5. Transition of Significant Management Indicators, etc.

Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Total income	13,326,534	12,920,375	12,774,999	11,950,185	11,720,403
Income before income taxes	795,237	916,144	830,696	864,457	914,164
Net income (loss)	(28,976)	460,623	479,419	483,733	418,238
Comprehensive income (loss)	8,867	118,564	291,836	(2,225,078)	3,567,160
Net assets	14,954,581	14,743,234	14,788,654	12,616,774	16,071,067
Total assets	293,162,545	290,640,154	286,170,709	286,098,449	297,738,131
Consolidated capital adequacy ratio (domestic standard)	23.80%	19.11%	17.73%	17.66%	17.55%
Consolidated solvency margin ratio	922.0%	722.7%	670.7%	554.2%	674.9%

Notes:
1. The amount of net income (loss) attributable to Japan Post Holdings has been used for net income (loss) of the Japan Post Group (Consolidated).
2. The consolidated capital adequacy ratio (domestic standard) has been calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006).
3. The consolidated solvency margin ratio has been calculated in accordance with Articles 210-11-3 and 210-11-4 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

Japan Post Holdings (Non-consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Operating income	303,808	280,850	274,551	289,447	167,933
Net operating income	226,964	218,727	213,623	236,452	104,871
Net ordinary income	228,831	219,729	215,900	243,027	114,800
Net income (loss)	207,015	196,232	220,791	397,647	(2,129,989)
Net assets	8,057,856	7,950,122	7,940,442	8,031,667	5,912,969
Total assets	8,261,109	8,127,442	8,079,602	8,129,402	5,997,547

Japan Post (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Operating income	3,758,970	3,881,943	3,960,669	3,839,318	3,837,635
Net operating income	53,430	86,564	182,021	179,034	155,070
Net ordinary income	52,221	85,459	179,865	168,111	149,191
Net income (loss)	(385,235)	58,476	126,614	87,155	53,415
Net assets	794,244	831,253	915,130	855,378	871,293
Total assets	5,091,375	5,098,926	5,182,809	5,179,414	5,175,507

Notes:
1. The amount of net income (loss) attributable to Japan Post has been used for net income (loss) of Japan Post (Consolidated).
2. Japan Post has applied Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of the fiscal year ended March 31, 2019, and has restated significant management indicators, etc., for the fiscal year ended March 31, 2018.

[Postal and domestic logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Operating income	1,929,928	2,022,526	2,114,950	2,125,313	2,068,426
Net operating income	12,053	41,903	121,388	147,505	123,716

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Operating income	1,386,456	1,358,798	1,362,579	1,298,774	1,243,466
Net operating income	63,334	39,771	59,619	44,598	37,727

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Operating income	644,416	704,302	700,650	634,954	749,878
Net operating income (loss)	5,642	10,254	10,300	(8,683)	3,505

Note:
For the international logistics business segment, the amount presented in net operating income is EBIT.

Japan Post Bank (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Ordinary income	—	2,044,940	1,845,413	1,799,544	1,946,728
Net ordinary income	—	499,654	373,978	379,137	394,221
Net income	—	352,775	266,189	273,435	280,130
Net assets	—	11,521,680	11,362,365	9,003,256	11,394,827
Total assets	—	210,629,821	208,974,134	210,910,882	223,870,673
Consolidated capital adequacy ratio (domestic standard)	—	17.43%	15.80%	15.58%	15.53%

Notes:
1. Because financial statements have been prepared on a consolidated basis from the fiscal year ended March 31, 2018, figures for the fiscal year ended March 31, 2017, and prior years, when non-consolidated figures had been listed, are expressed with the symbol 「—」.
2. The amount of net income attributable to Japan Post Bank has been used for net income of Japan Post Bank (Consolidated).
3. The consolidated capital adequacy ratio (domestic standard) has been calculated based on standards stipulated by Article 14-2 of the Banking Act for the purpose of determining whether banks have sufficient equity capital given their holdings of assets and other instruments (Notification No. 19, the Financial Services Agency, 2006).

Japan Post Insurance (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Ordinary income	8,659,444	7,952,951	7,916,655	7,211,405	6,786,226
Net ordinary income	279,755	309,233	264,870	286,601	345,736
Net income	88,596	104,487	120,480	150,687	166,103
Net assets	1,853,203	2,003,126	2,135,137	1,928,380	2,841,475
Total assets	80,336,760	76,831,261	73,905,017	71,664,781	70,172,982
Consolidated solvency margin ratio	1,290.6%	1,131.8%	1,189.8%	1,070.9%	1,121.2%

Notes:
1. The amount of net income attributable to Japan Post Insurance has been used for net income of Japan Post Insurance (Consolidated).
2. The consolidated solvency margin ratio has been calculated in accordance with Articles 86-2 and 88 of the Ordinance for Enforcement of the Insurance Business Act and Notification No. 23 issued by the Financial Services Agency in 2011.

6. Japan Post Group Companies—Consolidated Financial Data

CONSOLIDATED BALANCE SHEETS MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)
ASSETS:			
Cash and due from banks (Notes 3, 4 and 21)	¥ 62,719,113	¥ 53,680,384	$ 566,517
Call loans (Note 21)	1,520,000	1,420,000	13,730
Receivables under resale agreements (Note 21)	9,721,360	9,731,897	87,809
Receivables under securities borrowing transactions (Note 21)	2,585,087	3,304,202	23,350
Monetary claims bought (Notes 4 and 21)	638,985	634,394	5,772
Trading account securities (Note 21)	13	31	0
Money held in trust (Notes 4 and 21)	10,029,932	7,804,150	90,596
Securities (Notes 3, 4, 5 and 21)	193,703,491	191,127,051	1,749,648
Loans (Notes 6 and 21)	9,655,811	10,624,482	87,217
Foreign exchanges	80,847	147,469	730
Other assets (Note 5)	2,716,321	2,787,487	24,535
Tangible fixed assets (Note 7)			
Buildings	1,106,006	1,133,110	9,990
Land	1,543,915	1,538,190	13,946
Construction in progress	136,149	97,283	1,230
Other tangible fixed assets	367,668	417,974	3,321
Total tangible fixed assets	3,153,739	3,186,558	28,486
Intangible assets			
Software	217,282	269,867	1,963
Goodwill	2,383	2,550	22
Other intangible assets	20,528	19,276	185
Total intangible assets	240,194	291,694	2,170
Asset for retirement benefits (Note 14)	64,184	55,308	580
Deferred tax assets (Note 16)	919,448	1,312,378	8,305
Reserve for possible loan losses	(10,400)	(9,043)	(94)
Total assets	**¥ 297,738,131**	**¥ 286,098,449**	**$ 2,689,352**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)
LIABILITIES:			
Deposits (Notes 5 and 21)	¥ 187,984,760	¥ 181,377,859	$ 1,697,993
Payables under repurchase agreements (Notes 5 and 21)	14,886,481	14,855,624	134,464
Policy reserves and others			
Reserve for outstanding claims (Note 8)	419,021	461,224	3,785
Policy reserves (Notes 8 and 15)	59,397,720	62,293,166	536,516
Reserve for policyholder dividends (Note 10)	1,342,855	1,437,535	12,129
Total policy reserves and others	61,159,597	64,191,926	552,431
Payables under securities lending transactions (Notes 5 and 21)	6,092,013	6,509,525	55,027
Borrowed money (Notes 3, 5, 11 and 21)	4,228,180	302,200	38,191
Foreign exchanges	514	511	5
Bonds (Notes 12 and 21)	300,000	100,000	2,710
Other liabilities (Notes 11 and 13)	2,851,705	2,820,086	25,758
Reserve for bonuses	126,149	121,875	1,139
Liability for retirement benefits (Note 14)	2,210,273	2,220,241	19,965
Reserve for employee stock ownership plan trust	535	605	5
Reserve for management board benefit trust	952	984	9
Reserve for reimbursement of deposits	73,830	80,324	667
Reserve for insurance claims and others	2,851	29,722	26
Reserve for price fluctuations (Note 15)	904,816	858,339	8,173
Deferred tax liabilities (Note 16)	844,400	11,845	7,627
Total liabilities	**¥ 281,667,063**	**¥ 273,481,674**	**$ 2,544,188**
NET ASSETS (Note 17)**:**			
Capital stock	¥ 3,500,000	¥ 3,500,000	$ 31,614
Capital surplus	4,085,191	4,084,763	36,900
Retained earnings	4,374,229	4,057,087	39,511
Treasury stock	(831,661)	(831,707)	(7,512)
Total shareholders' equity	11,127,759	10,810,143	100,513
Net unrealized gains (losses) on available-for-sale securities	2,893,921	295,671	26,140
Net deferred gains (losses) on hedges	(329,275)	(291,823)	(2,974)
Foreign currency translation adjustments	(104,433)	(89,698)	(943)
Accumulated adjustments for retirement benefits	206,389	209,860	1,864
Total accumulated other comprehensive income	2,666,601	124,008	24,086
Non-controlling interests	2,276,705	1,682,622	20,565
Total net assets	**16,071,067**	**12,616,774**	**145,164**
Total liabilities and net assets	**¥ 297,738,131**	**¥ 286,098,449**	**$ 2,689,352**

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)	2021 (From April 1, 2020 to March 31, 2021)
INCOME:			
Postal business income	¥ 2,778,065	¥ 2,715,667	$ 25,093
Banking business income	1,944,878	1,797,365	17,567
Life insurance business income	6,786,210	7,211,365	61,297
Other income (Notes 7 and 18)	224,945	276,735	2,032
Total income	**11,734,100**	**12,001,133**	**105,990**
EXPENSES:			
Operating expenses	7,822,474	8,180,003	70,657
Personnel expenses (Note 14)	2,473,924	2,545,212	22,346
Depreciation and amortization	286,283	294,011	2,586
Other expenses (Note 19)	456,893	232,372	4,127
Total expenses	**11,039,575**	**11,251,599**	**99,716**
Income before income taxes	**694,525**	**749,534**	**6,273**
Income taxes (Note 16)**:**			
Current	224,804	256,663	2,031
Deferred	(38,998)	(75,263)	(352)
Total income taxes	**185,806**	**181,399**	**1,678**
Net income	**508,718**	**568,134**	**4,595**
Net income attributable to non-controlling interests	90,480	84,401	817
Net income attributable to Japan Post Holdings	**¥ 418,238**	**¥ 483,733**	**$ 3,778**

	Yen		U.S. Dollars (Note 1)
	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)	2021 (From April 1, 2020 to March 31, 2021)
Per share of common stock (Note 28)**:**			
Basic net income	¥ 103.44	¥ 119.64	$ 0.93
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)	2021 (From April 1, 2020 to March 31, 2021)
Net income	**¥ 508,718**	**¥ 568,134**	**$ 4,595**
Other comprehensive income (loss) (Note 20)			
Net unrealized gains (losses) on available-for-sale securities	3,116,179	(2,481,290)	28,147
Net deferred gains (losses) on hedges	(41,932)	(265,577)	(379)
Foreign currency translation adjustments	(12,539)	(2,786)	(113)
Adjustments for retirement benefits	(3,262)	(43,553)	(29)
Share of other comprehensive loss of affiliates	(3)	(4)	(0)
Total other comprehensive income (loss)	3,058,441	(2,793,212)	27,626
Comprehensive income (loss)	**¥ 3,567,160**	**¥ (2,225,078)**	**$ 32,221**
Total comprehensive income (loss) attributable to:			
Japan Post Holdings	¥ 2,960,822	¥ (1,969,427)	$ 26,744
Non-controlling interests	606,337	(255,650)	5,477

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2021 AND 2020

2020 (From April 1, 2019 to March 31, 2020)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2019	¥ 3,500,000	¥ 4,135,429	¥ 3,799,974	¥ (831,887)	¥ 10,603,516
Cumulative effects of changes in accounting policies			(24,426)		(24,426)
RESTATED BALANCE, APRIL 1, 2019	3,500,000	4,135,429	3,775,547	(831,887)	10,579,089
Changes in the fiscal year:					
Cash dividends			(202,193)		(202,193)
Net income attributable to Japan Post Holdings			483,733		483,733
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(50,666)			(50,666)
Disposals of treasury stock				180	180
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(50,666)	281,540	180	231,054
BALANCE, MARCH 31, 2020	¥ 3,500,000	¥ 4,084,763	¥ 4,057,087	¥ (831,707)	¥ 10,810,143

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2019	¥ 2,580,765	¥ (55,415)	¥ (89,350)	¥ 253,992	¥ 2,689,992	¥ 1,495,145	¥ 14,788,654
Cumulative effects of changes in accounting policies							(24,426)
RESTATED BALANCE, APRIL 1, 2019	2,580,765	(55,415)	(89,350)	253,992	2,689,992	1,495,145	14,764,227
Changes in the fiscal year:							
Cash dividends							(202,193)
Net income attributable to Japan Post Holdings							483,733
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(50,666)
Disposals of treasury stock							180
Net changes in items other than shareholders' equity in the fiscal year	(2,285,094)	(236,408)	(348)	(44,132)	(2,565,983)	187,476	(2,378,506)
Net changes in the fiscal year	(2,285,094)	(236,408)	(348)	(44,132)	(2,565,983)	187,476	(2,147,452)
BALANCE, MARCH 31, 2020	¥ 295,671	¥ (291,823)	¥ (89,698)	¥ 209,860	¥ 124,008	¥ 1,682,622	¥ 12,616,774

See the accompanying notes to consolidated financial statements.

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, MARCH 31, 2020	¥ 3,500,000	¥ 4,084,763	¥ 4,057,087	¥ (831,707)	¥ 10,810,143
Changes in the fiscal year:					
Cash dividends			(101,096)		(101,096)
Net income attributable to Japan Post Holdings			418,238		418,238
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		428			428
Disposals of treasury stock				45	45
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	428	317,142	45	317,616
BALANCE, MARCH 31, 2021	¥ 3,500,000	¥ 4,085,191	¥ 4,374,229	¥ (831,661)	¥ 11,127,759

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, MARCH 31, 2020	¥ 295,671	¥ (291,823)	¥ (89,698)	¥ 209,860	¥ 124,008	¥ 1,682,622	¥ 12,616,774
Changes in the fiscal year:							
Cash dividends							(101,096)
Net income attributable to Japan Post Holdings							418,238
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							428
Disposals of treasury stock							45
Net changes in items other than shareholders' equity in the fiscal year	2,598,250	(37,452)	(14,734)	(3,470)	2,542,592	594,083	3,136,675
Net changes in the fiscal year	2,598,250	(37,452)	(14,734)	(3,470)	2,542,592	594,083	3,454,292
BALANCE, MARCH 31, 2021	¥2,893,921	¥ (329,275)	¥ (104,433)	¥ 206,389	¥ 2,666,601	¥ 2,276,705	¥ 16,071,067

See the accompanying notes to consolidated financial statements.

2021 (From April 1, 2020 to March 31, 2021)

(Millions of U.S. Dollars (Note 1))

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2020	$ 31,614	$ 36,896	$ 36,646	$ (7,512)	$ 97,644
Changes in the fiscal year:					
Cash dividends			(913)		(913)
Net income attributable to Japan Post Holdings			3,778		3,778
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		4			4
Disposals of treasury stock				0	0
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	4	2,865	0	2,869
BALANCE, MARCH 31, 2021	$ 31,614	$ 36,900	$ 39,511	$ (7,512)	$ 100,513

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehensive income (loss)		
BALANCE, APRIL 1, 2020	$ 2,671	$ (2,636)	$ (810)	$ 1,896	$ 1,120	$ 15,198	$ 113,962
Changes in the fiscal year:							
Cash dividends							(913)
Net income attributable to Japan Post Holdings							3,778
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							4
Disposals of treasury stock							0
Net changes in items other than shareholders' equity in the fiscal year	23,469	(338)	(133)	(31)	22,966	5,366	28,332
Net changes in the fiscal year	23,469	(338)	(133)	(31)	22,966	5,366	31,201
BALANCE, MARCH 31, 2021	$ 26,140	$ (2,974)	$ (943)	$ 1,864	$ 24,086	$ 20,565	$ 145,164

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2021 AND 2020

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)	2021 (From April 1, 2020 to March 31, 2021)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 694,525	¥ 749,534	$ 6,273
Income taxes paid	(168,644)	(221,512)	(1,523)
Policyholder dividends paid	(159,817)	(185,042)	(1,444)
Depreciation and amortization	286,283	294,011	2,586
Losses on impairment of fixed assets	93,545	21,723	845
Amortization of goodwill	167	167	2
Equity in (earnings) losses of affiliates	(560)	(244)	(5)
Gains on negative goodwill	—	(48)	—
Net change in reserve for outstanding claims	(42,203)	(58,343)	(381)
Net change in policy reserves	(2,895,445)	(2,767,383)	(26,153)
Provision for interest on policyholder dividends	8	8	0
Provision for reserve for policyholder dividends	65,465	109,236	591
Net change in reserve for possible loan losses	2	3,480	0
Net change in reserve for bonuses	3,779	(517)	34
Net change in asset and liability for retirement benefits	(18,844)	(21,065)	(170)
Net change in reserve for employee stock ownership plan trust	(70)	(233)	(1)
Net change in reserve for management board benefit trust	(31)	(49)	(0)
Net change in reserve for reimbursement of deposits	(6,494)	(8,008)	(59)
Net change in reserve for insurance claims and others	(26,870)	29,722	(243)
Net change in reserve for price fluctuations	46,477	(39,152)	420
Interest income (accrual basis)	(1,198,391)	(1,317,799)	(10,825)
Interest expenses (accrual basis)	241,154	346,634	2,178
Net (gains) losses on securities	236,608	(14,671)	2,137
Net (gains) losses on money held in trust	(360,343)	(124,399)	(3,255)
Net (gains) losses on foreign exchanges	(469,687)	(85,265)	(4,242)
Net (gains) losses on sales and disposal of fixed assets	(4,081)	1,667	(37)
Net change in loans	268,257	334,007	2,423
Net change in deposits	6,606,901	1,752,024	59,678
Net change in borrowed money	3,907,400	6,200	35,294
Net change in call loans, etc.	(386,825)	(2,023,847)	(3,494)
Net change in receivables under securities borrowing transactions for banking business	112,491	(112,491)	1,016
Net change in call money, etc.	30,856	3,286,253	279
Net change in commercial papers	—	(28,029)	—
Net change in payables under securities lending transactions for banking business	(714,840)	(254,073)	(6,457)
Net change in foreign exchanges (assets)	66,622	(67,072)	602
Net change in foreign exchanges (liabilities)	3	(117)	0
Interest received (cash basis)	1,276,210	1,379,252	11,528
Interest paid (cash basis)	(429,822)	(405,217)	(3,882)
Other, net	(88,628)	(273,486)	(801)
Total adjustments	6,270,630	(443,683)	56,640
Net cash provided by (used in) operating activities	**¥ 6,965,155**	**¥ 305,850**	**$ 62,914**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)	2021 (From April 1, 2020 to March 31, 2021)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (7,660,000)	¥ (8,110,000)	¥ (69,190)
Proceeds from redemption of call loans	7,910,000	7,880,000	71,448
Purchases of monetary claims bought	(1,434,928)	(1,524,997)	(12,961)
Proceeds from sale and redemption of monetary claims bought	1,476,386	1,561,185	13,336
Net change in receivables under securities borrowing transactions for life insurance business	606,623	(399,508)	5,479
Net change in payables under securities lending transactions for life insurance business	297,328	867,329	2,686
Purchases of securities	(33,050,485)	(25,138,744)	(298,532)
Proceeds from sale of securities	5,705,239	3,605,937	51,533
Proceeds from redemption of securities	28,137,974	22,959,251	254,159
Increase in money held in trust	(1,167,348)	(2,303,911)	(10,544)
Decrease in money held in trust	780,139	658,806	7,047
Payments for loans	(571,239)	(718,926)	(5,160)
Proceeds from collection of loans	1,269,999	1,842,218	11,471
Purchases of tangible fixed assets	(172,376)	(133,811)	(1,557)
Proceeds from sale of tangible fixed assets	18,540	12,995	167
Purchases of intangible assets	(54,472)	(80,053)	(492)
Proceeds from sale of stocks of subsidiaries and affiliates	7	5,455	0
Proceeds from purchase of stocks of subsidiaries resulting in change in the scope of consolidation	—	487	—
Proceeds from sale of stocks of subsidiaries resulting in change in the scope of consolidation	649	266	6
Other, net	(76,837)	56,504	(694)
Net cash provided by investing activities	**¥ 2,015,201**	**¥ 1,040,484**	**$ 18,203**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 186,728	¥ 307,250	$ 1,687
Repayment of borrowings	(204,584)	(261,759)	(1,848)
Proceeds from issuance of bonds	198,798	—	1,796
Purchases of treasury stock of subsidiaries	(295)	(7,881)	(3)
Proceeds from disposals of treasury stock of subsidiaries	71	82	1
Dividends paid	(101,257)	(202,271)	(915)
Dividends paid to non-controlling interests	(18,125)	(34,184)	(164)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	(1)	(1)	(0)
Proceeds from sale of stocks of subsidiaries that do not result in change in the scope of consolidation	12	322,539	0
Other, net	(10,766)	(24,770)	(97)
Net cash provided by financing activities	**50,578**	**99,003**	**457**
Effect of exchange rate changes on cash and cash equivalents	**3,161**	**(1,770)**	**29**
Net change in cash and cash equivalents	**9,034,097**	**1,443,568**	**81,601**
Cash and cash equivalents at the beginning of the fiscal year	**53,603,857**	**52,160,289**	**484,183**
Cash and cash equivalents at the end of the fiscal year (Note 3)	**¥ 62,637,954**	**¥ 53,603,857**	**$ 565,784**

See the accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

The accounts of overseas subsidiaries and affiliates, are, in principle, integrated with those of the Company's accounting policies for purposes of consolidation unless they apply different accounting principles and standards as required under U.S. GAAP or IFRS, in which case a certain limited number of items are adjusted based on materiality.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Consolidation and Equity Method

1) Scope of consolidation

Under Japanese GAAP, a company is required to consolidate any subsidiary when the company substantially controls the operations of the subsidiary, even if it is not majority-owned. Control is defined as the power to govern the decision-making body of an enterprise. The consolidated financial statements as of and for the fiscal years ended March 31, 2021 and 2020 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 259 (260 in 2020) consolidated subsidiaries. Principal consolidated subsidiaries are Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd.

During the fiscal year ended March 31, 2021, 3 subsidiaries of Toll Holdings Limited (hereinafter referred to as "Toll") were included in the scope of consolidation due to the establishment. In addition, 1 subsidiary of Toll was excluded from the scope of consolidation due to the liquidation, and 3 subsidiaries of Toll were excluded from the scope of consolidation due to the sale of its stock.

During the fiscal year ended March 31, 2020, 1 subsidiary of Toll was included in the scope of consolidation due to establishment and SDP Center Co., Ltd., which was an affiliate accounted for by the equity method, was included in the scope of consolidation since it became a subsidiary as a result of an additional purchase of its stock. JP Mitsukoshi Merchandising Co., Ltd. and 6 subsidiaries of Toll were excluded from the scope of consolidation due to liquidation. Japan Post Sankyu Global Logistics Co., Ltd. was excluded from the scope of consolidation due to the sale of its stock.

In addition, SDP Center Co., Ltd. changed its trade name to Japan Post Bank Loan Center Co., Ltd. on April 1, 2020.

B) Non-consolidated subsidiaries

The Company has 6 (3 in 2020) non-consolidated subsidiaries, namely, silent partnership(s) investing in real estate, etc. for all periods presented.

The non-consolidated subsidiaries are excluded from the scope of consolidation because their assets, income, net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of consolidation does not hinder a reasonable understanding of the Group's financial position and results of operations.

2) Application of the equity method

A) Non-consolidated subsidiaries accounted for by the equity method

There were no non-consolidated subsidiaries accounted for by the equity method for all periods presented.

B) Affiliates accounted for by the equity method

The Company has 15 (17 in 2020) affiliates accounted for by the equity method, namely, JA Foods Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd. and Toll's affiliates for the fiscal years ended March 31, 2021 and 2020, respectively.

During the fiscal year ended March 31, 2021, 2 affiliates of Toll were excluded from the scope of the equity method due to the sale of its stock.

During the fiscal year ended March 31, 2020, SDP Center Co., Ltd. was excluded from the scope of the equity method since it became a subsidiary as a result of an additional purchase of its stock. 1 affiliate of Toll was excluded from the scope of the equity method due to the liquidation and 2 affiliates of Toll were excluded from the scope of the equity method due to the sale of its stock.

C) Non-consolidated subsidiaries that are not accounted for by the equity method

The Company has 6 (3 in 2020) non-consolidated subsidiaries that are not accounted for by the equity method, namely, silent partnership(s) investing in real estate, etc. for all periods presented.

D) Affiliates that are not accounted for by the equity method

The Company has 1 affiliate (2 in 2020) that is not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED for the fiscal year ended March 31, 2021 and BPO.MP COMPANY LIMITED and Palma Co., Ltd. for the fiscal year ended March 31, 2020, respectively.

The non-consolidated subsidiaries and affiliates that are not accounted for by the equity method are excluded from the scope of the equity method because their net income (loss) (amount corresponding to the Group's equity position), retained earnings (amount corresponding to the Group's equity position), accumulated other comprehensive income (amount corresponding to the Group's equity position) and others are immaterial, and the exclusion of these companies from the scope of companies accounted for by the equity method does not materially affect the consolidated financial statements.

3) Fiscal year-end dates of consolidated subsidiaries

A) The fiscal year-end dates of consolidated subsidiaries are as follows:

Years ended March 31	2021	2020
June 30	5 companies	5 companies
December 31	30 companies	31 companies
March 31	224 companies	224 companies

B) Consolidated subsidiaries with a fiscal year-end date of December 31 and June 30 are consolidated using the preliminary financial statements as of March 31.

(2) Trading Account Securities

Trading account securities are carried at fair value.

(3) Securities

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.

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.

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

Available-for-sale securities are, in principle, carried at average market prices during the final month of the fiscal year for stocks, and at market prices at the fiscal year end for others. Cost of securities sold is calculated using mainly the moving-average method. Available-for-sale securities which are deemed to be extremely difficult to determine fair value are carried at cost using the moving-average method or amortized cost (the straight-line method). Net unrealized gains (losses) on available-for-sale securities (including net unrealized gains (losses) arising from fluctuations in foreign exchange, but excluding cases where the fair value hedge accounting method is applied to hedge exposure to the risks of foreign exchange fluctuations), net of income taxes, are included in "Net assets".

Securities included in "Money Held in Trust Classified as Trading" are carried at fair value and the cost of these securities sold is calculated using mainly the moving-average method. In addition, securities included in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity" are carried using the same method used for securities mentioned above. Net unrealized gains (losses) on money held in trust classified as other than trading or held-to-maturity, net of income taxes, are included in "Net assets".

(4) Derivative Transactions
All derivative transactions are valued at fair value.

(5) Hedge Accounting

1) Hedge accounting for interest rate risks
The Company and its consolidated subsidiaries mainly apply the deferred hedge method for hedges of interest rate risk arising from the financial assets and liabilities.

The evaluation of hedge effectiveness is omitted because the Company and its consolidated subsidiaries designate the hedges in such a way that the major terms of the hedged items and the hedging instruments satisfy almost same conditions as those required for the exceptional treatment for interest rate swaps and accordingly assume that the hedges are highly effective. In addition, the Company and its consolidated subsidiaries apply the exceptional treatment for interest rate swaps to hedge the interest rate risk arising from certain financial assets and liabilities.

As for portfolio hedges on groups of large-volume, small-value monetary debts, the banking subsidiary applies the deferred hedge method as stipulated in "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Committee Practical Guidance No. 24). To evaluate the hedge effectiveness, the banking subsidiary designates deposits as hedged items and interest rate swaps and others as hedging instruments and assesses how the hedging instruments offset changes in the fair value of hedged items by grouping them based on their maturities.

2) Hedge accounting for foreign exchange risks
The Company and its consolidated subsidiaries apply the deferred hedge method, the fair value hedge method or the allocation method translating the foreign currency receivables at forward rates for hedges of foreign exchange fluctuation risk arising from the securities denominated in foreign currencies.

The Company and its consolidated subsidiaries apply portfolio hedges on the conditions that the hedged securities denominated in foreign currencies are designated in advance and that sufficient on-balance (actual) or off-balance (forward) liability exposure exists to cover the acquisition cost of the hedged securities denominated in the same foreign currencies.

The evaluation of hedge effectiveness for individual hedges is omitted because the Company and its consolidated subsidiaries designate the hedges in such a way that the major terms of the hedged items and the hedging instruments are almost same and accordingly assume that the hedges are highly effective.

(6) Depreciation

1) Tangible fixed assets (excluding leased assets and right-of-use assets)
Depreciation of tangible fixed assets is computed using the straight-line method.

Useful lives of principal assets are as follows:
Buildings: 2–50 years
Others: 2–75 years

2) Intangible assets (excluding leased assets)
Amortization of intangible assets is computed using the straight-line method. The capitalized development costs of software intended for internal use are amortized over the expected useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries.

3) Leased assets
Leased assets under finance lease arrangements that transfer the ownership of leased property to the lessee are depreciated using the same method applied to company-owned tangible assets. These leased assets are mainly buildings included in "Tangible fixed assets".

Leased assets under finance lease arrangements that do not transfer the ownership of leased property to the lessee are depreciated to the residual value of zero or guaranteed value using the straight-line method over the lease term. These leased assets are mainly personal properties included in "Tangible fixed assets" and software included in "Intangible assets".

4) Right-of-use assets
Right-of-use assets related to lease transactions of Toll and its subsidiaries and affiliates are depreciated using the straight-line method over the useful life of the right-of-use asset or the lease term whichever is shorter.

These right-of-use assets are mainly buildings and land included in "Tangible fixed assets".

(7) Amortization of Goodwill
Goodwill is amortized for a period up to 20 years depending on the causes of occurrence using the straight-line method. Goodwill deemed immaterial, however, is expensed as incurred.

(8) Reserve for Possible Loan Losses

1) For reserve for possible loan losses of the Company and its consolidated subsidiaries other than the banking subsidiary and insurance subsidiary, an allowance is provided for loans other than specific loans using a rate determined based on past bad debt experience. In addition, an allowance is provided for specific loans such as loans to bankrupt or effectively/substantially bankrupt borrowers at the estimated amount considered uncollectible based on review of the respective nature of loans.

2) Reserve for possible loan losses of the banking subsidiary is provided for in accordance with the write-off and provision standards as described below:

In accordance with "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (JICPA, Special Committee for Audits of Banks, etc., Report No. 4), loans to normal borrowers and borrowers requiring caution are classified into certain groups, and an allowance is provided for each group based on the estimated rate of loan losses.

For loans to doubtful borrowers, an allowance is provided for based on the amount of loans net of amounts expected to be collected through disposal of collateral or through execution of guarantees and considered to be necessary based on a solvency assessment. For loans to bankrupt or substantially bankrupt borrowers, an allowance is provided in the amount of loans, net of amounts expected to be collected through disposal of collateral or to be recoverable under guarantees.

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

3) Reserve for possible loan losses of the insurance subsidiary is provided pursuant to its standards for self-assessment of asset quality and its write-off and provision standards, and a general allowance is provided using a rate determined by past bad debt experience. In addition, a specific allowance, which is determined after reviewing individual collectability of accounts, is 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 allowances are recorded based on the results of these assessments.

For secured loans and guaranteed loans that were extended to borrowers in a state of legal bankruptcy, including legal bankrupt or civil rehabilitation, or that are considered substantially bankrupt, respective loan receivable amounts are directly written off for an estimated uncollectable amount, which is calculated as the amount of loans, net of collateral value or the amounts expected to be recoverable under guarantees. The amount written off for these loans was ¥96 million ($1 million) and ¥49 million for the fiscal years ended March 31, 2021 and 2020, respectively.

(9) Policy Reserves
To prepare for the fulfillment of future obligations under the

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

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

Among the policy reserves, insurance premium reserves are calculated based on the following methodology. The amount includes additional policy reserves accumulated for a portion of the reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (hereinafter referred to as "the Japan Postal Service Organization") 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 (Ordinance No. 48 issued by the Ministry of Finance in 1996).

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

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

In addition, for the fiscal year ended March 31, 2021, additional policy reserves were accumulated for a portion of the reinsurance contracts from the Japan Postal Service Organization, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act. As a result, the amount of additionally accumulated policy reserves was ¥245,841 million ($2,221 million). However, there is no impact on income before income taxes due to the reversal of contingency reserves in the same amount.

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

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

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

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

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

(10) Presentation of Gains (Losses) on Cancellation of Investment Trusts

Gains (losses) on cancellation of investment trusts at the banking subsidiary are recorded as interest and dividends on securities in "Banking business income" for those with bonds or assets equivalent to bonds as trust asset components, and as gains on sales of equity securities in "Banking business income" or losses on sales of equity securities in "Other expenses" for those with other trust asset components. In the event interest and dividends on securities from investment trusts results in a loss as a whole, they are recognized as losses on redemption of bonds in "Operating expenses."

(11) 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 under "Life insurance business income." Premiums thereafter are recognized in the amount of each collection under "Life insurance business income."

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.

(12) 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) of the insurance subsidiary are recognized in the amount of such payment under "Operating expenses."

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

(Additional Information)

The "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020) has been adopted starting from the consolidated financial statements as of the end of the fiscal year ended March 31, 2021, "(10) Presentation of gains (losses) on cancellation of investment trusts"; "(11) Recognition of insurance premiums"; and "(12) Recognition of insurance claims and others" are stated as "the principles and the overview of procedures of the accounting treatment adopted in cases where the provisions of relevant accounting standards, etc. are unclear".

(13) Reserve for Bonuses

A reserve for the employee bonus payments is provided based on the amount expected to be incurred at the end of the fiscal year based on the projected obligations as of the end of the fiscal year.

(14) Reserve for Employee Stock Ownership Plan Trust

For a certain consolidated subsidiary, to provide for the payment of the consolidated subsidiary's shares to its employees that are determined based on the rule set by the consolidated subsidiary, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(15) Reserve for Management Board Benefit Trust

For the Company and its certain consolidated subsidiaries, to provide for the payment of the Company's shares, etc. to Executive Officers and other management that are determined based on the rules set by each company, a reserve is provided based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(16) Reserve for Reimbursement of Deposits

To provide for requests for refunds by depositors with regard to deposits that are no longer recorded as liabilities, a reserve is provided based on the estimated amount of losses to be incurred in accordance with future requests for refunds.

(17) Reserve for Insurance Claims and Others

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

(18) Retirement Benefits

1) In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit to respective service period. Treatment of prior service cost and actuarial difference are accounted for as follows.

Prior service cost is amortized using the straight-line method over a fixed period (7–14 years) within the estimated average remaining service period for employees in the fiscal year of incurrence.

Actuarial difference is amortized based on a proportional amount using the straight-line method over a fixed period (7–14 years) within the estimated average remaining service period for employees as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

(Additional information)

In August 2020, the Company and its major consolidated subsidiaries decided on and notified all concerned of the change to the Retirement Allowance Regulations effective October 1, 2020, whereby the lump-sum severance indemnity plans were revised in association with the extension of mandatory retirement age from 60 to 65. Due to this change, retirement benefit obligations were decreased and prior service cost of ¥37,817 million ($342 million) was recognized.

The above prior service cost is amortized using the straight-line method over a fixed period (7–14 years) within the estimated average remaining service period for employees in the fiscal year of incurrence.

2) Charges for the pension program of national public service personnel associated with pension benefits for the service period until December 1958 for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired after January 1959 (hereinafter referred to as "share of public service pension") are recognized as part of "Asset for retirement benefits". The Company has established retirement benefit trusts for the above mutual aid pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (8 years for the fiscal years ended March 31, 2021 and 2020, respectively) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

The prior service cost is amortized using the straight-line method over a fixed period (8 years for the fiscal years ended March 31, 2021 and 2020, respectively) within the estimated average remaining payment periods for eligible personnel in the fiscal year of incurrence.

3) Charges for the pension program of national public service personnel associated with pension benefits for those personnel who had worked in postal services for the former Ministry of Communications and the former Ministry of Posts and Telecommunications and retired by December 1958 (hereinafter referred to as "share of another public service pension") are recognized as part of "Liability for retirement benefits". The Company has established retirement benefit trusts for the above mutual aid pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (5 years) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year following the respective fiscal year in which the difference is incurred.

(19) Translation of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

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

Assets and liabilities of foreign subsidiaries, etc. are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end and income and expenses are translated into Japanese yen at the average exchange rates for the fiscal year. The resulting translation differences are included in "Foreign currency translation adjustments" and "Non-controlling interests" under "Net assets".

(20) Reserve for Price Fluctuations

Reserve for price fluctuations is computed based on Article 115 of the Insurance Business Act.

(21) Statement of Cash Flows

Cash and cash equivalents consists of cash on hand, deposits that can be withdrawn at any time, short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value (excluding negotiable certificates of deposit held by the banking subsidiary included in "Cash and due from banks") and bank overdrafts treated equally as cash equivalents in fund management (negative cash equivalents).

(22) Consumption Taxes

All figures are net of consumption taxes.

(23) Consolidated Tax Payment System

The Company and its wholly owned domestic subsidiaries adopt the consolidated tax payment system, under which Japan Post Holdings Co., Ltd. is the parent company.

(Application of tax effect accounting for the transition from the consolidated tax payment system to the group taxation system)

Having regard to paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No.39, March 31, 2020), the Company and certain domestic consolidated subsidiaries did not follow paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) but applied provisions of pre-amended tax laws when calculating the amounts of deferred tax assets and liabilities that relate to transitioning to the group taxation system and related amendments of tax laws for transitioning to the single tax payment system.

(24) Changes in Accounting Policies

For the fiscal year ended March 31, 2020

Toll and its subsidiaries and affiliates

Toll and its subsidiaries and affiliates started to apply IFRS No.16 Lease (hereinafter referred to as "IFRS16") from the fiscal year ended March 31, 2020. In accordance with IFRS16, lessees are required to recognize almost all leases as assets or liabilities in the balance sheet. Having followed the transitional treatment regarding the application of IFRS 16, the cumulative effects of the changes in the accounting policies were subtracted from the opening balance of retained earnings for the fiscal year ended March 31, 2020.

As a result, tangible fixed assets increased by ¥176,939 million, other assets decreased by ¥113 million, other liabilities increased by ¥201,252 million, and retained earnings decreased by ¥24,426 million at the beginning of the fiscal year ended March 31, 2020. The effect of this change on profit and loss for the fiscal year ended March 31, 2020 is immaterial.

(25) Significant Accounting Estimates

Items using accounting estimates recorded in the consolidated financial statements for the current fiscal year that have the possibility of significantly impacting the consolidated financial statements for the following fiscal year are as follows:

1) Fair value measurement of securities

Amounts of securities measured by fair value at the banking subsidiary and some consolidated subsidiaries are considerable and their effects on the consolidated financial statements are significant. Therefore, the fair value of securities is considered as a significant factor in accounting estimates.

A) Amounts recorded in the consolidated financial statements as of March 31, 2021 are as follows:

	Millions of Yen	Millions of U.S. Dollars
Securities	¥ 193,703,491	$ 1,749,648

B) Information that will facilitate the understanding of significant accounting estimates related to identified items

(i) Calculation method and principal assumptions

The fair value of bonds is based on the price quoted on securities exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method or the price provided by a broker, etc. The fair value of investment trusts is based primarily on the funds' unit price. The principal assumptions of the price calculated using the comparable price method or the price provided by a broker, etc. are inputs used in fair value measurement that are directly or indirectly observable on markets such as yield curves and spreads estimated based on prices of similar securities as well as unobservable inputs that include significant estimates.

(ii) Impact on the consolidated financial statements for the following fiscal year

The fair value of securities may fluctuate as a result of changes in input, which are principal assumptions, due to factors such as changes in the market environment.

Principal assumptions for fair value measurement of securities may be impacted if financial markets are disrupted due to the spread of COVID-19, which may significantly impact the consolidated financial statements for the following fiscal year.

2) Estimates on retirement benefit obligations

A) Amounts recorded in the consolidated financial statements as of March 31, 2021

This information is provided in Note 14 "RETIREMENT BENEFITS."

B) Information that will facilitate the understanding of significant accounting estimates related to identified items

Retirement benefit obligations of the Company and some consolidated subsidiaries are calculated based on actuarial assumptions. These assumptions include factors such as discount rates and retirement rates, etc. As estimates on retirement benefit obligations involve a high degree of uncertainty, if assumptions differ from actual results or if assumptions are changed, it may impact retirement benefit obligations in the following fiscal year.

(26) New Accounting Pronouncements

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

1. Overview

The above Standard and Guidance provide comprehensive principles for revenue recognition. Under the Standard and Guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019)
"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 4, 2019)
"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

1. Overview

In order to enhance comparability with internationally recognized accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (together, hereinafter referred to as "Fair Value Accounting Standards") were developed and guidance on methods measuring fair value was issued. Fair Value Accounting Standards are applicable to the fair value measurement of the following items:

- Financial instruments in "Accounting Standard for Financial Instruments"; and
- Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories."

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised to include notes regarding the breakdown by level of fair values of financial instruments, etc.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(27) Changes in Presentation Method

New Accounting Standard Applied

For the fiscal year ended March 31, 2021

The Company has applied "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the fiscal year ended March 31, 2021 and provided a note on accounting estimates required for the consolidated financial statements.

However, the said note does not state information regarding the fiscal year ended March 31, 2020 in accordance with the transitional treatment stipulated in the proviso in Paragraph 11 of the Standard.

(28) Changes in Accounting Estimates

For the fiscal year ended March 31, 2020

The Company has changed the amortization period of actuarial difference and prior service cost concerning share of public service pension from 9 years to 8 years due to the decrease in the estimated average remaining payment period for eligible personnel from the fiscal year ended March 31, 2020.

As a result, expenses decreased by ¥8,284 million, while income before income taxes increased by the same amount for the fiscal year ended March 31, 2020.

(29) Additional Information

Transactions granting the Company's shares, etc. through a trust to Executive Officers and other management of the Group

The Company and Japan Post Co., Ltd., a consolidated subsidiary, have introduced a performance-linked stock compensation system utilizing a trust (hereinafter the "System") for the Company's Executive Officers and Directors (excluding Directors who are not in charge of business execution) and Executive Officers of Japan Post Co., Ltd. (collectively referred to as "Executives subject to the System").

In accounting for the trust agreement, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015) has been applied.

1. Outline of the transactions

The System is a structure to provide the Company's shares, etc. to Executives subject to the System in accordance with the Stock Benefit Regulations of the Company and Japan Post Co., Ltd., and grants a certain number of points reflecting their levels of attainment of performance targets for the fiscal year. Upon retirement, Executives subject to the System shall receive from the trust the Company's shares and money in the amount equivalent to the fair value of a certain portion of the Company's shares as at the time of retirement in accordance with the number of points granted.

The shares provided for Executives subject to the System are acquired by the trust in advance using the funds set by the Company, and are managed separately as trust assets.

2. The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded under net assets as treasury stock at the book value in the trust (excluding incidental expenses). The book value of the treasury stock was ¥697 million ($6 million) and ¥742 million, and the number of shares of the treasury stock was 496 thousand shares and 528 thousand shares as of March 31, 2021 and 2020, respectively.

A stock compensation system utilizing a trust has also been introduced at Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd., which are consolidated subsidiaries.

Initiatives regarding insurance policy improvement

On December 27, 2019, the Company and its consolidated subsidiary Japan Post Co., Ltd. received administrative dispositions pursuant to the Insurance Business Act, etc. from the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan, on account of improper solicitation actions and underlying systematic problems regarding insurance policies. In addition, Japan Post Insurance Co., Ltd. (hereinafter referred to as "Japan Post Insurance"), a consolidated subsidiary of the Company, received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan. The Group is resolved to treat the implementation of the business improvement plan that it formulated as its top-priority management issue, and is making Group-wide efforts. Additionally, Japan Post Insurance has been confirming with all customers with insurance policies whether their insurance policies are in line with their intentions, and compensating customers who have suffered disadvantages.

In the fiscal year ended March 31, 2021, the Company recorded the refund of premiums and payment of insurance claims to compensate for the disadvantages suffered by customers as part of insurance claims and others (operating expenses, etc.), and the corresponding adjustment to policy reserves as part of reversal of policy reserves (life insurance business income), while recording a reduction of the net amount totaling ¥21,589 million ($195 million) from reserve for insurance claims and others at the end of the previous fiscal year, and a reversal of ¥5,280 million ($48 million), a decrease as a result of reflecting the status of progress in the investigation of insurance policies in accounting estimates. In addition, in consideration of the results of the investigation obtained by the end of the fiscal year ended March 31, 2020, the Company has reasonably estimated insurance-related expenses to be incurred due to the refund of premiums and payments of insurance claims necessary for the future reinstatement of policies, as of March 31, 2020. Consequently, reserve for insurance claims and others stood at ¥2,851 million ($26 million) and ¥29,722 million as of March 31, 2021 and 2020, respectively. These expenses were recorded under reserve for insurance claims and others in the consolidated balance sheet as of March 31, 2020, and the amounts of the aforementioned reduction and reversal of reserve for insurance claims and others are included in life insurance business income in the consolidated statements of income for the fiscal year ended March 31, 2021.

3. CASH AND CASH EQUIVALENTS

Reconciliation of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows and Cash and Due from Banks in the Consolidated Balance Sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Cash and due from banks	¥ 62,719,113	¥ 53,680,384	$ 566,517
Negotiable certificates of deposit of the banking subsidiary included in “Cash and due from banks”	(65,000)	(65,000)	(587)
Negotiable certificates of deposit included in “Securities”	15,000	15,000	135
Deposits with maturities of more than three months	(200)	(200)	(2)
Bank overdrafts included in “Borrowed money”	(30,958)	(26,327)	(280)
Cash and cash equivalents at the end of the fiscal year	¥ 62,637,954	¥ 53,603,857	$ 565,784

4. SECURITIES

(1) Securities

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Stocks and investments in capital[1]	¥ 655,570	¥ 342,849	$ 5,922
Japanese government bonds[2]	87,839,149	90,366,899	793,417
Japanese local government bonds	11,087,322	12,723,729	100,147
Japanese corporate bonds	16,340,226	15,401,577	147,595
Other[2]	77,781,222	72,291,995	702,567
Total	¥ 193,703,491	¥ 191,127,051	$ 1,749,648

Notes:

1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥16,298 million ($147 million) and ¥12,461 million as of March 31, 2021 and 2020, respectively.
2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥3,353,931 million ($30,295 million) and ¥3,190,143 million were included in Japanese government bonds and other in “Securities” as of March 31, 2021 and 2020, respectively.
   No unsecured borrowed securities and securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge were recognized for pledged securities as of March 31, 2021. Unsecured borrowed securities and securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge amounted to ¥64,499 million for pledged securities as of March 31, 2020.
   Unsecured borrowed securities and securities borrowed under resale agreements, etc. for which the Group has the right to sell or pledge amounted to ¥4,804,159 million ($43,394 million) and ¥8,939,257 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2021 and 2020, respectively.

(2) Policy-Reserve-Matching Bonds

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

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

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

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

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

(3) Fair Value Information on Securities and Policy-Reserve-Matching Bonds
The amounts shown in the following tables include negotiable certificates of deposit included in “Cash and due from banks”, and “Monetary claims bought”, in addition to “Securities”.

1) Held-to-maturity bonds

(Millions of Yen)

March 31	2021				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 49,687,737	¥ 54,778,131	¥ 5,090,393	¥ 5,149,560	¥ (59,166)
Japanese local government bonds	6,050,320	6,266,964	216,644	221,334	(4,689)
Japanese corporate bonds	4,768,002	4,884,083	116,080	126,135	(10,054)
Total	¥ 60,506,060	¥ 65,929,179	¥ 5,423,118	¥ 5,497,029	¥ (73,910)

(Millions of Yen)

March 31	2020				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 49,254,740	¥ 55,514,252	¥ 6,259,511	¥ 6,259,720	¥ (208)
Japanese local government bonds	6,363,109	6,636,017	272,908	274,320	(1,412)
Japanese corporate bonds	4,190,582	4,366,426	175,844	179,598	(3,754)
Other	98,000	98,238	238	238	—
Total	¥ 59,906,432	¥ 66,614,935	¥ 6,708,502	¥ 6,713,878	¥ (5,375)

(Millions of U.S. Dollars)

March 31	2021				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 448,810	$ 494,789	$ 45,980	$ 46,514	$ (534)
Japanese local government bonds	54,650	56,607	1,957	1,999	(42)
Japanese corporate bonds	43,067	44,116	1,049	1,139	(91)
Total	$ 546,528	$ 595,512	$ 48,985	$ 49,653	$ (668)

2) Policy-reserve-matching bonds

(Millions of Yen)

March 31	2021				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 7,806,263	¥ 8,547,628	¥ 741,365	¥ 754,653	¥ (13,288)
Japanese local government bonds	558,247	577,868	19,621	20,007	(385)
Japanese corporate bonds	1,017,936	1,033,093	15,157	23,837	(8,680)
Total	¥ 9,382,446	¥ 10,158,590	¥ 776,143	¥ 798,498	¥ (22,355)

(Millions of Yen)

March 31	2020				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	¥ 8,166,779	¥ 9,106,225	¥ 939,445	¥ 939,446	¥ (0)
Japanese local government bonds	570,267	595,338	25,070	25,124	(53)
Japanese corporate bonds	837,599	876,971	39,372	42,885	(3,513)
Total	¥ 9,574,646	¥ 10,578,535	¥ 1,003,888	¥ 1,007,456	¥ (3,567)

(Millions of U.S. Dollars)

March 31	2021				
	Consolidated balance sheet amount	Fair value	Difference	Amount for which fair value exceeds consolidated balance sheet amount	Amount for which fair value does not exceed consolidated balance sheet amount
Japanese government bonds	$ 70,511	$ 77,207	$ 6,696	$ 6,816	$ (120)
Japanese local government bonds	5,042	5,220	177	181	(3)
Japanese corporate bonds	9,195	9,332	137	215	(78)
Total	$ 84,748	$ 91,759	$ 7,011	$ 7,213	$ (202)

3) Available-for-sale securities

(Millions of Yen)

March 31	2021				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 598,587	¥ 495,381	¥ 103,206	¥ 104,596	¥ (1,390)
Bonds	45,378,191	44,745,485	632,705	693,626	(60,921)
Japanese government bonds	30,345,147	29,799,731	545,416	596,293	(50,876)
Japanese local government bonds	4,478,755	4,459,431	19,323	20,173	(849)
Japanese short-term corporate bonds	1,869,535	1,869,535	—	—	—
Japanese corporate bonds	8,684,752	8,616,787	67,965	77,159	(9,194)
Other	76,676,740	74,479,291	2,197,448	2,446,501	(249,052)
Of which: foreign bonds	27,984,939	26,621,253	1,363,686	1,459,199	(95,513)
Of which: investment trusts	47,478,506	46,647,429	831,076	984,321	(153,244)
Total	¥ 122,653,519	¥ 119,720,159	¥ 2,933,360	¥ 3,244,724	¥ (311,364)

(Millions of Yen)

March 31	2020				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	¥ 302,909	¥ 345,126	¥ (42,217)	¥ 6,931	¥ (49,149)
Bonds	49,109,126	48,210,259	898,866	951,487	(52,620)
Japanese government bonds	32,945,378	32,144,040	801,338	839,256	(37,918)
Japanese local government bonds	5,790,352	5,762,518	27,833	29,268	(1,434)
Japanese short-term corporate bonds	806,975	806,975	—	—	—
Japanese corporate bonds	9,566,419	9,496,725	69,694	82,961	(13,267)
Other	71,687,550	73,000,442	(1,312,891)	1,645,709	(2,958,600)
Of which: foreign bonds	28,131,045	27,326,440	804,605	1,396,668	(592,063)
Of which: investment trusts	42,292,104	44,413,840	(2,121,736)	244,639	(2,366,376)
Total	¥ 121,099,586	¥ 121,555,828	¥ (456,242)	¥ 2,604,128	¥ (3,060,370)

(Millions of U.S. Dollars)

March 31	2021				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Stocks	$ 5,407	$ 4,475	$ 932	$ 945	$ (13)
Bonds	409,883	404,168	5,715	6,265	(550)
Japanese government bonds	274,096	269,169	4,927	5,386	(460)
Japanese local government bonds	40,455	40,280	175	182	(8)
Japanese short-term corporate bonds	16,887	16,887	—	—	—
Japanese corporate bonds	78,446	77,832	614	697	(83)
Other	692,591	672,742	19,849	22,098	(2,250)
Of which: foreign bonds	252,777	240,459	12,318	13,180	(863)
Of which: investment trusts	428,855	421,348	7,507	8,891	(1,384)
Total	$ 1,107,881	$ 1,081,385	$ 26,496	$ 29,308	$ (2,812)

4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2021 and 2020
There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2021 and 2020.

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

(Millions of Yen)

Year ended March 31	2021		
	Sales	Gains	Losses
Bonds	¥ 219,915	¥ 3,006	¥ —
Japanese government bonds	183,831	2,424	—
Japanese local government bonds	18,702	312	—
Japanese corporate bonds	17,381	269	—
Total	¥ 219,915	¥ 3,006	¥ —

(Millions of Yen)

Year ended March 31	2020		
	Sales	Gains	Losses
Bonds	¥ 198,497	¥ 5,779	¥ —
Japanese government bonds	198,497	5,779	—
Japanese local government bonds	—	—	—
Japanese corporate bonds	—	—	—
Total	¥ 198,497	¥ 5,779	¥ —

(Millions of U.S. Dollars)

Year ended March 31	2021		
	Sales	Gains	Losses
Bonds	$ 1,986	$ 27	$ —
Japanese government bonds	1,660	22	—
Japanese local government bonds	169	3	—
Japanese corporate bonds	157	2	—
Total	$ 1,986	$ 27	$ —

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

(Millions of Yen)

Year ended March 31	2021		
	Sales	Gains	Losses
Stocks	¥ 141,793	¥ 17,543	¥ (13,895)
Bonds	1,813,227	4,716	(45,578)
Japanese government bonds	1,796,155	4,636	(45,565)
Japanese corporate bonds	17,072	80	(12)
Other	3,530,282	45,165	(234,935)
Of which: foreign bonds	2,598,958	36,510	(21,782)
Of which: investment trusts	931,324	8,654	(213,153)
Total	¥ 5,485,304	¥ 67,425	¥ (294,409)

(Millions of Yen)

Year ended March 31	2020		
	Sales	Gains	Losses
Stocks	¥ 192,725	¥ 15,462	¥ (13,073)
Bonds	1,189,297	13,095	(3,454)
Japanese government bonds	1,097,032	12,814	(2,578)
Japanese corporate bonds	92,265	280	(875)
Other	2,026,051	35,829	(29,440)
Of which: foreign bonds	1,067,089	20,842	(18,166)
Of which: investment trusts	958,961	14,987	(11,273)
Total	¥ 3,408,074	¥ 64,387	¥ (45,967)

(Millions of U.S. Dollars)

Year ended March 31	2021		
	Sales	Gains	Losses
Stocks	$ 1,281	$ 158	$ (126)
Bonds	16,378	43	(412)
Japanese government bonds	16,224	42	(412)
Japanese corporate bonds	154	1	(0)
Other	31,888	408	(2,122)
Of which: foreign bonds	23,475	330	(197)
Of which: investment trusts	8,412	78	(1,925)
Total	$ 49,547	$ 609	$ (2,659)

7) Securities incurred impairment losses

For the securities (excluding trading securities) with market quotations, and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition costs, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. No impairment losses were recognized for the fiscal year ended March 31, 2021. Impairment losses amounted to ¥2,709 million for the fiscal year ended March 31, 2020.

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

There were no money held in trust classified as trading for the fiscal years ended March 31, 2021 and 2020, respectively.

2) Money Held in Trust Classified as Other than Trading or Held-to-Maturity

(Millions of Yen)

March 31	2021				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 9,089,795	¥ 6,820,196	¥ 2,269,598	¥ 2,345,666	¥ (76,067)

(Millions of Yen)

March 31	2020				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	¥ 7,124,573	¥ 6,336,509	¥ 788,063	¥ 1,208,799	¥ (420,736)

(Millions of U.S. Dollars)

March 31	2021				
	Consolidated balance sheet amount	Cost	Difference	Amount for which consolidated balance sheet amount exceeds cost	Amount for which consolidated balance sheet amount does not exceed cost
Money held in trust classified as other than trading or held-to-maturity	$ 82,105	$ 61,604	$ 20,500	$ 21,187	$ (687)

Notes:

1. For securities with market quotations included as trust assets in "Money Held in Trust Classified as Other than Trading or Held-to-Maturity", and in case whose fair value declines significantly from their acquisition costs, with no prospect of recovering to their acquisition cost, the Company records the fair value of such securities on the consolidated balance sheet and charges valuation differences as losses in the fiscal year in which they are recognized. Impairment losses amounted to ¥18,813 million ($170 million) and ¥41,316 million for the fiscal years ended March 31, 2021 and 2020, respectively.
2. "Money held in trust classified as other than trading or held-to-maturity" include investment in non-consolidated subsidiaries of ¥25,531 million ($231 million) and ¥24,246 million as of March 31, 2021 and 2020, respectively.

5. ASSETS PLEDGED AS COLLATERAL

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Securities	¥ 24,397,199	¥ 21,115,079	$ 220,370
Liabilities corresponding to assets pledged as collateral:			
Deposits	754,882	939,049	6,819
Payables under repurchase agreements	14,886,481	14,841,880	134,464
Payables under securities lending transactions	6,092,013	6,459,065	55,027
Borrowed money	3,917,500	10,100	35,385

In addition to the above, the following assets are pledged as collateral for the settlement accounts of Bank of Japan overdrafts, exchange settlement transactions, or derivative transactions and other transactions, and substituted for margins for future transactions as of March 31, 2021 and 2020:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Assets pledged as collateral:			
Securities	¥ 3,389,644	¥ 1,974,615	$ 30,617

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Other assets:			
Margins for future transactions	¥ 152,034	¥ 147,125	$ 1,373
Guarantee deposits	18,041	16,519	163
Margins with central counterparty	679,900	692,575	6,141
Cash collateral paid for financial instruments	324,835	294,696	2,934

6. LOANS

Risk management loans as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Loans to bankrupt borrowers	¥ —	¥ —	$ —
Non-accrual delinquent loans	—	0	—
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ —	¥ 0	$ —

Note: The above loan amounts are stated before deduction of reserve for possible loan losses.

Contracts of overdraft facilities and loan commitments are contracts with customers to lend funds up to a certain limit agreed in advance. The banking subsidiary will make the loans upon the request of an obligor to draw down funds under such loan agreements, unless any terms or conditions stipulated in the relevant loan agreement are violated. The amounts of unused commitments on loans of the banking subsidiary as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Amount of unused commitments on loans	¥ 68,149	¥ 49,700	$ 616
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	35,500	20,000	321

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused amount will not necessarily affect future cash flows of the banking subsidiary. Conditions are included in certain loan agreements that allow the banking subsidiary to decline the request for a loan draw-down when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the banking subsidiary's credit. At the inception of contracts, the banking subsidiary has the obligor pledge collateral to the banking subsidiary in the form of real estate, securities, etc., if considered to be necessary. Subsequently, the banking subsidiary reviews the obligor's financial condition in accordance with the banking subsidiary's established internal procedures and takes necessary measures to protect its credit.

The amounts of unused commitments on loans of the insurance subsidiary as of March 31, 2021 and 2020 were as follows:

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

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Accumulated depreciation	¥ 1,640,553	¥ 1,522,375	$ 14,818

Note: The above does not include accumulated depreciation related to right-of-use assets.

(2) Deferred Gains on Tangible Fixed Assets Not Recognized for Tax Purposes

Deferred gains on tangible fixed assets not recognized for tax purposes as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 89,252	¥ 88,722	$ 806
Of which: deferred during the fiscal year	536	735	5

(3) Real Estate for Rent

The Company and certain consolidated subsidiaries own office buildings (including land), commercial buildings and others for rental purposes in Tokyo and other areas.

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net rent income (losses)[1]	¥ 11,525	¥ 12,490	$ 104
Net gains (losses) on sales[2]	2,025	1,207	18
Losses on impairment[3]	15,295	7,757	138
Other income	—	26	—
Other losses[3]	3,733	3,172	34

Notes:
1. Majority of rent income is recorded under other income, and majority of rent expenses are recorded under depreciation and amortization.
2. Gains on sales are recorded under other income, and losses on sales are recorded under other expenses.
3. Losses on impairment and other losses are recorded under other expenses.

The consolidated balance sheet amount, net change during the fiscal year and fair value of real estate for rent were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Consolidated balance sheet amount[1]			
Balance at the beginning of the fiscal year	¥ 485,565	¥ 471,634	$ 4,386
Net change during the fiscal year	6,636	13,930	60
Balance at the end of the fiscal year	¥ 492,202	¥ 485,565	$ 4,446
Fair value at the end of the fiscal year[2]	¥ 675,970	¥ 668,082	$ 6,106

Notes:
1. The consolidated balance sheet amount represents acquisition costs less accumulated depreciation and accumulated losses on impairment.
2. The fair value is calculated primarily based on the real estate appraisal standard.
3. Real estate for rent under construction is not included in the above table since it is extremely difficult to determine its fair value. The consolidated balance sheet amounts of them were ¥173,191 million ($1,564 million) and ¥118,919 million as of March 31, 2021 and 2020, respectively.

8. REINSURANCE
Reserve for outstanding claims for reinsured part defined in Article 71, Paragraph 1 of the Ordinance for Enforcement of the Insurance Business Act, which is referred to in Article 73, Paragraph 3 of the said Ordinance were ¥418 million ($4 million) and ¥473 million as of March 31, 2021 and 2020, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥935 million ($8 million) and ¥967 million as of March 31, 2021 and 2020, respectively.

9. OBLIGATIONS TO THE LIFE INSURANCE POLICYHOLDERS PROTECTION CORPORATION OF JAPAN
The insurance subsidiary estimated future contributions to the Life Insurance Policyholders Protection Corporation in the amounts of ¥33,629 million ($304 million) and ¥34,524 million as of March 31, 2021 and 2020, respectively, pursuant to Article 259 of the Insurance Business Act. These obligations are recognized as operating expenses when they are paid.

10. RESERVE FOR POLICYHOLDER DIVIDENDS
Changes in reserve for policyholder dividends for the fiscal years ended March 31, 2021 and 2020 were as follows:

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

11. BORROWED MONEY AND LEASE OBLIGATIONS
Borrowed money and lease obligations as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate[1]	Due
	2021	2020	2021	2021	2021
Borrowed money	¥ 4,228,180	¥ 302,200	$ 38,191	0.07%	—
Borrowings	4,228,180	302,200	38,191	0.07%	April 2021–November 2055
Lease obligations	193,084	179,250	1,744	—[3]	April 2021–January 2060

Notes:
1. The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
2. Of Borrowings, ¥3,917,500 million ($35,385 million) was without interest as of March 31, 2021.
3. The average interest rate of lease obligations is not presented above because interest included in the total amount of lease payments is allocated to each period using the straight-line method in certain consolidated subsidiaries.
4. "Lease obligations" includes the effect of an application of IFRS 16 at Toll and its subsidiaries and affiliates from the fiscal year ended March 31, 2020, as stated in "Changes in Accounting Policies."
5. Borrowings are included in "Borrowed money" and lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheets, respectively.

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

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 4,210,072	$ 38,028
Due after 1 year through 2 years	1,511	14
Due after 2 years through 3 years	6,200	56
Due after 3 years through 4 years	5,200	47
Due after 4 years through 5 years	—	—
Thereafter	5,197	47
Total	¥ 4,228,180	$ 38,191

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

March 31	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 24,147	$ 218
Due after 1 year through 2 years	16,154	146
Due after 2 years through 3 years	13,281	120
Due after 3 years through 4 years	12,301	111
Due after 4 years through 5 years	10,428	94
Thereafter	116,770	1,055
Total	¥ 193,084	$ 1,744

12. BONDS

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

Issuer	Description	Issue	Millions of Yen		Millions of U.S. Dollars	Interest rate	Due
			2021	2020	2021		
Japan Post Insurance Co., Ltd.	First series of subordinated unsecured bonds with interest deferral option and early redemption option	January 29, 2019	¥ 100,000	¥ 100,000	$ 903	1.00%[3]	January 29, 2049
Japan Post Insurance Co., Ltd.	Second series of subordinated unsecured bonds with interest deferral option and early redemption option	January 28, 2021	¥ 200,000	—	$ 1,807	1.05%[4]	January 28, 2051
		Total	¥ 300,000	¥ 100,000	$ 2,710		

Notes:
1. The above bonds are subordinated bonds with the special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.
2. No collateral was provided for the above bonds.
3. Interest rate from the day immediately following January 29, 2029, shall be 6-month Euroyen LIBOR plus 1.78%.
4. Interest rate from the day immediately following January 28, 2031, shall be 5-year JGB interest rate plus 2.010% (reset every five years).

The redemption schedule on bonds as of March 31, 2021 was as follows:

March 31	Millions of Yen	Millions of U.S. Dollars
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	—	—
Thereafter	300,000	2,710
Total	¥ 300,000	$ 2,710

13. ASSET RETIREMENT OBLIGATIONS

(1) Outline of Asset Retirement Obligations

The Group recorded asset retirement obligations with respect to asbestos removal costs during demolition of the Company's and subsidiaries' buildings, and restoration costs based on the real estate lease contracts of their business locations, company-owned housing and others.

The Group's network, comprised mainly of post offices, is required under the Postal Services Privatization Act to be maintained without fail from the perspective of public services provision. Therefore, restoration costs based on the real estate lease contracts related to facilities essential to the said network maintenance are recorded as asset retirement obligations only when their settlements are clearly expected due to reasons such as planned contract termination.

(2) Calculation Method of Asset Retirement Obligations

The Group calculated the asset retirement obligations by estimating the period of service between 1 year and 47 years and applying discount rates ranging from 0.0% to 3.0%.

(3) Changes in Asset Retirement Obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance at the beginning of the fiscal year	¥ 30,239	¥ 28,055	$ 273
Obligations incurred due to acquisition of tangible fixed assets	736	454	7
Time progress adjustments	30	78	0
Changes in estimates	10,576	5,239	96
Obligations settled	(3,407)	(2,967)	(31)
Other	483	(621)	4
Balance at the end of the fiscal year	¥ 38,659	¥ 30,239	$ 349

(4) Changes in Estimates

In accordance with the acquisition of new information, the Group has changed the estimates of the removal costs for the future demolition of buildings on leasehold land, etc. for the fiscal years ended March 31, 2021 and 2020, respectively.

As a result, Changes in estimates of ¥10,576 million ($96 million) and ¥5,239 million have been added to the amounts of asset retirement obligations.

(Changes in presentation method)

"Changes in estimates," which was included in "Other" in the fiscal year ended March 31, 2020, has been presented separately from the fiscal year ended March 31, 2021 due to an increase in its materiality. In order to reflect this change in presentation, (3) Changes in Asset Retirement Obligations for the fiscal year ended March 31, 2020 have been reclassified.

As a result, in (3) Changes in Asset Retirement Obligations for the fiscal year ended March 31, 2020, "Other" in the amount of ¥4,617 million has been reclassified as "Changes in estimates" of ¥5,239 million and "Other" of ¥(621) million.

14. RETIREMENT BENEFITS

(1) Outline of Retirement Benefits

The Company and major consolidated subsidiaries have lump-sum severance indemnity plans as a defined benefit plan. Certain consolidated subsidiaries adopt the simplified method in calculating their retirement benefit obligations. Under the simplified method, the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations. The charges concerning share of public service pension and share of another public service pension (as defined in Note 2(18)) are included in the Company's retirement benefit obligations.

The Company has established retirement benefit trusts for the share of public service pension and share of another public service pension.

Certain consolidated subsidiaries have defined contribution pension plans. In addition, the amounts required to be contributed to the retirement pension benefit plans by the Company and certain consolidated subsidiaries based on the "Act for Partial Amendment of National Government Officials' Retirement Allowance Act, etc. for the Purposes of Reviewing Benefit Levels of the Retirement Benefits for National Government Officials" (Act No. 96 of 2012), which was introduced from October 2015 as a new type of pension subsequent to the abolition of the specified occupation portion of the mutual aid pension program, were ¥10,532 million ($95 million) and ¥10,793 million for the fiscal years ended March 31, 2021 and 2020, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance at the beginning of the fiscal year	¥ 2,557,296	¥ 2,624,564	$ 23,099
Service cost	113,426	116,279	1,025
Interest cost	16,530	16,761	149
Actuarial differences	(16,290)	(13,112)	(147)
Benefits paid	(135,952)	(187,100)	(1,228)
Prior service cost	(37,817)	—	(342)
Other	—	(96)	—
Balance at the end of the fiscal year	¥ 2,497,192	¥ 2,557,296	$ 22,556

(*) Prior service cost was incurred due to the revision of the lump-sum severance indemnity plans in association with the extension of mandatory retirement age from 60 to 65 for the fiscal year ended March 31, 2021.

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Balance at the beginning of the fiscal year	¥ 392,362	¥ 438,504	$ 3,544
Expected return on plan assets	902	1,009	8
Actuarial differences	(862)	(2,624)	(8)
Contributions paid by the employer	236	232	2
Benefits paid	(41,536)	(44,760)	(375)
Balance at the end of the fiscal year	¥ 351,103	¥ 392,362	$ 3,171

3) Balance of retirement benefit obligations, plan assets and liability (asset) for retirement benefits

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Funded retirement benefit obligations	¥ 287,086	¥ 337,222	$ 2,593
Share of public service pension	281,512	331,080	2,543
Share of another public service pension	318	396	3
Corporate pension plan	5,255	5,744	47
Plan assets	(351,103)	(392,362)	(3,171)
Share of public service pension	(344,380)	(385,579)	(3,111)
Share of another public service pension	(150)	(228)	(1)
Corporate pension plan	(6,571)	(6,554)	(59)
	(64,017)	(55,140)	(578)
Unfunded retirement benefit obligations	2,210,106	2,220,074	19,963
Lump-sum severance indemnity	2,210,106	2,220,074	19,963
Net liability (asset) for retirement benefits	¥ 2,146,089	¥ 2,164,933	$ 19,385
Liability for retirement benefits	¥ 2,210,273	¥ 2,220,241	$ 19,965
Asset for retirement benefits	(64,184)	(55,308)	(580)
Net liability (asset) for retirement benefits	¥ 2,146,089	¥ 2,164,933	$ 19,385

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Service cost	¥ 113,426	¥ 116,279	$ 1,025
Interest cost	16,530	16,761	149
Expected return on plan assets	(902)	(1,009)	(8)
Amortization of actuarial differences	(19,740)	(20,353)	(178)
Amortization of prior service cost	(36,361)	(34,373)	(328)
Other	(117)	(56)	(1)
Total	¥ 72,834	¥ 77,246	$ 658

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Prior service cost	¥ 1,455	¥ (34,373)	$ 13
Actuarial differences	(4,311)	(9,864)	(39)
Total	¥ (2,856)	¥ (44,238)	$ (26)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Unrecognized prior service cost	¥ 136,639	¥ 135,614	$ 1,234
Unrecognized actuarial differences	72,862	77,035	658
Total	¥ 209,501	¥ 212,649	$ 1,892

7) Plan assets

March 31	2021	2020
Bonds	80%	82%
Stocks	0	0
Life insurance general account	0	0
Other	20	18
Total	100%	100%

Note: Total plan assets are comprised 98% of retirement benefit trusts as of March 31, 2021 and 2020, respectively, which were set up for share of public service pension and share of another public service pension.

Current and target asset allocations, current and expected returns on various categories of plan assets have been taken into consideration in determining the long-term expected rate of return on plan assets.

8) Actuarial assumptions

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

Years ended March 31	2021	2020
Discount rate	0.2%–0.7%	0.2%–0.7%
Long-term expected rate of return on plan assets	0.1%–2.0%	0.1%–2.0%

(3) Defined Contribution Plans

The amounts required to be contributed to the defined contribution plans by certain consolidated subsidiaries were ¥15,178 million ($137 million) and ¥14,737 million for the fiscal years ended March 31, 2021 and 2020, respectively.

15. RESERVES RELATED TO THE REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to the reinsurance contracts with the Japan Postal Service Organization, are provided at amounts calculated based on the statement of calculation procedures for the insurance subsidiary's insurance premiums and policy reserves. Such amount is set not to fall below the amount calculated based on the statement of calculation procedures for the Postal Life Insurance policy reserves in accordance with the Act on the Organization for Postal Savings, Postal Life Insurance and Post Office Network (Act No. 101 of 2005). In addition, contingency reserve and reserve for price fluctuations are provided for this category of reinsurance.

The policy reserves, excluding contingency reserve, contingency reserve and reserve for price fluctuations provided for this category of reinsurance as of March 31, 2021 and 2020 were as follows:

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

16. DEFERRED TAX ASSETS AND LIABILITIES

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Deferred tax assets:			
Liability for retirement benefits	¥ 759,456	¥ 777,316	$ 6,860
Policy reserves	1,011,450	995,598	9,136
Reserve for outstanding claims	38,126	42,014	344
Reserve for bonuses	38,592	37,299	349
Reserve for price fluctuations	223,044	203,752	2,015
Deferred losses on hedges	167,565	144,765	1,514
Tax losses carried forward*	509,210	406,348	4,599
Other	224,652	307,580	2,029
Subtotal deferred tax assets	2,972,099	2,914,676	26,846
Valuation allowance for tax losses carried forward*	(509,018)	(406,052)	(4,598)
Valuation allowance for deductible temporary differences	(829,065)	(843,942)	(7,489)
Total valuation allowance	(1,338,083)	(1,249,995)	(12,086)
Total deferred tax assets	1,634,016	1,664,681	14,759
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(1,530,022)	(333,609)	(13,820)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(5,075)	(5,916)	(46)
Other	(23,871)	(24,621)	(216)
Total deferred tax liabilities	(1,558,969)	(364,148)	(14,082)
Net deferred tax assets (liabilities)	¥ 75,047	¥ 1,300,533	$ 678

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

* Amounts of tax losses carried forward and its deferred tax assets by expiration periods were as follows:

March 31	Millions of Yen						
	2021						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward[1]	¥ 453	¥ 5,417	¥ 4,355	¥ 189,591	¥ 10,177	¥ 299,214	¥ 509,210
Valuation allowance	(309)	(5,417)	(4,355)	(189,591)	(10,177)	(299,166)	(509,018)
Deferred tax assets	¥ 143	¥ —	¥ —	¥ —	¥ —	¥ 48	¥ 192

March 31	Millions of Yen						
	2020						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward[1]	¥ 7,203	¥ 445	¥ 5,400	¥ 4,354	¥ 189,639	¥ 199,305	¥ 406,348
Valuation allowance	(6,946)	(445)	(5,400)	(4,354)	(189,639)	(199,266)	(406,052)
Deferred tax assets	¥ 257	¥ —	¥ —	¥ —	¥ —	¥ 38	¥ 296

March 31	Millions of U.S. Dollars						
	2021						
	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
Tax losses carried forward[1]	$ 4	$ 49	$ 39	$ 1,713	$ 92	$ 2,703	$ 4,599
Valuation allowance	(3)	(49)	(39)	(1,713)	(92)	(2,702)	(4,598)
Deferred tax assets	$ 1	$ —	$ —	$ —	$ —	$ 0	$ 2

Note: Tax losses carried forward is after multiplying the statutory tax rate.

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in aggregate, would result in a statutory tax rate of approximately 30.6% for the fiscal years ended March 31, 2021 and 2020, respectively.

Reconciliation of the effective income tax rate reflected in the accompanying consolidated statements of income to the statutory tax rate for the fiscal years ended March 31, 2021 and 2020 were as follows:

Years ended March 31	2021	2020
Statutory tax rate	30.6%	30.6%
Income not taxable for income tax purposes (e.g., non-taxable dividend income)	(0.5)	(0.5)
Changes in valuation allowance	15.3	22.7
Adjustment of book value of stocks of subsidiaries for consolidated tax payment system	—	(29.0)
Tax allowances for loss on valuation of stocks of subsidiaries and affiliates	(18.2)	—
Other	(0.5)	0.3
Effective income tax rate	26.8%	24.2%

17. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

Year ended March 31, 2021	Thousands of shares			
	April 1, 2020	Increase	Decrease	March 31, 2021
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

Year ended March 31, 2020	Thousands of shares			
	April 1, 2019	Increase	Decrease	March 31, 2020
Shares authorized:				
Common stock	18,000,000	—	—	18,000,000
Shares issued:				
Common stock	4,500,000	—	—	4,500,000

(2) Type and Number of Treasury Stock

Year ended March 31, 2021	Thousands of shares			
	April 1, 2020[1]	Increase[2]	Decrease[2]	March 31, 2021[1]
Treasury stock:				
Common stock	456,667	—	32	456,635

Notes:
1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 528 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 496 thousand shares.
2. A decrease of 32 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

Year ended March 31, 2020	Thousands of shares			
	April 1, 2019[1]	Increase[2]	Decrease[2]	March 31, 2020[1]
Treasury stock:				
Common stock	456,796	—	128	456,667

Notes:
1. The number of treasury stock at the beginning of the fiscal year includes the shares of the Company held by the management board benefit trust of 656 thousand shares. The number of treasury stock at the end of the fiscal year includes the shares of the Company held by the management board benefit trust of 528 thousand shares.
2. A decrease of 128 thousand shares of treasury stock is due to the benefits paid of the shares of the Company by the management board benefit trust.

(3) Information on Dividends

Dividends from retained earnings require approval from the Minister for Internal Affairs and Communications pursuant to the provisions of Article 11 of the Act on Japan Post Holdings Co., Ltd.

1) Dividends paid

Dividends paid for the fiscal year ended March 31, 2021

Resolution	Class of shares	Total amount (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 15, 2020[1]	Common stock	¥ 101,096	$ 913	¥ 25.00	$ 0.23	March 31, 2020	June 18, 2020

Note: The total amount of dividends includes dividends of ¥13 million ($0 million) for the Company's shares held by the management board benefit trust.

Dividends paid for the fiscal year ended March 31, 2020

Resolution	Class of shares	Total amount (Millions of Yen)	Per share amount (Yen)	Record date	Effective date
Board of Directors' meeting held on May 15, 2019[1]	Common stock	¥ 101,096	¥ 25.00	March 31, 2019	June 20, 2019
Board of Directors' meeting held on November 14, 2019[2]	Common stock	¥ 101,096	¥ 25.00	September 30, 2019	December 6, 2019

Notes:
1. The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2019 includes dividends of ¥16 million for the Company's shares held by the management board benefit trust.
2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2019 includes dividends of ¥15 million for the Company's shares held by the management board benefit trust.

2) Dividends whose effective date falls after the end of the fiscal year

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

Resolution	Class of shares	Total amount[1] (Millions of Yen)	Total amount (Millions of U.S. Dollars)	Source of dividends	Per share amount (Yen)	Per share amount (U.S. Dollars)	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	¥ 202,193	$ 1,826	Capital surplus	¥ 50.00	$ 0.45	March 31, 2021	June 15, 2021

Note: The total amount of dividends includes dividends of ¥24 million ($0 million) for the Company's shares held by the management board benefit trust.

18. OTHER INCOME

Other income for the fiscal years ended March 31, 2021 and 2020 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Gains on sales of fixed assets	¥ 7,243	¥ 2,908	$ 65
Gains on negative goodwill	—	48	—
Reversal of reserve for price fluctuations	—	39,152	—
Compensation for transfer	1,482	529	13
Insurance claim income	1,973	311	18
Compensation income	1,795	—	16
Gains on transfer of business	—	6,249	—
Other	212,450	227,848	1,919
Total	¥ 224,945	¥ 276,735	$ 2,032

(Changes in presentation method)

"Insurance claim income" which was included in "Other" in the fiscal year ended March 31, 2020, has been presented separately from the fiscal year ended March 31, 2021 due to an increase in its materiality. In order to reflect this change in presentation method, 18. OTHER INCOME for the year fiscal year ended March 31, 2020 have been reclassified.

As a result, ¥227,848 million included in "Other" in 18. OTHER INCOME of the fiscal year ended March 31, 2020, has been reclassified into ¥311 million of "insurance claim income" and ¥227,537 million of "Other."

19. OTHER EXPENSES

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

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Losses on sales and disposal of fixed assets	¥ 3,259	¥ 4,606	$ 29
Losses on impairment of fixed assets[3]	93,545	21,723	845
Provision for reserve for price fluctuation	46,477	—	420
Post office refurbishment expenses[1]	4,915	11,304	44
Provision for reserve for policyholder dividends[2]	65,465	109,236	591
Other	243,230	85,502	2,197
Total	¥ 456,893	¥ 232,372	$ 4,127

Notes:
1. In order to prevent further deterioration of facilities and other assets, the Group has invested in construction work and prioritized spending on assets exceeding their economical useful lives and leased post office buildings which require improvements for earthquake resistance.
2. Provision for reserve for policyholder dividends, which is provided for the Japan Postal Service Organization based on gains or losses and others arising in the category of reinsurance due to the reinsurance contracts with the Japan Postal Service Organization, was ¥46,710 million ($422 million) and ¥93,775 million for the fiscal years ended March 31, 2021 and 2020, respectively.
3. Losses on impairment of fixed assets for the fiscal year ended March 31, 2021 included those of consolidated subsidiary Toll and its subsidiaries of ¥61,938 million ($559 million) as follows:

Location	Usage	Millions of Yen				
		Buildings	Land	Other tangible fixed assets	Software	Total
Queensland, Australia, etc.	Global express business	¥ 2,844	¥ 862	¥ 49,586	¥ 8,645	¥ 61,938

Location	Usage	Millions of U.S. Dollars				
		Buildings	Land	Other tangible fixed assets	Software	Total
Queensland, Australia, etc.	Global express business	$ 26	$ 8	$ 448	$ 78	$ 559

The Group conducts the grouping of assets based on units whose business performance is separately reported for internal management purposes.

The Group has been considering the sale of Toll's global express business in the fiscal year ended March 31, 2021. As a loss on sale was expected, the book value was reduced to recoverable amount, and the difference was recognized as losses on impairment of fixed assets in "Other expenses."

The recoverable amount was measured at net realizable value, which was calculated based on the business transfer agreement concluded with affiliates of Allegro Funds Pty Ltd on April 21, 2021.

20. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the fiscal years ended March 31, 2021 and 2020 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ 4,650,472	¥ (3,206,131)	$ 42,006
Reclassification adjustments	(247,731)	(313,164)	(2,238)
Before tax effect adjustments	4,402,741	(3,519,296)	39,768
Tax effect	(1,286,561)	1,038,005	(11,621)
Net unrealized gains (losses) on available-for-sale securities	3,116,179	(2,481,290)	28,147
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(176,864)	(555,776)	(1,598)
Reclassification adjustments	114,065	173,952	1,030
Adjustments of assets' acquisition costs	(1,701)	(995)	(15)
Before tax effect adjustments	(64,500)	(382,819)	(583)
Tax effect	22,568	117,242	204
Net deferred gains (losses) on hedges	(41,932)	(265,577)	(379)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(12,539)	(2,786)	(113)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	51,264	10,488	463
Reclassification adjustments	(54,120)	(54,727)	(489)
Before tax effect adjustments	(2,856)	(44,238)	(26)
Tax effect	(406)	685	(4)
Adjustments for retirement benefits	(3,262)	(43,553)	(29)
Share of other comprehensive loss of affiliates:			
Amount arising during the fiscal year	(7)	(4)	(0)
Reclassification adjustments	3	(0)	0
Before tax effect adjustments	(3)	(4)	(0)
Tax effect	—	—	—
Share of other comprehensive loss of affiliates	(3)	(4)	(0)
Total other comprehensive income (loss)	¥ 3,058,441	¥ (2,793,212)	$ 27,626

21. FINANCIAL INSTRUMENTS

(1) Policy for Handling Financial Instruments

The Group is required to manage financial assets and financial liabilities owned by the banking subsidiary and insurance subsidiary in order to avoid the negative impact on the stability of their financial results resulting from the volatility due to future interest rate fluctuation and foreign exchange fluctuation, since these assets and liabilities are generally subject to changes in value due to fluctuations in market.

For this purpose, both companies endeavor to properly manage return and risk by using an asset liability management (ALM) framework, under which the companies enter into derivative transactions such as interest rate swaps, currency swaps and forward foreign exchange.

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

In addition, from the viewpoint of increasing profitability, both companies also work to invest in risk assets within an acceptable range while at the same time strengthening their risk management structures.

(2) Features and Risks of Financial Instruments

In the Group, financial assets owned by the banking subsidiary and insurance subsidiary consist mainly of securities such as domestic and foreign bonds, in particular Japanese government bonds, loans, stock investments through money held in trust and others. Such financial assets are exposed to risks including the credit risk of their issuing bodies, interest rate fluctuation risk and market price fluctuation risk.

From an ALM viewpoint, interest rate swaps are used as a means of hedging future economic value fluctuation risk and interest rate risk of securities, loans, fixed-term deposits and others for interest rate-related transactions.

For currency-related transactions, currency swaps and forward foreign exchange are used as a means of hedging foreign exchange fluctuation risk in connection with the translation of foreign currency-denominated assets held by the banking subsidiary and insurance subsidiary and related Japanese yen translation amounts of redemption of principal and interest.

In hedging risk using derivative transactions, the Group applies hedge accounting for transactions meeting certain prescribed requirements in order to limit impacts on financial results.

(3) Risk Management Framework for Financial Instruments

The Group has a basic policy for group risk management whereby basic principles regarding risk management as well as basic matters for which compliance is mandatory for risk management including risk categories to be managed by Group companies are prescribed, and risk management is carried out on a group basis.

The status of the risk management at each company is periodically reported to the management meeting at which the Group's risk management policies and risk management structures are discussed.

For risks such as market risk, credit risk and other types of risk, each company identifies risks that can be quantified and then uses value at risk (VaR), a measure of the maximum expected loss that could occur due to events with a certain probability, and other methods to measure these risks. The Company manages risk by confirming that the amount of risk measured at each of these two companies is kept within each company's equity capital.

1) Credit risk management

The banking subsidiary and insurance subsidiary use the VaR method to quantify and manage credit risk exposure, in accordance with the respective rules of the companies on credit risk management. Moreover, to control credit concentration risk, the companies provide credit limits and other criteria for individual companies and corporate groups and supervise these limits during each fiscal year.

2) Management of market risk

A) Banking subsidiary

The banking subsidiary invests in domestic and foreign bonds, stocks and others based on the policy related with ALM as a banking business, and these are affected by fluctuations in interest rates, foreign exchange, stock price and others. Therefore the banking subsidiary quantitatively measures market risk using VaR, which is a statistical method, based on its market risk management regulations, and monitors and manages risk by setting limits for market risk and loss so that the amount of market risk is kept within an appropriate amount of capital allocation, as determined by taking into account the amount of the company's equity capital.

The major financial instruments affected by fluctuations in risk variables (interest rates, foreign exchange and stock prices) related to major market risks are call loans, monetary claims bought, money held in trust, securities, loans, deposits and derivative transactions.

The banking subsidiary uses the historical simulation method (holding period — 240 business days (equivalent to 1 year); one-sided confidence interval — 99%; and observation period — 1,200 business days (equivalent to 5 years)). An internal model is used for measurement for liabilities. The amount of the market risk (estimated loss) as a whole was ¥3,689,515 million ($33,326 million) and ¥2,925,366 million as of March 31, 2021 and 2020, respectively. The VaR measures the market risk quantity at a certain probability calculated statistically based on past market fluctuations, and accordingly, it may not be able to capture the risk under certain abnormal market. In order to avoid such risk, sensitivity testing is implemented using various scenarios.

Matters related to the design and operation of market risk management structures, and implementation of market risk management are reported and discussed regularly at the risk management committee, ALM committee, and management meeting.

In addition, taking into account features of assets with mainly Japanese government bonds, etc. and liabilities with mainly deposits, and recognizing the importance of interest rate risk sufficiently, the banking subsidiary implements interest rate risk management using a multifaceted approach, whereby profit or loss simulations are carried out based on various scenarios using ALM, and risks are managed.

The policy related with ALM is discussed and determined at the management meeting, and the status of the implementation is reported to the ALM committee and management meeting.

With respect to derivative transactions, the banking subsidiary has created separate departments for the execution of transactions, assessment of hedge effectiveness, and administration, and has established an internal control system, in accordance with its derivative transaction regulations.

B) Insurance subsidiary

The insurance subsidiary categorizes market risk into interest rate risk and market price fluctuation risk for its management. Interest rate risk at the insurance subsidiary is the risk of losses resulting from fluctuation in the value of interest-bearing assets denominated in Japanese yen and insurance liabilities due to fluctuations in Japanese yen interest rates, and the risk arises because the insurance subsidiary has a 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 insurance subsidiary 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.

3) Management of liquidity risk related to fund raising activities

The banking subsidiary and insurance subsidiary manage liquidity risk related to fund raising activities through the establishment of indexes of fund raising, etc.

(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. In calculating prices, certain premises and assumptions are adopted, and the use of different premises and assumptions may lead to changes in pricing.

(5) Fair Values of Financial Instruments

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

(Millions of Yen)

March 31	2021		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 62,719,113	¥ 62,719,113	¥ —
2) Call loans	1,520,000	1,520,000	—
3) Receivables under resale agreements	9,721,360	9,721,360	—
4) Receivables under securities borrowing transactions	2,585,087	2,585,087	—
5) Monetary claims bought	638,985	638,985	—
6) Trading account securities			
Trading securities	13	13	—
7) Money held in trust	9,089,795	9,073,718	(16,076)
8) Securities			
Held-to-maturity bonds	60,506,060	65,929,179	5,423,118
Policy-reserve-matching bonds	9,382,446	10,158,590	776,143
Stocks of subsidiaries and affiliates	—	—	—
Available-for-sale securities	121,469,534	121,469,534	—
9) Loans	9,655,811		
Reserve for possible loan losses[1]	(182)		
	9,655,629	9,986,365	330,736
Total	¥ 287,288,026	¥ 293,801,948	¥ 6,513,922
1) Deposits	¥ 187,984,760	¥ 188,032,622	¥ 47,861
2) Payables under repurchase agreements	14,886,481	14,886,481	—
3) Payables under securities lending transactions	6,092,013	6,092,013	—
4) Borrowed money	4,228,180	4,228,186	5
5) Bonds	300,000	300,290	290
Total	¥ 213,491,435	¥ 213,539,593	¥ 48,157
Derivative transactions[2]			
Hedge accounting not applied	¥ (6,949)	¥ (6,949)	¥ —
Hedge accounting applied	(943,604)	(943,604)	—
Total derivative transactions	¥ (950,553)	¥ (950,553)	¥ —

(Millions of Yen)

March 31	2020		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 53,680,384	¥ 53,680,384	¥ —
2) Call loans	1,420,000	1,420,000	—
3) Receivables under resale agreements	9,731,897	9,731,897	—
4) Receivables under securities borrowing transactions	3,304,202	3,304,202	—
5) Monetary claims bought	634,394	634,394	—
6) Trading account securities			
Trading securities	31	31	—
7) Money held in trust	7,124,573	7,121,936	(2,637)
8) Securities			
Held-to-maturity bonds	59,906,432	66,614,935	6,708,502
Policy-reserve-matching bonds	9,574,646	10,578,535	1,003,888
Stocks of subsidiaries and affiliates	1,181	672	(509)
Available-for-sale securities	119,865,191	119,865,191	—
9) Loans	10,624,482		
Reserve for possible loan losses[1]	(141)		
	10,624,340	11,023,241	398,900
Total	¥ 275,867,278	¥ 283,975,424	¥ 8,108,145
1) Deposits	¥ 181,377,859	¥ 181,422,722	¥ 44,863
2) Payables under repurchase agreements	14,855,624	14,855,624	—
3) Payables under securities lending transactions	6,509,525	6,509,525	—
4) Borrowed money	302,200	302,265	65
5) Bonds	100,000	98,740	(1,260)
Total	¥ 203,145,210	¥ 203,188,878	¥ 43,668
Derivative transactions[2]			
Hedge accounting not applied	¥ 863	¥ 863	¥ —
Hedge accounting applied	(499,408)	(499,408)	—
Total derivative transactions	¥ (498,544)	¥ (498,544)	¥ —

(Millions of U.S. Dollars)

March 31	2021		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	$ 566,517	$ 566,517	$ —
2) Call loans	13,730	13,730	—
3) Receivables under resale agreements	87,809	87,809	—
4) Receivables under securities borrowing transactions	23,350	23,350	—
5) Monetary claims bought	5,772	5,772	—
6) Trading account securities			
Trading securities	0	0	—
7) Money held in trust	82,105	81,959	(145)
8) Securities			
Held-to-maturity bonds	546,528	595,512	48,985
Policy-reserve-matching bonds	84,748	91,759	7,011
Stocks of subsidiaries and affiliates	—	—	—
Available-for-sale securities	1,097,187	1,097,187	—
9) Loans	87,217		
Reserve for possible loan losses[1]	(2)		
	87,216	90,203	2,987
Total	$ 2,594,960	$ 2,653,798	$ 58,838
1) Deposits	$ 1,697,993	$ 1,698,425	$ 432
2) Payables under repurchase agreements	134,464	134,464	—
3) Payables under securities lending transactions	55,027	55,027	—
4) Borrowed money	38,191	38,192	0
5) Bonds	2,710	2,712	3
Total	$ 1,928,384	$ 1,928,819	$ 435
Derivative transactions[2]			
Hedge accounting not applied	$ (63)	$ (63)	$ —
Hedge accounting applied	(8,523)	(8,523)	—
Total derivative transactions	$ (8,586)	$ (8,586)	$ —

Notes:
1. General reserve for possible loan losses corresponding to loans has been deducted.
2. Derivative transactions recorded in Other assets/Other liabilities are expressed as lump sums. Net receivables and payables arising from derivative transactions are stated at net values, and if the values are negative, they are indicated in parentheses. Additionally, those subject to exceptional treatment for interest rate swaps and the allocation method for forward foreign exchange which requires recognized foreign currency assets or liabilities to be translated using the corresponding foreign exchange contract rates are jointly disclosed with hedged loans and securities. Therefore, their fair values are included in the relevant loans and securities.

Calculation method for fair values of financial instruments is as follows:

Assets

1) Cash and due from banks

For funds due from banks with no maturity date, fair value approximates book value, which is therefore used as fair value. For funds due from banks with a maturity date where the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.

2) Call loans, 3) Receivables under resale agreements and 4) Receivables under securities borrowing transactions

Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.

5) Monetary claims bought

Pricing offered by the broker and other third parties serves as fair value.

6) Trading account securities

The purchase price of the Bank of Japan serves as fair value.

7) Money held in trust

For invested securities representing trust assets in money held in trust, the fair value of stocks is based on the price on the stock exchange, etc. and the fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association. The fair value of derivative transactions is based on the prices provided by information vendors, etc. In addition, the fair value of the loans is based on a price obtained by discounting the total sum of the principal and interest by an interest rate that takes into account of the remaining period and credit risk of each loan.

Notes to money held in trust by categories based on holding purposes are provided in Note 4 (4) “Money Held in Trust”.

8) Securities

The fair value of stocks is based on the price on the stock exchange, etc. The fair value of bonds is based on the price quoted by the exchange, the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association, the price calculated using the comparable price method or the price provided by a broker, etc. The fair value of investment trusts is based primarily on the funds’ unit price.

Notes to securities by categories considering holding purposes are provided in Note 4 (3) “Fair Value Information on Securities and Policy-Reserve-Matching Bonds”.

9) Loans

For loans with variable interest rates, which follow market interest rates only over the short term, fair value approximates book value unless the obligor’s credit standing significantly differs after the transaction. In such cases, book value serves as fair value. For loans with fixed interest rates, fair value is considering a net discounted present value of future cash flows, etc.

For loans that are limited to within a designated percentage of the amount of pledged assets, book values are used as fair values, because their fair values approximate book value based on the loan terms and conditions.

Liabilities

1) Deposits

For demand deposits, the payment amount (book value) if demanded on the consolidated balance sheet date is deemed to be the fair value of such demand deposits. For fixed-term deposits, fair value is based on the net discounted present value of estimated future cash flows, following a division into certain periods. The interest rate applicable to new savings is used as the discount rate.

2) Payables under repurchase agreements and 3) Payables under securities lending transactions
Contract tenors are short term (within one year) and their fair values approximate book value, which is therefore used as fair value.

4) Borrowed money
For borrowed money with variable interest rates, fair value approximates book value since it follows market interest rates only over the short term and the credit standing of the Company and its subsidiaries has not changed significantly after the transaction, therefore book value serves as fair value. For borrowed money with fixed interest rates, fair value is determined based on the present value calculated by discounting the total amount of principal and interest of the borrowed money classified by a certain period, by an interest rate assumed for a new borrowing under the same terms and conditions. For borrowed money for which the contract period is short (within a year), fair value approximates book value, which is therefore used as fair value.

5) Bonds
The fair value of bonds is based on the Reference Statistical Prices [Yields] for OTC Bond Transactions published by the Japan Securities Dealers Association.

Derivatives
Derivatives consist primarily of interest rate-related transactions (interest rate swaps), currency-related transactions (forward foreign exchange and currency swaps), stock-related transactions (stock index futures), bond-related transactions (bond futures) and credit-related transactions (credit default swaps). Fair value is based on the price quoted by the exchange or values obtained from net present value calculations, etc.

The consolidated balance sheet amounts of financial instruments for which fair values are deemed extremely difficult to determine are as shown below; they are not included in "Assets 7) Money held in trust" and "Assets 8) Securities" under information concerning fair values of financial instruments.

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Money held in trust[1]	¥ 940,137	¥ 679,576	$ 8,492
Securities			
Unlisted stocks[2]	54,897	38,759	496
Investment trusts[3]	2,217,712	1,692,354	20,032
Investments in partnerships[4]	72,446	48,485	654
Other	393	—	4
Total[5]	¥ 3,285,586	¥ 2,459,175	$ 29,677

Notes:
1. Money held in trust, for which underlying assets held by the trust such as investment in private REIT are extremely difficult to determine their fair values, is not included in the scope of fair value disclosures.
2. Unlisted stocks are not included in the scope of fair value disclosures because there are no available market prices and it is extremely difficult to determine their fair values.
3. Investment trusts, for which underlying assets held by the trust such as unlisted stocks are extremely difficult to determine their fair values, are not included in the scope of fair value disclosures.
4. Investments in partnerships are not included in the scope of fair value disclosures because they consist of partnership asset components such as unlisted stocks which are extremely difficult to determine their fair values.
5. Impairment losses of ¥1,035 million ($9 million) were recognized for the fiscal year ended March 31, 2021.

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

(Millions of Yen)

March 31	2021					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 61,659,582	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,520,000	—	—	—	—	—
Receivables under resale agreements	9,721,360	—	—	—	—	—
Receivables under securities borrowing transactions	2,585,087	—	—	—	—	—
Monetary claims bought	258,666	37,072	32,159	58,153	81,957	168,297
Securities	17,747,191	33,920,647	12,287,002	15,634,511	19,692,351	43,651,814
Held-to-maturity bonds	7,878,261	13,819,618	3,160,565	4,494,887	7,244,750	23,461,323
Japanese government bonds	6,567,100	11,130,800	1,488,200	3,605,800	5,463,600	21,011,700
Japanese local government bonds	990,262	1,569,347	1,066,510	196,304	1,169,080	1,043,444
Japanese corporate bonds	320,899	1,119,471	605,854	692,783	612,070	1,406,178
Other	—	—	—	—	—	—
Policy-reserve-matching bonds	812,852	1,542,301	586,516	571,300	2,042,900	3,641,625
Japanese government bonds	772,400	1,339,800	451,400	554,200	1,974,800	2,532,900
Japanese local government bonds	37,193	173,165	78,299	300	—	269,125
Japanese corporate bonds	3,259	29,336	56,817	16,800	68,100	839,600
Available-for-sale securities with maturities	9,056,076	18,558,728	8,539,921	10,568,323	10,404,701	16,548,866
Japanese government bonds	2,328,274	9,359,310	1,318,510	4,374,471	4,576,298	7,378,900
Japanese local government bonds	771,814	1,421,753	929,209	1,048,295	115,174	148,351
Japanese short-term corporate bonds	1,869,500	—	—	—	—	—
Japanese corporate bonds	1,148,992	2,051,733	1,690,086	1,131,090	967,597	1,607,837
Other	2,937,495	5,725,929	4,602,115	4,014,467	4,745,630	7,413,777
Loans	3,495,471	1,891,250	1,431,211	851,905	971,111	1,008,495
Total	¥ 96,987,360	¥ 35,848,970	¥ 13,750,373	¥ 16,544,570	¥ 20,745,420	¥ 44,828,607

(Millions of Yen)

March 31	2020					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 52,573,493	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	1,420,000	—	—	—	—	—
Receivables under resale agreements	9,731,897	—	—	—	—	—
Receivables under securities borrowing transactions	3,304,202	—	—	—	—	—
Monetary claims bought	307,044	20,356	23,836	76,319	34,107	168,666
Securities	16,835,685	35,794,349	20,114,815	10,642,916	20,098,684	41,951,360
Held-to-maturity bonds	4,229,790	17,970,815	5,114,461	2,487,256	7,550,165	22,075,212
Japanese government bonds	2,802,600	15,435,000	2,769,500	2,214,300	5,893,400	19,684,300
Japanese local government bonds	1,120,018	1,708,244	1,480,175	117,220	814,091	1,109,691
Japanese corporate bonds	209,172	827,571	864,785	155,736	842,673	1,281,221
Other	98,000	—	—	—	—	—
Policy-reserve-matching bonds	416,864	1,639,654	1,363,681	511,400	1,857,700	3,572,773
Japanese government bonds	377,000	1,471,500	1,159,600	511,000	1,850,600	2,589,200
Japanese local government bonds	25,090	122,873	183,364	400	—	238,173
Japanese corporate bonds	14,774	45,281	20,717	—	7,100	745,400
Available-for-sale securities with maturities	12,189,031	16,183,879	13,636,672	7,644,259	10,690,819	16,303,375
Japanese government bonds	4,874,417	7,346,387	4,613,904	3,327,341	4,390,657	7,132,900
Japanese local government bonds	1,251,322	1,509,167	1,213,065	1,139,092	459,782	153,566
Japanese short-term corporate bonds	807,000	—	—	—	—	—
Japanese corporate bonds	1,512,030	2,223,389	1,761,802	1,081,646	1,125,831	1,770,145
Other	3,744,261	5,104,936	6,047,899	2,096,178	4,714,548	7,246,762
Loans	4,275,308	1,927,834	1,457,155	951,536	968,494	1,038,761
Total	¥ 88,447,632	¥ 37,742,540	¥ 21,595,807	¥ 11,670,772	¥ 21,101,287	¥ 43,158,789

(Millions of U.S. Dollars)

March 31	2021					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	$ 556,947	$ —	$ —	$ —	$ —	$ —
Call loans	13,730	—	—	—	—	—
Receivables under resale agreements	87,809	—	—	—	—	—
Receivables under securities borrowing transactions	23,350	—	—	—	—	—
Monetary claims bought	2,336	335	290	525	740	1,520
Securities	160,303	306,392	110,984	141,220	177,873	394,290
Held-to-maturity bonds	71,161	124,827	28,548	40,601	65,439	211,917
Japanese government bonds	59,318	100,540	13,442	32,570	49,351	189,790
Japanese local government bonds	8,945	14,175	9,633	1,773	10,560	9,425
Japanese corporate bonds	2,899	10,112	5,472	6,258	5,529	12,701
Other	—	—	—	—	—	—
Policy-reserve-matching bonds	7,342	13,931	5,298	5,160	18,453	32,893
Japanese government bonds	6,977	12,102	4,077	5,006	17,838	22,879
Japanese local government bonds	336	1,564	707	3	—	2,431
Japanese corporate bonds	29	265	513	152	615	7,584
Available-for-sale securities with maturities	81,800	167,634	77,138	95,460	93,982	149,479
Japanese government bonds	21,030	84,539	11,910	39,513	41,336	66,651
Japanese local government bonds	6,971	12,842	8,393	9,469	1,040	1,340
Japanese short-term corporate bonds	16,886	—	—	—	—	—
Japanese corporate bonds	10,378	18,532	15,266	10,217	8,740	14,523
Other	26,533	51,720	41,569	36,261	42,865	66,966
Loans	31,573	17,083	12,928	7,695	8,772	9,109
Total	$ 876,049	$ 323,810	$ 124,202	$ 149,441	$ 187,385	$ 404,919

Redemption schedule of deposits, payables under repurchase agreements, payables under securities lending transactions, borrowed money and bonds were as follows:

(Millions of Yen)

March 31	2021					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	¥ 116,027,741	¥ 11,086,454	¥ 11,688,362	¥ 21,295,472	¥ 27,886,729	¥ —
Payables under repurchase agreements	14,886,481	—	—	—	—	—
Payables under securities lending transactions	6,092,013	—	—	—	—	—
Borrowed money	4,210,072	7,711	5,200	15	97	5,084
Bonds	—	—	—	—	—	300,000
Total	¥ 141,216,308	¥ 11,094,165	¥ 11,693,562	¥ 21,295,488	¥ 27,886,826	¥ 305,084

(Millions of Yen)

March 31	2020					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	¥ 104,250,334	¥ 15,016,765	¥ 13,244,338	¥ 15,125,567	¥ 33,740,852	¥ —
Payables under repurchase agreements	14,855,624	—	—	—	—	—
Payables under securities lending transactions	6,509,525	—	—	—	—	—
Commercial papers	—	—	—	—	—	—
Borrowed money	273,876	25,924	2,400	—	—	—
Bonds	—	—	—	—	—	100,000
Total	¥ 125,889,360	¥ 15,042,689	¥ 13,246,738	¥ 15,125,567	¥ 33,740,852	¥ 100,000

(Millions of U.S. Dollars)

March 31	2021					
	Within 1 year	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits[1]	$ 1,048,033	$ 100,140	$ 105,576	$ 192,354	$ 251,890	$ —
Payables under repurchase agreements	134,464	—	—	—	—	—
Payables under securities lending transactions	55,027	—	—	—	—	—
Borrowed money	38,028	70	47	0	1	46
Bonds	—	—	—	—	—	2,710
Total	$ 1,275,552	$ 100,209	$ 105,623	$ 192,354	$ 251,891	$ 2,756

Note: 1. Demand deposits are included in "Within 1 year."

22. DERIVATIVE TRANSACTIONS

(1) Derivative Transactions to Which the Hedge Accounting Method Is Not Applied

The following tables set forth the contract amount or the amount equivalent to the principal, fair value and valuation gains (losses) at the end of the fiscal year by transaction type, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is not applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

There were no interest rate-related derivatives as of March 31, 2021.

(Millions of Yen)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Interest rate swaps:				
Receivable fixed rate / Payable floating rate	¥ 146,267	¥ 127,766	¥ 34,182	¥ 34,182
Receivable floating rate / Payable fixed rate	162,156	141,370	(34,764)	(34,764)
Total			¥ (582)	¥ (582)

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value.

2) Currency-related derivatives

(Millions of Yen)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	¥ 692	¥ —	¥ (26)	¥ (26)
Forward foreign exchange:				
Sold	594,542	—	(18,501)	(18,501)
Bought	568,424	—	11,150	11,150
Total			¥ (7,377)	¥ (7,377)

(Millions of Yen)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 285,702	¥ —	¥ (1,304)	¥ (1,304)
Bought	148,901	—	385	385
Cross currency interest rate swaps	6,582	—	611	611
Total			¥ (307)	¥ (307)

(Millions of U.S. Dollars)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Currency swaps	$ 6	$ —	$ (0)	$ (0)
Forward foreign exchange:				
Sold	5,370	—	(167)	(167)
Bought	5,134	—	101	101
Total			$ (67)	$ (67)

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value and other methods.

3) Stock-related derivatives

There were no stock-related derivatives as of March 31, 2021.

(Millions of Yen)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	¥ 35,773	¥ —	¥ 698	¥ 698
Total			¥ 698	¥ 698

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is based on the final price on Osaka Exchange.

4) Bond-related derivatives

(Millions of Yen)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 19,470	¥ —	¥ (147)	¥ (147)
Total			¥ (147)	¥ (147)

(Millions of Yen)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 17,932	¥ —	¥ 403	¥ 403
Total			¥ 403	¥ 403

(Millions of U.S. Dollars)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	$ 176	$ —	$ (1)	$ (1)
Total			$ (1)	$ (1)

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is based on the final price on Eurex Exchange.

5) Credit-related derivatives

(Millions of Yen)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold[3]	¥ 28,107	¥ 28,107	¥ 576	¥ 576
Total			¥ 576	¥ 576

(Millions of Yen)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold[3]	¥ 28,088	¥ 28,088	¥ 651	¥ 651
Total			¥ 651	¥ 651

(Millions of U.S. Dollars)

March 31	2021			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold[3]	$ 254	$ 254	$ 5	$ 5
Total			$ 5	$ 5

Notes:
1. The above transactions are valued at fair value and the related valuation gains (losses) are accounted for in the consolidated statements of income.
2. Fair value is calculated using discounted present value.
3. "Sold" represents transactions which the credit risk has been assumed.

(2) Derivative Transactions to Which the Hedge Accounting Method Is Applied
The following tables set forth the contract amount or the amount equivalent to the principal and fair value at the end of the fiscal year by transaction type and hedge accounting method, and calculation method of fair value with respect to derivative transactions to which the hedge accounting method is applied. Contract amount does not indicate the market risk related to derivative transactions.

1) Interest rate-related derivatives

(Millions of Yen)

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2021 Contract amount	2021 Contract amount due after 1 year	2021 Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Deposits	¥ 3,400,000	¥ 3,400,000	¥ 40,662
	Receivable floating rate / Payable fixed rate		4,736,647	3,574,948	(233,971)
		Total			¥ (193,308)

(Millions of Yen)

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2020 Contract amount	2020 Contract amount due after 1 year	2020 Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Loans Deposits	¥ 3,406,150	¥ 3,403,900	¥ 59,775
	Receivable floating rate / Payable fixed rate		5,513,409	4,894,995	(525,138)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Loans	26,050	23,950	—[3]
		Total			¥ (465,362)

(Millions of U.S. Dollars)

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2021 Contract amount	2021 Contract amount due after 1 year	2021 Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Deposits	$ 30,711	$ 30,711	$ 367
	Receivable floating rate / Payable fixed rate		42,784	32,291	(2,113)
		Total			$ (1,746)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value is calculated using discounted present value and other methods.
3. Interest rate swaps subject to the exceptional treatment are accounted for in combination with the loans that are subject to the hedge. Therefore their fair value is included in the fair value of the relevant loans in Note 21 "FINANCIAL INSTRUMENTS."

2) Currency-related derivatives

(Millions of Yen)

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2021 Contract amount	2021 Contract amount due after 1 year	2021 Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 8,099,353	¥ 7,167,516	¥ (409,504)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	62,857	—	(2,979)
Allocation method	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	6,563,483	—	(298,551)
	Currency swaps		911,908	532,259	(39,259)
		Total			¥ (750,295)

(Millions of Yen)

March 31	Type of derivative	Major hedged item	2020		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 7,448,230	¥ 6,585,868	¥ (79,814)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	52,938	—	5,274
Allocation method	Forward foreign exchange	Other liabilities	38	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	6,105,200	—	46,482
	Currency swaps		411,296	411,296	(5,989)
		Total			¥ (34,046)

(Millions of U.S. Dollars)

March 31	Type of derivative	Major hedged item	2021		
Hedge accounting method			Contract amount	Contract amount due after 1 year	Fair value[2]
Deferral hedge method	Currency swaps	Securities	$ 73,158	$ 64,741	$ (3,699)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	568	—	(27)
Allocation method	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	59,285	—	(2,697)
	Currency swaps		8,237	4,808	(355)
		Total			$ (6,777)

Notes:
1. In principle, these derivatives are accounted for using deferred hedge accounting.
2. Fair value is calculated using discounted present value and other methods.

23. CONTRACTS

Future payments on service contracts for system-related services (such as usage of hardware, software, telecommunication services and maintenance) as of March 31, 2021 and 2020 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 158	¥ 406	$ 1
Due after 1 year	—	149	—

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 7,368	¥ 6,840	$ 67
Due after 1 year	37,139	44,470	335
Total	¥ 44,508	¥ 51,310	$ 402

(2) As lessor

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Due within 1 year	¥ 15,683	¥ 16,377	$ 142
Due after 1 year	44,444	45,726	401
Total	¥ 60,128	¥ 62,104	$ 543

25. CONTINGENT LIABILITIES

In the event that the Company's consolidated subsidiary cancels all or part of its lease contracts for post offices, the lessors shall be entitled to seek compensation for the cancellation. The amounts of compensation are calculated based on the amounts of uncollectible investment. The possible amounts of compensation were ¥64,872 million ($586 million) and ¥68,829 million as of March 31, 2021 and 2020, respectively.

Compensation shall not be made in full in the case where the offices are used for purposes other than originally intended, regardless of whether the contracts were cancelled on the side of the Company's subsidiary.

26. BUSINESS COMBINATIONS

For the fiscal year ended March 31, 2020

Transactions under common control, etc.

Sale of a portion of stock in a subsidiary

The Company sold a portion of its stock in Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below.

1. Overview of the transaction

1) Overview and purpose of the transaction

In accordance with the Postal Service Privatization Act, the Company is required to dispose of its entire stock in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as "two financial companies") as early as possible, upon consideration of the condition of business of the two financial companies, impact on fulfilling its obligation to secure universal services and other factors. In compliance with the above effects, the Company plans to sell its stock in the two financial companies in stages to the extent that its holding ratio is lowered to around 50%

Following such policy, the Company sold a portion of stock in Japan Post Insurance Co., Ltd. by an offering (hereinafter referred to as "The Offering") by considering the stock price of Japan Post Insurance Co., Ltd., the funding needs of the Company, the possible effects on consolidated financial results of the Company and other matters.

In addition, ahead of the above, the Company sold a portion of stock in Japan Post Insurance Co., Ltd. through the share repurchase undertaken by Japan Post Insurance Co., Ltd. (hereinafter referred to as "Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.")

2) Name and description of business of party to which the business combination was applied

Name: Japan Post Insurance Co., Ltd.

Description of business: Life insurance business

3) Date of business combination

1) The Offering

April 23, 2019

2) Sale through the share repurchase undertaken by Japan Post Insurance Co., Ltd.

April 8, 2019

4) Legal form of business combination

Sale of a portion of stock for cash consideration

5) Name of company after business combination

No change

2. Overview of accounting treatment applied

This transaction is treated as a transaction with non-controlling shareholders, which falls under the category of a transaction under common control, etc., based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Statement No. 10, January 16, 2019).

3. Matters concerning changes in the Company's equity interest as a result of transaction with non-controlling shareholders

1) Main cause for change in capital surplus

Sale of a portion of stock in a subsidiary

2) Decreased amount of capital surplus as a result of transaction with non-controlling shareholders

¥50,199 million

27. SEGMENT INFORMATION

(1) Outline of Reportable Segments

The Group's reportable segments are categorized based on certain criteria for which discrete financial information is available and reviewed regularly by the management in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group assesses business performance primarily by assessing the performance of each individual consolidated subsidiary and as such recognizes each consolidated subsidiary as an identifiable business segment unit except for Japan Post Co., Ltd., which is classified into postal and domestic logistics business segment and post office business segment. The Group determines its reportable segments by aggregating business segment units with similar economic characteristics, market selling products and services, customer type and other factors.

The Group's reportable segments are (1) postal and domestic logistics business and (2) post office business operated mainly by Japan Post Co., Ltd., (3) international logistics business operated mainly by Toll, (4) banking business operated mainly by Japan Post Bank Co., Ltd., and (5) life insurance business operated mainly by Japan Post Insurance Co., Ltd.

(2) Method of Calculating Income, Profit and Loss, and Assets and Other Items by Reportable Segment

Accounting policies applied to the reportable segments are the same as those described in Note 2 "SIGNIFICANT ACCOUNTING POLICIES." Intersegment income is determined based on market prices or total cost.

(3) Selected Financial Information on Reportable Segment

(Millions of Yen)

Year ended March 31	2021							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 2,030,969	¥ 158,231	¥ 749,862	¥ 1,944,878	¥ 6,786,210	¥ 11,670,153	¥ 46,605	¥ 11,716,758
Intersegment income	40,907	1,086,947	206	1,833	16	1,129,912	174,508	1,304,420
Total	¥ 2,071,877	¥ 1,245,179	¥ 750,069	¥ 1,946,712	¥ 6,786,226	¥ 12,800,065	¥ 221,113	¥ 13,021,178
Segment profit (loss)	¥ 126,587	¥ 38,796	¥ (7,003)	¥ 394,206	¥ 345,736	¥ 898,322	¥ 114,037	¥ 1,012,360
Segment assets	2,029,293	2,622,782	529,536	223,870,630	70,172,982	299,225,224	6,079,704	305,304,929
Other items:								
Depreciation and amortization	82,132	43,211	51,129	35,033	59,387	270,893	15,658	286,552
Amortization of goodwill	—	—	—	—	—	—	167	167
Interest and dividend income	9	0	183	1,198,391	1,004,635	2,203,220	7,377	2,210,598
Interest expenses	550	1	10,685	241,154	2,312	254,705	0	254,705
Equity in earnings (losses) of affiliates	—	238	48	273	—	560	—	560
Gains on sales of fixed assets	12	491	5,096	—	—	5,600	1,643	7,243
Gains on negative goodwill	—	—	—	—	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	703	912	294	560	255	2,726	538	3,264
Losses on impairment of fixed assets	682	12,925	72,000	1,006	—	86,614	6,935	93,550
Provision for reserve for price fluctuation	—	—	—	—	46,477	46,477	—	46,477
Post office refurbishment expenses	—	—	—	—	—	—	4,915	4,915
Provision for reserve for policyholder dividends	—	—	—	—	65,465	65,465	—	65,465
Income taxes	1,026	1,831	(274)	113,124	67,434	183,143	2,663	185,806
Investments in affiliates accounted for by the equity method	—	2,215	9,703	1,073	—	12,992	—	12,992
Increase in tangible fixed assets and intangible assets	26,936	67,491	27,587	41,178	33,110	196,304	44,403	240,707

(Millions of Yen)

Year ended March 31	2020							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	¥ 2,082,736	¥ 170,543	¥ 635,028	¥ 1,797,365	¥ 7,211,365	¥ 11,897,039	¥ 51,820	¥ 11,948,859
Intersegment income	45,450	1,129,387	165	2,173	40	1,177,217	308,258	1,485,475
Total	¥ 2,128,187	¥ 1,299,930	¥ 635,194	¥ 1,799,538	¥ 7,211,405	¥ 13,074,256	¥ 360,078	¥ 13,434,335
Segment profit (loss)	¥ 149,185	¥ 45,086	¥ (21,447)	¥ 379,131	¥ 286,601	¥ 838,558	¥ 242,822	¥ 1,081,380
Segment assets	2,023,941	2,596,515	565,794	210,910,908	71,664,781	287,761,941	8,220,508	295,982,449
Other items:								
Depreciation and amortization	87,985	45,856	52,656	36,263	57,496	280,258	14,011	294,270
Amortization of goodwill	—	—	—	—	—	—	167	167
Interest and dividend income	54	1	247	1,317,832	1,049,804	2,367,940	4,565	2,372,505
Interest expenses	572	2	13,002	346,634	2,132	362,343	68	362,411
Equity in earnings (losses) of affiliates	—	175	(164)	233	—	244	—	244
Gains on sales of fixed assets	54	1,100	1,220	—	393	2,769	138	2,908
Gains on negative goodwill	—	—	—	48	—	48	—	48
Reversal of reserve for price fluctuations	—	—	—	—	39,152	39,152	—	39,152
Losses on sales and disposal of fixed assets	385	1,360	439	532	303	3,022	1,593	4,615
Losses on impairment of fixed assets	199	7,639	12,993	0	—	20,833	891	21,724
Provision for reserve for price fluctuation	—	—	—	—	—	—	—	—
Post office refurbishment expenses	—	—	—	—	—	—	11,304	11,304
Provision for reserve for policyholder dividends	—	—	—	—	109,236	109,236	—	109,236
Income taxes	39,110	4,738	(22)	105,680	65,920	215,427	(34,027)	181,399
Investments in affiliates accounted for by the equity method	—	1,991	8,601	944	—	11,537	—	11,537
Increase in tangible fixed assets and intangible assets	29,490	23,217	41,115	24,325	42,586	160,735	48,798	209,534

(Millions of U.S. Dollars)

Year ended March 31	2021							
	Reportable segment						Other[2]	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Income[1]:								
Income from third parties	$ 18,345	$ 1,429	$ 6,773	$ 17,567	$ 61,297	$ 105,412	$ 421	$ 105,833
Intersegment income	369	9,818	2	17	0	10,206	1,576	11,782
Total	$ 18,714	$ 11,247	$ 6,775	$ 17,584	$ 61,297	$ 115,618	$ 1,997	$ 117,615
Segment profit (loss)	$ 1,143	$ 350	$ (63)	$ 3,561	$ 3,123	$ 8,114	$ 1,030	$ 9,144
Segment assets	18,330	23,691	4,783	2,022,136	633,845	2,702,784	54,916	2,757,700
Other items:								
Depreciation and amortization	742	390	462	316	536	2,447	141	2,588
Amortization of goodwill	—	—	—	—	—	—	2	2
Interest and dividend income	0	0	2	10,825	9,074	19,901	67	19,967
Interest expenses	5	0	97	2,178	21	2,301	0	2,301
Equity in earnings (losses) of affiliates	—	2	0	2	—	5	—	5
Gains on sales of fixed assets	0	4	46	—	—	51	15	65
Gains on negative goodwill	—	—	—	—	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—	—	—	—	—
Losses on sales and disposal of fixed assets	6	8	3	5	2	25	5	29
Losses on impairment of fixed assets	6	117	650	9	—	782	63	845
Provision for reserve for price fluctuation	—	—	—	—	420	420	—	420
Post office refurbishment expenses	—	—	—	—	—	—	44	44
Provision for reserve for policyholder dividends	—	—	—	—	591	591	—	591
Income taxes	9	17	(2)	1,022	609	1,654	24	1,678
Investments in affiliates accounted for by the equity method	—	20	88	10	—	117	—	117
Increase in tangible fixed assets and intangible assets	243	610	249	372	299	1,773	401	2,174

Notes:
1. Income is presented instead of net sales which is typical for companies in other industries.
2. Other business includes the hotel business and the hospital business. Segment profit in other business includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥97,209 million ($878 million) and ¥219,083 million for the fiscal years ended March 31, 2021 and 2020, respectively.

(4) Reconciliation of Amounts Reported on Reportable Segments and Consolidated Financial Statements

1) Reconciliation of amounts reported on reportable segments and on the consolidated statements of income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total income of reportable segments[1]	¥ 12,800,065	¥ 13,074,256	$ 115,618
Income of other business[1]	221,113	360,078	1,997
Eliminations of intersegment transactions	(1,304,420)	(1,485,475)	(11,782)
Adjustments[2]	3,644	1,326	33
Subtotal	¥ 11,720,403	¥ 11,950,185	$ 105,866
Gains on sales of fixed assets	7,243	2,908	65
Gains on negative goodwill	—	48	—
Reversal of reserve for price fluctuations	—	39,152	—
Compensation for transfer	1,482	529	13
Compensation income	1,795	—	16
Insurance claim income[3]	1,973	311	18
Gains on transfer of business	—	6,249	—
Other[3]	1,202	1,749	11
Total income on the consolidated statements of income	¥ 11,734,100	¥ 12,001,133	$ 105,990

Notes:
1. Income is presented instead of net sales which is typical for companies in other industries.
2. "Adjustments" are primarily due to differences in the calculation methods used for income for the international logistics business segment and the consolidated statements of income.
3. "Insurance claim income" which was included in "Other" in the fiscal year ended March 31, 2020, has been presented separately from the fiscal year ended March 31, 2021 due to an increase in its materiality. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified. As a result, ¥2,060 million presented as "Other" in the consolidated statements of income of the previous fiscal year has been reclassified into ¥311 million of "insurance claim income" and ¥1,749 million of "Other."

2) Reconciliation between total segment profit of reportable segments and income before income taxes on the consolidated statements of income

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total segment profit of reportable segments	¥ 898,322	¥ 838,558	$ 8,114
Segment profit in other business	114,037	242,822	1,030
Eliminations of intersegment transactions	(91,901)	(214,510)	(830)
Adjustments[1]	(6,294)	(2,412)	(57)
Subtotal	¥ 914,164	¥ 864,457	$ 8,257
Gains on sales of fixed assets	7,243	2,908	65
Gains on negative goodwill	—	48	—
Reversal of reserve for price fluctuations	—	39,152	—
Compensation for transfer	1,482	529	13
Compensation income	1,795	—	16
Insurance claim income[2]	1,973	311	18
Gains on transfer of business	—	6,249	—
Losses on sales and disposal of fixed assets	(3,259)	(4,606)	(29)
Losses on impairment of fixed assets	(93,545)	(21,723)	(845)
Provision for reserve for price fluctuation	(46,477)	—	(420)
Post office refurbishment expenses	(4,915)	(11,304)	(44)
Provision for reserve for policyholder dividends	(65,465)	(109,236)	(591)
Other, net	(18,471)	(17,251)	(167)
Income before income taxes on the consolidated statements of income	¥ 694,525	¥ 749,534	$ 6,273

Notes:
1. "Adjustments" are primarily due to differences in the calculation methods used for segment loss for the international logistics business segment and income before income taxes on the consolidated statements of income.
2. "Insurance claim income" which was included in "Other" in the fiscal year ended March 31, 2020, has been presented separately from the fiscal year ended March 31, 2021 due to an increase in its materiality. In order to reflect this change in presentation, the consolidated financial statements for the fiscal year ended March 31, 2020 have been reclassified.

3) Reconciliation between total segment assets of reportable segments and total assets on the consolidated balance sheets

March 31	Millions of Yen		Millions of U.S. Dollars
	2021	2020	2021
Total segment assets of reportable segments	¥ 299,225,224	¥ 287,761,941	$ 2,702,784
Segment assets in other business	6,079,704	8,220,508	54,916
Eliminations of intersegment transactions	(7,566,798)	(9,883,999)	(68,348)
Total assets on the consolidated balance sheets	¥ 297,738,131	¥ 286,098,449	$ 2,689,352

4) Reconciliation between other items on reportable segments and the amounts of items equivalent to those items on the consolidated financial statements

(Millions of Yen)

Year ended March 31	2021			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 270,893	¥ 15,658	¥ (269)	¥ 286,283
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,203,220	7,377	(264)	2,210,334
Interest expenses	254,705	0	(264)	254,441
Equity in earnings (losses) of affiliates	560	—	—	560
Gains on sales of fixed assets	5,600	1,643	—	7,243
Gains on negative goodwill	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—
Losses on sales and disposal of fixed assets	2,726	538	(5)	3,259
Losses on impairment of fixed assets	86,614	6,935	(4)	93,545
Provision for reserve for price fluctuation	46,477	—	—	46,477
Post office refurbishment expenses	—	4,915	—	4,915
Provision for reserve for policyholder dividends	65,465	—		65,465
Income taxes	183,143	2,663	—	185,806
Investments in affiliates accounted for by the equity method	12,992	—	—	12,992
Increase in tangible fixed assets and intangible assets	196,304	44,403	(167)	240,540

(Millions of Yen)

Year ended March 31	2020			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 280,258	¥ 14,011	¥ (258)	¥ 294,011
Amortization of goodwill	—	167	—	167
Interest and dividend income	2,367,940	4,565	(33)	2,372,471
Interest expenses	362,343	68	(33)	362,377
Equity in earnings (losses) of affiliates	244	—	—	244
Gains on sales of fixed assets	2,769	138	—	2,908
Gains on negative goodwill	48	—	—	48
Reversal of reserve for price fluctuations	39,152	—	—	39,152
Losses on sales and disposal of fixed assets	3,022	1,593	(8)	4,606
Losses on impairment of fixed assets	20,833	891	(1)	21,723
Provision for reserve for price fluctuation	—	—	—	—
Post office refurbishment expenses	—	11,304	—	11,304
Provision for reserve for policyholder dividends	109,236	—	—	109,236
Income taxes	215,427	(34,027)	—	181,399
Investments in affiliates accounted for by the equity method	11,537	—	—	11,537
Increase in tangible fixed assets and intangible assets	160,735	48,798	(245)	209,289

(Millions of U.S. Dollars)

Year ended March 31	2021			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	$ 2,447	$ 141	$ (2)	$ 2,586
Amortization of goodwill	—	2	—	2
Interest and dividend income	19,901	67	(2)	19,965
Interest expenses	2,301	0	(2)	2,298
Equity in earnings (losses) of affiliates	5	—	—	5
Gains on sales of fixed assets	51	15	—	65
Gains on negative goodwill	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—
Losses on sales and disposal of fixed assets	25	5	(0)	29
Losses on impairment of fixed assets	782	63	(0)	845
Provision for reserve for price fluctuation	420	—	—	420
Post office refurbishment expenses	—	44	—	44
Provision for reserve for policyholder dividends	591	—	—	591
Income taxes	1,654	24	—	1,678
Investments in affiliates accounted for by the equity method	117	—	—	117
Increase in tangible fixed assets and intangible assets	1,773	401	(2)	2,173

(5) Information on Amortization and Unamortized Balance of Goodwill by Reportable Segment

(Millions of Yen)

Year ended March 31	2021							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	Internation-al logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 167	¥ 167
Unamortized balance of goodwill	—	—	—	—	—	—	2,383	2,383

(Millions of Yen)

Year ended March 31	2020							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	Internation-al logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 167	¥ 167
Unamortized balance of goodwill	—	—	—	—	—	—	2,550	2,550

(Millions of U.S. Dollars)

Year ended March 31	2021							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	$ —	$ —	$ —	$ —	$ —	$ —	$ 2	$ 2
Unamortized balance of goodwill	—	—	—	—	—	—	22	22

(6) Information on Gains on Negative Goodwill by Reportable Segment

There were no gains on negative goodwill for the fiscal year ended March 31, 2021.

The banking business segment recorded gains on negative goodwill of ¥48 million for the fiscal year ended March 31, 2020 since SDP Center Co., Ltd. (currently knowns as Japan Post Bank Loan Center Co., Ltd.) became a subsidiary as a result of an additional purchase of its stock.

(7) Supplemental Information

1) Information by services

This information is omitted because similar information has been presented above for the fiscal years ended March 31, 2021 and 2020.

2) Information by geographic region

A) Income

This information is omitted because income to customers in Japan exceeded 90% of income in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020.

B) Tangible fixed assets

This information is omitted because the balance of tangible fixed assets in Japan exceeded 90% of the total balance on the consolidated balance sheets for the fiscal years ended March 31, 2021 and 2020.

3) Information by major customer

This information is omitted because no customer accounted for 10% or more of income in the consolidated statements of income for the fiscal years ended March 31, 2021 and 2020.

28. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2021	2020	2021
Net assets per share[2]	¥ 3,411.60	¥ 2,704.24	$ 30.82

Years ended March 31	Yen		U.S. Dollars
	2021	2020	2021
Net income per share[4]	¥ 103.44	¥ 119.64	$ 0.93

Notes:

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

March 31	Millions of yen		Millions of U.S. Dollars
	2021	2020	2021
Net assets	¥ 16,071,067	¥ 12,616,774	¥ 145,164
Amount deducted from net assets:			
Non-controlling interests	2,276,705	1,682,622	20,565
Net assets attributable to common stock at the fiscal year-end	¥ 13,794,361	¥ 10,934,152	¥ 124,599

(Thousands of shares)

March 31	2021	2020
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share[3]	4,043,364	4,043,332

3. The number of treasury stock excluded from the number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share includes the number of shares of the Company held by the management board benefit trust. The number of shares of the Company held by the management board benefit trust excluded from the calculation of net assets per share was 496,100 shares and 528,300 shares as of March 31, 2021 and 2020, respectively.
4. Net income per share is calculated based on the following:

Years ended March 31	Millions of yen		Millions of U.S. Dollars
	2021	2020	2021
Net income attributable to Japan Post Holdings	¥ 418,238	¥ 483,733	$ 3,778
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 418,238	¥ 483,733	$ 3,778

(Thousands of shares)

Years ended March 31	2021	2020
Average number of common stock outstanding during the fiscal year[5]	4,043,357	4,043,234

5. The number of treasury stock excluded from the average number of common stock outstanding during the fiscal year used for the calculation of net income per share includes the number of shares of the Company held by the management board benefit trust. The average number of shares of the Company held by the management board benefit trust excluded from the calculation of net income per share was 503,664 shares and 626,486 shares for the fiscal years ended March 31, 2021 and 2020, respectively.

29. SUBSEQUENT EVENTS

(Material Business Transfer)

The Company, Japan Post Co., Ltd. and Toll, which are consolidated subsidiaries of the Company, resolved at the meeting of the Board of Directors held on April 21, 2021, to transfer Toll's global express business to Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd and NZ Logistics Holdings Limited, affiliates of Allegro Funds Pty Ltd (hereinafter collectively referred to as "Allegro"). Toll concluded the business transfer agreement on the same day.

1. Overview of the business divestiture
(1) Names of the successor companies
Australian Parcels Group Pty Ltd, Australian Parcels Pty Ltd, Tasmania Maritime Pty Ltd,
NZ Logistics Holdings Limited
(2) Details of the divested business
The global express business of Toll
(3) Main reason for the business divestiture
The Japan Post Group has considered various business strategical options to enhance Toll's growth, but ultimately decided that the best option would be to sell the global express business, which has experienced a continuing deterioration in business performance. As a result of careful consideration by the Japan Post Group, Toll consented to enter into an agreement to transfer its global express business to Allegro.
(4) Date of business divestiture
Planned for the end of July 2021

2. Reportable segment that contained the divested business
International logistics business

(Disposal of Shares in a Subsidiary)

The Company disposed of a portion of its shares of common stock in Japan Post Insurance Co., Ltd., which is a consolidated subsidiary, as described below.

1. Reason for the disposal of shares
Under the Postal Service Privatization Act, the Company shall aim to dispose of the entire equity interest in Japan Post Insurance Co., Ltd. and Japan Post Bank Co., Ltd. (hereinafter referred to as "the Two Finance Companies"), and shall dispose of these shareholdings within the earliest possible time-frame, in light of the business condition of the Two Finance Companies and any impact on the ability to fulfill universal services obligation. In accordance with this aim, the Company, under its Medium-Term Management Plan, has set forth the policy of selling down these shareholdings as early as possible, until it holds 50% or less of the voting rights in each of the Two Finance Companies by 2025.
In accordance with the policy described above, the Company sold a portion of its shares of common stock in Japan Post Insurance Co., Ltd. in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd., also disposed of a portion of its shares in Japan Post Insurance Co., Ltd. through a share disposal trust. As a result, the portion of voting rights held by the Company fell below 50%.

2. Timing of the disposal
(1) Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.
May 17, 2021
(2) Disposal of shares through the establishment of a share disposal trust
June 9, 2021

3. Name and business of the subsidiary, and details of transactions with the Company
Name: Japan Post Insurance Co., Ltd.
Business: Life insurance business
Details of transactions with the Company: Payment of brand royalty fees to the Company, etc.

4. Number and value of shares to be disposed of
(1) Sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd.
Number of shares sold: 162,746,400 shares
Selling value: ¥358,530 million ($3,238 million)
(2) Disposal of shares through the establishment of a share disposal trust
Number of shares disposed of: 559,900 shares
After the establishment of the share disposal trust, the Company sells its shares in Japan Post Insurance Co., Ltd. through the share disposal trust at the market price.

5. Effect of the disposal and the portion of voting rights held by the Company after the disposal
Effect of the disposal: Capital surplus is forecast to decrease by ¥75,735 million ($684 million) in the next consolidated fiscal year as a result of the sale of shares in response to the implementation of a share repurchase by Japan Post Insurance Co., Ltd. Additionally capital surplus is forecast to change as a result of the sale of shares through the share disposal trust.
The portion of voting rights held by the Company after the disposal: 49.9%
The portion of voting rights to Japan Post Insurance Co., Ltd. held by the Company fell below 50% as a result of this disposal of shares, but Japan Post Insurance Co., Ltd. remains a consolidated subsidiary of the Company based on the effective control standard.

(Appropriation of Surplus)

The Company resolved an appropriation of surplus at the meeting of the Board of Directors held on May 14, 2021.

1. Purpose of the appropriation of surplus
The Company will appropriate surplus by resolution of the Board of Directors, based on the provisions of Article 452 and Article 459, Paragraph 1, Item 3 of the Companies Act, and Article 39, Paragraph 1 of the Company's Articles of Incorporation, by transferring an amount from other capital surplus to retained earnings brought forward. This amount will be applied to supplement and eliminate the deficit in retained earnings brought forward, for the purpose of enhancing the flexibility and agility of the Company's capital policy in the future.

2. Details of the appropriation of surplus
(1) Amount of surplus to be decreased
Other capital surplus (Capital surplus): ¥1,267,127 million ($11,445 million)
(2) Amount of surplus to be increased
Retained earnings brought forward (Retained earnings): ¥1,267,127 million ($11,445 million)

3. Schedule of the appropriation of surplus
(1) Resolution date of the Board of Directors: May 14, 2021
(2) Effective date: May 14, 2021

4. Other significant matters
This appropriation of surplus represents a transfer between accounts within the “net assets” section of the Consolidated Balance Sheets. Therefore, there is no change in the amount of the Group’s net assets as a result, and no effect on net income.

(Acquisition and Cancellation of Treasury Stock)
The Company resolved, at the meeting of its Board of Directors held on June 10, 2021, on matters concerning the acquisition of its treasury stock in accordance with Article 39, Paragraph 1 of the Company’s Articles of Incorporation complying with Article 459, Paragraph 1, Item 1 of the Companies Act, and the acquisition was completed on June 11, 2021. In addition, the Company resolved to cancel its treasury stock in accordance with Article 178 of the Companies Act at the meeting of its Board of Directors held on June 18, 2021.

1. Reason for the acquisition and cancellation of treasury stock
Based on the capital strategy in its Medium-Term Management Plan “JP Vision 2025,” the Company decided to repurchase its shares in order to improve capital efficiency and strengthen shareholder returns. In addition, in order to dispel future concerns of shares becoming diluted, the Company will cancel all shares of treasury stock held by the acquisition in addition to those held as of March 31, 2021 excluding the number required for responding to requests to repurchase shares of less than one unit.

2. Details of matters related to the acquisition
(1) Class of shares to be acquired: Common stock of the Company
(2) Total number of shares to be acquired: 276,090,500 shares (maximum)
(The ratio of the total number of shares to be acquired to the total number of shares issued (excluding treasury stock): 6.83%)
(3) Total amount of acquisition cost of shares to be acquired: ¥250.0 billion ($2 billion) (maximum)
(4) Acquisition date: June 11, 2021
(5) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

3. Consequence of the acquisition
(1) Class of shares to be acquired: Common stock of the Company
(2) Total number of shares acquired: 276,090,500 shares
(3) Total amount of acquisition cost of shares acquired: ¥249,999 million ($2,258 million)
(4) Acquisition date: June 11, 2021
(5) Method of acquisition: Purchases through the Off-auction Own Share Repurchase Trading system (ToSTNeT-3) of Tokyo Stock Exchange, Inc.

4. Details of matters related to the cancellation
(1) Class of shares to be cancelled: Common stock of the Company
(2) Number of shares to be cancelled: 732,129,771 shares
(16.27% of the total number of shares issued before the cancellation)
(3) Scheduled date of cancellation: June 30, 2021

(Reference)
Total number of shares issued (after the cancellation): 3,767,870,229 shares

KPMG

Independent auditor's report

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

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 29 "SUBSEQUENT EVENTS" to the consolidated financial statements. JAPAN POST HOLDINGS CO., Ltd. disposed of a portion of its equity interests in the common stock of JAPAN POST INSURANCE CO., Ltd., which is a concolidated subsidiary, on May 17, 2021 and June 9, 2021. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Reasonableness of the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the “Company”) and its consolidated subsidiaries, Securities of ¥193,703,491 million were recognized as of March 31, 2021, accounting for approximately 65% of total assets. A consolidated subsidiary, JAPAN POST BANK CO., Ltd. (hereinafter, the “bank subsidiary”), manages funds raised primarily through deposits by investing them in securities, including Japanese government bonds, Japanese corporate bonds, foreign bonds and investment trusts. Of those securities, available-for-sale securities of ¥110,713,723 million were recognized at their fair value in the consolidated balance sheet. Included therein were certain illiquid securities with no readily available market prices (such as private placement bonds and securitized products), for which the bank subsidiary deems reasonably calculated based on prices mainly obtained from third parties including information vendors and brokers, as their fair value. As described in Note 2, “SIGNIFICANT ACCOUNTING POLICIES, (25) “Significant accounting estimates”, directly or indirectly observable market inputs such as spreads estimated based on prices of similar securities and unobservable market inputs including significant estimates, are used as key assumptions in the prices obtained from third parties. These key assumptions may be affected by a sudden change in market environment or a distortion in the financial markets that results in, for example, a significant widening of bid-ask spreads or a significant increase in liquidity risk premiums. If alternative assumptions are used, they may have a significant impact on the fair value of these illiquid securities. Accordingly, using the prices obtained from third parties as fair value of certain illiquid securities with no readily available market prices involved significant management judgment, and the use of a price based on unreasonable assumptions may have a	In order to assess whether the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary was reasonable, we requested the component auditor of the bank subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following audit procedures, among others, were performed: **(1) Internal control testing** The component auditor tested the design and operating effectiveness of certain of the bank subsidiary's internal controls relevant to the valuation of certain illiquid securities with no readily available market prices. In this assessment, special attention was given to the following controls: ● controls to validate the reasonableness of the price to be used as fair value through the comparison with prices obtained from third parties; and ● controls to validate the reasonableness of the price to be used as fair value through the examination of spreads estimated based on prices. **(2) Assessment of the reasonableness of fair value** For the individually selected illiquid securities with no readily available market prices of which prices varied widely amongst various third parties as well as securitized products, the component auditor involved financial instrument valuation specialists from our member network firm and performed the following procedures: ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the prices obtained directly from third parties; and ● The component auditor assessed whether the price used by the bank subsidiary as fair value was within a reasonable range by comparing it with the price independently estimated.

significant impact on the consolidated financial statements. We, therefore, determined that our assessment of the reasonableness of the valuation of certain illiquid securities with no readily available market prices held by the bank subsidiary was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	
2. Accuracy of the calculation and sufficiency of policy reserves	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the "Company") and its consolidated subsidiaries, Policy reserves of ¥59,397,720 million were recognized as of March 31, 2021, accounting for approximately 21% of total liabilities. As described in Note 2, "SIGNIFICANT ACCOUNTING POLICIES, (9) Policy Reserves", policy reserves are set aside for the fulfilment of future obligations under the insurance contracts pursuant to the Insurance Business Act and other applicable laws and regulations (hereinafter collectively referred to as the "Act"). Pursuant to the Act, policy reserves are required to be accumulated each accounting period in accordance with the statements of calculation methodology approved by the Financial Services Agency in Japan (FSA). In addition, the Act requires an insurance company to validate the sufficiency of policy reserves, and an additional policy reserve may be required to be provided for, as necessary. Policy reserves are calculated based on certain calculation assumptions affecting long-term future cash flows, such as assumed mortality rates, assumed interest rates, and expected operating expense ratios. The calculation formula for policy reserves stipulated in the statements of calculation methodology approved by the FSA is complex, and therefore involves a high level of expertise in actuarial valuation. In addition, pursuant to the Act, in order to validate the sufficiency of policy	In order to assess whether the calculation of policy reserves was accurate and the amount of policy reserves was sufficient, we requested the component auditor of a consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the "insurance subsidiary"), to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit evidence was obtained. The following procedures, among others, were performed by involving actuarial specialists and IT system specialists within our network firms: **(1) Internal control testing** The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary's internal controls over the processes to ensure the accuracy of the calculation and sufficiency of policy reserves. In the assessment, special attention was given to the following controls: ● IT controls over the policy reserve calculation system to ensure the accuracy of the calculation of policy reserves; ● controls that the actuarial-related departments ensure that policy reserves are recognized completely for all of the insurance subsidiary's insurance contracts; ● controls that the actuarial-related departments ensure the accuracy of the calculation of policy reserves by reperforming the calculation of policy reserves on a sample basis, and assessing the consistency with the amount of policy reserves calculated by a system other than the policy reserve calculation system used for financial

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<td>reserves, an analysis on future income and expenses must be performed by the chief actuary. This analysis requires significant management judgment on assumptions underlying the estimate of future cash flows, such as a level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating expenses, which involves a high level of expertise in actuarial valuation.

We, therefore, determined that our assessment of the accuracy of the calculation and sufficiency of policy reserves was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td>
<td>reporting purpose; and

● controls that the insurance subsidiary’s management receives the opinion report of the chief actuary to evaluate the sufficiency of policy reserves.

(2) Assessment of the accuracy of the calculation of policy reserves

● The component auditor confirmed that the policy reserves for existing insurance products whose policy reserve rates were revised during the current fiscal year were accurately calculated in accordance with the statements of calculation methodology approved by the FSA through recalculation; and

● The component auditor confirmed that the changes in policy reserves from the previous fiscal year were consistent with insurance premium, insurance claims and operating expenses for the current fiscal year.

(3) Assessment of the sufficiency of the amount of policy reserves

● The component auditor assessed whether the amount of policy reserves was sufficient by confirming that an analysis on future income and expenses was appropriately performed pursuant to the Act in accordance with the “Standard of Practice for Appointed Actuaries of Life Insurance Companies” issued by the Institute of Actuaries of Japan, and comparing the amount of policy reserves with the calculation results of the previous fiscal year; and

● The component auditor assessed the contents of the opinion and supplementary reports of the chief actuary considering the chief actuary’s opinion, and inquired of the chief actuary about the reports.</td>
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<td colspan="2">3. Reasonableness of management’s judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations</td>
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<td>The key audit matter</td>
<td>How the matter was addressed in our audit</td>
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<td>In the consolidated balance sheet of JAPAN POST HOLDINGS Co., Ltd. (the “Company”) and its consolidated subsidiaries, Deferred tax assets of ¥919,448 million were recognized as of March 31, 2021. As described in Note 16, “DEFERRED TAX ASSETS AND LIABILITIES” to the consolidated financial</td>
<td>In order to assess whether management’s judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was appropriate, we requested the component auditor of the insurance subsidiary to perform an audit. Then we evaluated the report of the component auditor to conclude on whether sufficient and appropriate audit</td>
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</table>

statements, the amount of gross deferred tax assets before being offset by deferred tax liabilities amounted to ¥1,634,016 million. Of this amount, the deferred tax assets related to policy reserves and reserve for price fluctuations were ¥1,011,450 million and ¥223,044 million, respectively, accounting for a significant portion. Deferred tax assets are recognized to the extent that deductible temporary differences are expected to reduce future taxable income. The amount recognized as deferred tax assets depends on the appropriateness of a company category determined in accordance with "Implementation Guidance on Recoverability of Deferred Tax Assets" (Guidance No. 26 of the Accounting Standards Board of Japan) and the estimated future taxable income. As described in Note 16, "DEFERRED TAX ASSETS AND LIABILITIES", the Company determined that deferred tax assets related to policy reserves and reserve for price fluctuations were recoverable because future taxable income would be generated over the long term and therefore deferred tax assets have an effect of reducing the amount of tax payable. The future taxable income to be generated was estimated based on the business plan prepared by management of a consolidated subsidiary, JAPAN POST INSURANCE Co., Ltd. (hereinafter, the "insurance subsidiary"). Accordingly, the estimate involved significant management judgment on key assumptions, such as forecasts of the level of insurance product sales, the amount of insurance claims and other benefit payments, investment income and operating expenses. We, therefore, determined that our assessment of the reasonableness of management's judgment on the recoverability of deferred tax assets related to policy reserves and reserve for price fluctuations was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	evidence was obtained. The following audit procedures, among others, were performed: **(1) Internal control testing** The component auditor tested the design and operating effectiveness of certain of the insurance subsidiary's internal controls relevant to the estimate of future taxable income, including those over the development of a business plan. **(2) Assessment of a company category** The component auditor evaluated the appropriateness of a company category determined in accordance with "Implementation Guidance on Recoverability of Deferred Tax Assets," with a particular focus on the assessment of whether significant changes in the business environment of the insurance subsidiary were expected in the near future. **(3) Assessment of the reasonableness and feasibility of estimated future taxable income** ● The component auditor obtained an understanding of assumptions underlying the insurance subsidiary's business plan, which formed the basis for the estimate of future taxable income by inquiring of the insurance subsidiary's management and the personnel in the relevant department; ● The component auditor compared the future taxable income estimated in the previous fiscal years with actual results; and ● The component auditor confirmed the consistency between the estimated future taxable income and the business plan.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

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

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

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

/S/ AZAMI Kazuhiko

Designated Engagement Partner

Certified Public Accountant

/S/ MAENO Atsuji

Designated Engagement Partner

Certified Public Accountant

/S/ TOYAMA Takahiro

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

June 18, 2021

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

Capital Adequacy

Matters for Disclosure Concerning Composition of Capital

Capital structure
Consolidated capital adequacy ratio (domestic standard)

(Millions of yen)

Items	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Core Capital: instruments and reserves		
Directly issued qualifying common stock or preferred stock mandatorily converted into common stock capital plus related capital surplus and retained earnings	¥ 10,218,464	¥ 10,110,796
of which: capital and capital surplus	7,652,892	7,652,928
of which: retained earnings	3,620,048	3,400,982
of which: treasury stock (deduction)	831,661	831,707
of which: cash dividends to be paid (deduction)	222,815	111,407
of which: other than those above	—	—
Accumulated other comprehensive income included in Core Capital	99,712	118,184
of which: foreign currency translation adjustments	(104,433)	(89,698)
of which: amount associated with retirement benefits	204,146	207,883
Subscription rights to common stock or preferred stock mandatorily converted into common stock	—	—
Adjusted non-controlling interests (amount allowed to be included in Core Capital)	251,813	248,574
Reserves included in Core Capital: instruments and reserves	247	335
of which: general reserve for possible loan losses	247	335
of which: eligible reserve	—	—
Eligible non-cumulative perpetual preferred stock subject to phase out arrangement included in Core Capital: instruments and reserves	—	—
Eligible capital instrument subject to phase out arrangement included in Core Capital: instruments and reserves	—	—
Capital instrument issued through the measures for strengthening capital by public institutions included in Core Capital: instruments and reserves	—	—
45% of revaluation reserve for land included in Core Capital: instruments and reserves	—	—
Non-controlling interests included in Core Capital subject to phase out arrangement	605,697	670,177
Core Capital: instruments and reserves (A)	11,175,935	11,148,068
Core Capital: regulatory adjustments		
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	88,744	109,637
of which: goodwill (net of related tax liability, including those equivalent)	2,383	2,550
of which: other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	86,360	107,086
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	—
Shortfall of eligible provisions to expected losses	—	—
Securitization gain on sale	—	—
Gains and losses due to changes in own credit risk on fair valued liabilities	—	—
Net defined benefit asset	44,528	38,370
Investments in own shares (excluding those reported in the Net Assets section)	—	0
Reciprocal cross-holdings in capital instruments issued by Other Financial Institutions for raising capital that are held by the Holding Company Group	—	—
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation ("Other Financial Institutions"), net of eligible short positions, where the bank does not own more than 10% of the issued share capital ("Non-significant Investment") (amount above the 10% threshold)	—	—

(Millions of yen)

Item		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Amount exceeding the 10% threshold on specified items		—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)		—	—
Amount exceeding the 15% threshold on specified items		—	—
of which: significant investments in the common stock of Other Financial Institutions, net of eligible short positions		—	—
of which: mortgage servicing rights		—	—
of which: deferred tax assets arising from temporary differences (net of related tax liability)		—	—
Core Capital: regulatory adjustments	(B)	133,272	148,008
Total capital			
Total capital ((A) - (B))	(C)	11,042,663	11,000,060
Risk-weighted assets			
Credit risk-weighted assets		60,117,356	59,177,036
of which: total of items included in risk-weighted assets subject to transitional arrangements		—	—
of which: Other Financial Institutions Exposures		—	—
of which: other than those above		—	—
Market risk equivalent / 8%		—	—
Operational risk equivalent / 8%		2,801,572	3,093,339
Credit risk-weighted assets adjustments		—	—
Operational risk equivalent adjustments		—	—
Total amount of risk-weighted assets	(D)	62,918,929	62,270,376
Capital adequacy ratio			
Capital adequacy ratio (consolidated) ((C) / (D))		17.55%	17.66%

Note 1: The consolidated capital adequacy ratio (domestic standard) is calculated in line with provisions of Article 52-25 of the Banking Act and on the basis of criteria for judging whether a bank holding company's capital adequacy ratio and that of its subsidiaries are appropriate in light of assets held (Financial Services Agency Notice No. 20, 2006, hereinafter referred to as Holding Company Capital Adequacy Ratio Notice).
The data is calculated on a consolidated basis and according to the domestic standard.

Note 2: In accordance with Article 15, Paragraph 3 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd. is not included in the scope of consolidation.

Qualitative Disclosure

1. Scope of consolidation

(1) Differences and the causes of the relevant differences between companies belonging to the Japan Post Group that calculate the consolidated capital adequacy ratio in accordance with Article 15 of the Financial Service Agency's (FSA) Holding Company Capital Adequacy Ratio Notice and companies that are included in the scope of consolidation in accordance with Regulations for Consolidated Financial Statements

The Company calculates its consolidated capital adequacy ratio as follows. Pursuant to Article 52-25 of the Banking Act, Consolidated capital adequacy ratio is calculated its capital adequacy in accordance with the capital adequacy ratio measurement guidelines, FSA's Notice No. 20, March 27, 2006 (hereinafter referred to as Holding Company Capital Adequacy Ratio Notice), which requires the bank holding company to calculate its capital adequacy based on assessment of the assets of the bank holding company and its subsidiaries. Please refer to pages 89 through 90 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 258 companies (hereafter the "Group") for the purpose of the calculation of the consolidated capital ratio. In accordance with the provisions of Article 15, Paragraph 3 of the Holding Company Capital Adequacy Ratio Notice, Japan Post Insurance Co., Ltd., an insurance subsidiary, is not included in the scope of consolidation.

However, according to the Regulations of Consolidated Financial Statements, the scope of consolidation includes 259 companies, comprising 258 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 40 through 41 and 97 through 99.

(2) Number of consolidated subsidiaries and names and details of main business activities of principal consolidated subsidiaries within the Group

As mentioned previously, the Group is composed of the Company and 258 companies under the Holding Company Capital Adequacy Ratio Notice.

Principal consolidated subsidiaries are Japan Post Co., Ltd. and Japan Post Bank Co., Ltd. For details on business activities of the principal consolidated subsidiaries, refer to pages 32 through 39 and 91 through 96 of this report.

(3) Number of affiliated corporations engaged in financial businesses subject to application of Article 21 of the Holding Company Capital Adequacy Ratio Notice, names of affiliated companies engaged in the relevant financial businesses, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses

None

(4) Names of companies belonging to the Group that are not included in the scope of consolidation and companies not belonging to the Group that are included in the scope of consolidation, total amounts of assets and total amounts of net assets on the balance sheets and details of principal businesses

1) Companies belonging to the Group that are not included in the scope of consolidation

None

2) Companies not belonging to the Group that are included in the scope of consolidation

Japan Post Insurance Co., Ltd.

Refer to page 101 of this report for details on the total amount of assets and total amount of net assets for Japan Post Insurance Co., Ltd. and to pages 40 through 41 of this report for details about the company's main business activities.

(5) Restrictions on transfer of funds and common stock among companies in the Holding Company Group

None

2. Overview of capital instruments (This entire amount or partial amount are referred to as capital instruments and included in basic items of Core Capital as calculated under Article 14 of Holding Company Capital Adequacy Ratio Notice.)

The Company raises capital through equity financing (issuance of common stock).

3. Overview of method for evaluating the level of capital adequacy for the Group

With regard to the current adequacy of capital, the consolidated capital adequacy ratio as of March 31, 2021 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 17.55%. This level is substantially higher than the 4% capital adequacy ratio of the domestic standard. When calculating the consolidated capital adequacy ratio, the standardized approach is used for credit risk and the basic indicator approach is used for operational risk. A figure for market risk is not included.

Japan Post Bank holds most of the assets with risk exposure concerning risk categories for companies belonging to the holding company's group with regard to the Holding Company Capital Adequacy Ratio Notice. Consequently, the following section covers primarily risk management at Japan Post Bank.

As a bank holding company, Japan Post Holdings monitors the overall risk management framework at Japan Post Bank. In addition, the holding company supervises risk management for the entire Group in accordance with the Basic Policy for Group Risk Management. Please refer to "Japan Post Group Risk" on pages 76 through 77 for more information about risk management for the Japan Post Group.

4. Credit risk

(1) Summary of risk management policy and procedures

Credit risk is the risk of incurring a loss due to a decline in the value of assets (including off-balance-sheet assets), or total loss of value due to the deteriorating financial condition of an obligor or to other factors.

Japan Post Bank uses a statistical method called value at risk (VaR) to quantify credit risk exposure. Japan Post Bank monitors its credit risk limit amounts on an ongoing basis in order to ensure that VaR does not exceed allocated risk capital. Japan Post Bank also carries out stress testing to consider the possibility of credit risk due to large-scale economic fluctuations outside those in the VaR model.

Japan Post Bank sets credit limits for exposure for individual companies, corporate groups, and countries and areas and manages and monitors this exposure in order to control credit concentration risk.

To provide a system of checks and balances for credit risk management, Japan Post Bank has a Risk Management Department, positioned as a middle management unit, and a Credit Department, positioned as a credit control unit. Within the Bank's organization, these units are independent of front-office and back-office operations. The Risk Management Department oversees credit risk measurements, credit concentration risk management, internal credit rating systems and other activities associated with credit risks. The Credit Department is responsible for individual credit account management, including assigning internal credit ratings, monitoring borrowers, managing major loan accounts and screening prospective loan deals.

The Risk Management Committee, ALM Committee and Executive Committee hold discussions and reach decisions on matters concerning the establishment and operation of credit risk management programs and on credit risk management.

Moreover, Japan Post Bank conducts credit business with the basic principles of public welfare, financial soundness and profitability. The Bank establishes the credit code to underpin sound and appropriate credit business activities by all executives and employees, in which the Bank has defined in writing its basic philosophy, action guidelines and other items of credit business.

Reserve for possible loan losses is provided for in accordance with the write-off and provision standards from the "Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions" (Japanese Institute of Certified Public

Accountants (JICPA), Special Committee for Audits of Banks, etc. Report No. 4). In accordance with self-assessment standards for assets, all loans are categorized by marketing departments and then audited by independent credit assessment departments.

Moreover, Japan Post Bank continuously monitors individual obligor's ability to meet the financial obligations, their financial condition and other factors affecting their credit standing in order to check obligors' credit risk in a timely and suitable manner. Additionally, Japan Post Bank performs even more-strict monitoring of borrowers with business conditions requiring close attention, such as borrowers at risk of having their credit rating downgraded due to deteriorating business results and borrowers with a steep decline in their stock price.

(2) Portfolios where the standardized approach is applied

1) Qualified rating agencies, etc., used in making judgments on risk weights

When making judgments on risk weight, Japan Post Bank uses the credit ratings of four rating agencies and the Organisation for Economic Co-operation and Development (OECD). The four credit rating agencies are Rating and Investment Information, Inc. (R&I); Japan Credit Rating Agency, Ltd. (JCR); Moody's Investors Service, Inc. (Moody's); and S&P Global Ratings (S&P).

2) Qualified rating agencies, etc., used to determine risk weight for each category of exposure

Japan Post Bank uses the following qualified rating agencies for each of the following credit risk exposure categories.

In the case where multiple credit rating agencies provide ratings, the Bank selects the credit rating that yields the second smallest risk weight in accordance with Ministerial Notification of Capital Adequacy Ratio of the FSA's Notice No. 19, March 27, 2006, criteria on whether or not the adequacy of equity capital of a Bank is appropriate in light of the circumstances such as the assets owned by that Bank as stipulated by Article 14-2 of the Banking Act (hereinafter referred to as "Capital Adequacy Ratio Notice").

<table>
<tr><th colspan="2">Exposure</th><th>Rating agencies</th></tr>
<tr><td rowspan="2">Central governments and central banks</td><td>Resident</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td>Non-resident</td><td>Moody's, S&P, OECD</td></tr>
<tr><td colspan="2">Non-central government public-sector entities</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td colspan="2">Foreign non-central government public-sector entities</td><td>Moody's, S&P, OECD</td></tr>
<tr><td colspan="2">Multilateral Development Banks</td><td>Moody's, S&P</td></tr>
<tr><td colspan="2">Japan Finance Organization for Municipalities</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td colspan="2">Japanese government agencies</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td colspan="2">Three regional public corporations under Japanese local governments</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td rowspan="2">Financial institutions and Type I Financial Instruments Business Operators</td><td>Resident</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td>Non-resident</td><td>Moody's, S&P, OECD</td></tr>
<tr><td rowspan="2">Corporates</td><td>Resident</td><td>R&I, JCR, Moody's, S&P</td></tr>
<tr><td>Non-resident</td><td>Moody's, S&P</td></tr>
<tr><td colspan="2">Securitization transactions</td><td>R&I, JCR, Moody's, S&P</td></tr>
</table>

5. Summary of risk management policy and procedures for credit risk mitigation methods

In calculating the capital adequacy ratio, Japan Post Bank applies "credit risk mitigation methods" prescribed in the Capital Adequacy Ratio Notice. These methods are used to incorporate the risk mitigation effects of collateral, guarantees and other items in the capital adequacy ratio. These methods include qualified financial collateral, the netting of loans and self deposits, and guaranties and credit derivatives.

■ Types of qualified financial collateral

Japan Post Bank accepts cash, self deposits and securities as qualified financial collateral.

■ Summary of policy and procedures for valuation and management of collateral

Japan Post Bank uses "the Simple Method" prescribed in the Capital Adequacy Ratio Notice for application of the qualified financial collateral.

The Bank has established internal bank procedures to permit the timely disposal or acquisition of qualified financial collateral based on contracts concerning collateral as prescribed in loan agreements, etc.

■ Summary of policy and procedures for offsetting loans and self deposits and types and scope of applicable transactions

For the use of the netting of loans and self deposits, as prescribed in the special terms for netting in the bank transaction agreement, etc., Japan Post Bank uses the remaining amount after netting loans and self deposits as the amount of exposure for calculating the capital adequacy ratio.

As of the end of March 2021, Japan Post Bank was not using the offsetting of loans and self deposits.

■ Categories and credit standing of guarantors and major credit derivative counterparties

Principal guarantors at Japan Post Bank are the central governments, etc., to which lower risk weightings than the guaranteed obligations are applied.

Additionally, credit derivative counterparties are the financial institutions to which lower risk weightings than the guaranteed obligations are applied.

■ Summary of policy and procedures when using legally binding mutual netting contracts for derivative transactions and transactions with repurchase agreements and categories and scope of applicable transactions

Japan Post Bank considers the results of derivatives transactions, including interest swaps and currency swaps, for which it has concluded effective netting contracts in accordance with the legal systems of each country in which it carries out transactions

■ Information concerning concentrations of credit risk and market risk associated with the use of credit risk mitigation methods

The principal credit risk mitigation methods of Japan Post Bank are qualified financial collateral that use cash and self deposits and there is no concentration of credit risk and market risk.

6. Summary of risk management policy and procedures for counterparty risk concerning derivative transactions and transactions with long-term settlements

(1) Policy on collateral security and reserve calculation, impact in the event of need for provision of additional collateral due to downturn in credit standing of Japan Post Bank

As required, Japan Post Bank enters into contracts for the mitigation of credit risk in which collateral is periodically submitted or received with the derivative transaction counterparty in order to cover rebuilding and other costs. Under the provision of these contracts, a decline in the financial condition of Japan Post Bank may require the provision of additional collateral to the counterparty. However, the Bank believes that the impact would be negligible.

The policy for calculating the allowance for derivative transaction losses is the same as for ordinary balance sheet assets.

(2) Policy for credit limits and allocation of capital for risk exposure

When conducting derivative transactions, Japan Post Bank assigns obligor ratings to all counterparties and provides credit limits in accordance with the rating of each counterparty. These limits are monitored on a daily basis. In addition, to manage credit risk, the balance of credit extended is calculated using the current exposure method, which takes into account the market value of derivatives and future price volatility risk.

The allocation of capital for taking on risk for derivative transactions is almost the same as other transactions.

7. Securitization exposure

(1) Summary of risk management policy and risk characteristics

As an investor, Japan Post Bank is exposed to risks associated with securitization. Just as with investments in other securities, for purchasing, the Bank provides credit limits based on obligor ratings assigned in accordance with the Bank's own thorough examination of underlying assets, the senior / subordinate rights structure, the nature of securitization scheme and other factors. Following a purchase, the Bank monitors any decline in the quality of and changes in the composition of the underlying assets as well as other factors. Also, credit risk with securitization exposure is included in the calculation of credit risk and interest rate risk is included in the calculation of market risk. In addition, the Bank is also aware of market liquidity risk and reports on the state of these risks to the Executive Committee and other bodies.

The procedure concerning re-securitization exposure is the same as for securitization exposure.

(2) Outline of the establishment and state of operation of a system prescribed by Article 227, Paragraph 4-3 to 4-6 of the Holding Company Capital Adequacy Ratio Notice (includes cases of application pursuant to Article 232, Paragraph 2 and Article 280-4, Paragraph 1) of the Holding Company Capital Adequacy Ratio Notice.

For securitization exposure risk, Japan Post Bank operates a structure that ascertains on a timely basis information concerning comprehensive risk characteristics and performance. Specifically, in addition to the Bank periodically reviewing obligor ratings in the event that a decline in the quality of or change in the structure of underlying assets has an impact on obligor ratings, the Bank provisionally reviews the obligor ratings.

The procedures concerning re-securitization exposure are the same as for securitization exposure.

(3) Policies on using securitization transactions as a credit risk mitigation method

Japan Post Bank does not use securitization transactions as a credit risk mitigation method.

(4) Name of method used to calculate amount of credit risk assets for securitization exposure

Japan Post Bank uses the External Ratings-Based Approach and Standard Approach prescribed in the Capital Adequacy Ratio Notice for calculating the amount of credit risk assets for securitization exposure.

(5) Name of method used for calculating an amount equivalent to market risk of securitization exposure

Not applicable

(6) Distinguishing types of conduits for securitization and whether the Group is exposed to risks associated with securitization from securitization transactions when using conduits for securitization in executing securitization transactions for third-party assets

The Japan Post Group does not use conduits for securitization to execute securitization transactions involving third-party assets.

(7) Among the Group's subsidiaries (excluding consolidated subsidiaries, etc.) and affiliate companies, names of those companies exposed to risk associated with securitization transactions carried out by the Group (including securitization transactions using conduits for securitization)

Not applicable

(8) Accounting policy on securitized transactions

For the recognition, valuation and accounting treatment of origination and extinguishment of financial assets and liabilities associated with securitized transactions, Japan Post Bank applies ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" (January 22, 1999, Business Accounting Council).

(9) Name of qualified rating agencies used in making judgments on risk weight for securitization exposure by category

Japan Post Bank uses the ratings of the following credit rating agencies for the calculation of credit risk assets for securitization exposure:

Rating and Investment Information, Inc. (R&I)
Japan Credit Rating Agency, Ltd. (JCR)
Moody's Investors Service, Inc. (Moody's)
S&P Global Ratings (S&P)

8. Operational risk

(1) Summary of risk management policy and procedures

The Japan Post Group defines operational risk as the risk of incurring losses caused by inappropriate activity involving business processes, the activities of executives and employees or computer systems, or by external events.

Japan Post Bank has seven categories of operational risk: processing risk, IT system risk, information assets risk, legal risk, human resources risk, tangible assets risk and reputational risk.

Japan Post Bank identifies, assesses, controls, monitors and mitigates risk for each risk category to manage operational risk and to maintain the soundness of their operations. To manage risk, Japan Post Bank identifies risks associated with business operations and evaluates these risks based on the frequency of their occurrence and the scale of their impact on operations. The Bank provides controls in accordance with the importance of each risk, monitors these risks and takes actions as required.

In addition, Japan Post Bank prepares a list of operational risks associated with business processes, products, computer systems and other items. The Bank periodically uses a Risk & Control Self Assessment (RCSA) process to determine the effectiveness of management systems aimed at reducing exposure to these risks. Based on the results of RCSA, for areas in which it is recognized that risk management needs to be improved and areas that risk management especially needs to be reinforced, improvement plans are formulated and improvement plans for reducing risk are discussed and formulated.

Japan Post Bank is making preparations for using systems to report actualized events such as clerical accidents or system problems. The content of the reports analyzes the causes and tendencies of clerical accidents, system problems and other matters and is used as basic data for taking effective countermeasures.

(2) The name of method used for the calculation of an amount equivalent to operational risk

Japan Post Bank uses the "basic indicator approach" with regard to the calculation of an amount equivalent to operational risk.

9. Summary of risk management policy and procedures for investments, shares and other exposure

Japan Post Bank, which is a company engaged in the banking business that belongs to the Group as prescribed in the Holding Company Capital Adequacy Ratio Notice, monitors and manages exposure to investments, stock, and other assets as owned by the Bank in the banking account based on the framework of market risk management and credit risk management. It does so by establishing market risk limits and loss limits so that the amount of market risk does not exceed the amount of capital allocated for market risk, based on the Bank's equity and other resources.

10. Interest rate risk

(1) Summary of risk management policy and procedures

Interest rate risk in the banking book (IRRBB) is the risk of incurring a loss due to a change in the value of assets and liabilities (including off-balance-sheet assets and liabilities) or the risk of incurring a loss due to changes in earnings generated from assets and liabilities due to changes in interest rates.

As part of its monitoring of interest rate risk in the banking book, Japan Post Bank measures interest rate sensitivity (10BPV) daily and also measures ΔEVE (measured as such an amount of decline in economic value of equity in relation to an interest rate shock as may be calculated on the basis of interest rate shocks as prescribed by the Capital Adequacy Ratio Notification) and ΔNII (measured as such an amount of decline in interest income over the measurement period (the period of 12 months from the reference date of calculation) in relation to an interest rate shock as may be calculated on the basis of interest rate shocks as prescribed by the Capital Adequacy Ratio Notification) monthly to evaluate a level of capital adequacy.

(2) Summary of method for calculating interest rate risk for internal management

The main assumptions for calculation of interest rate risk (ΔEVE and ΔNII) in the banking book of Japan Post Bank Co., Ltd. are as follows.

- The Bank applies an internal model for estimating outstanding balances and allocating to settlement dates of liquid deposits that will remain on deposit in the Bank for a long term without being withdrawn (so-called core deposits). The average maturity for interest rate revisions is 3.7 years and the longest maturity for interest rate revisions is 10 years.
- Interest rate risk relating to TEIGAKU deposits is calculated based on an estimated future cash flow using an internal model. ΔNII is the simple sum of ΔNII measured for each currency.
- For aggregating multiple currencies, the ΔEVE calculated for each currency consisting of the Japanese yen, U.S. dollar, euro, pound and Australian dollar is aggregated factoring in cross-currency correlations. For other currencies, calculation is performed based on the simple addition of just those positive currencies from among the ΔEVE calculated for each currency.
- Spread levels are included in discounted interest rates and cash flows.

Quantitative Disclosure

1. Among subsidiaries that are Other Financial Institutions (referred to as Other Financial Institutions as prescribed under Article 18, Paragraph 6-1 of Holding Company Capital Adequacy Ratio Notice), names of the companies with shortage in the regulatory required capital and the total amounts of the regulatory required capital shortfall
   None
2. Capital adequacy

(1) Amount of required capital for credit risk (On-balance-sheet items)

(Millions of yen)

	Item		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
1	Cash		¥ —	¥ —
2	Japanese government and the Bank of Japan		—	—
3	Foreign central governments and central banks		8,122	8,077
4	Bank for International Settlements, etc.		—	—
5	Non-central government public-sector entities		—	—
6	Foreign non-central government public-sector entities		14,155	9,614
7	Multilateral Development Banks		—	—
8	Japan Finance Organization for Municipalities		2,720	2,734
9	Japanese government agencies		10,630	11,621
10	Three regional public corporations under Japanese local governments		517	540
11	Financial Institutions and Type I Financial Instruments Business Operators		73,009	79,786
12	Corporates		247,091	224,296
13	Small and medium-sized enterprises and individuals		3	2
14	Mortgage loans		—	—
15	Project finance (acquisition of real estate)		—	0
16	Past-due loans (three months or more)		95	61
17	Outstanding drafts		—	—
18	Loans guaranteed by Credit Guarantee Corporation, etc.		—	—
19	Loans guaranteed by the Regional Economy Vitalization Corporation of Japan (REVIC), etc.		—	—
20	Investments in capital and others		22,682	14,983
		of which: exposure to investments	22,682	14,983
		of which: exposure to significant investments	—	—
21	Other than above		229,898	232,810
		of which: exposure to capital instruments other than those corresponding to subject common shares among capital instruments of Other Financial Institutions as well as other external TLAC-related instruments	27,662	30,167
		of which: exposure related to portions not included in adjustment items among specified items	77,671	76,842
		of which: exposure related to other external TLAC instruments associated with other financial institutions holding more than 10% of the voting rights for all shareholders	—	—
		of which: exposure related to the portion exceeding the 5% criteria amount associated with other external TLAC-related instruments among other external TLAC instruments associated with other financial institutions not holding more than 10% of the voting rights for all shareholders	—	—
		of which: other exposure	124,564	125,800
22	Securitization transactions		19,619	17,021
		of which: STC requirements are applied	—	—
		of which: non-STC requirements are applied	19,619	17,021
23	Re-securitization transactions		34	40
24	Exposure to which deemed calculation of risk weight is applied		1,717,900	1,709,249
25	Amount of items included in risk-weighted assets through transitional arrangements		—	—
26	Amount of items not included in risk-weighted assets through transitional arrangements pertaining to exposure concerning capital instruments of Other Financial Institutions		—	—
	Total		¥2,346,484	¥2,310,841

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(2) Amount of required capital for credit risk (Off-balance-sheet items)

(Millions of yen)

	Item				2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
1	Commitment lines that can be cancelled automatically or unconditionally at any time				¥ —	¥ —
2	Commitment lines with original contracts of one year or less				466	80
3	Short-term trade contingent liabilities				—	—
4	Contingent liabilities arising from specific transactions				—	—
	(principal reimbursement trust deeds with restructuring)				—	—
5	NIF or RUF				—	—
6	Commitment lines with an original duration of one year or longer				335	277
7	Contingent liabilities arising from directly substituted credit				16,622	16,588
	(of which: secured with loan guarantees)				—	—
	(of which: secured with securities)				—	—
	(of which: secured with drafts)				—	—
	(of which: principal reimbursement trust deeds without restructuring)				—	—
	(of which: secured with credit derivative protection)				12,982	13,048
8	Assets sold with repurchase agreements or assets sold with right of claim (after deductions)				—	—
		Assets sold with repurchase agreements or assets sold with right of claim (before deductions)			—	—
		Deduction			—	—
9	Futures bought, forward delivery deposits, partially subscribed equity shares, partially subscribed bonds				—	—
10	Securities lending, cash or securities collateral, or sale of securities with repurchase agreement or purchase with resale agreement				35,860	34,562
11	Derivative transactions and long-term settlements transactions				1,735	1,870
		Current exposure method			1,735	1,870
			Derivative transactions		1,735	1,870
				Foreign exchange related transactions	4,467	4,991
				Interest rate related transactions	410	489
				Gold related transactions	—	—
				Equity security related transactions	—	22
				Precious metal related transactions (excluding gold)	—	—
				Other commodity related transactions	—	—
				Credit derivative transactions (counterparty risk)	1	18
				Netting effect on credit equivalent amount under close-out netting agreement (deduction)	3,144	3,650
			Long-term settlements transactions		0	—
12	Outstanding transaction				—	—
13	The unexecuted portion of a credit facility for qualified servicer cash advance pertaining to securitization exposure				—	—
14	Off-balance-sheet securitization exposure other than the above				—	—
	Total				¥ 55,020	¥ 53,378

Note: Required capital is calculated using the following formula:
Credit risk-weighted assets × 4%

(3) Total amount of consolidated required capital

(Millions of yen)

Item	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Total amount of consolidated required capital	¥ 2,516,757	¥ 2,490,815
Amount of required capital for credit risk	686,793	657,831
Portfolios where the standardized approach is applied	663,949	637,907
Securitization exposure	19,654	17,062
CVA risk equivalent amount	2,602	2,806
Central counterparty risk exposure	586	55
Amount of required capital for credit risk pertaining to exposure for which deemed calculation of risk weight is applied	1,717,900	1,709,249
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	112,062	123,733
Basic indicator approach	112,062	123,733

Note 1: The total amount of consolidated required capital is the denominator of the consolidated capital adequacy ratio x 4%.
Note 2: The amount of required capital for credit risk is the amount of credit risk assets x 4%.
Note 3: The amount of required capital for operational risk equivalent amount is operational risk equivalent amount divided by 8% x 4%.

3. Credit risk

(1) Credit risk exposure by region, industry and customer

(Millions of yen)

Counterparts		2021 (As of March 31, 2021)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 70,093,535	¥ 64,191,737	¥ —	¥ 73,771	¥ 134,359,045
	Financial institutions	29,869,360	10,952,763	240,878	37,132	41,100,135
	Corporates	594,861	7,219,062	—	313,386	8,127,310
	Small and medium-sized enterprises and individuals	—	—	—	164	164
	Others	4,392,115	5,772,802	2,632	3,114,700	13,282,251
	Domestic total	104,949,873	88,136,366	243,510	3,539,156	196,868,907
Overseas total		73,342	9,813	1,361	321,175	405,693
Investment trust, etc.		4,765,748	47,837,651	—	—	52,603,400
Total		¥ 109,788,964	¥ 135,983,832	¥ 244,872	¥ 3,860,332	¥ 249,878,001

(Millions of yen)

Counterparts		2020 (As of March 31, 2020)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 56,510,230	¥ 67,984,060	¥ —	¥ 100,036	¥ 124,594,327
	Financial institutions	29,730,547	11,856,183	303,389	38,625	41,928,746
	Corporates	446,350	5,902,244	—	328,080	6,676,675
	Small and medium-sized enterprises and individuals	—	—	—	146	146
	Others	4,644,393	5,599,690	9,548	3,110,804	13,364,436
	Domestic total	91,331,523	91,342,179	312,937	3,577,692	186,564,332
Overseas total		53,522	8,689	7,513	375,225	444,951
Investment trust, etc.		4,215,973	44,868,157	—	—	49,084,130
Total		¥ 95,601,019	¥ 136,219,026	¥ 320,451	¥ 3,952,918	¥ 236,093,415

Note 1: All subsidiaries other than Japan Post Bank do not engage in loan operations, in principle, and therefore do not categorize credit by industry sector. Accordingly, a breakdown by customer is presented in the above table.

Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (Head Office).

Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.

Note 4: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.

Note 5: "Derivatives" include forward interest rate swaps and currency swaps, etc.

Note 6: "Sovereigns" include central governments, central banks, local governments, etc.

Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities and Financial Institutions and Type I Financial Instruments Business Operators.

Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.

Note 9: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.

Note 10: Investment trusts and other funds are recorded in investment trust, etc.

(2) Credit risk exposure by maturity

(Millions of yen)

Remaining period	2021 (As of March 31, 2021)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 39,741,145	¥ 15,157,597	¥ 8,195	¥ 411,444	¥ 55,318,383
Over 1 year to 3 years	928,049	29,191,869	106,042	—	30,225,960
Over 3 years to 5 years	808,954	8,507,740	123,930	43	9,440,669
Over 5 years to 7 years	222,664	9,767,176	6,704	—	9,996,545
Over 7 years to 10 years	493,195	8,884,557	—	—	9,377,752
Over 10 years	746,928	15,466,278	—	—	16,213,207
No due date or perpetual	62,082,277	1,170,960	—	3,448,843	66,702,082
Investment trust, etc.	4,765,748	47,837,651	—	—	52,603,400
Total	¥ 109,788,964	¥ 135,983,832	¥ 244,872	¥ 3,860,332	¥ 249,878,001

(Millions of yen)

Remaining period	2020 (As of March 31, 2020)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 35,576,658	¥ 14,711,280	¥ 34,837	¥ 461,438	¥ 50,784,215
Over 1 year to 3 years	876,957	30,850,788	108,318	—	31,836,063
Over 3 years to 5 years	675,821	15,592,948	126,174	38	16,394,983
Over 5 years to 7 years	485,879	6,724,258	44,872	—	7,255,010
Over 7 years to 10 years	373,256	9,245,149	6,247	—	9,624,653
Over 10 years	594,552	13,246,434	—	—	13,840,986
No due date or perpetual	52,801,918	980,010	—	3,491,441	57,273,370
Investment trust, etc.	4,215,973	44,868,157	—	—	49,084,130
Total	¥ 95,601,019	¥ 136,219,026	¥ 320,451	¥ 3,952,918	¥ 236,093,415

Note 1: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.
Note 2: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 3: "Derivatives" include forward interest rate swaps and currency swaps, etc.
Note 4: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 5: Investment trusts and other funds are recorded in investment trust, etc.

(3) Past-due loans for three months or more exposure by region, industry and customer

(Millions of yen)

Counterparts		2021 (As of March 31, 2021)					2020 (As of March 31, 2020)				
		Loans and deposits	Securities	Derivatives	Others	Total	Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	6	6	—	—	—	7	7
	Small and medium-sized enterprises and individuals	—	—	—	61	61	—	—	—	53	53
	Others	—	—	—	3,312	3,312	—	—	—	2,476	2,476
	Domestic total	—	—	—	3,380	3,380	—	—	—	2,538	2,538
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 3,380	¥ 3,380	¥ —	¥ —	¥ —	¥ 2,538	¥ 2,538

Note 1: "Past-due loans for three months or more" means the payment of principal or interest is past due three months or more from the day following the scheduled payment date.
Note 2: "Domestic" and "overseas" refer to the domicile of the main branch (Head Office).
Note 3: "Loans and deposits" include loans and bills discounted, due from banks, call loans and off-balance-sheet assets, etc., other than derivatives.
Note 4: "Securities" include Japanese government bonds, local government bonds, corporate bonds, etc.
Note 5: "Derivatives" include forward interest rate swaps and currency swaps, etc.
Note 6: "Sovereigns" include central governments, central banks, local governments, etc.
Note 7: "Financial institutions" include the Multilateral Development Banks, Bank for International Settlements, etc., Japan Finance Organization for Municipalities and Financial Institutions and Type I Financial Instruments Business Operators.
Note 8: "Corporates" include Foreign public-sector entities other than central governments, Japanese government agencies, three regional public corporations under Japanese local governments and corporations, etc.
Note 9: Exposures of certain subsidiaries are included in "Others" (exposure) under "Others" (counterparts).
Note 10: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 11: Investment trusts and other funds are recorded in investment trust, etc.

(4) Year-end balances and changes during the period of general reserve for possible loan losses, specific reserve for possible loan losses and loan loss reserve for specific overseas countries

Year-end balance

(Millions of yen)

	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
General reserve for possible loan losses	¥ 161	¥ 137
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)
General reserve for possible loan losses	¥ 23	¥ 13
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Note 1: Reserve for loan losses related to loans disclosed under the Financial Revitalization Law is listed.
Note 2: General reserve for loan losses is not classified by region, industry and customer.

(5) The amount of write-off of loans by industry and customer

There were no write-offs.

(6) Amount of exposure by risk weight category

(Millions of yen)

Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Rated	Not rated	Rated	Not rated
0%	¥ 126,816,967	¥ 33,129,255	¥ 117,280,110	¥ 34,416,733
2%	—	653,415	—	68,913
4%	—	—	—	—
10%	267,093	3,337,699	424,600	3,588,810
20%	18,987,226	64,686	18,035,097	67,586
35%	—	—	—	—
50%	6,133,528	2,774	5,609,882	2,302
75%	—	103	—	92
100%	2,219,544	4,506,374	2,059,794	4,385,004
150%	65	606	4	251
250%	91,004	962,341	121,068	949,030
1,250%	—	—	—	—
Others	—	101,911	—	—
Investment trust, etc.	—	52,603,400	—	49,084,130
Total	¥ 154,515,431	¥ 95,362,569	¥ 143,530,559	¥ 92,562,856

Note 1: Ratings are used for those rated by qualified rating agencies in principle.
Note 2: The exposure amount includes balances before the deduction of specific reserve for possible loan losses and after the application of credit risk mitigation methods.
Note 3: Regarding assets to which the Company applies credit risk mitigation techniques for a portion of its exposure, the Group records exposure amounts in weighted categories after the application of credit risk mitigation techniques.
Note 4: Regarding assets to which the Company applied transitional arrangements, the Company records these assets in risk-weighted categories in case of that transitional arrangements are not applied.
Note 5: The "Others" item represents clearing funds contributed to qualifying central counterparties.
Note 6: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 81.64% as of March 31, 2021 (compared with 87.06% as of March 31, 2020)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 24,748,981	91.23%	¥ 25,948,543	91.89%
Guarantees and credit derivatives	2,379,347	8.77%	2,288,216	8.10%
Total	¥ 27,128,329	100.00%	¥ 28,236,760	100.00%

Note 1: Japan Post Bank accepts cash, self-deposits and securities as eligible financial collateral.
Note 2: Principal guarantors are central governments, etc., to which lower risk weight than the guaranteed obligations are applied.
Note 3: Credit derivative counterparties are the financial institutions to which lower risk weightings than the reference obligations are applied.
Note 4: The exposure included in investment trusts and other funds are not included herein.

5. Derivative transactions and long-term settlements transactions
Derivative transactions and long-term settlements transactions

(Millions of yen)

Item	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Aggregate sum of amounts of gross reconstruction costs	¥ 112,896	¥ 338,010
Aggregate sum of gross add-on amounts	602,559	539,463
Gross credit equivalents	715,493	877,473
Foreign exchange related transactions	560,653	677,256
Interest rate related transactions	154,635	195,115
Stock related transactions	—	2,844
Credit derivative transactions (counterparty risk)	201	2,255
Long-term settlements transactions	3	—
Reduction in credit equivalents through netting (deduction)	470,617	557,022
Net credit equivalents	244,875	320,451
Collateral amount	4,488	89,147
Marketable securities	4,488	67,909
Cash	—	21,237
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	¥ 244,875	¥ 320,451

Note 1: Credit equivalents are calculated by the "current exposure method."
Note 2: Regarding derivative transactions and transactions with long-term settlements, only those transactions requiring the calculation of credit equivalents are included.
Note 3: Derivative transactions and transactions with long-term settlements included in investment trusts and other funds are not included herein.
Note 4: Limited to transactions on which gross reconstruction costs are not less than zero.
Note 5: Credit risk mitigation through collateral is considered through risk weighting, and credit equivalent amounts are not considered.
Note 6: The amount of netting effect on credit equivalents through netting is equal to an amount that subtracts credit equivalents prior to considerations of credit risk mitigation using collateral from the aggregate sum of amounts of gross reconstruction costs and aggregate sum of gross add-on amounts.

• Notional principal amounts of credit derivatives

(Millions of yen)

Item	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Total return swaps	¥ 33,584	¥ 46,253
Purchase of protection	33,584	46,253
Among these, those that are used for considering the effects of credit risk mitigation methods	31,729	1,613
Provision of protection	—	—

Note: Does not include credit derivatives that are included in investment trusts and other funds.

6. Securitization exposure
Securitization exposure in which the Group invests:
(1) Securitization exposure and breakdown by type of main underlying assets (excluding re-securitization exposure)

(Millions of yen)

Type of underlying assets	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Mortgage loans	¥ 198,143	¥ 183,748
Auto loans	182,148	144,032
Leases	4,484	2,687
Accounts receivable	38,818	27,260
Corporate loans	2,043,193	1,780,161
Others	—	—
Total	¥ 2,466,789	¥ 2,137,890

Note 1: There are no off-balance sheet transactions.
Note 2: Excludes securitization exposure included in investment trust, etc.

(2) Re-securitization exposure and breakdown by type of main underlying assets

(Millions of yen)

Type of underlying assets	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Mortgage loans	¥ 870	¥ 1,018
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 870	¥ 1,018

Note 1: There are no off-balance sheet transactions.
Note 2: Excludes re-securitization exposure included in investment trust, etc.

(3) Balance by risk weight of securitization exposure and amount of required capital (excluding re-securitization exposure)

(Millions of yen)

Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Balance	Required capital	Balance	Required capital
15% or more and 20% or less	¥ 2,466,789	¥ 19,619	¥ 2,137,890	¥ 17,021
Over 20% and 45% or less	—	—	—	—
Over 45% and 70% or less	—	—	—	—
Over 70% and 140% or less	—	—	—	—
Over 140% and 225% or less	—	—	—	—
Over 225% and 420% or less	—	—	—	—
Over 420% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 2,466,789	¥ 19,619	¥ 2,137,890	¥ 17,021

Note 1: There are no off-balance sheet transactions.
Note 2: Excludes securitization exposure included in investment trust, etc.
Note 3: Required capital is the amount of credit risk assets × 4%.

(4) Balance by risk weight of re-securitization exposure and amount of required capital

(Millions of yen)

Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Balance	Required capital	Balance	Required capital
100%	¥ 870	¥ 34	¥ 1,018	¥ 40
Over 100% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 870	¥ 34	¥ 1,018	¥ 40

Note 1: There are no off-balance sheet transactions.
Note 2: Excludes re-securitization exposure included in investment trust, etc.
Note 3: There are no credit risk mitigation methods applied to re-securitization exposures.
Note 4: Required capital is the amount of credit risk assets × 4%.

7. Market risk

Not applicable since the Group, based on Article 16 of Holding Company Capital Adequacy Ratio Notice, does not include the amount of market risk equivalent in the calculation formulae prescribed under Article 14 of the Notice.

8. Equity exposure

(1) Amount carried on the consolidated balance sheet and fair value

(Millions of yen)

	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure (Note 1)	¥ —	—	¥ —	—
Investment or equities exposure not corresponding to listed equities exposure (Note 2)	23,846		10,402	
Total	¥ 23,846		¥ 10,402	

Note 1: Shares with market quotations are listed.
Note 2: Stocks for which fair value is deemed to be extremely difficult to determine are listed.
Note 3: Shares held by the Bank's subsidiaries and their subsidiaries are listed. The exposure included in investment trusts and other funds are not included herein. The same applies to the following.

(2) Gains and losses on sale or write-off of investment or equity exposures

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2020 (From April 1, 2019 to March 31, 2020)
Gains / Losses	—	¥ 6,275
Gains	—	8,143
Losses	—	1,868
Write-off	—	—

Note: Gains and losses on the sale of stock are listed in the Consolidated Statements of Income.

(3) Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income

(Millions of yen)

	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	—	—

Note: Shares with market quotations are listed.

(4) Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income

(Millions of yen)

	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Amounts of valuation gains and losses not recognized on the Consolidated Balance Sheet and the Consolidated Statements of Income	—	—

Note: Shares with market quotations of affiliated companies are listed.

9. Balance and amount of required capital by each exposure calculation method for which deemed calculation of risk weight is applied

(Millions of yen)

Calculation method	Risk weight	2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
		Balance	Required capital	Balance	Required capital
Look-through approach (LTA)	—	¥ 52,485,384	¥ 1,687,429	¥ 48,967,015	¥ 1,668,397
Mandate-based approach (MBA)	—	—	—	—	—
Probability approach	250%	61,535	6,153	37,859	3,785
	400%	11,535	1,845	7,534	1,205
Fall-back approach (FBA)	1,250%	44,944	22,472	71,721	35,860
Total		¥ 52,603,400	¥ 1,717,900	¥ 49,084,130	¥ 1,709,249

Note 1: The amount of required capital is the amount of credit risk-weighted assets x 4%.
Note 2: Risk weight is as prescribed in the Capital Adequacy Ratio Notification.
Note 3: Look-through approach (LTA) is as stipulated in 54-5-2 of the Capital Adequacy Ratio Notification.
Note 4: Mandate-based approach (MBA) is as stipulated in 54-5-6 of the Capital Adequacy Ratio Notification.
Note 5: The probability approach is as stipulated in 54-5-9 of the Capital Adequacy Ratio Notification.
Note 6: Fall-back approach (FBA) is as stipulated in 54-5-10 of the Capital Adequacy Ratio Notification.

10. Interest rate risk

(Millions of yen)

Interest rate risk					
Item number		(A)	(B)	(C)	(D)
		ΔEVE		ΔNII	
		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)	2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
1	Upward parallel shift	¥ 567,767	¥ 100,586	¥ 254,339	¥ 175,255
2	Downward parallel shift	2,274,001	2,420,055	(4,553)	(46,356)
3	Steepening				
4	Flattening				
5	Rise in short-term interest rates				
6	Decrease in short-term interest rates				
7	Maximum value	2,274,001	2,420,055	254,339	175,255
		(E)		(F)	
		2021 (As of March 31, 2021)		2020 (As of March 31, 2020)	
8	Amount of equity	¥ 11,042,663		¥ 11,000,060	

Note 1: In accordance with the disclosed definition by the Financial Service Agency, the directions of declines in economic value and interest income are denoted as a plus.
Note 2: It has been confirmed that a sufficient level of capital adequacy has been secured against the interest rate risk measured.
Note 3: Regarding the application of materiality tests, the "Comprehensive Guidelines for Supervision of Major Banks," which is prescribed by the Financial Service Agency, states that "Japan Post Bank is legally obligated to hold safe assets that include government bonds for a portion of its assets. Accordingly, relevant special circumstances shall be appropriately considered in making responses in supervision (in the case of a materiality test)."

Compensation, etc., Subject to Disclosure

1. Matters concerning the establishment of an organizational system for subject executives and employees of the Company (Group)
   (1) Scope of subject executives and employees
   The following describes the scope of "subject executives" and "subject employees" (collectively referred to as "subject executives and employees") who are subject to disclosure as persons having a significant impact on the operation of the banking business and state of assets as prescribed by the notification (Japan Financial Services Agency Notification No. 21 of March 29, 2012) for deciding matters determined separately by the Commissioner of the Financial Services Agency as an item concerning compensation based on provisions of the Ordinance for Enforcement of the Banking Act, Article 19-2, Paragraph 1-6.
   1) Scope of "subject executives"
   Subject executives are the Company's directors and executive officers. Outside directors are excluded.
   2) Scope of "subject employees"
   Among Company executives (other than subject executives) and employees as well as executives and employees of subsidiaries, those "persons receiving high amounts of compensation" and who have a significant impact on the management of business operations and the state of assets of the Company or its principal subsidiaries are deemed "subject employees" who are subject to disclosure.
   (a) Scope of "principal consolidated subsidiaries"
   Principal consolidated subsidiaries are consolidated subsidiaries that have a significant impact on Group management. Specifically, the three business subsidiaries are in this category.
   (b) Scope of "persons receiving high amounts of compensation"
   "Persons receiving high amounts of compensation" are those persons receiving compensation exceeding standard amounts from the Company and its principal consolidated subsidiaries. The Company has set the Group standard amount at ¥28 million. The relevant standard amount is set based on the average basic compensation (excludes persons who assume positions or retire from positions during the term in each fiscal year) for the past three years for executives of the Company and Japan Post Bank and this serves as a common standard amount for the Group. However, because there are no large differences in compensation systems and levels for the Company's principal consolidated subsidiaries, these are also applied in common at principal consolidated subsidiaries.
   (c) Scope of "persons having a significant impact on the management of the Group's business or the state of its assets"
   "Persons having a significant impact on the management of the Group's business or the state of its assets" refers to persons who engage in regular business transactions and manage matters that have a considerably significant impact on the management of the Company, Japan Post Group and its principal consolidated subsidiaries, or persons who would exert a significant impact on the state of assets by incurring losses from business transactions or other matters. Specifically, this refers to executives of principal consolidated subsidiaries or executive officers with authority to execute the business of business departments in accordance with resolutions by the Board of Directors as well as to professional positions at Japan Post Bank. (Referred to hereafter as management employees for whom a performance-linked compensation system is applicable based on professional position salary regulations and who perform duties for the execution of business using especially sophisticated and expert knowledge in the Investment Division of Japan Post Bank).
   (2) Determination of compensation for subject executives and employees
   1) Determination of compensation for subject executives
   The Company has established the Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for the Company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to decide policies for determining compensation as well as determine individual compensation.
   2) Determination of compensation for subject employees
   The determination of compensation for executives of principal consolidated subsidiaries who are deemed subject employees is as follows.
   (a) Japan Post
   Executive compensation is determined under a structure whereby the total amount of executive compensation is determined at the Shareholders' Meeting.
   Individual allocation of directors' compensation is determined on a resolution by the Board of Directors, according to the total amount decided at the Shareholders' Meeting.
   Individual allocation of compensation for auditors is determined based on consultation by the auditors.
   Compensation for executive officers is determined based on a resolution by the Board of Directors.
   (b) Japan Post Bank and Japan Post Insurance
   Japan Post Bank and Japan Post Insurance have respectively established a Compensation Committee as the body for determining the details of the compensation system and compensation for executives. The Compensation Committee determines policies for deciding details of compensation for each company's directors and executive officers as well as details of individual compensation. In accordance with the Companies Act, the Compensation Committee is composed of a majority of outside directors. The Committee is independent of the business promotion department and has the authority to determine policies for determining compensation as well as determine individual compensation.
   The Human Resources Division, which is independent from the Corporate Administration Division, has established a performance-linked compensation system based on professional position salary regulations for professional positions at Japan Post Bank. Compensation based on this system is determined after deliberation at the Evaluation Committee that is composed of executive officers such as the President and Representative Executive Officer of Japan Post Bank.
   (3) Determination of compensation for staff of the Risk Management Department and Compliance Department
   Compensation for staff of the Risk Management Department and Compliance Department is determined based on salary rules and regulations. Specific amounts paid are decided by determining compensation separate from the sales promotion department by setting amounts based on employee performance evaluations, with the general manager of the relevant departments as the person making final decisions.
   Assessment categories of employee performance evaluations encompass assessments of the execution of duties and attainment levels for targets for each job responsibility in the Risk Management Department and Compliance Department. These assessments reflect the level of contribution to the risk management structure and compliance readiness.
   (4) Total amount of compensation paid to members of the Compensation Committee and number of times the Compensation Committee and other meetings convened

Company name	Name of meeting	Number of times convened (From April 2020 to March 2021)
Japan Post Holdings	Compensation Committee	6 times
Japan Post	Shareholders' Meeting	1 time
	Board of Directors	2 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	4 times
	Evaluation Committee	11 times
Japan Post Insurance	Compensation Committee	8 times

Note: The total amount of compensation is not listed because this amount cannot be calculated separating only the portion corresponding to compensation for the execution of duties of the Compensation Committee.

2. Matters concerning evaluation of the appropriateness of the design and operation of the compensation system for subject executives and employees of the Company (Group)
   (1) Policies concerning compensation for "subject executives"
   The Company determines compensation for the Company's directors according to job responsibilities based on the scope and size of responsibilities for management and other areas. For executive officers, the Company has designed a compensation system that considers job content as an executive officer, personal evaluations and job performance. As a specific executive compensation system, compensation for executives consists of base compensation.
   (2) Policies concerning compensation for "subject employees"
   In determining compensation for Company employees, the Company determines compensation for directors and auditors according to job responsibilities based on the scope and size of responsibilities for management and in other areas. For executive officers and executives, the Company has designed a compensation system that considers job content as an executive officer or executive, personal evaluations and job performance. As a specific compensation system, compensation consists of base compensation.
   The Company determines compensation for employees based on employee evaluations to reflect the degree of attainment of targets and job behavior. As a specific compensation system for employees, compensation is determined based on salary rules and regulations.

3. Matters concerning consistency between the compensation system for subject executives and employees of the Company (Group) and risk management and the link between compensation and performance
   In determining compensation for subject executives, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined.
   In determining compensation for subject employees, compensation for directors and auditors of Japan Post is determined based on resolutions at the Shareholders' Meeting, while compensation for executive officers is determined based on resolutions by the Board of Directors. Regarding executives of Japan Post Bank and Japan Post Insurance, the Compensation Committee decides on policies concerning the determination of details of compensation, after which details of compensation for each individual are determined. In determining compensation for professional positions at Japan Post Bank, the scheme for determining compensation is discussed at the Evaluation Committee, after which details of compensation for each individual are determined. Compensation for other employees is determined based on salary rules and regulations.
   Compensation for subject executives and subject employees takes into consideration the state of employee evaluations and the appropriateness of amounts paid without excessive emphasis on performance based systems.

4. Matters concerning the types of compensation for subject executives and employees of the Company (Group), total amount paid and payment method
   Total amount of compensation for subject executives and employees (From April 1, 2020 to March 31, 2021)

Classification	Number of persons	Total amount of compensation (Millions of yen)						Retirement benefits	Other
			Total fixed compensation		Total variable compensation				
				Base compensation		Bonuses	Stock compensation		
Subject executives (excluding outside executives)	40	1,114	984	984	130	—	130	—	0
Subject employees, etc.	16	859	420	420	435	254	180	0	2

Note 1: Compensation for subject executives is listed including compensation as executives of principal consolidated subsidiaries.
Note 2: Stock-compensation type stock options are not applicable.
Note 3: The retirement benefits system for directors, auditors, executive officers and executives was discontinued in June 2013 and therefore retirement benefits are not applicable.

5. Other special pertinent matters for reference or other applicable matters other than those specified up to the previous item concerning the systems for compensation for subject executives and employees of the Company (Group)
   There are no applicable matters besides those specifically listed in the previous items.

Consolidated Solvency Margin Ratio (Japan Post Group)

(Millions of yen)

Item		2021 (As of March 31, 2021)	2020 (As of March 31, 2020)
Total amount of solvency margin	(A)	¥ 20,278,927	¥ 16,096,056
Capital stock, etc.		13,164,078	12,371,213
Reserve for price fluctuations		904,816	858,339
Contingency reserve		1,611,343	1,797,366
Catastrophe loss reserve		0	0
General reserve for possible loan losses		284	372
(Net unrealized gains (losses) on available-for-sale securities (before taxes) and net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		3,242,088	(54,289)
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		484,047	368,660
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		209,497	212,645
Capital raised through debt financing, Excess of continued Zillmerized reserve		664,059	542,807
Excess of continued Zillmerized reserve		364,059	442,807
Capital raised through debt financing		300,000	100,000
Amounts within "excess of continued Zillmerized reserve" and "capital raised through debt financing" not calculated into the margin		0	0
Solvency margin concerning small-amount, short-term insurers		0	0
Deductions		(1,287)	(1,059)
Other		0	0
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)	¥ 6,009,050	¥ 5,808,221
Insurance risk	R_1	130,961	137,197
General insurance risk	R_5	0	0
Catastrophe risk	R_6	0	0
Underwriting risk of third-sector insurance	R_8	49,371	54,172
Small amount and short-term insurance risk	R_9	0	0
Anticipated yield risk	R_2	131,404	136,652
Minimum guarantee risk	R_7	0	0
Investment risk	R_3	5,625,716	5,398,528
Business management risk	R_4	249,105	269,733
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$		674.9%	554.2%

Note: The solvency margin ratio is calculated in accordance with Article 210 Paragraph 11, Section 3 and Section 4 of the Enforcement Regulation of the Insurance Business Act and with Ordinance No. 23 issued by the Financial Services Agency in 2011.

Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co., Ltd.)

(Millions of yen)

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

Note: The solvency margin ratio is calculated in accordance with Article 86 and Article 87 of Ordinance for Enforcement of the Insurance Business Act and with Ministry of Finance Official Notification No. 50 issued in 1996.