Japan Post Group (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Total income	14,272,742	13,336,802	13,012,517	12,804,409	12,001,133
Income before income taxes	670,943	170,887	709,134	695,487	749,534
Net income (loss)	425,972	(28,976)	460,623	479,419	483,733
Comprehensive income (loss)	(177,994)	8,867	118,564	291,836	(2,225,078)
Net assets	15,176,088	14,954,581	14,743,234	14,788,654	12,616,774
Total assets	291,947,080	293,162,545	290,640,154	286,170,709	286,098,449
Consolidated capital adequacy ratio (domestic standard)	27.47%	23.80%	19.11%	17.73%	17.66%
Consolidated solvency margin ratio	1,087.4%	922.0%	722.7%	670.7%	554.2%

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, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Operating income	309,975	303,808	280,850	274,551	289,447
Net operating income	231,417	226,964	218,727	213,623	236,452
Net ordinary income	232,919	228,831	219,729	215,900	243,027
Net income	94,311	207,015	196,232	220,791	397,647
Net assets	8,057,703	8,057,856	7,950,122	7,940,442	8,031,667
Total assets	8,418,459	8,261,109	8,127,442	8,079,602	8,129,402

Japan Post (Consolidated)

(Millions of yen)

	As of and for the fiscal year ended				
	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Operating income	3,638,847	3,758,970	3,881,943	3,960,669	3,839,318
Net operating income	39,105	53,430	86,564	182,021	179,034
Net ordinary income	42,336	52,221	85,459	179,865	168,111
Net income (loss)	47,247	(385,235)	58,476	126,614	87,155
Net assets	1,244,984	794,244	831,253	915,130	855,378
Total assets	5,651,387	5,091,375	5,098,926	5,182,809	5,179,414

Notes:
1. The method of presentation has been changed for Japan Post from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016, have been reclassified to reflect this change in presentation.
2. The amount of net income (loss) attributable to Japan Post has been used for net income (loss) of Japan Post (Consolidated).
3. 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, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Operating income	1,929,444	1,929,928	2,022,526	2,114,950	2,125,313
Net operating income	10,323	12,053	41,903	121,388	147,505

Note:
The method of presentation has been changed for Japan Post from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016, have been reclassified to reflect this change in presentation.

[Post office business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Operating income	1,360,344	1,386,456	1,358,798	1,362,579	1,298,774
Net operating income	39,299	63,334	39,771	59,619	44,598

Note:
The method of presentation has been changed for Japan Post from the fiscal year ended March 31, 2017, whereby rental transactions of post offices, etc., which had previously been included in other income and other expenses, are included in operating income, operating costs and sales, general and administrative costs. Accordingly, figures for the fiscal year ended March 31, 2016, have been reclassified to reflect this change in presentation.

[International logistics business segment (Consolidated)]

(Millions of yen)

	For the fiscal year ended				
	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Operating income	544,062	644,416	704,302	700,650	634,954
Net operating income (loss)	17,231	5,642	10,254	10,300	(8,683)

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, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Ordinary income	—	—	2,044,940	1,845,413	1,799,544
Net ordinary income	—	—	499,654	373,978	379,137
Net income	—	—	352,775	266,189	273,435
Net assets	—	—	11,521,680	11,362,365	9,003,256
Total assets	—	—	210,629,821	208,974,134	210,910,882
Consolidated capital adequacy ratio (domestic standard)	—	—	17.43%	15.80%	15.58%

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, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Ordinary income	9,605,743	8,659,444	7,952,951	7,916,655	7,211,405
Net ordinary income	411,504	279,755	309,233	264,870	286,601
Net income	84,897	88,596	104,487	120,480	150,687
Net assets	1,882,982	1,853,203	2,003,126	2,135,137	1,928,380
Total assets	81,545,182	80,336,760	76,831,261	73,905,017	71,664,781
Consolidated solvency margin ratio	1,570.3%	1,290.6%	1,131.8%	1,189.8%	1,070.9%

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.

CONSOLIDATED BALANCE SHEETS MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)	2020 (As of March 31, 2020)
ASSETS:			
Cash and due from banks (Notes 3, 4, 5 and 21)	¥ 53,680,384	¥ 52,244,467	$ 493,250
Call loans (Note 21)	1,420,000	550,000	13,048
Receivables under resale agreements (Note 21)	9,731,897	8,368,139	89,423
Receivables under securities borrowing transactions (Note 21)	3,304,202	2,792,202	30,361
Monetary claims bought (Notes 4 and 21)	634,394	650,638	5,829
Trading account securities (Note 21)	31	2	0
Money held in trust (Notes 4 and 21)	7,804,150	6,778,335	71,710
Securities (Notes 3, 4, 5 and 21)	191,127,051	195,647,107	1,756,198
Loans (Notes 6 and 21)	10,624,482	12,083,499	97,625
Foreign exchanges	147,469	80,396	1,355
Other assets (Note 5)	2,787,487	2,419,069	25,613
Tangible fixed assets (Note 7):			
Buildings	1,133,110	1,172,950	10,412
Land	1,538,190	1,538,589	14,134
Construction in progress	97,283	113,808	894
Other tangible fixed assets	417,974	329,714	3,841
Total tangible fixed assets	3,186,558	3,155,062	29,280
Intangible assets:			
Software	269,867	299,378	2,480
Goodwill	2,550	2,718	23
Other intangible assets	19,276	19,867	177
Total intangible assets	291,694	321,964	2,680
Asset for retirement benefits (Note 14)	55,308	50,214	508
Deferred tax assets (Note 16)	1,312,378	1,035,930	12,059
Reserve for possible loan losses	(9,043)	(6,323)	(83)
Total assets	**¥ 286,098,449**	**¥ 286,170,709**	**$ 2,628,856**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)	2020 (As of March 31, 2020)
LIABILITIES:			
Deposits (Notes 5 and 21)	¥ 181,377,859	¥ 179,625,834	$ 1,666,616
Payables under repurchase agreements (Notes 5 and 21)	14,855,624	11,569,371	136,503
Policy reserves and others:			
Reserve for outstanding claims (Note 8)	461,224	519,568	4,238
Policy reserves (Notes 8 and 15)	62,293,166	65,060,549	572,390
Reserve for policyholder dividends (Note 10)	1,437,535	1,513,634	13,209
Total policy reserves and others	64,191,926	67,093,751	589,837
Payables under securities lending transactions (Notes 5 and 21)	6,509,525	5,896,268	59,814
Commercial papers (Notes 11 and 21)	—	28,029	—
Borrowed money (Notes 3, 5, 11 and 21)	302,200	281,021	2,777
Foreign exchanges	511	628	5
Bonds (Notes 12 and 21)	100,000	100,000	919
Other liabilities (Notes 11 and 13)	2,820,086	2,474,349	25,913
Reserve for bonuses	121,875	122,665	1,120
Liability for retirement benefits (Note 14)	2,220,241	2,236,273	20,401
Reserve for employee stock ownership plan trust	605	839	6
Reserve for management board benefit trust	984	1,033	9
Reserve for reimbursement of deposits	80,324	88,332	738
Reserve for insurance claims and others	29,722	-	273
Reserve for price fluctuations (Note 15)	858,339	897,492	7,887
Deferred tax liabilities (Note 16)	11,845	966,160	109
Total liabilities	**¥ 273,481,674**	**¥ 271,382,054**	**$ 2,512,925**
NET ASSETS (Note 17)**:**			
Capital stock	¥ 3,500,000	¥ 3,500,000	$ 32,160
Capital surplus	4,084,763	4,135,429	37,533
Retained earnings	4,057,087	3,799,974	37,279
Treasury stock	(831,707)	(831,887)	(7,642)
Total shareholders' equity	10,810,143	10,603,516	99,331
Net unrealized gains (losses) on available-for-sale securities	295,671	2,580,765	2,717
Net deferred gains (losses) on hedges	(291,823)	(55,415)	(2,681)
Foreign currency translation adjustments	(89,698)	(89,350)	(824)
Accumulated adjustments for retirement benefits	209,860	253,992	1,928
Total accumulated other comprehensive income	124,008	2,689,992	1,139
Non-controlling interests	1,682,622	1,495,145	15,461
Total net assets	**12,616,774**	**14,788,654**	**115,931**
Total liabilities and net assets	**¥ 286,098,449**	**¥ 286,170,709**	**$ 2,628,856**

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)
INCOME:			
Postal business income	¥ 2,715,667	¥ 2,767,219	$ 24,953
Banking business income	1,797,365	1,843,742	16,515
Life insurance business income	7,211,365	7,916,596	66,263
Other income (Notes 7 and 18)	276,735	276,850	2,543
Total income	**12,001,133**	**12,804,409**	**110,274**
EXPENSES:			
Operating expenses	8,180,003	9,014,985	75,163
Personnel expenses (Note 14)	2,545,212	2,613,671	23,387
Depreciation and amortization	294,011	269,382	2,702
Other expenses (Note 19)	232,372	210,882	2,135
Total expenses	**11,251,599**	**12,108,921**	**103,387**
Income before income taxes	**749,534**	**695,487**	**6,887**
Income taxes (Note 16)**:**			
Current	256,663	255,828	2,358
Deferred	(75,263)	(82,829)	(692)
Total income taxes	**181,399**	**172,999**	**1,667**
Net income	**568,134**	**522,488**	**5,220**
Net income attributable to non-controlling interests	84,401	43,069	776
Net income attributable to Japan Post Holdings	**¥ 483,733**	**¥ 479,419**	**$ 4,445**

	Yen		U.S. Dollars (Note 1)
	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)
Per share of common stock (Note 28)**:**			
Basic net income	¥ 119.64	¥ 118.57	$ 1.10
Diluted net income	—	—	—

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)
Net income	**¥ 568,134**	**¥ 522,488**	**$ 5,220**
Other comprehensive loss (Note 20)**:**			
Net unrealized gains (losses) on available-for-sale securities	(2,481,290)	(120,913)	(22,800)
Net deferred gains (losses) on hedges	(265,577)	(65,392)	(2,440)
Foreign currency translation adjustments	(2,786)	(3,888)	(26)
Adjustments for retirement benefits	(43,553)	(40,455)	(400)
Share of other comprehensive loss of affiliates	(4)	(2)	(0)
Total other comprehensive loss	(2,793,212)	(230,651)	(25,666)
Comprehensive income (loss)	**¥ (2,225,078)**	**¥ 291,836**	**$ (20,445)**
Total comprehensive income (loss) attributable to:			
Japan Post Holdings	¥ (1,969,427)	¥ 270,054	$ (18,096)
Non-controlling interests	(255,650)	21,782	(2,349)

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED MARCH 31, 2020 AND 2019

2019 (From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2018	¥ 3,500,000	¥ 4,135,462	¥ 3,551,054	¥ (831,945)	¥ 10,354,570
Changes in the fiscal year:					
Cash dividends			(230,500)		(230,500)
Net income attributable to Japan Post Holdings			479,419		479,419
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(32)			(32)
Disposals of treasury stock				58	58
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(32)	248,919	58	248,945
BALANCE, MARCH 31, 2019	¥ 3,500,000	¥ 4,135,429	¥ 3,799,974	¥ (831,887)	¥ 10,603,516

	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, 2018	¥ 2,688,219	¥ 2,784	¥ (85,870)	¥ 294,238	¥ 2,899,371	¥ 1,489,292	¥ 14,743,234
Changes in the fiscal year:							
Cash dividends							(230,500)
Net income attributable to Japan Post Holdings							479,419
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(32)
Disposals of treasury stock							58
Net changes in items other than shareholders' equity in the fiscal year	(107,454)	(58,199)	(3,479)	(40,245)	(209,379)	5,853	(203,525)
Net changes in the fiscal year	(107,454)	(58,199)	(3,479)	(40,245)	(209,379)	5,853	45,419
BALANCE, MARCH 31, 2019	¥ 2,580,765	¥ (55,415)	¥ (89,350)	¥ 253,992	¥ 2,689,992	¥ 1,495,145	¥ 14,788,654

See the accompanying notes to consolidated financial statements.

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
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)		
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.

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

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

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
BALANCE, APRIL 1, 2019	$ 32,160	$ 37,999	$ 34,917	$ (7,644)	$ 97,432
Cumulative effects of changes in accounting policies			(224)		(224)
RESTATED BALANCE, APRIL 1, 2019	32,160	37,999	34,692	(7,644)	97,207
Changes in the fiscal year:					
Cash dividends			(1,858)		(1,858)
Net income attributable to Japan Post Holdings			4,445		4,445
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders		(466)			(466)
Disposals of treasury stock				2	2
Net changes in items other than shareholders' equity in the fiscal year					
Net changes in the fiscal year	—	(466)	2,587	2	2,123
BALANCE, MARCH 31, 2020	$ 32,160	$ 37,533	$ 37,279	$ (7,642)	$ 99,331

	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	$ 23,714	$ (509)	$ (821)	$ 2,334	$ 24,717	$ 13,738	$ 135,888
Cumulative effects of changes in accounting policies							(224)
RESTATED BALANCE, APRIL 1, 2019	23,714	(509)	(821)	2,334	24,717	13,738	135,663
Changes in the fiscal year:							
Cash dividends							(1,858)
Net income attributable to Japan Post Holdings							4,445
Changes in equity of Japan Post Holdings due to transactions with non-controlling shareholders							(466)
Disposals of treasury stock							2
Net changes in items other than shareholders' equity in the fiscal year	(20,997)	(2,172)	(3)	(406)	(23,578)	1,723	(21,855)
Net changes in the fiscal year	(20,997)	(2,172)	(3)	(406)	(23,578)	1,723	(19,732)
BALANCE, MARCH 31, 2020	$ 2,717	$ (2,681)	$ (824)	$ 1,928	$ 1,139	$ 15,461	$ 115,931

See the accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2020 AND 2019

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes	¥ 749,534	¥ 695,487	$ 6,887
Income taxes paid	(221,512)	(367,228)	(2,035)
Policyholder dividends paid	(185,042)	(220,769)	(1,700)
Depreciation and amortization	294,011	269,382	2,702
Losses on impairment of fixed assets	21,723	12,927	200
Amortization of goodwill	167	287	2
Equity in (earnings) losses of affiliates	(244)	(699)	(2)
Gains on negative goodwill	(48)	—	(0)
Net change in reserve for outstanding claims	(58,343)	(28,628)	(536)
Net change in policy reserves	(2,767,383)	(2,716,748)	(25,428)
Provision for interest on policyholder dividends	8	7	0
Provision for reserve for policyholder dividends	109,236	111,806	1,004
Net change in reserve for possible loan losses	3,480	170	32
Net change in reserve for bonuses	(517)	(4,728)	(5)
Net change in asset and liability for retirement benefits	(21,065)	(26,564)	(194)
Net change in reserve for employee stock ownership plan trust	(233)	30	(2)
Net change in reserve for management board benefit trust	(49)	306	(0)
Net change in reserve for reimbursement of deposits	(8,008)	2,218	(74)
Net change in reserve for insurance claims and others	29,722	—	273
Net change in reserve for price fluctuations	(39,152)	(19,251)	(360)
Interest income (accrual basis)	(1,317,799)	(1,357,775)	(12,109)
Interest expenses (accrual basis)	346,634	347,157	3,185
Net (gains) losses on securities	(14,671)	50,858	(135)
Net (gains) losses on money held in trust	(124,399)	(156,619)	(1,143)
Net (gains) losses on foreign exchanges	(85,265)	(578,515)	(783)
Net (gains) losses on sales and disposal of fixed assets	1,667	1,089	15
Net change in loans	334,007	846,288	3,069
Net change in deposits	1,752,024	1,136,799	16,099
Net change in borrowed money	6,200	1,500	57
Net change in call loans, etc.	(2,023,847)	(8,300,349)	(18,596)
Net change in receivables under securities borrowing transactions for banking business	(112,491)	8,224,153	(1,034)
Net change in call money, etc.	3,286,253	9,584,086	30,196
Net change in commercial papers	(28,029)	(163,451)	(258)
Net change in payables under securities lending transactions for banking business	(254,073)	(11,338,666)	(2,335)
Net change in foreign exchanges (assets)	(67,072)	7,090	(616)
Net change in foreign exchanges (liabilities)	(117)	318	(1)
Interest received (cash basis)	1,379,252	1,372,572	12,673
Interest paid (cash basis)	(405,217)	(781,463)	(3,723)
Other, net	(273,486)	(212,880)	(2,513)
Total adjustments	(443,683)	(4,305,287)	(4,077)
Net cash provided by (used in) operating activities	**¥ 305,850**	**¥ (3,609,800)**	**$ 2,810**

See the accompanying notes to consolidated financial statements.

	Millions of Yen		Millions of U.S. Dollars (Note 1)
	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)	2020 (From April 1, 2019 to March 31, 2020)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of call loans	¥ (8,110,000)	¥ (8,535,000)	$ (74,520)
Proceeds from redemption of call loans	7,880,000	8,650,000	72,407
Purchases of monetary claims bought	(1,524,997)	(1,319,999)	(14,013)
Proceeds from sale and redemption of monetary claims bought	1,561,185	1,141,145	14,345
Net change in receivables under securities borrowing transactions for life insurance business	(399,508)	504,020	(3,671)
Net change in payables under securities lending transactions for life insurance business	867,329	(240,736)	7,970
Purchases of securities	(25,138,744)	(26,180,484)	(230,991)
Proceeds from sale of securities	3,605,937	4,011,552	33,134
Proceeds from redemption of securities	22,959,251	26,578,983	210,964
Increase in money held in trust	(2,303,911)	(810,563)	(21,170)
Decrease in money held in trust	658,806	943,016	6,054
Payments for loans	(718,926)	(891,512)	(6,606)
Proceeds from collection of loans	1,842,218	1,731,609	16,927
Purchases of tangible fixed assets	(133,811)	(221,079)	(1,230)
Proceeds from sale of tangible fixed assets	12,995	10,069	119
Purchases of intangible assets	(80,053)	(83,146)	(736)
Proceeds from sale of stocks of subsidiaries and affiliates	5,455	—	50
Proceeds from purchase of stocks of subsidiaries resulting in change in the scope of consolidation	487	30	4
Payments for sale of stocks of subsidiaries resulting in change in the scope of consolidation	—	(656)	—
Proceeds from sale of stocks of subsidiaries resulting in change in the scope of consolidation	266	—	2
Other, net	56,504	(101,204)	519
Net cash provided by investing activities	**¥ 1,040,484**	**¥ 5,186,043**	**$ 9,561**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	¥ 307,250	¥ 86,054	$ 2,823
Repayment of borrowings	(261,759)	(47,715)	(2,405)
Proceeds from issuance of bonds	—	99,398	—
Purchases of treasury stock of subsidiaries	(7,881)	(542)	(72)
Proceeds from disposals of treasury stock of subsidiaries	82	54	1
Dividends paid	(202,271)	(230,383)	(1,859)
Dividends paid to non-controlling interests	(34,184)	(25,150)	(314)
Purchases of stocks of subsidiaries that do not result in change in the scope of consolidation	(1)	(4)	(0)
Proceeds from sale of stocks of subsidiaries that do not result in change in the scope of consolidation	322,539	8,647	2,964
Other, net	(24,770)	(1,613)	(228)
Net cash provided by (used in) financing activities	**99,003**	**(111,256)**	**910**
Effect of exchange rate changes on cash and cash equivalents	**(1,770)**	**774**	**(16)**
Net change in cash and cash equivalents	**1,443,568**	**1,465,761**	**13,264**
Cash and cash equivalents at the beginning of the fiscal year	**52,160,289**	**50,694,528**	**479,282**
Cash and cash equivalents at the end of the fiscal year (Note 3)	**¥ 53,603,857**	**¥ 52,160,289**	**$ 492,547**

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 ¥108.83 to U.S. $1, the approximate rate of exchange as of March 31, 2020. 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, 2020 and 2019 include the accounts of the Company and its significant subsidiaries (collectively, the "Group").

A) Consolidated subsidiaries

The Company has 260 (265 in 2019) 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, 2020, 1 subsidiary of Toll Holdings Limited (hereinafter referred to as "Toll") was included in the scope of consolidation due to the 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 the 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.

During the fiscal year ended March 31, 2019, Japan Post Real Estate Co., Ltd., 1 subsidiary of Toll and other 1 subsidiary were included in the scope of consolidation due to the establishment of these companies. System Trust Laboratory Co., Ltd. was included in the scope of consolidation due to the purchase of its stock. Japan Post Delivery Co., Ltd. and 1 subsidiary of Toll were excluded from the scope of consolidation due to the liquidation. JP Logi Service Co., Ltd. was excluded from the scope of consolidation due to the sale of its stock.

B) Non-consolidated subsidiaries

The Company has 3 (2 in 2019) non-consolidated subsidiaries, namely, silent partnership(s) investing in real estate 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 17 (22 in 2019) 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 year ended March 31, 2020 and JA Foods Oita Co., Ltd., Ring Bell Co., Ltd., Saison Asset Management Co., Ltd., SDP Center Co., Ltd., ATM Japan Business Service, Ltd., JP Asset Management Co., Ltd. and Toll's affiliates for the fiscal year ended March 31, 2019, respectively.

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. One 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.

During the fiscal year ended March 31, 2019, 1 of Toll's affiliates was included in the scope of the equity method due to the establishment of the company and another 1 affiliate of Toll was 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 3 (2 in 2019) non-consolidated subsidiaries that are not accounted for by the equity method, namely, silent partnership(s) investing in real estate for all periods presented.

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

The Company has 2 affiliates (2 in 2019) that are not accounted for by the equity method, namely, BPO.MP COMPANY LIMITED and Palma Co., Ltd. for all periods presented.

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	2020	2019
June 30	5 companies	3 companies
December 31	31 companies	32 companies
March 31	224 companies	230 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 the 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 Audit Committee Report 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 the 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 ¥49 million ($0 million) and ¥232 million for the fiscal years ended March 31, 2020 and 2019, respectively.

(9) Policy Reserves

Policy reserves are reserves provided in accordance with Article 116 of the Insurance Business Act. Insurance premium reserves are recognized based on the following methodology:

1) Reserves for contracts subject to the standard policy reserves are calculated in accordance with the method prescribed by the Commissioner for the 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 are accumulated, in preparation for future performance of obligations, over a 10-year period for a portion of reinsurance contracts from the Organization for Postal Savings, Postal Life Insurance and Post Office Network (formerly Management Organization for Postal Savings and Postal Life Insurance, the name of the organization was changed to "Organization for Postal Savings, Postal Life Insurance and Post Office Network" on April 1, 2019; hereinafter referred to as "the Japan Postal Service Organization"), which is an independent administrative institution. As a result, the amounts of provision for additional policy reserves were ¥176,734 million ($1,624 million) and ¥179,882 million for the fiscal years ended March 31, 2020 and 2019, respectively.

In addition, pursuant to Article 69, Paragraph 5 of the Ordinance for Enforcement of the Insurance Business Act, additional policy reserves are accumulated, in preparation for future performance of obligations, for lump-sum payment annuities for the fiscal year ended March 31, 2018.

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 reinsurance contracts comprising outsourcing agreements for the administrative operation of the Postal Life Insurance and 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) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 as incurred from the fiscal year in which the difference is incurred.

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.

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 pension program.

The actuarial difference is amortized using the straight-line method over a fixed period (8 years and 9 years for the fiscal years ended March 31, 2020 and 2019, 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 and 9 years for the fiscal years ended March 31, 2020 and 2019, respectively) within the estimated average remaining payment periods for eligible personnel as incurred from the fiscal year in which the difference is incurred.

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.

(16) 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."

(17) Reserve for Price Fluctuations

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

(18) 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).

(19) Consumption Taxes

All figures are net of consumption taxes.

(20) 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)

With 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.

(21) Changes in Accounting Policies

Toll and its subsidiaries and affiliates

Toll and its subsidiaries and affiliates started to apply IFRS No.16 Lease (hereinafter referred to as "IFRS 16") from the fiscal year ended March 31, 2020. In accordance with IFRS 16, 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 ($1,626 million), other assets decreased by ¥113 million ($1 million), other liabilities increased by ¥201,252 million ($1,849 million), and retained earnings decreased by ¥24,426 million ($224 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.

(22) 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 31, 2020)

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.

"Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Statement No. 24, March 31, 2020)

1. Overview

   The purpose of this accounting standard is to clarify the principles and the overview of procedures of the accounting treatment adopted, in cases where the provisions of relevant accounting standards, etc., are unclear.

2. Effective date

   Effective from the end of the fiscal year ending March 31, 2021.

"Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020)

1. Overview

   The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.

2. Effective date

   Effective from the end of the fiscal year ending March 31, 2021.

(23) Changes in Presentation

For the fiscal year ended March 31, 2020

Consolidated Balance Sheets

"Borrowed money," which was included in "Other liabilities" in the fiscal year ended March 31, 2019, has been presented separately from the fiscal year ended March 31, 2020 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, 2019 have been reclassified.

As a result, in the consolidated balance sheet for the fiscal year ended March 31, 2019, "Other liabilities" in the amount of ¥2,755,370 million has been reclassified as "Borrowed money" of ¥281,021 million and "Other liabilities" of ¥2,474,349 million.

(24) 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 ($76 million), while income before income taxes increased by the same amount for the fiscal year ended March 31, 2020.

(25) 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 ¥742 million ($7 million) and ¥923 million, and the number of shares of the treasury stock was 528 thousand shares and 656 thousand shares as of March 31, 2020 and 2019, 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 investigations and improvement

The Japan Post Group promotes thoroughgoing customer-oriented business operation as one of its critical management priorities. However, at Japan Post Insurance Co., Ltd. (hereinafter referred to as "Japan Post Insurance"), a consolidated subsidiary of the Company, following the internal investigation into the handling of customers' revision of their insurance coverage, it was discovered that in some cases, such revision was carried out in a manner that may have caused disadvantages to customers, not in line with their intentions. Consequently, Japan Post Insurance has been conducting investigations using appropriate procedures, by providing explanations to and receiving advice from the Special Investigation Committee composed of neutral and fair external experts, regarding the methods for confirming customers' intentions as well as for analyzing the information obtained.

These included the investigation of specified rewriting cases (the investigation to grasp the situation of customers likely to have suffered disadvantages from the rewriting of policies), and the investigation of all insurance policies (the investigation where Japan Post Insurance sent notification documents with reply cards to customers of all other policies that were not subject to the investigation of specified rewriting cases, asking them to reconfirm their intentions and to let Japan Post Insurance know of any points it should be aware of, whereby Japan Post Insurance made necessary responses and investigations according to the results of the reconfirmation, and the investigation of such cases where sales personnel repeatedly made many new policy applications and cancellations, which may not have been in line with the intentions of customers, judging from the type of the policies).

In consideration of the results of these investigations obtained by the end of the fiscal year ended March 31, 2020, the Company has reasonably estimated insurance-related expenses of ¥29,722 million ($273 million) 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. These expenses were recorded under reserve for insurance claims and others.

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 solicitation quality issues actions and underlying systematic problems. In addition, Japan Post Insurance received administrative dispositions pursuant to the Insurance Business Act from the Financial Services Agency of Japan. Following the administrative dispositions, a business improvement plan was formulated and it was submitted to the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan as of January 31, 2020. The Japan Post Group accepts the administrative dispositions solemnly and 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.

These initiatives may affect the financial results of the Japan Post Group in the future.

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
	2020	2019	2020
Cash and due from banks	¥ 53,680,384	¥ 52,244,467	$ 493,250
Negotiable certificates of deposit of the banking subsidiary included in "Cash and due from banks"	(65,000)	(65,000)	(597)
Negotiable certificates of deposit included in "Securities"	15,000	15,000	138
Deposits with maturities of more than three months	(200)	(200)	(2)
Bank overdrafts included in "Borrowed money"	(26,327)	(33,978)	(242)
Cash and cash equivalents at the end of the fiscal year	¥ 53,603,857	¥ 52,160,289	$ 492,547

4. SECURITIES

(1) Securities

Securities as of March 31, 2020 and 2019 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Stocks and investments in capital[1]	¥ 342,849	¥ 353,933	$ 3,150
Japanese government bonds[2]	90,366,899	96,397,982	830,349
Japanese local government bonds	12,723,729	13,908,380	116,914
Japanese corporate bonds	15,401,577	15,358,784	141,520
Other[2]	72,291,995	69,628,027	664,265
Total	¥ 191,127,051	¥ 195,647,107	$ 1,756,198

Notes:
1. Stocks and investments in capital include investments in non-consolidated subsidiaries and affiliates of ¥12,461 million ($114 million) and ¥15,521 million as of March 31, 2020 and 2019, respectively.
2. Unsecured and secured loaned securities for which borrowers have the right to sell or pledge in the amount of ¥3,190,143 million ($29,313 million) and ¥1,887,211 million were included in Japanese government bonds and other in "Securities" as of March 31, 2020 and 2019, respectively.
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 ($593 million) and nil for pledged securities, and ¥8,939,257 million ($82,140 million) and ¥8,522,183 million for securities held at the end of the fiscal year without being sold or pledged as of March 31, 2020 and 2019, respectively.

(2) Policy-Reserve-Matching Bonds

The consolidated balance sheet amount and fair value of policy-reserve-matching bonds as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Consolidated balance sheet amount	¥ 9,574,646	¥ 10,570,049	$ 87,978
Fair value	10,578,535	11,724,384	97,202

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)

The remaining period of insurance policies comprising the sub-group Postal Life Insurance Contracts used to be within 20 years, but has been changed to within 30 years from the fiscal year ended March 31, 2019, as the issuance of 30- and 40-year Japanese government bonds has expanded to facilitate duration gap adjustment of long-term insurance contracts. This change has no impact on profit or loss.

(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	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 Yen)

March 31	2019				
	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	¥ 53,193,355	¥ 60,167,232	¥ 6,973,876	¥ 6,974,114	¥ (238)
Japanese local government bonds	6,450,184	6,783,423	333,239	333,320	(81)
Japanese corporate bonds	3,859,903	4,061,791	201,888	202,031	(143)
Other	130,433	136,766	6,333	6,333	—
Total	¥ 63,633,877	¥ 71,149,214	¥ 7,515,337	¥ 7,515,800	¥ (463)

(Millions of U.S. Dollars)

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	$ 452,584	$ 510,101	$ 57,516	$ 57,518	$ (2)
Japanese local government bonds	58,468	60,976	2,508	2,521	(13)
Japanese corporate bonds	38,506	40,122	1,616	1,650	(34)
Other	900	903	2	2	—
Total	$ 550,459	$ 612,101	$ 61,642	$ 61,691	$ (49)

2) Policy-reserve-matching bonds

(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 Yen)

March 31	2019				
	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	¥ 9,429,778	¥ 10,520,296	¥ 1,090,518	¥ 1,091,024	¥ (506)
Japanese local government bonds	552,443	580,239	27,795	27,825	(29)
Japanese corporate bonds	587,826	623,848	36,021	36,033	(12)
Total	¥ 10,570,049	¥ 11,724,384	¥ 1,154,334	¥ 1,154,883	¥ (548)

(Millions of U.S. Dollars)

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	$ 75,042	$ 83,674	$ 8,632	$ 8,632	$ (0)
Japanese local government bonds	5,240	5,470	230	231	(0)
Japanese corporate bonds	7,696	8,058	362	394	(32)
Total	$ 87,978	$ 97,202	$ 9,224	$ 9,257	$ (33)

3) Available-for-sale securities

(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 Yen)

March 31	2019				
	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	¥ 323,246	¥ 325,034	¥ (1,787)	¥ 17,653	¥ (19,440)
Bonds	51,591,653	50,224,768	1,366,884	1,369,755	(2,870)
Japanese government bonds	33,774,848	32,597,283	1,177,564	1,177,651	(87)
Japanese local government bonds	6,905,751	6,850,935	54,816	55,184	(368)
Japanese short-term corporate bonds	220,998	220,998	—	—	—
Japanese corporate bonds	10,690,055	10,555,551	134,504	136,919	(2,414)
Other	69,388,063	68,379,981	1,008,082	1,453,771	(445,688)
Of which: foreign bonds	27,013,884	26,191,986	821,897	1,122,115	(300,217)
Of which: investment trusts	41,230,438	41,048,500	181,938	327,388	(145,450)
Total	¥ 121,302,964	¥ 118,929,784	¥ 2,373,179	¥ 2,841,179	¥ (468,000)

(Millions of U.S. Dollars)

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	$ 2,783	$ 3,171	$ (388)	$ 64	$ (452)
Bonds	451,246	442,987	8,259	8,743	(484)
Japanese government bonds	302,723	295,360	7,363	7,712	(348)
Japanese local government bonds	53,205	52,950	256	269	(13)
Japanese short-term corporate bonds	7,415	7,415	—	—	—
Japanese corporate bonds	87,902	87,262	640	762	(122)
Other	658,711	670,775	(12,064)	15,122	(27,186)
Of which: foreign bonds	258,486	251,093	7,393	12,833	(5,440)
Of which: investment trusts	388,607	408,103	(19,496)	2,248	(21,744)
Total	$ 1,112,741	$ 1,116,933	$ (4,192)	$ 23,928	$ (28,121)

4) Held-to-maturity bonds sold for the fiscal years ended March 31, 2020 and 2019
There were no held-to-maturity bonds sold for the fiscal years ended March 31, 2020 and 2019.

5) Policy-reserve-matching bonds sold for the fiscal years ended March 31, 2020 and 2019

(Millions of Yen)

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

There were no policy-reserve-matching bonds sold for the fiscal year ended March 31, 2019.

(Millions of U.S. Dollars)

Year ended March 31	2020		
	Sales	Gains	Losses
Bonds	$ 1,824	$ 53	$ —
Japanese government bonds	1,824	53	—
Total	$ 1,824	$ 53	$ —

6) Available-for-sale securities sold for the fiscal years ended March 31, 2020 and 2019

(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 local government bonds	—	—	—
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 Yen)

Year ended March 31	2019		
	Sales	Gains	Losses
Stocks	¥ 116,978	¥ 7,773	¥ (11,685)
Bonds	1,654,705	8,831	(2,898)
Japanese government bonds	1,516,682	7,495	—
Japanese local government bonds	23,572	27	—
Japanese corporate bonds	114,449	1,308	(2,898)
Other	1,992,836	35,106	(75,561)
Of which: foreign bonds	1,643,650	32,032	(69,858)
Of which: investment trusts	349,185	3,074	(5,703)
Total	¥ 3,764,519	¥ 51,712	¥ (90,145)

(Millions of U.S. Dollars)

Year ended March 31	2020		
	Sales	Gains	Losses
Stocks	$ 1,771	$ 142	$ (120)
Bonds	10,928	120	(32)
Japanese government bonds	10,080	118	(24)
Japanese local government bonds	—	—	—
Japanese corporate bonds	848	3	(8)
Other	18,617	329	(271)
Of which: foreign bonds	9,805	192	(167)
Of which: investment trusts	8,812	138	(104)
Total	$ 31,316	$ 592	$ (422)

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 cost, 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 ¥2,709 million ($25 million) and ¥8,063 for the fiscal years ended March 31, 2020 and 2019, respectively.

(4) Money Held in Trust

1) Money Held in Trust Classified as Trading

There was no money held in trust classified as trading for the fiscal year ended March 31, 2020.

(Millions of Yen)

March 31	2019	
	Consolidated balance sheet amount	Valuation gains (losses) included in the consolidated statements of income for the current fiscal year
Money held in trust classified as trading	¥ 39,290	¥ (3)

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

(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 Yen)

March 31	2019				
	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	¥ 6,313,068	¥ 4,796,958	¥ 1,516,109	¥ 1,589,719	¥ (73,609)

(Millions of U.S. Dollars)

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	$ 65,465	$ 58,224	$ 7,241	$ 11,107	$ (3,866)

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 cost, 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 ¥41,316 million ($380 million) and ¥14,434 million for the fiscal years ended March 31, 2020 and 2019, respectively.

2. "Money held in trust classified as other than trading or held-to-maturity" include investment in non-consolidated subsidiaries of ¥24,246 million ($223 million) and ¥19,680 million as of March 31, 2020 and 2019, respectively.

5. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral as of March 31, 2020 and 2019 consisted of the following:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Cash and due from banks	¥ —	¥ 10	$ —
Securities	21,115,079	17,536,796	194,019
Liabilities corresponding to assets pledged as collateral:			
Deposits	939,049	1,265,494	8,629
Payables under repurchase agreements	14,841,880	11,569,371	136,377
Payables under securities lending transactions	6,459,065	5,896,268	59,350
Borrowed money	10,100	3,980	93

Note: "Borrowed money," which was included in "Other liabilities" in the consolidated balance sheet for the fiscal year ended March 31, 2019, has been presented separately from the fiscal year ended March 31, 2020 due to an increase in its materiality. In line with this change in presentation, "Other liabilities" included in liabilities corresponding to assets pledged as collateral have been changed as "Borrowed money" from the fiscal year ended March 31, 2020. The same change in presentation has been made to "Other liabilities" included in liabilities corresponding to assets pledged as collateral for the fiscal year ended March 31, 2019.

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, 2020 and 2019:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Cash and due from banks	¥ —	¥ 30	$ —
Securities	1,974,615	1,686,972	18,144

"Other assets" include margins for future transactions, guarantee deposits, margins with central counterparty and cash collateral paid for financial instruments as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Other assets:			
Margins for future transactions	¥ 147,125	¥ 146,257	$ 1,352
Guarantee deposits	16,519	17,116	152
Margins with central counterparty	692,575	647,946	6,364
Cash collateral paid for financial instruments	294,696	28,966	2,708

6. LOANS

Risk management loans as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Loans to bankrupt borrowers	¥ —	¥ —	$ —
Non-accrual delinquent loans	0	—	0
Past-due loans for three months or more	—	—	—
Restructured loans	—	—	—
Total	¥ 0	¥ —	$ 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, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Amount of unused commitments on loans	¥ 49,700	¥ 16,997	$ 457
Of which: unused commitments with a term of less than one year or that may be cancelled unconditionally at any point of time	20,000	—	184

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, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Amount of unused commitments on loans	¥ 17,717	¥ 14,751	$ 163

7. TANGIBLE FIXED ASSETS

(1) Accumulated Depreciation

Accumulated depreciation as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Accumulated depreciation	¥ 1,522,375	¥ 1,426,018	$ 13,989

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, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred gains on tangible fixed assets not recognized for tax purposes	¥ 88,722	¥ 89,044	$ 815
Of which, deferred during the fiscal year	735	31,602	7

(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
	2020	2019	2020
Net rent income (losses)[1]	¥ 12,490	¥ 11,272	$ 115
Net gains (losses) on sales[2]	1,207	5	11
Losses on impairment[3]	7,757	8,180	71
Other income	26	—	0
Other losses[3]	3,172	239	29

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
	2020	2019	2020
Consolidated balance sheet amount[1]:			
Balance at the beginning of the fiscal year	¥ 471,634	¥ 479,460	$ 4,334
Net change during the fiscal year	13,930	(7,825)	128
Balance at the end of the fiscal year	¥ 485,565	¥ 471,634	$ 4,462
Fair value at the end of the fiscal year[2]	¥ 668,082	¥ 618,477	$ 6,139

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 ¥118,919 million ($1,093 million) and ¥126,845 million as of March 31, 2020 and 2019, 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 ¥473 million ($4 million) and ¥454 million as of March 31, 2020 and 2019, respectively.

Policy reserves for reinsured part defined in Article 71, Paragraph 1 of the said Ordinance were ¥967 million ($9 million) and ¥985 million as of March 31, 2020 and 2019, 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 ¥34,524 million ($317 million) and ¥33,174 million as of March 31, 2020 and 2019, 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, 2020 and 2019 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 1,513,634	¥ 1,622,889	$ 13,908
Policyholder dividends paid	(185,042)	(220,769)	(1,700)
Interest accrual, etc.	8	7	0
Reduction due to the acquisition of additional annuity	(301)	(300)	(3)
Provision for reserve for policyholder dividends	109,236	111,806	1,004
Balance at the end of the fiscal year	¥ 1,437,535	¥ 1,513,634	$ 13,209

11. BORROWED MONEY, LEASE OBLIGATIONS AND COMMERCIAL PAPERS

Borrowed money and lease obligations as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate[1]	Due
	2020	2019	2020	2020	2020
Borrowed money	¥ 302,200	¥ 281,021	$ 2,777	2.02%	—
Borrowings	302,200	281,021	2,777	2.02%	April 2020–December 2023
Lease obligations	179,250	19,817	1,647	—[2]	April 2020–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. 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.
3. "Lease obligations" as of March 31, 2020 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."
4. 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, 2020 was as follows:

March 31, 2020	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 273,876	$ 2,517
Due after 1 year through 2 years	25,713	236
Due after 2 years through 3 years	211	2
Due after 3 years through 4 years	2,400	22
Due after 4 years through 5 years	—	—
Thereafter	—	—
Total	¥ 302,200	$ 2,777

The repayment schedule on lease obligations as of March 31, 2020 was as follows:

March 31, 2020	Millions of Yen	Millions of U.S. Dollars
Within 1 year	¥ 29,170	$ 268
Due after 1 year through 2 years	20,569	189
Due after 2 years through 3 years	18,874	173
Due after 3 years through 4 years	17,187	158
Due after 4 years through 5 years	13,026	120
Thereafter	80,423	739
Total	¥ 179,250	$ 1,647

Commercial papers issued as of March 31, 2020 and 2019 to procure funds for operating activities were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars	Average interest rate	Due
	2020	2019	2020	2020	2020
Commercial papers	¥ —	¥ 28,029	$ —	—%	—

12. BONDS

Bonds as of March 31, 2020 and 2019 were as follows:

Issuer	Description	Issue	Millions of Yen		Millions of U.S. Dollars	Interest rate	Due
			2020	2019	2020		
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	$ 919	1.00%	January 29, 2049
		Total	¥ 100,000	¥ 100,000	$ 919		

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%.

The redemption schedule on bonds as of March 31, 2020 was as follows:

March 31, 2020	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	100,000	919
Total	¥ 100,000	$ 919

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
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 28,055	¥ 21,630	$ 258
Obligations incurred due to acquisition of tangible fixed assets	454	1,518	4
Time progress adjustments	78	49	1
Obligations settled	(2,967)	(573)	(27)
Other[1]	4,617	5,430	42
Balance at the end of the fiscal year	¥ 30,239	¥ 28,055	$ 278

Note: 1. "Other" includes an increasing cost recognized as asset retirement obligations primarily due to the change in estimates of the removal costs for the future demolition of the assets.

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(15)) 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 ¥10,793 million ($99 million) and ¥10,886 million for the fiscal years ended March 31, 2020 and 2019, respectively.

(2) Defined Benefit Plans

1) Changes in retirement benefit obligations

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 2,624,564	¥ 2,697,454	$ 24,116
Service cost	116,279	118,274	1,068
Interest cost	16,761	17,058	154
Actuarial differences	(13,112)	(6,993)	(120)
Benefits paid	(187,100)	(200,771)	(1,719)
Other	(96)	(458)	(1)
Balance at the end of the fiscal year	¥ 2,557,296	¥ 2,624,564	$ 23,498

2) Changes in plan assets

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at the beginning of the fiscal year	¥ 438,504	¥ 484,731	$ 4,029
Expected return on plan assets	1,009	1,107	9
Actuarial differences	(2,624)	2,012	(24)
Contributions paid by the employer	232	242	2
Benefits paid	(44,760)	(49,277)	(411)
Other	—	(311)	—
Balance at the end of the fiscal year	¥ 392,362	¥ 438,504	$ 3,605

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 337,222	¥ 388,477	$ 3,099
Share of public service pension	331,080	381,700	3,042
Share of another public service pension	396	512	4
Corporate pension plan	5,744	6,264	53
Plan assets	(392,362)	(438,504)	(3,605)
Share of public service pension	(385,579)	(430,791)	(3,543)
Share of another public service pension	(228)	(326)	(2)
Corporate pension plan	(6,554)	(7,387)	(60)
	(55,140)	(50,027)	(507)
Unfunded retirement benefit obligations	2,220,074	2,236,087	20,399
Lump-sum severance indemnity	2,220,074	2,236,087	20,399
Net liability (asset) for retirement benefits	¥ 2,164,933	¥ 2,186,059	$ 19,893
Liability for retirement benefits	¥ 2,220,241	¥ 2,236,273	$ 20,401
Asset for retirement benefits	(55,308)	(50,214)	(508)
Net liability (asset) for retirement benefits	¥ 2,164,933	¥ 2,186,059	$ 19,893

4) Retirement benefit costs

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Service cost	¥ 116,279	¥ 118,274	$ 1,068
Interest cost	16,761	17,058	154
Expected return on plan assets	(1,009)	(1,107)	(9)
Amortization of actuarial differences	(20,353)	(21,873)	(187)
Amortization of prior service cost	(34,373)	(28,410)	(316)
Other	(56)	1,000	(1)
Total	¥ 77,246	¥ 84,942	$ 710

5) Adjustments for retirement benefits (before tax effect)

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Prior service cost	¥ (34,373)	¥ (28,410)	$ (316)
Actuarial differences	(9,864)	(12,867)	(91)
Total	¥ (44,238)	¥ (41,278)	$ (406)

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

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Unrecognized prior service cost	¥ 135,614	¥ 170,641	$ 1,246
Unrecognized actuarial differences	77,035	87,044	708
Total	¥ 212,649	¥ 257,685	$ 1,954

7) Plan assets

March 31	2020	2019
Bonds	82%	85%
Stocks	0	0
Life insurance general account	0	0
Other	18	15
Total	100%	100%

Note: Total plan assets are comprised 98% of retirement benefit trusts as of March 31, 2020 and 2019, 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, 2020 and 2019 were as follows:

Years ended March 31	2020	2019
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 ¥14,737 million ($135 million) and ¥14,977 million for the fiscal years ended March 31, 2020 and 2019, respectively.

15. RESERVES RELATED TO REINSURANCE CONTRACTS

Policy reserves, excluding contingency reserve, related to 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, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Policy reserves (excluding contingency reserve)	¥33,324,093	¥35,566,089	$ 306,203
Contingency reserve	1,320,677	1,491,491	12,135
Reserve for price fluctuations	631,990	661,836	5,807

16. DEFERRED TAX ASSETS AND LIABILITIES

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Liability for retirement benefits	¥ 777,316	¥ 796,783	$ 7,142
Policy reserves	995,598	918,790	9,148
Reserve for outstanding claims	42,014	44,069	386
Reserve for bonuses	37,299	37,509	343
Reserve for price fluctuations	203,752	208,438	1,872
Deferred losses on hedges	144,765	27,525	1,330
Tax losses carried forward*	406,348	256,727	3,734
Other	307,580	192,029	2,826
Subtotal deferred tax assets	2,914,676	2,481,873	26,782
Valuation allowance for tax losses carried forward*	(406,052)	(256,296)	(3,731)
Valuation allowance for deductible temporary differences	(843,942)	(827,325)	(7,755)
Total valuation allowance	(1,249,995)	(1,083,621)	(11,486)
Total deferred tax assets	1,664,681	1,398,252	15,296
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(333,609)	(1,294,114)	(3,065)
Unrealized gains on assets and liabilities of the consolidated subsidiaries	(5,916)	(7,581)	(54)
Other	(24,621)	(26,784)	(226)
Total deferred tax liabilities	(364,148)	(1,328,481)	(3,346)
Net deferred tax assets (liabilities)	¥ 1,300,533	¥ 69,770	$ 11,950

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

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 Yen						
	2019						
	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]	¥ 8,973	¥ 8,436	¥ 453	¥ 5,436	¥ 4,842	¥ 228,584	¥ 256,727
Valuation allowance	(8,694)	(8,330)	(447)	(5,436)	(4,842)	(228,545)	(256,296)
Deferred tax assets	¥ 279	¥ 106	¥ 6	¥ —	¥ —	¥ 38	¥ 431

March 31	Millions of U.S. Dollars						
	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]	$ 66	$ 4	$ 50	$ 40	$ 1,743	$ 1,831	$ 3,734
Valuation allowance	(64)	(4)	(50)	(40)	(1,743)	(1,831)	(3,731)
Deferred tax assets	$ 2	$ —	$ —	$ —	$ —	$ 0	$ 3

Note: 1. 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, 2020 and 2019, 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, 2020 and 2019 were as follows:

Years ended March 31	2020	2019
Statutory tax rate	30.6%	30.6%
Income not taxable for income tax purposes (e.g., non-taxable dividend income)	(0.5)	(0.8)
Changes in valuation allowance	22.7	(5.0)
Adjustment of book value of stocks of subsidiaries for consolidated tax payment system	(29.0)	—
Other	0.3	0.0
Effective income tax rate	24.2%	24.9%

17. NET ASSETS

(1) Type and Number of Shares Authorized and Issued

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

Year ended March 31, 2019	Thousands of shares			
	April 1, 2018	Increase	Decrease	March 31, 2019
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, 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

Year ended March 31, 2019	Thousands of shares			
	April 1, 2018[1]	Increase[2]	Decrease[2]	March 31, 2019[1]
Treasury stock:				
Common stock	456,837	—	41	456,796

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 698 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 656 thousand shares.
2. A decrease of 41 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, 2020

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, 2019[1]	Common stock	¥ 101,096	$ 929	¥ 25.00	$ 0.23	March 31, 2019	June 20, 2019
Board of Directors' meeting held on November 14, 2019[2]	Common stock	¥ 101,096	$ 929	¥ 25.00	$ 0.23	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 ($0 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 ($0 million) for the Company's shares held by the management board benefit trust.

Dividends paid for the fiscal year ended March 31, 2019

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, 2018[1]	Common stock	¥ 129,403	¥ 32.00	March 31, 2018	June 21, 2018
Board of Directors' meeting held on November 14, 2018[2]	Common stock	¥ 101,096	¥ 25.00	September 30, 2018	December 6, 2018

Notes:
1. The total amount of dividends resolved by the Board of Directors' meeting held on May 15, 2018 includes dividends of ¥22 million for the Company's shares held by the management board benefit trust. Per share amount includes a special dividend of ¥7.00.
2. The total amount of dividends resolved by the Board of Directors' meeting held on November 14, 2018 includes dividends of ¥16 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, 2020

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 15, 2020	Common stock	¥ 101,096	$ 929	Retained earnings	¥ 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.

18. OTHER INCOME

Other income for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Gains on sales of fixed assets	¥ 2,908	¥ 7,230	$ 27
Gains on negative goodwill	48	—	0
Reversal of reserve for price fluctuations	39,152	19,251	360
Compensation for transfer	529	2,345	5
Gains on transfer of business	6,249	—	57
Other	227,848	248,023	2,094
Total	¥ 276,735	¥ 276,850	$ 2,543

19. OTHER EXPENSES

Other expenses for the fiscal years ended March 31, 2020 and 2019 consisted of the following:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Losses on sales and disposal of fixed assets	¥ 4,606	¥ 8,310	$ 42
Losses on impairment of fixed assets	21,723	12,927	200
Post office refurbishment expenses[1]	11,304	18,315	104
Provision for reserve for policyholder dividends[2]	109,236	111,806	1,004
Other	85,502	59,522	786
Total	¥ 232,372	¥ 210,882	$ 2,135

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 ¥93,775 million ($862 million) and ¥92,117 million for the fiscal years ended March 31, 2020 and 2019, respectively.

20. OTHER COMPREHENSIVE LOSS

The components of other comprehensive loss for the fiscal years ended March 31, 2020 and 2019 were as follows:

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net unrealized gains (losses) on available-for-sale securities:			
Amount arising during the fiscal year	¥ (3,206,131)	¥ 184,216	$ (29,460)
Reclassification adjustments	(313,164)	(360,184)	(2,878)
Before tax effect adjustments	(3,519,296)	(175,968)	(32,338)
Tax effect	1,038,005	55,055	9,538
Net unrealized gains (losses) on available-for-sale securities	(2,481,290)	(120,913)	(22,800)
Net deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(555,776)	(283,051)	(5,107)
Reclassification adjustments	173,952	191,893	1,598
Adjustments of assets' acquisition costs	(995)	(3,120)	(9)
Before tax effect adjustments	(382,819)	(94,277)	(3,518)
Tax effect	117,242	28,885	1,077
Net deferred gains (losses) on hedges	(265,577)	(65,392)	(2,440)
Foreign currency translation adjustments:			
Amount arising during the fiscal year	(2,786)	(3,888)	(26)
Adjustments for retirement benefits:			
Amount arising during the fiscal year	10,488	9,005	96
Reclassification adjustments	(54,727)	(50,283)	(503)
Before tax effect adjustments	(44,238)	(41,278)	(406)
Tax effect	685	822	6
Adjustments for retirement benefits	(43,553)	(40,455)	(400)
Share of other comprehensive loss of affiliates:			
Amount arising during the fiscal year	(4)	(2)	(0)
Reclassification adjustments	(0)	(0)	(0)
Before tax effect adjustments	(4)	(2)	(0)
Tax effect	—	—	—
Share of other comprehensive loss of affiliates	(4)	(2)	(0)
Total other comprehensive loss	¥ (2,793,212)	¥ (230,651)	$ (25,666)

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 ¥2,925,366 million ($26,880 million) and ¥3,432,080 million as of March 31, 2020 and 2019, 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, 2020 and 2019 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	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) Commercial papers	—	—	—
5) Borrowed money	302,200	302,265	65
6) 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 Yen)

March 31	2019		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	¥ 52,244,467	¥ 52,244,467	¥ —
2) Call loans	550,000	550,000	—
3) Receivables under resale agreements	8,368,139	8,368,139	—
4) Receivables under securities borrowing transactions	2,792,202	2,792,202	—
5) Monetary claims bought	650,638	650,638	—
6) Trading account securities			
Trading securities	2	2	—
7) Money held in trust	6,352,358	6,350,174	(2,184)
8) Securities			
Held-to-maturity bonds	63,633,877	71,143,567	7,509,690
Policy-reserve-matching bonds	10,570,049	11,724,384	1,154,334
Stocks of subsidiaries and affiliates	1,181	989	(191)
Available-for-sale securities	120,182,325	120,182,325	—
9) Loans	12,083,499		
Reserve for possible loan losses[1]	(153)		
	12,083,345	12,638,890	555,544
Total	¥ 277,428,589	¥ 286,645,783	¥ 9,217,194
1) Deposits	179,625,834	179,711,000	85,165
2) Payables under repurchase agreements	11,569,371	11,569,371	—
3) Payables under securities lending transactions	5,896,268	5,896,268	—
4) Commercial papers	28,029	28,029	—
5) Borrowed money	281,021	281,118	96
6) Bonds	100,000	100,830	830
Total	¥ 197,500,526	¥ 197,586,618	¥ 86,092
Derivative transactions[2]:			
Hedge accounting not applied	¥ (1,012)	¥ (1,012)	¥ —
Hedge accounting applied	(206,906)	(206,906)	—
Total derivative transactions	¥ (207,919)	¥ (207,919)	¥ —

(Millions of U.S. Dollars)

March 31	2020		
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)
1) Cash and due from banks	$ 493,250	$ 493,250	$ —
2) Call loans	13,048	13,048	—
3) Receivables under resale agreements	89,423	89,423	—
4) Receivables under securities borrowing transactions	30,361	30,361	—
5) Monetary claims bought	5,829	5,829	—
6) Trading account securities			
Trading securities	0	0	—
7) Money held in trust	65,465	65,441	(24)
8) Securities			
Held-to-maturity bonds	550,459	612,101	61,642
Policy-reserve-matching bonds	87,978	97,202	9,224
Stocks of subsidiaries and affiliates	11	6	(5)
Available-for-sale securities	1,101,398	1,101,398	—
9) Loans	97,625		
Reserve for possible loan losses[1]	(1)		
	97,623	101,289	3,665
Total	$ 2,534,846	$ 2,609,349	$ 74,503
1) Deposits	1,666,616	1,667,029	412
2) Payables under repurchase agreements	136,503	136,503	—
3) Payables under securities lending transactions	59,814	59,814	—
4) Commercial papers	—	—	—
5) Borrowed money	2,777	2,777	1
6) Bonds	919	907	(12)
Total	$ 1,866,629	$ 1,867,030	$ 401
Derivative transactions[2]:			
Hedge accounting not applied	$ 8	$ 8	$ —
Hedge accounting applied	(4,589)	(4,589)	—
Total derivative transactions	$ (4,581)	$ (4,581)	$ —

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.

(Changes in presentation)

"Borrowed money" has been presented from the fiscal year ended March 31, 2020 due to an increase in its materiality. In order to reflect this change in presentation, "Borrowed money" has been presented for the fiscal year ended March 31, 2019 as well.

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 trust 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, 3) Payables under securities lending transactions and 4) Commercial papers

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

5) 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.

6) 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
	2020	2019	2020
Money held in trust[1]	¥ 679,576	¥ 425,977	$ 6,244
Securities			
Unlisted stocks[2]	38,759	29,505	356
Investment trusts[3]	1,692,354	1,199,338	15,550
Investments in partnerships[4]	48,485	30,830	446
Total	¥ 2,459,175	¥ 1,685,651	$ 22,596

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.

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

(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 Yen)

March 31	2019					
	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	¥ 51,214,811	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	550,000	—	—	—	—	—
Receivables under resale agreements	8,368,139	—	—	—	—	—
Receivables under securities borrowing transactions	2,792,202	—	—	—	—	—
Monetary claims bought	330,240	35,092	34,295	44,796	41,228	160,774
Securities	17,063,421	31,780,453	33,141,498	9,025,771	20,583,230	39,548,253
Held-to-maturity bonds	5,635,397	12,086,936	13,681,561	2,087,326	6,550,505	23,095,039
Japanese government bonds	4,336,800	9,369,700	11,130,800	1,488,200	5,493,100	20,892,500
Japanese local government bonds	722,700	2,089,165	1,507,606	502,226	453,351	1,162,979
Japanese corporate bonds	543,464	530,071	1,043,155	96,900	604,053	1,039,560
Other	32,433	98,000	—	—	—	—
Policy-reserve-matching bonds	1,178,716	1,444,146	1,732,837	549,616	1,757,100	3,672,009
Japanese government bonds	1,119,900	1,355,800	1,507,200	451,400	1,756,800	3,007,100
Japanese local government bonds	54,410	64,313	189,515	77,599	300	165,609
Japanese corporate bonds	4,406	24,033	36,122	20,617	—	499,300
Available-for-sale securities with maturities	10,249,308	18,249,369	17,727,099	6,388,829	12,275,625	12,781,204
Japanese government bonds	3,854,078	7,088,243	9,404,058	1,336,151	5,625,388	4,945,500
Japanese local government bonds	1,182,127	2,028,532	1,419,324	885,625	1,152,130	131,545
Japanese short-term corporate bonds	221,000	—	—	—	—	—
Japanese corporate bonds	1,655,486	2,709,185	1,866,966	1,082,806	1,306,757	1,906,746
Other	3,336,615	6,423,407	5,036,751	3,084,245	4,191,348	5,797,411
Loans	5,222,694	1,956,026	1,604,632	1,141,738	1,031,976	1,122,244
Total	¥ 85,541,509	¥ 33,771,572	¥ 34,780,426	¥ 10,212,307	¥ 21,656,434	¥ 40,831,272

(Millions of U.S. Dollars)

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	$ 483,079	$ —	$ —	$ —	$ —	$ —
Call loans	13,048	—	—	—	—	—
Receivables under resale agreements	89,423	—	—	—	—	—
Receivables under securities borrowing transactions	30,361	—	—	—	—	—
Monetary claims bought	2,821	187	219	701	313	1,550
Securities	154,697	328,901	184,828	97,794	184,680	385,476
Held-to-maturity bonds	38,866	165,127	46,995	22,855	69,376	202,841
Japanese government bonds	25,752	141,827	25,448	20,346	54,152	180,872
Japanese local government bonds	10,291	15,696	13,601	1,077	7,480	10,197
Japanese corporate bonds	1,922	7,604	7,946	1,431	7,743	11,773
Other	900	—	—	—	—	—
Policy-reserve-matching bonds	3,830	15,066	12,530	4,699	17,070	32,829
Japanese government bonds	3,464	13,521	10,655	4,695	17,005	23,791
Japanese local government bonds	231	1,129	1,685	4	—	2,188
Japanese corporate bonds	136	416	190	—	65	6,849
Available-for-sale securities with maturities	112,001	148,708	125,303	70,240	98,234	149,806
Japanese government bonds	44,789	67,503	42,396	30,574	40,344	65,542
Japanese local government bonds	11,498	13,867	11,146	10,467	4,225	1,411
Japanese short-term corporate bonds	7,415	—	—	—	—	—
Japanese corporate bonds	13,894	20,430	16,189	9,939	10,345	16,265
Other	34,405	46,907	55,572	19,261	43,320	66,588
Loans	39,284	17,714	13,389	8,743	8,899	9,545
Total	$ 812,714	$ 346,803	$ 198,436	$ 107,239	$ 193,892	$ 396,571

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

(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 Yen)

March 31	2019					
	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]	¥ 91,037,792	¥ 23,711,100	¥ 12,211,908	¥ 13,067,231	¥ 39,597,802	¥ —
Payables under repurchase agreements	11,569,371	—	—	—	—	—
Payables under securities lending transactions	5,896,268	—	—	—	—	—
Commercial papers	28,050	—	—	—	—	—
Borrowed money	205,261	75,760	—	—	—	—
Bonds	—	—	—	—	—	100,000
Total	¥ 108,736,744	¥ 23,786,860	¥ 12,211,908	¥ 13,067,231	¥ 39,597,802	¥ 100,000

(Millions of U.S. Dollars)

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]	$ 957,919	$ 137,984	$ 121,697	$ 138,983	$ 310,033	$ —
Payables under repurchase agreements	136,503	—	—	—	—	—
Payables under securities lending transactions	59,814	—	—	—	—	—
Commercial papers	—	—	—	—	—	—
Borrowed money	2,517	238	22	—	—	—
Bonds	—	—	—	—	—	919
Total	$ 1,156,752	$ 138,222	$ 121,720	$ 138,983	$ 310,033	$ 919

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

(Changes in presentation)

"Borrowed money" has been presented from the fiscal year ended March 31, 2020 due to an increase in its materiality. In order to reflect this change in presentation, "Borrowed money" has been presented for the fiscal year ended March 31, 2019 as well.

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

(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)

(Millions of Yen)

March 31	2019			
	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	¥ 191,346	¥ 191,346	¥ 9,223	¥ 9,223
Receivable floating rate / Payable fixed rate	184,465	184,465	(9,577)	(9,577)
Total			¥ (354)	¥ (354)

(Millions of U.S. Dollars)

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	$ 1,344	$ 1,174	$ 314	$ 314
Receivable floating rate / Payable fixed rate	1,490	1,299	(319)	(319)
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.

2) Currency-related derivatives

(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 Yen)

March 31	2019			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	¥ 449,384	¥ —	¥ (217)	¥ (217)
Bought	375,409	—	(524)	(524)
Total			¥ (741)	¥ (741)

(Millions of U.S. Dollars)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Forward foreign exchange:				
Sold	$ 2,625	$ —	$ (12)	$ (12)
Bought	1,368	—	4	4
Cross currency interest rate swaps	60	—	6	6
Total			$ (3)	$ (3)

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

(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

(Millions of Yen)

March 31	2019			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	¥ 8,033	¥ —	¥ 73	¥ 73
Total			¥ 73	¥ 73

(Millions of U.S. Dollars)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Stock index futures:				
Sold	$ 329	$ —	$ 6	$ 6
Total			$ 6	$ 6

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	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 Yen)

March 31	2019			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	¥ 106,399	¥ —	¥ (723)	¥ (723)
Total			¥ (723)	¥ (723)

(Millions of U.S. Dollars)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Financial instruments exchange transactions				
Bond futures:				
Sold	$ 165	$ —	$ 4	$ 4
Total			$ 4	$ 4

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 or Osaka Exchange, etc.

5) Credit-related derivatives

(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 Yen)

March 31	2019			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold[3]	¥ 23,109	¥ 23,109	¥ 733	¥ 733
Total			¥ 733	¥ 733

(Millions of U.S. Dollars)

March 31	2020			
	Contract amount		Fair value[2]	Valuation gains (losses)
	Total	Over 1 year		
Over-the-counter transactions				
Credit default swaps:				
Sold[3]	$ 258	$ 258	$ 6	$ 6
Total			$ 6	$ 6

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	2020 Contract amount	 Contract amount due after 1 year	 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 Yen)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2019 Contract amount	 Contract amount due after 1 year	 Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Loans Deposits	¥ 3,406,150	¥ 3,406,150	¥ 55,380
	Receivable floating rate / Payable fixed rate		4,439,145	4,110,517	(212,645)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Loans	30,100	26,050	—[3]
		Total			¥ (157,265)

(Millions of U.S. Dollars)

March 31 Hedge accounting method	Type of derivative	Major hedged item	2020 Contract amount	 Contract amount due after 1 year	 Fair value[2]
Deferral hedge method	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Securities Loans Deposits	$ 31,298	$ 31,277	$ 549
	Receivable floating rate / Payable fixed rate		50,661	44,978	(4,825)
Exceptional treatment for interest rate swaps	Interest rate swaps:				
	Receivable fixed rate / Payable floating rate	Loans	239	220	—
		Total			$ (4,276)

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	2020 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 Yen)

March 31 / Hedge accounting method	Type of derivative	Major hedged item	2019 Contract amount	2019 Contract amount due after 1 year	2019 Fair value[2]
Deferral hedge method	Currency swaps	Securities	¥ 6,532,674	¥ 6,080,467	¥ (33,160)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	56,866	—	1,593
Allocation method	Currency swaps	Securities	32,433	—	—[3]
	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	7,063,663	—	(18,073)
		Total			¥ (49,641)

(Millions of U.S. Dollars)

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	Currency swaps	Securities	$ 68,439	$ 60,515	$ (733)
	Cross currency interest rate swaps	Foreign currency-denominated forecasted transactions	486	—	48
Allocation method	Forward foreign exchange	Other liabilities	0	—	(0)
Recognition of gain or loss on the hedged item	Forward foreign exchange	Securities	56,099	—	427
	Currency swaps		3,779	3,779	(55)
		Total			$ (313)

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. Currency swaps subject to the allocation method is accounted for in combination with the securities that are subject to the hedge. Therefore, their fair value is included in the fair value of the relevant securities in Note 21 "FINANCIAL INSTRUMENTS."

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, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 406	¥ 628	$ 4
Due after 1 year	149	527	1

24. LEASE TRANSACTIONS

Operating Leases

(1) As lessee

Future lease payments under non-cancellable operating leases as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 6,840	¥ 30,385	$ 63
Due after 1 year	44,470	180,802	409
Total	¥ 51,310	¥ 211,188	$ 471

Note:
The decrease in future lease payments under non-cancellable operating leases is mainly due to the 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."

(2) As lessor

Future lease receivables under non-cancellable operating leases as of March 31, 2020 and 2019 were as follows:

March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Due within 1 year	¥ 16,377	¥ 17,472	$ 150
Due after 1 year	45,726	55,005	420
Total	¥ 62,104	¥ 72,478	$ 571

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 ¥68,829 million ($632 million) and ¥73,885 million as of March 31, 2020 and 2019, 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

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 ($461 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 the 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 Segments

(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
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 Yen)

Year ended March 31	2019							
	Reportable segment							
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total	Other[2]	Total
Income[1]:								
Income from third parties	¥ 2,069,865	¥ 190,539	¥ 701,256	¥ 1,843,742	¥ 7,916,596	¥ 12,722,000	¥ 51,348	¥ 12,773,349
Intersegment income	49,467	1,173,218	—	1,668	59	1,224,413	292,410	1,516,824
Total	¥ 2,119,332	¥ 1,363,757	¥ 701,256	¥ 1,845,411	¥ 7,916,655	¥ 13,946,414	¥ 343,759	¥ 14,290,173
Segment profit	¥ 124,457	¥ 59,840	¥ 5,094	¥ 373,976	¥ 264,870	¥ 828,239	¥ 214,368	¥ 1,042,607
Segment assets	2,051,470	2,665,917	467,359	208,974,103	73,905,017	288,063,868	8,162,382	296,226,251
Other items:								
Depreciation and amortization	88,337	44,987	27,486	33,693	58,076	252,581	17,014	269,596
Amortization of goodwill	—	—	—	—	—	—	287	287
Interest and dividend income	29	1	605	1,357,775	1,085,969	2,444,382	8	2,444,390
Interest expenses	593	4	5,871	347,157	1,064	354,691	2	354,694
Equity in earnings (losses) of affiliates	—	152	321	225	—	699	—	699
Gains on sales of fixed assets	173	12	7,039	—	—	7,225	6,769	13,994
Gains on negative goodwill	—	—	—	—	—	—	—	—
Reversal of reserve for price fluctuations	—	—	—	—	19,251	19,251	—	19,251
Losses on sales and disposal of fixed assets	988	2,166	98	3,556	620	7,430	886	8,317
Losses on impairment of fixed assets	214	7,354	1,327	550	1,088	10,535	2,392	12,928
Provision for reserve for price fluctuations	—	—	—	—	—	—	—	—
Post office refurbishment expenses	—	—	—	—	—	—	18,315	18,315
Provision for reserve for policyholder dividends	—	—	—	—	111,806	111,806	—	111,806
Income taxes	28,711	9,418	2,159	104,090	50,125	194,506	(21,507)	172,999
Investments in affiliates accounted for by the equity method	—	1,831	10,927	1,568	—	14,327	—	14,327
Increase in tangible fixed assets and intangible assets	33,940	69,500	61,004	49,351	56,787	270,583	31,851	302,434

(Millions of U.S. Dollars)

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	$ 19,138	$ 1,567	$ 5,835	$ 16,515	$ 66,263	$ 109,318	$ 476	$ 109,794
Intersegment income	418	10,378	2	20	0	10,817	2,832	13,649
Total	$ 19,555	$ 11,945	$ 5,837	$ 16,535	$ 66,263	$ 120,135	$ 3,309	$ 123,443
Segment profit (loss)	$ 1,371	$ 414	$ (197)	$ 3,484	$ 2,633	$ 7,705	$ 2,231	$ 9,936
Segment assets	18,597	23,858	5,199	1,937,985	658,502	2,644,142	75,535	2,719,677
Other items:								
Depreciation and amortization	808	421	484	333	528	2,575	129	2,704
Amortization of goodwill	—	—	—	—	—	—	2	2
Interest and dividend income	0	0	2	12,109	9,646	21,758	42	21,800
Interest expenses	5	0	119	3,185	20	3,329	1	3,330
Equity in earnings (losses) of affiliates	—	2	(2)	2	—	2	—	2
Gains on sales of fixed assets	0	10	11	—	4	25	1	27
Gains on negative goodwill	—	—	—	0	—	0	—	0
Reversal of reserve for price fluctuations	—	—	—	—	360	360	—	360
Losses on sales and disposal of fixed assets	4	12	4	5	3	28	15	42
Losses on impairment of fixed assets	2	70	119	0	—	191	8	200
Post office refurbishment expenses	—	—	—	—	—	—	104	104
Provision for reserve for policyholder dividends	—	—	—	—	1,004	1,004	—	1,004
Income taxes	359	44	(0)	971	606	1,979	(313)	1,667
Investments in affiliates accounted for by the equity method	—	18	79	9	—	106	—	106
Increase in tangible fixed assets and intangible assets	271	213	378	224	391	1,477	448	1,925

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 ¥219,083 million ($2,013 million) and ¥203,163 million for the fiscal years ended March 31, 2020 and 2019, 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
	2020	2019	2020
Total income of reportable segments[1]	¥ 13,074,256	¥ 13,946,414	$ 120,135
Income of other business[1]	360,078	343,759	3,309
Eliminations of intersegment transactions	(1,485,475)	(1,516,824)	(13,649)
Adjustments[2]	1,326	1,649	12
Subtotal	¥ 11,950,185	¥ 12,774,999	$ 109,806
Gains on sales of fixed assets	2,908	7,230	27
Gains on negative goodwill	48	—	0
Reversal of reserve for price fluctuations	39,152	19,251	360
Compensation for transfer	529	2,345	5
Gains on transfer of business	6,249	—	57
Other	2,060	583	19
Total income on the consolidated statements of income	¥ 12,001,133	¥ 12,804,409	$ 110,274

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.

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
	2020	2019	2020
Total segment profit of reportable segments	¥ 838,558	¥ 828,239	$ 7,705
Segment profit in other business	242,822	214,368	2,231
Eliminations of intersegment transactions	(214,510)	(204,465)	(1,971)
Adjustments[1]	(2,412)	(7,445)	(22)
Subtotal	¥ 864,457	¥ 830,696	$ 7,943
Gains on sales of fixed assets	2,908	7,230	27
Gains on negative goodwill	48	—	0
Reversal of reserve for price fluctuations	39,152	19,251	360
Compensation for transfer	529	2,345	5
Gains on transfer of business	6,249	—	57
Losses on sales and disposal of fixed assets	(4,606)	(8,310)	(42)
Losses on impairment of fixed assets	(21,723)	(12,927)	(200)
Post office refurbishment expenses	(11,304)	(18,315)	(104)
Provision for reserve for policyholder dividends	(109,236)	(111,806)	(1,004)
Other, net	(16,940)	(12,675)	(156)
Income before income taxes on the consolidated statements of income	¥ 749,534	¥ 695,487	$ 6,887

Note: 1. "Adjustments" are primarily due to differences in the calculation methods used for segment profit (loss) for the international logistics business segment and income before income taxes on the consolidated statements of income.

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
	2020	2019	2020
Total segment assets of reportable segments	¥ 287,761,941	¥ 288,063,868	$ 2,644,142
Segment assets in other business	8,220,508	8,162,382	75,535
Eliminations of intersegment transactions	(9,883,999)	(10,055,542)	(90,821)
Total assets on the consolidated balance sheets	¥ 286,098,449	¥ 286,170,709	$ 2,628,856

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	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
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 Yen)

Year ended March 31	2019			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	¥ 252,581	¥ 17,014	¥ (214)	¥ 269,382
Amortization of goodwill	—	287	—	287
Interest and dividend income	2,444,382	8	—	2,444,390
Interest expenses	354,691	2	—	354,694
Equity in earnings (losses) of affiliates	699	—	—	699
Gains on sales of fixed assets	7,225	6,769	(6,764)	7,230
Gains on negative goodwill	—	—	—	—
Reversal of reserve for price fluctuations	19,251	—	—	19,251
Losses on sales and disposal of fixed assets	7,430	886	(6)	8,310
Losses on impairment of fixed assets	10,535	2,392	(0)	12,927
Post office refurbishment expenses	—	18,315	—	18,315
Provision for reserve for policyholder dividends	111,806	—	—	111,806
Income taxes	194,506	(21,507)	—	172,999
Investments in affiliates accounted for by the equity method	14,327	—	—	14,327
Increase in tangible fixed assets and intangible assets	270,583	31,851	(6,682)	295,751

(Millions of U.S. Dollars)

Year ended March 31	2020			
	Total of reportable segments	Other	Reconciliations	Amount on consolidated financial statements
Depreciation and amortization	$ 2,575	$ 129	$ (2)	$ 2,702
Amortization of goodwill	—	2	—	2
Interest and dividend income	21,758	42	(0)	21,800
Interest expenses	3,329	1	(0)	3,330
Equity in earnings (losses) of affiliates	2	—	—	2
Gains on sales of fixed assets	25	1	—	27
Gains on negative goodwill	0	—	—	0
Reversal of reserve for price fluctuations	360	—	—	360
Losses on sales and disposal of fixed assets	28	15	(0)	42
Losses on impairment of fixed assets	191	8	(0)	200
Post office refurbishment expenses	—	104	—	104
Provision for reserve for policyholder dividends	1,004	—	—	1,004
Income taxes	1,979	(313)	—	1,667
Investments in affiliates accounted for by the equity method	106	—	—	106
Increase in tangible fixed assets and intangible assets	1,477	448	(2)	1,923

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

(Millions of Yen)

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

(Millions of Yen)

Year ended March 31	2019							
	Reportable segment						Other	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	Total		
Amortization of goodwill	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 287	¥ 287
Unamortized balance of goodwill	—	—	—	—	—	—	2,718	2,718

(Millions of U.S. Dollars)

Year ended March 31	2020							
	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	—	—	—	—	—	—	23	23

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

The banking business segment recorded gains on negative goodwill of ¥48 million ($0 million) for the fiscal year ended March 31, 2020 since SDP Center Co., Ltd. became a subsidiary as a result of an additional purchase of its stock. There were no gains on negative goodwill for the fiscal year ended March 31, 2019.

(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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

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, 2020 and 2019.

28. PER SHARE DATA

March 31	Yen		U.S. Dollars
	2020	2019	2020
Net assets per share[2]	¥ 2,704.24	¥ 3,287.86	$ 24.85

Years ended March 31	Yen		U.S. Dollars
	2020	2019	2020
Net income per share[4]	¥ 119.64	¥ 118.57	$ 1.10

Notes:

1. Diluted net income per share is not presented for the fiscal years ended March 31, 2020 and 2019 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
	2020	2019	2020
Net assets	¥ 12,616,774	¥ 14,788,654	¥ 115,931
Amount deducted from net assets:			
Non-controlling interests	1,682,622	1,495,145	15,461
Net assets attributable to common stock at the fiscal year-end	¥ 10,934,152	¥ 13,293,508	¥ 100,470

(Thousands of shares)

March 31	2020	2019
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share[3]	4,043,332	4,043,203

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 528,300 shares and 656,800 shares as of March 31, 2020 and 2019, respectively.
4. Net income per share is calculated based on the following:

Years ended March 31	Millions of yen		Millions of U.S. Dollars
	2020	2019	2020
Net income attributable to Japan Post Holdings	¥ 483,733	¥ 479,419	$ 4,445
Amount not attributable to common stockholders	—	—	—
Net income attributable to common stock	¥ 483,733	¥ 479,419	$ 4,445

(Thousands of shares)

Years ended March 31	2020	2019
Average number of common stock outstanding during the fiscal year[5]	4,043,234	4,043,196

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 626,486 shares and 664,352 shares for the fiscal years ended March 31, 2020 and 2019, respectively.

29. SUBSEQUENT EVENTS

None

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, 2020 and 2019, 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, 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, 2020 and 2019, and its consolidated financial performance and 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.

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 including 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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/ OZAWA Yoichi
Designated Engagement Partner
Certified Public Accountant

/S/ TOYAMA Takahiro
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 17, 2020

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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
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	¥ 10,110,796	¥ 9,902,849
of which: capital and capital surplus	7,652,928	7,653,103
of which: retained earnings	3,400,982	3,193,040
of which: treasury stock (deduction)	831,707	831,887
of which: cash dividends to be paid (deduction)	111,407	111,407
of which: other than those above	—	—
Accumulated other comprehensive income included in Core Capital	118,184	161,715
of which: foreign currency translation adjustments	(89,698)	(89,350)
of which: amount associated with retirement benefits	207,883	251,065
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)	248,574	242,596
Reserves included in Core Capital: instruments and reserves	335	314
of which: general reserve for possible loan losses	335	314
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	670,177	741,821
Core Capital: instruments and reserves (A)	11,148,068	11,049,297
Core Capital: regulatory adjustments		
Total intangible fixed assets (net of related tax liability, excluding those relating to mortgage servicing rights)	109,637	118,078
of which: goodwill (net of related tax liability, including those equivalent)	2,550	2,718
of which: other intangible fixed assets other than goodwill and mortgage servicing rights (net of related tax liability)	107,086	115,360
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	—	38
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	38,370	34,836
Investments in own shares (excluding those reported in the Net Assets section)	0	9
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		2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
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)	148,008	152,963
Total capital			
Total capital ((A) - (B))	(C)	11,000,060	10,896,334
Risk-weighted assets			
Credit risk-weighted assets		59,177,036	58,099,111
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%		3,093,339	3,354,318
Credit risk-weighted assets adjustments		—	—
Operational risk equivalent adjustments		—	—
Total amount of risk-weighted assets	(D)	62,270,376	61,453,429
Capital adequacy ratio			
Capital adequacy ratio (consolidated) ((C) / (D))		17.66%	17.73%

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 95 through 96 for the names of principal subsidiaries. In accordance with Article 15, the Group is comprised of the following 259 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 260 companies, comprising 259 consolidated subsidiaries and Japan Post Insurance Co., Ltd., a Group company.

Further details on Japan Post Insurance Co., Ltd. are presented on pages 52 through 53 and 103 through 105.

(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 259 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 44 through 51 and 97 through 102 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 107 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 52 through 53 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, 2020 calculated in accordance with the Holding Company Capital Adequacy Ratio Notice was 17.66%. 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 84 through 85 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").

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

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 2020, 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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
1	Cash	¥ —	¥ —
2	Japanese government and the Bank of Japan	—	—
3	Foreign central governments and central banks	8,077	7,399
4	Bank for International Settlements, etc.	—	—
5	Non-central government public-sector entities	—	—
6	Foreign non-central government public-sector entities	9,614	5,368
7	Multilateral Development Banks	—	—
8	Japan Finance Organization for Municipalities	2,734	3,027
9	Japanese government agencies	11,621	12,328
10	Three regional public corporations under Japanese local governments	540	493
11	Financial Institutions and Type I Financial Instruments Business Operators	79,786	75,599
12	Corporates	224,296	213,334
13	Small and medium-sized enterprises and individuals	2	4
14	Mortgage loans	—	—
15	Project finance (acquisition of real estate)	0	80
16	Past-due loans (three months or more)	61	823
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	14,983	5,965
	of which, exposure to investments	14,983	5,965
	of which, exposure to significant investments	—	—
21	Other than above	232,810	260,714
	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	30,167	30,950
	of which, exposure related to portions not included in adjustment items among specified items	76,842	105,802
	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	125,800	123,962
22	Securitization transactions	17,021	12,572
	of which, STC requirements are applied	—	—
	of which, non-STC requirements are applied	17,021	12,572
23	Re-securitization transactions	40	49
24	Exposure to which deemed calculation of risk weight is applied	1,709,249	1,683,716
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	¥2,310,841	¥2,281,478

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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
1	Commitment lines that can be cancelled automatically or unconditionally at any time	¥ —	¥ —
2	Commitment lines with original contracts of one year or less	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	277	182
7	Contingent liabilities arising from directly substituted credit	16,588	16,848
	(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)	13,048	13,508
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	34,562	20,347
11	Derivative transactions and long-term settlements transactions	1,870	2,028
	Current exposure method	1,870	2,028
	Derivative transactions	1,870	2,028
	Foreign exchange related transactions	4,991	3,828
	Interest rate related transactions	489	866
	Gold related transactions	—	—
	Equity security related transactions	22	4
	Precious metal related transactions (excluding gold)	—	—
	Other commodity related transactions	—	—
	Credit derivative transactions (counterparty risk)	18	18
	Netting effect on credit equivalent amount under close-out netting agreement (deduction)	3,650	2,690
	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	¥ 53,378	¥ 39,408

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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Total amount of consolidated required capital	¥ 2,490,815	¥ 2,458,137
Amount of required capital for credit risk	657,831	640,247
Portfolios where the standardized approach is applied	637,907	624,547
Securitization exposure	17,062	12,622
CVA risk equivalent amount	2,806	3,042
Central counterparty risk exposure	55	35
Amount of required capital for credit risk pertaining to exposure for which deemed calculation of risk weight is applied	1,709,249	1,683,716
Amount of required capital for market risk equivalent amount	—	—
Amount of required capital for operational risk equivalent amount	123,733	134,172
Basic indicator approach	123,733	134,172

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		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

(Millions of yen)

Counterparts		2019 (As of March 31, 2019)				
		Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ 56,122,074	¥ 71,252,620	¥ —	¥ 89,934	¥ 127,464,628
	Financial institutions	24,778,804	12,058,964	361,970	23,080	37,222,820
	Corporates	419,855	5,827,850	—	378,906	6,626,612
	Small and medium-sized enterprises and individuals	—	—	—	200	200
	Others	3,326,437	5,514,239	2,664	3,122,725	11,966,067
	Domestic total	84,647,171	94,653,674	364,635	3,614,848	183,280,329
Overseas total		55,928	11,031	—	273,829	340,788
Investment trust, etc.		3,292,691	41,132,393	—	—	44,425,085
Total		¥ 87,995,791	¥ 135,797,099	¥ 364,635	¥ 3,888,677	¥ 228,046,203

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	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

(Millions of yen)

Remaining period	2019 (As of March 31, 2019)				
	Loans and deposits	Securities	Derivatives	Others	Total
1 year or less	¥ 29,736,545	¥ 14,284,657	¥ 11,713	¥ 441,786	¥ 44,474,702
Over 1 year to 3 years	721,304	26,478,058	30,161	—	27,229,524
Over 3 years to 5 years	872,048	28,302,943	200,406	40	29,375,438
Over 5 years to 7 years	683,267	5,399,932	122,354	—	6,205,553
Over 7 years to 10 years	321,770	10,170,551	—	—	10,492,322
Over 10 years	532,170	8,989,077	—	—	9,521,248
No due date or perpetual	51,835,993	1,039,484	—	3,446,850	56,322,328
Investment trust, etc.	3,292,691	41,132,393	—	—	44,425,085
Total	¥ 87,995,791	¥ 135,797,099	¥ 364,635	¥ 3,888,677	¥ 228,046,203

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		2020 (As of March 31, 2020)					2019 (As of March 31, 2019)				
		Loans and deposits	Securities	Derivatives	Others	Total	Loans and deposits	Securities	Derivatives	Others	Total
Domestic	Sovereigns	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
	Financial institutions	—	—	—	—	—	—	—	—	—	—
	Corporates	—	—	—	7	7	—	—	—	6	6
	Small and medium-sized enterprises and individuals	—	—	—	53	53	—	—	—	58	58
	Others	—	—	—	2,476	2,476	—	—	—	2,254	2,254
	Domestic total	—	—	—	2,538	2,538	—	—	—	2,319	2,319
Overseas total		—	—	—	—	—	—	—	—	—	—
Investment trust, etc.		—	—	—	—	—	—	—	—	—	—
Total		¥ —	¥ —	¥ —	¥ 2,538	¥ 2,538	¥ —	¥ —	¥ —	¥ 2,319	¥ 2,319

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)

	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
General reserve for possible loan losses	¥ 137	¥ 124
Specific reserve for possible loan losses	—	—
Loan loss reserve for specific overseas countries	—	—

Change during the period

(Millions of yen)

	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)
General reserve for possible loan losses	¥ 13	¥ (14)
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	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
	Rated	Not rated	Rated	Not rated
0%	¥ 117,280,110	¥ 34,416,733	¥ 120,269,723	¥ 31,114,561
2%	—	68,913	—	43,817
4%	—	—	—	—
10%	424,600	3,588,810	575,247	3,838,976
20%	18,035,097	67,586	14,960,624	61,629
35%	—	—	—	—
50%	5,609,882	2,302	5,284,896	2,088
75%	—	92	—	142
100%	2,059,794	4,385,004	1,875,326	4,216,463
150%	4	251	10,670	230
250%	121,068	949,030	54,545	1,312,175
1,250%	—	—	—	—
Others	—	—	—	—
Investment trust, etc.	—	49,084,130	—	44,425,085
Total	¥ 143,530,559	¥ 92,562,856	¥ 143,031,033	¥ 85,015,169

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: Investment trusts and other funds are recorded in investment trust, etc. The weighted average of risk weights was 87.06% as of March 31, 2020 (compared with 94.75% as of March 31, 2019)

4. Credit risk mitigation methods

Exposure amount to which credit risk mitigation methods are applied

(Millions of yen)

Item	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
	Exposure amount	Composition ratio	Exposure amount	Composition ratio
Eligible financial collateral	¥ 25,948,543	91.89%	¥ 22,224,031	89.54%
Guarantees and credit derivatives	2,288,216	8.10%	2,595,329	10.46%
Total	¥ 28,236,760	100.00%	¥ 24,819,360	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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Aggregate sum of amounts of gross reconstruction costs	¥ 338,010	¥ 296,366
Aggregate sum of gross add-on amounts	539,463	497,217
Gross credit equivalents	877,473	793,584
Foreign exchange related transactions	677,256	535,991
Interest rate related transactions	195,115	254,631
Stock related transactions	2,844	554
Credit derivative transactions (counterparty risk)	2,255	2,359
Long-term settlements transactions	—	46
Reduction in credit equivalents through netting (deduction)	557,022	428,902
Net credit equivalents	320,451	364,681
Collateral amount	89,147	150,084
Marketable securities	67,909	127,588
Cash	21,237	22,496
Net credit equivalents (after consideration of effectiveness of risks mitigated by collateral)	¥ 320,451	¥ 364,681

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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Total return swaps	¥ 46,253	¥ 116,293
Purchase of protection	46,253	116,293
Among these, those that are used for considering the effects of credit risk mitigation methods	1,613	73,284
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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Mortgage loans	¥ 183,748	¥ 242,895
Auto loans	144,032	135,952
Leases	2,687	2,023
Accounts receivable	27,260	27,533
Corporate loans	1,780,161	1,188,309
Others	—	—
Total	¥2,137,890	¥1,596,713

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	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Mortgage loans	¥ 1,018	¥ 1,247
Auto loans	—	—
Leases	—	—
Accounts receivable	—	—
Corporate loans	—	—
Others	—	—
Total	¥ 1,018	¥ 1,247

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	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
	Balance	Required capital	Balance	Required capital
15% or more and 20% or less	¥2,137,890	¥ 17,021	¥1,596,713	¥ 12,572
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	¥2,137,890	¥ 17,021	¥1,596,713	¥ 12,572

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	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
	Balance	Required capital	Balance	Required capital
100%	¥ 1,018	¥ 40	¥ 1,247	¥ 49
Over 100% and less than 1,250%	—	—	—	—
1,250%	—	—	—	—
Total	¥ 1,018	¥ 40	¥ 1,247	¥ 49

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)

	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
	Amount carried on the consolidated balance sheet	Fair value	Amount carried on the consolidated balance sheet	Fair value
Listed equities exposure (Note 1)	¥ —	—	¥ 96,904	¥ 96,904
Investment or equities exposure not corresponding to listed equities exposure (Note 2)	10,402		4,888	
Total	¥ 10,402		¥ 101,792	

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)

	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)
Gains / Losses	¥ 6,275	¥ (8,084)
Gains	8,143	177
Losses	1,868	1,527
Write-off	—	6,734

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)

	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Amounts of valuation gains and losses recognized on the Consolidated Balance Sheet not recognized on the Consolidated Statements of Income	—	¥ 5,124

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)

	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
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	2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
		Balance	Required capital	Balance	Required capital
Look-through approach (LTA)	—	¥ 48,967,015	¥ 1,668,397	¥ 44,026,008	¥ 1,524,470
Mandate-based approach (MBA)	—	—	—	—	—
Probability approach	250%	37,859	3,785	94,185	9,418
	400%	7,534	1,205	7,704	1,232
Fall-back approach (FBA)	1,250%	71,721	35,860	297,190	148,595
Total		¥ 49,084,130	¥ 1,709,249	¥ 44,425,088	¥ 1,683,716

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	
		2020 (As of March 31, 2020)	2019 (As of March 31, 2019)	2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
1	Upward parallel shift	¥ 100,586	¥ 538,125	¥ 175,255	
2	Downward parallel shift	2,420,055	2,446,896	(46,356)	
3	Steepening				
4	Flattening				
5	Rise in short-term interest rates				
6	Decrease in short-term interest rates				
7	Maximum value	2,420,055	2,446,896	175,255	
		(E)		(F)	
		2020 (As of March 31, 2020)		2019 (As of March 31, 2019)	
8	Amount of equity	¥ 11,000,060		¥ 10,896,334	

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 2019 to March 2020)
Japan Post Holdings	Compensation Committee	8 times
Japan Post	Shareholders' Meeting	1 time
	Board of Directors	4 times
	Board of Corporate Auditors	1 time
Japan Post Bank	Compensation Committee	2 times
	Evaluation Committee	4 times
Japan Post Insurance	Compensation Committee	7 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, 2019 to March 31, 2020)

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)	41	1,063	965	965	97	0	97	0	0
Subject employees, etc.	31	1,247	879	879	339	285	380	0	27

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		2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Total amount of solvency margin	(A)	¥ 16,096,056	¥ 19,013,897
Capital stock, etc.		12,371,213	11,979,784
Reserve for price fluctuations		858,339	897,492
Contingency reserve		1,797,366	1,962,755
Catastrophe loss reserve		0	0
General reserve for possible loan losses		372	360
(Net unrealized gains (losses) on available-for-sale securities (before taxes) and net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		(54,289)	3,164,450
Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		368,660	162,606
Sum of unrecognized actuarial differences and unrecognized prior service cost (before taxes)		212,645	257,681
Capital raised through debt financing, Excess of continued Zillmerized reserve		542,807	589,649
Excess of continued Zillmerized reserve		442,807	489,649
Capital raised through debt financing		100,000	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		(1,059)	(882)
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)	¥ 5,808,221	¥ 5,669,162
Insurance risk	R_1	137,197	142,209
General insurance risk	R_5	0	0
Catastrophe risk	R_6	0	0
Underwriting risk of third-sector insurance	R_8	54,172	59,172
Small amount and short-term insurance risk	R_9	0	0
Anticipated yield risk	R_2	136,652	141,866
Minimum guarantee risk	R_7	0	0
Investment risk	R_3	5,398,528	5,233,052
Business management risk	R_4	269,733	290,473
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$		554.2%	670.7%

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			2020 (As of March 31, 2020)	2019 (As of March 31, 2019)
Total amount of solvency margin		(A)	¥ 5,168,422	¥ 5,649,027
	Capital stock, etc.		1,641,069	1,632,636
	Reserve for price fluctuations		858,339	897,492
	Contingency reserve		1,797,366	1,962,755
	General reserve for possible loan losses		37	45
	(Net unrealized gains (losses) on available-for-sale securities (before taxes) and net deferred gains (losses) on hedges (before taxes)) × 90% (if negative, × 100%)		328,782	568,785
	Net unrealized gains (losses) on real estate × 85% (if negative, × 100%)		19	(2,336)
	Excess of continued Zillmerized reserve		442,807	489,649
	Capital raised through debt financing		100,000	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)	¥ 967,023	¥ 950,952
	Insurance risk	R_1	137,197	142,209
	Underwriting risk of third-sector insurance	R_8	54,172	59,172
	Anticipated yield risk	R_2	136,652	141,866
	Minimum guarantee risk	R_7	—	—
	Investment risk	R_3	788,454	764,830
	Business management risk	R_4	22,329	22,161
Solvency margin ratio $\frac{(A)}{(1/2)\times(B)}\times 100$			1,068.9%	1,188.0%

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.