,350 | 2,286 |
| Other securities | 14,308 | - | (141) | (1,616) | - | - | 12,551 | - |
| Total assets | 92,453 | 3,392 | (4,368) | 6,649 | 6,016 | (5,054) | 99,089 | 3,392 |

(*1) Included in “Investment income” and “Investment expenses” in the consolidated statement of income.

(*2) Included in “Net unrealized gains (losses) on available-for-sale securities” of “Other comprehensive income (loss)” in the consolidated statement of comprehensive income.

(*3) This is the transfer from Level 2 fair value to Level 3 fair value, due to observable data becoming unavailable for the Japanese local government bonds in question. The transfer was conducted at the beginning of the period.

(*4) This is the transfer from Level 3 fair value to Level 2 fair value, due to observable data becoming available for the foreign securities in question. The transfer was conducted at the beginning of the period.

3) Explanation of fair value valuation process

The Company’s fair value valuation department establishes policies and procedures for the measurement of fair value, conducts the calculations, and determines the classification of fair value level. Because the risk management department establishes procedures for the verification of fair value of financial instruments and, in cases where quoted prices obtained from third parties are used, verifies the validity of those prices via appropriate means, such as confirming the valuation methods and inputs used and comparing them with the fair value of similar financial instruments, the appropriateness of fair value valuation, etc. of financial instruments is ensured.

4) Explanation of impact on fair value of changes to material, unobservable inputs

Not provided, as the Company itself does not estimate unobservable inputs.

(4) 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 | 30,524,382 | 34,742,939 | 4,218,557 |
| Japanese government bonds | 26,227,827 | 30,204,810 | 3,976,982 |
| Japanese local government bonds | 2,964,780 | 3,129,782 | 165,002 |
| Japanese corporate bonds | 1,331,774 | 1,408,346 | 76,571 |
| Subtotal | 30,524,382 | 34,742,939 | 4,218,557 |
| Those for which fair value does not exceed the consolidated balance sheet amount | | | |
| Bonds | 3,601,865 | 3,400,254 | (201,611) |
| Japanese government bonds | 2,918,408 | 2,745,383 | (173,024) |
| Japanese local government bonds | 263,296 | 251,162 | (12,134) |
| Japanese corporate bonds | 420,160 | 403,708 | (16,452) |
| Subtotal | 3,601,865 | 3,400,254 | (201,611) |
| Total | 34,126,248 | 38,143,194 | 4,016,945 |

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 | 6,423,179 | 7,016,281 | 593,102 |
| Japanese government bonds | 5,683,080 | 6,253,790 | 570,710 |
| Japanese local government bonds | 407,633 | 421,913 | 14,280 |
| Japanese corporate bonds | 332,465 | 340,577 | 8,111 |
| Subtotal | 6,423,179 | 7,016,281 | 593,102 |
| Those for which fair value does not exceed the consolidated balance sheet amount | | | |
| Bonds | 2,181,555 | 2,089,747 | (91,808) |
| Japanese government bonds | 1,183,968 | 1,124,855 | (59,113) |
| Japanese local government bonds | 137,892 | 134,883 | (3,008) |
| Japanese corporate bonds | 859,694 | 830,008 | (29,686) |
| Subtotal | 2,181,555 | 2,089,747 | (91,808) |
| Total | 8,604,735 | 9,106,029 | 501,294 |

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 | 1,813,528 | 1,794,094 | 19,433 |
| Japanese government bonds | 361,077 | 359,070 | 2,007 |
| Japanese local government bonds | 399,961 | 399,648 | 313 |
| Japanese corporate bonds | 1,052,488 | 1,035,375 | 17,113 |
| Stocks | 281,744 | 206,775 | 74,969 |
| Foreign securities | 2,441,213 | 2,267,780 | 173,433 |
| Foreign bonds | 2,331,403 | 2,160,701 | 170,702 |
| Other foreign securities | 109,810 | 107,078 | 2,731 |
| Other (*) | 872,126 | 816,649 | 55,477 |
| Subtotal | 5,408,613 | 5,085,299 | 323,313 |
| Those for which the consolidated balance sheet amount does not exceed cost | | | |
| Bonds | 2,203,434 | 2,249,611 | (46,177) |
| Japanese government bonds | 1,034,611 | 1,063,705 | (29,094) |
| Japanese local government bonds | 298,902 | 300,451 | (1,549) |
| Japanese corporate bonds | 869,920 | 885,454 | (15,534) |
| Stocks | 138,069 | 151,019 | (12,950) |
| Foreign securities | 1,891,306 | 1,979,298 | (87,991) |
| Foreign bonds | 1,850,123 | 1,935,566 | (85,442) |
| Other foreign securities | 41,182 | 43,731 | (2,549) |
| Other (*) | 1,462,353 | 1,510,985 | (48,631) |
| Subtotal | 5,695,163 | 5,890,914 | (195,751) |
| Total | 11,103,776 | 10,976,214 | 127,562 |

(*) "Other" includes negotiable certificates of deposit (cost: ¥405,000 million, consolidated balance sheet amount: ¥405,000 million) presented as "Cash and deposits" in the consolidated balance sheets, and monetary claims bought (cost: ¥38,399 million, consolidated balance sheet amount: ¥39,543 million).

4) Policy-reserve-matching Bonds Sold during the Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Sales | Gains | Losses |
|---------------------------|---------|-------|--------|
| Bonds | 428,238 | 6,800 | - |
| Japanese government bonds | 428,238 | 6,800 | - |
| Total | 428,238 | 6,800 | - |

5) Available-for-sale Securities Sold during the Fiscal Year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

| | Sales | Gains | Losses |
|---------------------------------|------------------|---------------|---------------|
| Bonds | 824,713 | 1,056 | 13,317 |
| Japanese government bonds | 592,415 | 982 | 12,384 |
| Japanese local government bonds | 91,010 | 32 | 119 |
| Japanese corporate bonds | 141,287 | 41 | 813 |
| Stocks | 58,005 | 8,005 | 3,071 |
| Foreign securities | 655,411 | 11,079 | 24,243 |
| Foreign bonds | 654,798 | 11,079 | 24,239 |
| Other foreign securities | 612 | - | 4 |
| Other securities | 119,524 | - | 10,475 |
| Total | 1,657,654 | 20,142 | 51,108 |

(5) 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 | 3,820,432 | 2,793,740 | 1,026,692 | 1,100,917 | (74,224) |

(*) The Group recognized losses on valuation of ¥8,168 million for the fiscal year ended March 31, 2022.

Stocks managed as trust assets whose average market value for the month preceding the consolidated balance sheet date declined 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.

(6) 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 | 4,064 | - | (226) | (226) |
| | U.S. dollars | 4,064 | - | (226) | (226) |
| | Bought | 25,737 | - | (30) | (30) |
| | U.S. dollars | 5,676 | - | (49) | (49) |
| | Euros | 20,061 | - | 19 | 19 |
| Total | | - | - | - | (256) |

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 | | | | | | | |
| | U.S. dollars | | | | | 3,294,104 | - | (239,193) |
| | Euros | | | | | 1,807,472 | - | (127,621) |
| | Australian dollars | | | | | 598,999 | - | (23,378) |
| Other | 428,242 | - | (51,987) | | | | | |
| | | | 459,390 | - | (36,205) | | | |
| Total | | | - | - | (239,193) | | | |

6. The consolidated balance sheet amount, fair value and the outline of the 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 ¥8,604,735 million and ¥9,106,029 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 (all insurance policies)

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

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

The remaining period of insurance contracts comprising the sub-group Postal Life Insurance Contracts used to be within 30 years, but has been eliminated from the beginning of the fiscal year ended March 31, 2022, as the issuance of 30- and 40-year Japanese government bonds has stably expanded to facilitate possession of super long-term bonds and duration gap adjustment of longer-term insurance contracts. This change has no impact on profit or loss.

7. Securities lent under lending agreements in the amount of ¥3,172,477 million were included in “Securities” in the consolidated balance sheets as of March 31, 2022.

8. There were no bankrupt loans or quasi-bankrupt loans, doubtful loans, past due loans for three months or more, or restructured loans as of March 31, 2022.

Definitions for each of the respective loans are as follows:

Bankrupt or quasi-bankrupt loans are loans to borrowers who have fallen into bankruptcy for reasons such as the commencement of bankruptcy proceedings or reorganization proceedings, or the petition for commencement of rehabilitation proceedings, and loans similar to these.

Doubtful loans are loans to borrowers who are yet to have fallen into bankruptcy, but from whom the collection of principal and receipt of interest as committed under an agreement is unlikely to be achieved, due to the borrower’s deteriorating financial conditions and business performance. This category excludes loans classified as bankrupt loans or quasi-bankrupt loans and doubtful 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 those classified as bankrupt loans or quasi-bankrupt 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 or quasi-bankrupt loans, doubtful loans and past due loans for three months or more.

9. The balance of the unused credit under loan commitment line agreements, etc. as of March 31, 2022 was ¥25,367 million.

10. Accumulated depreciation for tangible fixed assets as of March 31, 2022 was ¥55,931 million.

11. Total deferred tax assets and total deferred tax liabilities were ¥1,438,593 million and ¥419,113 million, respectively. A deduction from deferred tax assets as valuation allowance was ¥14,133 million.

Significant components of deferred tax assets include ¥1,026,908 million of policy reserves, ¥248,305 million of reserve for price fluctuations, ¥38,057 million of reserve for outstanding claims, ¥19,172 million of liability for retirement benefits, and ¥74,964 million of unrealized losses on available-for-sale securities.

Significant components of deferred tax liabilities include ¥408,207 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.

12. Changes in reserve for policyholder dividends for the fiscal year ended March 31, 2022 were as follows:

| | |
|--|--------------------|
| Balance at the beginning of the fiscal year | ¥1,342,855 million |
| Policyholder dividends paid | ¥155,691 million |
| Interest accrual | ¥9 million |
| Reduction due to the acquisition of additional annuity | ¥278 million |
| Provision for reserve for policyholder dividends | ¥73,113 million |
| <hr/> | |
| Balance at the end of the fiscal year | ¥1,260,009 million |

13. Equities, etc. of subsidiaries and affiliates was ¥23,104 million.

14. Assets pledged as collateral consisted of the following:

Securities ¥4,253,107 million

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

Payables under repurchase agreements ¥2,570,899 million

Payables under securities lending transactions ¥2,236,696 million

The above securities are those sold under repurchase agreements and 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 derivative transactions.

Securities ¥498,437 million

Margin deposits for futures transactions ¥3,674 million

Cash collateral paid for financial instruments ¥36,850 million

15. 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, 2022 was ¥525 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, 2022 were ¥907 million.

16. Net assets per share were ¥6,059.59.

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, 2022 was 140,300 shares.

17. The Company has the right to sell or pledge securities received as collateral for transactions such as resale agreements, borrowing agreements, and derivative transactions. The fair value of such securities held in hand was ¥601,181 million as of March 31, 2022.

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

19. The Company estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amount of ¥33,449 million as of March 31, 2022 pursuant to Article 259 of the Insurance Business Act.

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

20. 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, 2022 was ¥363 million.

(2) Defined benefit plans

1) Changes in retirement benefit obligations

| | (Millions of yen) |
|---|-------------------|
| Balance at the beginning of the fiscal year | 66,414 |
| Service cost | 4,111 |
| Interest cost | 459 |
| Actuarial differences | 264 |
| Benefits paid | (2,992) |
| Other | 55 |
| Balance at the end of the fiscal year | <u>68,313</u> |

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>68,313</u> |
| Liability for retirement benefits recorded on the consolidated balance sheet | <u>68,313</u> |

3) Retirement benefit costs

| | (Millions of yen) |
|--|-------------------|
| Service cost | 4,111 |
| Interest cost | 459 |
| Amortization of actuarial differences | (231) |
| Amortization of prior service cost | (464) |
| Other | 97 |
| Retirement benefit expenses of defined benefit plans | <u>3,971</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 | (464) |
| Actuarial differences | (496) |
| Total | <u>(961)</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 | 3,721 |
| Unrecognized actuarial differences | 151 |
| Total | <u>3,873</u> |

6) Actuarial assumptions

The principal actuarial assumption used for the fiscal year ended March 31, 2022 was as follows:

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

21. Policy reserves, excluding contingency reserve, related to reinsurance contracts with the Management Network, amounted to ¥29,331,229 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 ¥1,203,243 million and ¥695,157 million, respectively, for the category of the reinsurance.

22. "Other liabilities" in the consolidated balance sheet includes ¥39,991 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 were deposited at the time of privatization based on the outsourcing agreements with the Management Network for the administrative operation of the Postal Life Insurance Policy and which remained unpaid at the end of the fiscal year ended March 31, 2022.

(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.

2. The amount of provision for reserve for outstanding claims-ceded that is added to the calculation of reversal of reserve for outstanding claims for the fiscal year ended March 31, 2022 was ¥106 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, 2022 was ¥27 million.

3. Net income per share was ¥375.14.

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, 2022 was 143,901 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, 2022 were ¥286,840 million.

5. Insurance claims based on reinsurance contracts with the Management Network included in insurance claims for the fiscal year ended March 31, 2022 were ¥2,717,586 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 ¥54,849 million for the fiscal year ended March 31, 2022.

(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 | (221,217) |
| Reclassification adjustments | 2,062 |
| Before tax effect adjustments | (219,154) |
| Tax effect | 61,534 |
| Net unrealized gains (losses) on available-for-sale securities | (157,619) |
| Net deferred gains (losses) on hedges: | |
| Amount arising during the fiscal year | - |
| Reclassification adjustments | (796) |
| Before tax effect adjustments | (796) |
| Tax effect | 222 |
| Net deferred gains (losses) on hedges | (573) |
| Adjustments for retirement benefits: | |
| Amount arising during the fiscal year | (264) |
| Reclassification adjustments | (696) |
| Before tax effect adjustments | (961) |
| Tax effect | 267 |
| Adjustments for retirement benefits | (693) |
| Total other comprehensive income (loss) | (158,887) |

(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, 2022 was as follows:

| | |
|---------------------------|--------------------|
| Cash and deposits | ¥1,270,762 million |
| Cash and cash equivalents | ¥1,270,762 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, 2021 | Increase | Decrease | March 31, 2022 |
|----------------|---------------|----------|----------|----------------|
| Shares issued | | | | |
| Common stock | 562,600 | - | 162,906 | 399,693 |
| Treasury stock | | | | |
| Common stock | 167 | 162,906 | 162,922 | 151 |

(*1) The decrease of 162,906 thousand shares in the number of shares issued was attributable to the cancellation of shares of treasury stock based on the resolution at the Board of Directors meeting held on July 28, 2021.

(*2) Numbers of treasury stock at the beginning of the fiscal year ended March 31, 2022 and the end of the fiscal year ended March 31, 2022 include shares of the Company held in the BBT, and were 156 thousand shares and 140 thousand shares, respectively.

(*3) The increase of 162,906 thousand shares in the number of treasury stock was attributable to the purchases of shares of treasury stock based on the resolution at the Board of Directors meeting held on May 14, 2021.

(*4) The decrease of 162,922 thousand shares in the number of treasury stock was attributable to the cancellation of 162,906 thousand shares of treasury stock based on the resolution at the Board of Directors meeting held on July 28, 2021 and the granting of 15 thousand 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 14, 2021 | Common stock | 42,756 | 76.00 | March 31, 2021 | June 17, 2021 |
| Board of Directors' meeting held on November 12, 2021 | Common stock | 17,985 | 45.00 | September 30, 2021 | December 3, 2021 |

(*1) Total amount of dividends based on the resolution at the Board of Directors meeting held on May 14, 2021 includes ¥11 million of dividends paid to shares of the Company held in the Board Benefit Trust (BBT).

(*2) Total amount of dividends based on the resolution at the Board of Directors meeting held on November 12, 2021 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, 2022

| 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 13, 2022 | Common stock | 17,985 | Retained earnings | 45.00 | March 31, 2022 | June 16, 2022 |

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

(7) Status of Loans under the Insurance Business Act (Consolidated)

(Millions of yen, %)

| As of March 31 | 2021 | 2022 |
|---|-----------|-----------|
| Bankrupt or quasi-bankrupt loans | - | - |
| Doubtful loans | - | - |
| Past due loans for three months or more | - | - |
| Restructured loans | - | - |
| Subtotal | - | - |
| (Percentage in total) | (-) | (-) |
| Normal loans | 7,630,495 | 7,330,258 |
| Total | 7,630,495 | 7,330,258 |

- 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 (excluding the loans noted in 1).
 3. 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).
 4. 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 to 3).
 5. Normal loans are loans which do not fall under the loans noted in 1 to 4 above as there are no particular problems found with the borrower's financial conditions and results.

(8) Consolidated Solvency Margin Ratio

(Millions of yen)

| As of March 31 | | 2021 | 2022 |
|--|----------------|-----------|-----------|
| Total amount of solvency margin | (A) | 6,216,257 | 5,858,523 |
| Capital stock, etc. | | 1,763,280 | 1,526,526 |
| Reserve for price fluctuations | | 904,816 | 972,606 |
| Contingency reserve | | 1,611,343 | 1,690,994 |
| Catastrophe loss reserve | | - | - |
| General reserve for possible loan losses | | 36 | 32 |
| (Net unrealized gains (losses) on available-for-sale securities (before taxes) • Net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%) | | 1,283,545 | 1,086,306 |
| Net unrealized gains (losses) on real estate × 85% (if negative, × 100%) | | 2,203 | 1,809 |
| Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes) | | 4,835 | 3,873 |
| Excess of continued Zillmerized reserve | | 364,059 | 299,478 |
| Capital raised through debt financing | | 300,000 | 300,000 |
| Amounts within “excess of continued Zillmerized reserve” and “capital raised through debt financing” not calculated into the margin | | - | - |
| Deductions | | (17,862) | (23,104) |
| 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) | 1,108,789 | 1,120,660 |
| Insurance risk | R ₁ | 130,961 | 125,154 |
| General insurance risk | R ₅ | - | - |
| Catastrophe risk | R ₆ | - | - |
| Underwriting risk of third-sector insurance | R ₈ | 49,371 | 44,708 |
| Small amount and short-term insurance risk | R ₉ | - | - |
| Anticipated yield risk | R ₂ | 131,404 | 125,089 |
| Minimum guarantee risk | R ₇ | - | - |
| Investment risk | R ₃ | 937,296 | 957,278 |
| Business management risk | R ₄ | 24,980 | 25,044 |
| Solvency margin ratio | | | |
| $\frac{(A)}{(1/2) \times (B)} \times 100$ | | 1,121.2 % | 1,045.5 % |

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.