

JAPAN POST GROUP

Annual Report

Year ended March 31, 2020

2020



CONTENTS

02 Message from the President

10 Report on Issues Related to Solicitation Quality of Japan Post Insurance Products

Enhancing Corporate Value

- 22** Structure of the Japan Post Group
- 24** Financial and Non-Financial Highlights
- 26** History of the Japan Post Group
- 28** The Japan Post Group's Value Creation Process
- 30** Strengths of the Japan Post Group
- 32** Value Created by the Japan Post Group

Value Creation Strategy

- 36** Overview and Progress of Medium-Term Management Plan 2020
- 42** Top Messages from Each Company
- 44** Business Segment Information
- 55** Social Contributions through Sports

Sustainability

- 56** Toward the Realization of a Sustainable Society
- 58** Initiatives through Business Activities
- 68** Measures Taken by the Japan Post Group to Prevent the Spread of COVID-19

Corporate Governance

- 70** Japan Post Group Corporate Governance
- 78** Directors
- 80** Interview with Outside Director
- 82** Japan Post Group Risk Management
- 84** Japan Post Group Compliance Framework
- 86** Japan Post Group Internal Audit System
- 87** Japan Post Group IT Governance
- 88** Cyber Security Measures
- 89** Initiatives for Transportation Safety

Data Compilation

- 91** Data Compilation

Company Outline

Company name:
JAPAN POST HOLDINGS Co., Ltd.
Head office:
3-1, Otemachi 2-chome, Chiyoda-ku,
Tokyo 100-8791, Japan
Date of establishment: January 23, 2006
Paid-in capital: ¥3,500 billion
Securities code: 6178
Total number of shareholders:
625,089
(As of March 31, 2020)

Date of Publication: October 2020

Editorial Policy

This Integrated Report (hereinafter, "this Report") is created from the dual perspectives of providing financial and non-financial information pertaining to an overview of the Japan Post Group as well as its business strategies and management issues for the purpose of promoting an understanding among stakeholders of the Group's initiatives toward sustainable value creation.

This Report has been combined with the Disclosure Report.

· Reference Guideline: International Integrated Reporting Framework, International Integrated Reporting Council (IIRC) (December 2013)

Subject of Reporting

Reporting period: April 2019–March 2020 (Part of this Report includes information after this period.)

Scope of report: Japan Post Holdings Co., Ltd. and its subsidiaries and affiliated companies

Others: In addition to this Report, please refer to the Integrated Reports of Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

Please also refer to the most recent materials disclosed by Japan Post Holdings Co., Ltd., including the Notice of Ordinary General Meeting of Shareholders (Business Report, etc.), Annual Securities Report, and Summary Report of Financial Results, for detailed information on the state of business, financial conditions, and business results of Japan Post Holdings Co., Ltd. and each company of the Japan Post Group.

Japan Post Group Management Philosophy

Stressing the security and confidence of Japan Post Group network, the Group, as a private corporation, is demonstrating creativity and efficiency to the greatest extent possible and will provide customer-oriented services support the lives of customers in local communities and aim for the happiness of customers and employees. The Group will also pursue managerial transparency on its own, observe rules and contribute to the development of society and the region.

Group Management Policy

1. We will duly consider our customers' lives, exercise our creativity and provide through our nationwide network a selection of products and services needed by customers in every stage of their lives.
2. We will establish effective corporate governance and compliance programs, including internal audits and internal controls.
3. We will maintain the transparency of the Group's operations through the timely and proper disclosure of information, the appropriate use of intra-group transactions and other activities.
4. We aim for the Group's sustainable growth and a mid-to-long term improvement in our corporate value.
5. We will create opportunities for all employees, business partners and the community to mutually cooperate and for each and every employee to grow.

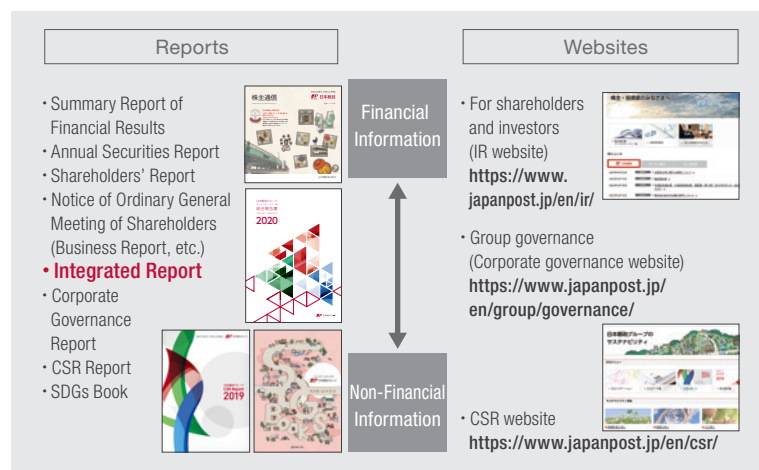
Disclaimer with Respect to Forward-Looking Statements

This Report is a translation of the Disclosure Document (the written explanation in Japanese of the business and financial conditions of Japan Post Holdings Co., Ltd. and the Japan Post Group) that was prepared pursuant to Article 52-29 of the Banking Act and Article 271-25 of the Insurance Business Act. This Report is not prepared for the purpose of soliciting any shares or other securities of Japan Post Holdings and its subsidiaries. This Report contains forward-looking statements regarding future performance and other matters of the Japan Post Group and each company of the Japan Post Group.

These forward-looking statements do not constitute guarantees of future performance and are subject to risks and uncertainties. Therefore, these statements are subject to the impact of a wide range of future risk factors that include changes in preconditions concerning the business environment, economic circumstances and economic trends, changes in laws and regulations, the occurrence of large-scale disasters, changes in the value of assets held, reputation and rumor risk, and other risks. Accordingly, it should be noted that actual business results and other matters could differ from the details contained in this Report.

Figures and percentages shown in this Report have been rounded off, except for financial numbers in the accounting statements, etc., that have been truncated without rounding. As a consequence, sums of figures may not match the totals presented. Figures and percentages, with exceptions as specifically indicated, are as of March 31, 2020.

Publications and Their Positioning



Message from the President



MASUDA Hiroya

Director and Representative Executive Officer,
President & CEO
Japan Post Holdings Co., Ltd.

**We will listen to our customers
with simple honesty, sincerity, and humility,
and aim to provide services
that truly put customers first.**

Introduction

I would like to begin by offering my prayers to those who have passed away from COVID-19 and by expressing my condolences to those who have lost loved ones, and to everyone who has suffered hardship during this time. I do hope that all affected by this pandemic will be able to return to their normal lives before long.

I would also like to offer a sincere apology to our customers and others affected by the improper sale of insurance products. We are taking steps to recompense customers as quickly as possible. Going forward, the Japan Post Group will make a concerted effort to further strengthen internal management and compliance to prevent a recurrence, with the goal of regaining the trust of customers.

I believe that to restore customer trust step by step, it's important for all employees to share a sense of crisis, have a feeling of tension, and act sincerely to do what needs to be done.

To overcome the greatest crisis that the Japan Post Group has ever faced, we will listen to our customers with simple honesty, sincerity, and humility, always remembering to retain a sense of gratitude, and continue to strive to be a company supporting the lives of our customers.

Ensuring customer-oriented services

I believe that a particularly important element in providing customer-oriented services is reform of the corporate culture. Beyond just overcoming the improper sale of insurance products, we need to act as a corporate group to instill the philosophy of the Japan Post Group and reform our culture. To achieve this, it's important for each and every member of the Group, both management and employees, to be conscious of overcoming the greatest crisis since our founding, and share a desire to transform into a company truly trusted by customers, coming together as one.

That is why, in January 2020, we established a cross-company task force under my direct leadership. This task force comprises members from employees of Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd., as well as Japan Post Holdings. We are working together as a corporate group to prevent a recurrence of the insurance sales issue, regain trust, and instill the Japan Post Group Management Philosophy and change our corporate culture.

Furthermore, on April 2, 2020, we established the JP Reform Execution Committee. The purpose of this committee is to receive advice on measures to realize customer-oriented services and to restore trust in the Group from outside experts and a strict evaluation for the measures from a standpoint of fairness and neutrality. The committee comprises five members. Along with experts in the areas we need to strengthen at present, such as compliance, governance, consumer relations, and finance, the committee includes an attorney who simultaneously confirms the progress on matters advised by the Special Investigation Committee.

When people are with an organization for a long time, they tend to become colored by it, and their thinking turns inward. It's our hope that the committee members will unhesitatingly point out those aspects that would seem unreasonable from a general or public perspective, and that we will then incorporate reform measures into our management.

To ensure that we don't become complacent in implementing reform measures, it's extremely important that we utilize external opinions from outside directors and the JP Reform Executive Committee, and foster an organization in which ideas can be discussed freely throughout the Company. To achieve this, we are making improvements to our everyday operations as necessary.

Business environment facing the Japan Post Group and evaluation of results of the fiscal year ended March 31, 2020

Along with realizing customer-oriented services and restoring trust in the Group, it's extremely important that a listed company continually enhance its enterprise value. While the operating environment for all our businesses continued to be difficult during the fiscal year ended March 31, 2020, with a decline in mail volume and ultra-low interest rates, as a corporate group we focused on regaining customer trust.

In the postal and domestic logistics business segment, earnings rose on an increase in the handling volume for Yu-Packet, unit price revisions for parcels, and a decline in personnel and transport and delivery outsourcing expenses as a result of cost control measures.

In the post office business segment, despite a decrease in commission income from Japan Post Insurance due to the suspension of active sales activities for Japan Post Insurance products (from December 27, 2019 to March 31, 2020), personnel and other expenses decreased, primarily as a result of the suspension. Consequently, we managed to secure earnings.

In the international logistics business segment, earnings declined with a decrease of handling volume affected by the economic slowdowns in Australia and China, and the impact from the spread of COVID-19. While the business environment remains harsh, we are continuing efforts to reduce personnel and other costs and improve management.

In the banking business segment, while business conditions are strained by continued low interest rates and the deterioration in the market environment due to the spread of COVID-19, we managed to secure earnings through cost cutting and other measures. Going forward, we will continue efforts for flexible fund management and lowering administrative costs in order to secure earnings.

In the life insurance business segment, despite a decline in insurance premiums due to a decline in contracts and suspension of active sales activities, we managed to secure earnings as a result of lower business expenses during the suspension period. We will continue to work to regain customer trust.

As a result of these efforts, for the Group overall, consolidated ordinary income in the fiscal year ended March 31, 2020, amounted to ¥11,950.1 billion, with net ordinary income of ¥864.4 billion and net income attributable to Japan Post Holdings of ¥483.7 billion.



Looking to the future for the Japan Post Group

■ Addressing business challenges

I expect the business environment facing the Group to become more challenging due to structural issues such as the decline in mail volume and persistent low interest rates, as well as the improper insurance products sales issue, and the impact the spread of COVID-19 has had on all businesses. The dramatic social and economic changes brought about by COVID-19 in particular feel as if the world is entering an entirely new dimension. I believe that how we cope with this will be an important key to the future.

The COVID-19 pandemic has strongly underlined the urgency of adapting to digitization, but at the same time reaffirmed the importance of the Group's physical network of post offices and delivery system. I think the ideal form for our corporate group is a robust business entity that combines the real and the virtual.

There are currently four main challenges facing the Group: 1) adapting to digitization and other changes in the business environment, 2) establishing new financial sales in light of the improper insurance products sales issue and other factors, 3) adapting to low interest rates, and 4) formulating investment and capital policies for the future.

For the first challenge of adapting to digitization and other changes in the business environment, we need to expand non-face-to-face and contactless services and measures in every business situation. In the postal and domestic logistics business segment, for example, these changes include the expansion of the e-commerce market and greater need for a service for leaving parcels in designated areas, and in the financial sector, digital banking, along with telework and other workstyle reforms.

To adapt to these environmental changes, I think it's important to have a framework for both responding to digitization and enhancing the value of the post office network that is a physical point of contact with customers.

While pursuing digitization, I want to improve the functions of the physical network, and through mutual complementation achieve a level of strength for the Group that other companies are unable to match.

The second challenge is establishing new financial sales. The business improvement plan adopted in response to the improper insurance products sales issue is currently our highest priority, but to conduct financial sales, Japan Post, Japan Post Bank, and Japan Post Insurance each have to ensure that they conduct business that truly puts customers first.

Japan Post is in the process of "transitioning to comprehensive consulting services" in order to provide the products and services that meet customer needs, while Japan Post Bank is seeking to offer "new convenience" and "security" by utilizing new technologies to provide consulting to support the lives of customers and meet their lifestyle needs, thus contributing to high-quality asset buildup. Japan Post Insurance is working to rebuild trusting relationships with customers with management to establish and instill proper sales methods based on a thorough understanding and instilling of the "standard of Japan Post insurance sales," along with regular and attentive after-sales support. As the parent company, Japan Post Holdings, based on the principles of the Postal Service Privatization Act, is taking steps to



steadily dispose of shares in the two financial firms as quickly as possible, in order to enhance their degree of management freedom and allow them to introduce new products and services.

The third issue is adapting to the low interest rates that have directly hit the financial division. The persistent state of low interest rates, along with the impact from the spread of COVID-19, has made market management of capital increasingly difficult. Japan Post Bank, with an eye on current trends, is at present managing its portfolio in a way that mitigates risk, while at the same time making preparations to respond flexibly when market conditions change. Japan Post Insurance is also managing assets to accurately assess changes in the market environment, and at such moments act flexibly with the necessary response and decisions.

The final challenge is formulating investment and capital policies for the future. The Group currently faces an extremely harsh business environment, but we are moving forward with the investments needed for growth. Of course, any new investments are conducted by examining the results of past investments, verifying them according to strict cost-effectiveness standards, and assessing the risks.

In terms of capital policy, since the outlook for the business environment surrounding the Japan Post Group remains unclear due to COVID-19 and other factors, we have decided to leave our dividend forecast for the fiscal year ending March 31, 2021, as undecided for the time being. While carefully monitoring business performance and considering the final figure, we will aim to maintain our standard of at least ¥50 per share.

■ Enhancing the value of the post office network

The greatest strength of the Japan Post Group is its network of post offices, which are important points for interaction with customers. I believe that we need to increase the value of that network to its fullest extent.

Specifically, when a post office is relocated or rebuilt, we enhance customer convenience by opening it in marketable locations, such as inside large commercial complexes, where they have value-enhancing potential.

We work to diversify post office operations to meet community needs, such as comprehensive administrative work contracts from local governments and cooperation with local banks. In November 2019, Japan Post concluded a partnership agreement with The Nanto Bank, Ltd. and ATM Japan, Ltd. to place Nanto Bank ATMs inside certain post offices from March 2020, and began handling banking procedures under contract. Japan Post also concluded a similar agreement with The San-in Godo Bank, Ltd. in June 2020, and is currently making preparations to handle banking procedures, with the aim of further increasing convenience for local residents.

At the same time, the post office network plays a role as part of the national safety net. In the period of the COVID-19 pandemic, the postal network has helped support the lives of citizens, with Japan Post delivering masks to all households throughout the country, and Japan Post Insurance extending the grace period for premium payments.

These are difficult circumstances that we've never experienced before, but while ensuring the safety of employees we will continue to carry out our public mission of providing universal services, meet the demands of society, and earn the trust of communities and customers.



■ The Japan Post Group's sustainability

To enhance the enterprise value of the Group, it's important for us to pursue measures that directly boost profitability, while at the same time actively fulfill our social responsibilities.

There are approximately 24,000 post offices in Japan. This network serves as a social infrastructure that stably and uniformly provides all communities throughout the country with the services that support the foundation of life, including postal deliveries, savings, and insurance. Steadily fulfilling this role, conscientiously facing the challenges and needs that change with the times, and developing and sharing with society the value (products and services) to meet those challenges, are sustainability for the Group. I believe that these measures are essential for the Group's sustainable growth.

In terms of environmental initiatives, the Group is actively pursuing business activities that reduce the load on the global environment. We are cutting CO₂ emissions through the introduction and expanded use of electric vehicles (EVs) for postal and package delivery and reducing the frequency of re-delivery by expanding our service for leaving parcels in designated areas. We are also making investments in green bonds and the solar power generation business. In April 2019, Japan Post Holdings, Japan Post Bank, and Japan Post Insurance declared their support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and going forward will deepen their analysis of the Group's business activities on climate change and provide more extensive disclosure.

In conclusion

I would like to once again express our deepest apologies to customers, shareholders, employees, and all stakeholders for the trouble caused by the improper sales of insurance products.

I believe that steadily implementing the business improvement plan to remedy as quickly as possible the disadvantages experienced by customers and working to ensure accurate and fair disclosure of information, along with constructive dialogue and incorporating the requests conveyed through those discussions into management practices, will allow us to restore trust in the Japan Post Group, achieve sustainable growth, and enhance our enterprise value over the long term.

Looking ahead to the post-COVID-19 society, we will make a consolidated effort as a corporate group to adapt to the dramatic changes in society and the economy, and be of even greater benefit to customers. We appreciate your continued support.

Report on Issues Related to Solicitation Quality of Japan Post Insurance Products

This report describes the summary and results of investigations concerning the solicitation quality issues, etc., of Japan Post Insurance products and activities under the business improvement plan.

Overview and circumstances of the issues

Following an internal investigation into the handling of customers' revisions of insurance coverage for products of Japan Post Insurance Co., Ltd., it was discovered that in some cases, revisions were carried out in a manner that might have been disadvantageous to customers, and not in line with their intentions.

We take this incident very seriously and have been working Company-wide to investigate and reinstate policies to improve solicitation quality.

The Special Investigation Committee, established on July 24, 2019, consisting only of external experts who are disinterested in Japan Post Holdings, Japan Post, and Japan Post Insurance, released its investigation report on December 18, 2019. At the same time, the Japan Post Holdings Group announced its investigation results and future activities. In addition, Japan Post Holdings, Japan Post, and Japan Post Insurance received administrative disposition (orders to suspend business and improve business operations) from the Ministry of Internal Affairs and Communications and the Financial Services Agency on December 27, 2019, and submitted a business improvement plan on January 31, 2020. Since February 2020, we have been conducting the investigations additional to the investigations of all insurance policies.

We deeply apologize to all of our customers and other stakeholders for the substantial concern and will devote ourselves entirely to regaining trust of them.

For the latest information, please visit Japan Post Holdings Group's website (<https://www.japanpost.jp/en/>).

Overview of investigations of policies

Summary

Japan Post Insurance has been conducting investigations of specified rewriting cases*, investigations of all insurance policies, and additional investigations.

In the course of our investigations of specified rewriting cases, we have confirmed with the applicable customers (approximately 183 thousand policies extracted from the data of past policy rewrites, approximately 156 thousand customers after accounting for policies held by the same person) the circumstances of the solicitation process and their intentions to reinstate the policies, and proceeded with procedures while putting the priority on compensating disadvantages experienced by affected customers. In addition, we conducted the investigation into the sales personnel concerned based on the results of the confirmation of circumstances of the solicitation process.

In the course of our investigations of all insurance policies, we have confirmed with the customers (approximately 30 million policies including cancelled policies for the past five years, and approximately 19 million customers excluding policyholders subject to the investigations of specified rewriting cases) whether the policies enrolled in were in line with the intentions of customers. In addition, we took necessary actions and investigations according to customer requests and opinions.

Since February 2020, as part of our additional investigations of all insurance policies, we have started visits, etc., by employees of Japan Post Insurance branches to approximately 6 thousand customers in the investigation of multiple policies and approximately 54 thousand customers in the investigation on policies except multiple policies, in succession in the order of descending priorities, confirmed customers' complaints, opinions, etc., conducted investigations on the status of solicitation at that time, and worked to compensate for any disadvantages to customers that have occurred.

We have conducted the investigation in an appropriate manner by providing explanation to and receiving advice from the Special Investigation Committee, comprised of independent, neutral, and fair third parties, regarding the methods for confirming customers' intentions as well as for analyzing the information obtained.

* Specified rewriting cases: Cases involving potential disadvantages to customers after rewriting policies for which we have conducted this investigation in order to grasp the situation of the solicitation processes (Categories A to F)

Categories of specified rewriting cases

Category	Outline of specified cases to be investigated	Number of cases in scope of investigation
A	Rewriting cases in which the previous policy was cancelled but the new policy underwriting was declined	Approx. 18,000
B	Rewriting cases in which subsequent benefit payments were declined as a result of cancellation of the new policy due to breach of the duty to disclose important matters	Approx. 3,000
C	Rewriting cases in which sales personnel could have made more reasonable proposals such as switching riders or decreasing insurance amounts	Approx. 26,000
D	Cases in which the policy coverage and period did not change after rewriting, but the assumed rate of return decreased	Approx. 15,000
E	Cases of overlapping insurance because the previous policy was cancelled after the rewriting period (cancelled during the period seven to nine months after date of writing of the new policy)	Approx. 75,000
F	Cases in which the previous policy was cancelled during the period four to six months before the date of writing new policy	Approx. 46,000
Total		Approx. 183,000

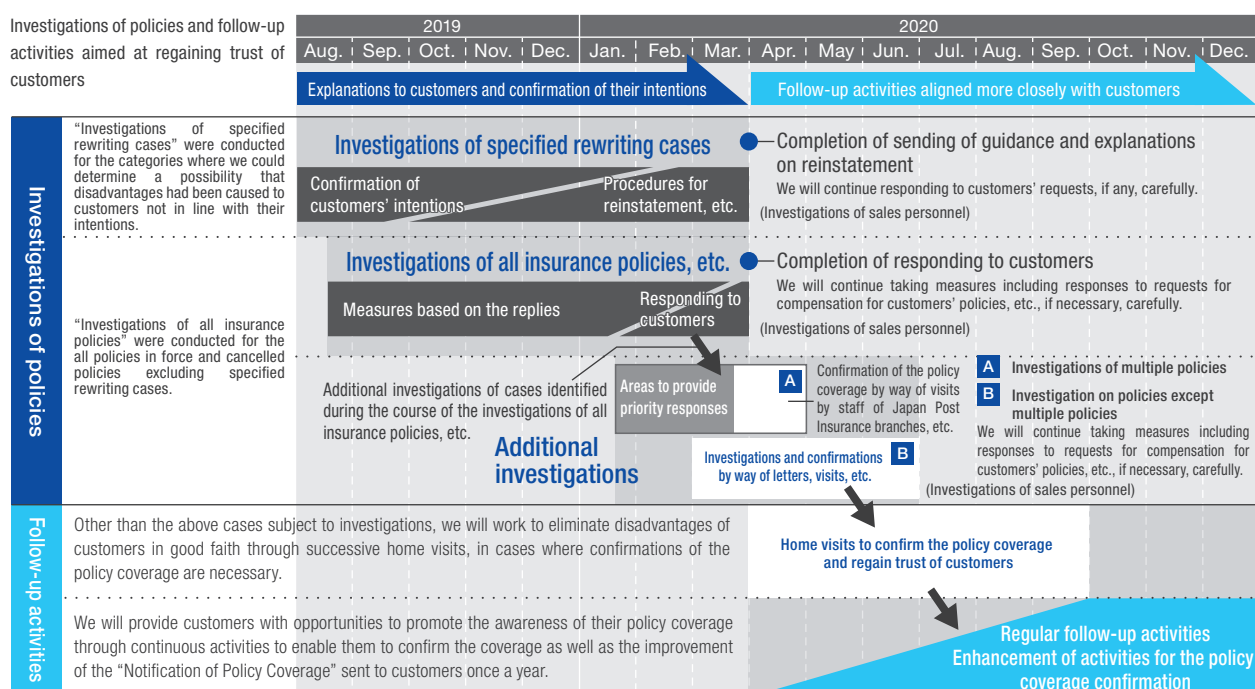
Investigations of multiple policies

Category	Scope of investigation (definition)	Number of policyholders in scope of investigation
Multiple policies	Cases in which a customer has enrolled in 10 or more new policies in the past five years, and 30% or more of them have been terminated (Indicates a cancellation, lapse, reduction, or conversion to a fully paid insurance policy; the same applies in the table below)	Approx. 6,000

Investigation of policies except multiple policies

Category	Scope of investigation (definition)	Number of policyholders in scope of investigation
High insurance premium policies	Cases in which policyholders 65 years of age or older as of December 2019, who have paid monthly premiums of ¥100,000 or more, and have had at least one policy that was terminated a short period thereafter during the period from April 2014 to December 2019	Approx. 19,000
Policy rewriting involving a change of the insured	Cases in which a new policy with the same policyholder and a new insured person was entered into in the past five years, and the policy was terminated a short period thereafter	Approx. 27,000
Policy rewriting involving a change of the insurance type	Cases in which a policy was rewritten from an annuity to insurance in the past five years, or for which there has been repeated rewriting between annuity and insurance	Approx. 4,000
Policy rewriting using a system to shorten the maturities of existing contracts	Cases in the past five years in which the maturity has been shortened for an existing policy while applying for a new policy, but the underwriting of the new policy was declined	Approx. 4,000
Total		Approx. 54,000

Results of the investigations of policies



(1) Status of progress of investigations of specified rewriting cases

In regard to the investigations of specified rewriting cases, we confirmed the circumstances of the solicitation process at the time of enrollment and customers' intentions about reinstatement by mail, phone, or home visit to approximately 156 thousand customers. As for the reinstatement, etc., of policies, we finished responding to customers as of the end of March 2020, except for cases that could not be finished due to reasons attributable to customers.

We will conduct reinstatement, etc., of policies carefully and swiftly based on the following basic policy.

Basic policy	We will continue to strive to quickly compensate customers who have experienced disadvantages in accordance with their intentions through appropriate internal judgment, except for cases clearly not involving disadvantages to customers.
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(2) Status of progress of sales personnel investigations in connection with investigations of specified rewriting cases

Based on the results of our confirmations, etc., with customers of the circumstances of the contract process as part of the investigations of specified rewriting cases, Japan Post Insurance has investigated sales personnel to check if there were any cases of solicitation process problems that might involve the violation of laws and regulations or of internal rules through interviews with sales personnel and other measures (sales personnel investigations).

As a result, we have mostly completed the review of sales personnel investigations as of the end of April 2020, and identified 315 cases (the number of sales personnel: 420) of violations of laws and regulations and 3,277 cases (the number of sales personnel: 2,207) of violations of internal rules as of May 31, 2020.

Meanwhile, we have already started remedial training for the sales personnel who were identified to have violated laws and regulations or internal rules (1,889 personnel were subject to training through June 15, 2020).

In the course of the investigations of all insurance policies and the additional investigations described below, we identified 3,661 potential cases that might involve violations of laws and regulations or internal rules as of May 31, 2020, for which we have been conducting the sales personnel investigations and compensating customers for disadvantages experienced.

We would like to express our sincere apologies for violations of laws and regulations and internal rules identified during the sales personnel investigations and will ensure avoiding recurrence.

(3) Status of progress of investigation of all insurance policies

In the investigations of all insurance policies, we sent notification documents with reply cards to approximately 19 million customers to confirm their intentions and received over 1 million replies. Based on the aforementioned basic policy, we completed responding to customers as of the end of March 2020, except for cases that could not be finished due to reasons attributable to customers. We will continue responding to customer requests, such as the requests for compensation for disadvantages experienced, including those that could not be finished due to reasons attributable to customers, and plan to complete the compensation by the end of June 2020.

(4) Status of progress of additional investigations of all insurance policies

1) Status of progress of investigations of multiple policies

In regard to additional investigations of multiple policies, we have nearly completed confirmations of policy coverage with all applicable customers as of the end of April 2020, except for the cases that could not be finished due to reasons attributable to customers.

We have made progress in the investigation in regard to the customers who are to receive priority responses (897 policyholders) from February 2020. As of May 31, 2020, 851 customers (95%) have expressed their intention and 490 customers (55%) have answered that their policies were not in line with their intentions. Of this number, 414 customers (46%) have requested compensation for their policies.

Status of investigations of multiple policies (*1)

Status of contact and confirmations of policy coverage	Customers who are to receive priority responses (*2)		Customers other than those receiving priority responses (*3)	
	Number of applicable customers	Ratio (%)	Number of applicable customers	Ratio (%)
Customers whose policy coverage and their intentions have been confirmed	851	95	4,712	85
Not in line with customers' intentions (*4)	490	55	2,199	40
Customers who have requested compensation for their policies	414	46	1,860	34
Applicable customers	897	100	5,532	100

*1: As of May 31, 2020

*2: Customers who have applied for 15 or more policies, of which half or more have been cancelled, in the last five years (from April 2014 to March 2019; the same hereinafter)

*3: Customers who have applied for 10 or more policies, of which 30% or more have been cancelled, in the last five years

*4: Customers who cancelled or applied for policies not in line with their intentions because they followed the recommendation of post office staff or did not recognize cancellation or application for a new policy

In addition, we have made progress in the investigation in regard to the customers other than those receiving priority responses (5,532 policyholders). As of May 31, 2020, 4,712 customers (85%) have expressed their intention and 2,199 customers (40%) have answered that their policies were not in line with their intentions. Of this number, 1,860 customers (34%) have requested compensation for their policies.

2) Status of progress of investigations on policies except multiple policies

In regard to the investigations on policies except multiple policies, we have been contacting customers who have policies with high insurance premiums or who had a change of the insured or type of insurance when enrolling in a new policy through visits by staff of Japan Post Insurance branches or sending letters explaining policy status to confirm the policy coverage by the end of June 2020.

We have made progress in the investigation in regard to the customers who have policies with high insurance premiums (19,162 policyholders). As of May 31, 2020, 6,944 customers (36%) have expressed their intention and 1,813 customers (9%) have answered that their policies were not in line with their intentions. Of this number, 1,055 customers (6%) have requested compensation for their policies.

In addition, in regard to the investigation of the customers who had a change of the insured and enrolled in a new policy (27,169 policyholders), as of May 31, 2020, 8,872 customers (33%) have expressed their intention and 1,436 customers (5%) have answered that their policies were not in line with their intentions. Of this number, 547 customers (2%) have requested compensation for their policies.

In regard to the investigation of the customers who changed the type of insurance and enrolled in a new policy (4,030 policyholders), as of May 31, 2020, 1,444 customers (36%) have expressed their intention and 193 customers (5%) have answered that their policies were not in line with their intentions. Of this number, 63 customers (2%) have requested compensation for their policies.

In addition, in regard to the investigation of the customers who used the policy rewriting system to shorten the maturity of existing contracts (4,265 policyholders), as of May 31, 2020, 266 customers (6%) have expressed their intention and 52 customers (1%) have answered that their policies were not in line with their intentions. Of this number, 5 customers (0%) have requested compensation for their policies.

3) Future initiatives

In addition to the above cases being investigated, through providing home visits to regain customers' trust and to confirm policy coverage, we are listening carefully to customer's opinions and requests.

As part of the above activities, we are confirming the policy coverage by sending questionnaires for the approximately 1.8 thousand corporate customers who experienced policy rewriting. As of May 31, 2020, 1,814 (approximately 99%) corporate customers confirmed policy coverage and 27 corporate customers requested detailed explanation about policy coverage. We will contact these customers and explain policy coverage in detail by visits or phone calls.

Based on the many opinions and requests which we have received, in addition to utilizing them to improve solicitation activities, we will continue to listen to the feedback from customers gained through various methods, such as the continuous activities of confirmation of policy coverage and the improvement of the annual "Notification of Policy Coverage" documentation sent to customers. We will continue to strive to align more closely with the intentions of our customers.

Status of investigations on policies except multiple policies (*1)

Status of contact and confirmations of policy coverage	Customers who have policies with high insurance premiums (*2)		Customers who rewrote policies and changed the insured (*3)	
	Number of applicable customers	Ratio (%)	Number of applicable customers	Ratio (%)
Customers whose policy coverage and their intentions have been confirmed	6,944	36	8,872	33
Not in line with customers' intentions (*4)	1,813	9	1,436	5
Customers who have requested compensation for their policies	1,055	6	547	2
Applicable customers	19,162	100	27,169	100

*1: As of May 31, 2020

*2: As of December 2019, policyholders aged 65 or older who have paid monthly premiums of ¥100,000 or more, and have had at least one policy which was cancelled in a short period thereafter during the period from April 2014 to December 2019

*3: Cases where, in the last five years, sales personnel led the policyholders to change the insured at new enrollment without a change in policyholder, but the new policy was cancelled in a short period thereafter

*4: Customers who cancelled or applied for policies not in line with their intentions because they followed the recommendation of post office staff or did not recognize cancellation or application for a new policy

Status of investigations on policies except multiple policies (*1)

Status of contact and confirmations of policy coverage	Customers who rewrote policies and changed the type of insurance (*2)		Customers who used the policy rewriting system to shorten the maturities of existing contracts (*3)	
	Number of applicable customers	Ratio (%)	Number of applicable customers	Ratio (%)
Customers whose policy coverage and their intentions have been confirmed	1,444	36	266	6
Not in line with customers' intentions (*4)	193	5	52	1
Customers who have requested compensation for their policies	63	2	5	0
Applicable customers	4,030	100	4,265	100

*1: As of May 31, 2020

*2: Cases where, in the last five years, sales personnel led customers to rewrite from annuity to insurance, or to repeat rewriting insurance ⇔ annuity many times

*3: Cases where, in the last five years, sales personnel led customers to shorten the maturity of existing policies and apply for a new policy, but the underwriting of the new policy was declined

*4: Customers who cancelled or applied for policies not in line with their intentions because they followed the recommendation of post office staff or did not recognize cancellation or application for a new policy

Measures against the growing effects of the COVID-19 pandemic

In light of the growing effects of the novel coronavirus (COVID-19) pandemic, in the investigations of policies, we refrained from home visits to customers and instead continued with the provision of explanations to customers via mail or phone; and in the sales personnel investigations, as a general rule, we suspended investigations through interviews. However, given that the declaration of an emergency situation has been lifted, we restarted these investigations by way of home visits to customers and face-to-face interviews or interviews using a web terminal with sales personnel. It should be noted that the progress of these investigations may be delayed due to circumstances of future growing effects of the pandemic.

Status of progress of measures to prevent recurrence

We submitted a business improvement plan on January 31, 2020, to the Minister for Internal Affairs and Communications and the Financial Services Agency.

We have positioned the execution of this business improvement plan as the management issue of the highest priority and are committed to preventing the recurrence of such events in the future.

Establishing an appropriate sales promotion scheme

I Creating a healthy corporate culture and establishing an appropriate sales promotion scheme

1. Review the code of conduct reflecting the customer-first philosophy

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Formulation of the code of conduct for customer-first business operations	February 2020	Implemented	<ul style="list-style-type: none"> In February 2020, set a solicitation policy that reflects the customer-first philosophy in order to thoroughly implement basic actions based on the principle of providing insurance coverage founded on high ethical standards which take the original roles and mission of life insurance into account (Announced this solicitation policy to customers in April 2020.)
Management and training for thoroughly implementing customer-first philosophy <ul style="list-style-type: none"> Clarifying basic policies for solicitation 	April 2020	Implemented	<ul style="list-style-type: none"> Revised the basic policies for solicitation (Sales/Service Policy and Basic Policies for Customer-first Business Operations) in April 2020

2. Set the Standard of Japan Post Insurance Sales

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Set the Standard of Japan Post Insurance Sales	February 2020	Implemented	<ul style="list-style-type: none"> Defined our sales action principles, as Standard of Japan Post Insurance Sales, based on the solicitation policy that reflects the customer-first philosophy

3. Instill a code of conduct based on the customer-first philosophy

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Training based on the Standard of Japan Post Insurance Sales	March 2020	Implemented	<ul style="list-style-type: none"> We completed the provision of training on the significance and basic concept of the Standard of Japan Post Insurance Sales to all sales personnel, etc., of Japan Post Insurance and Japan Post by the end of March 2020. Continuously conduct training from April onward
Management and training for thoroughly implementing customer-first <ul style="list-style-type: none"> Training to improve knowledge and skills necessary for financial consulting 	March 2020	Implemented	<ul style="list-style-type: none"> Conducted various training that contributes to customer-first sales activities and comprehensive consulting services, including enhancement of solicitation quality, reinforcement of technical knowledge, and improvement in communication skills
Review of the training system, etc., for managers	In stages from April 2020 onward	Scheduled	<ul style="list-style-type: none"> In preparation for conducting training to help managers learn a new management approach and a management / instruction method based on coaching, with a view to shifting from management with excessive focus on sales promotion management. The training system and contents have been notified to branches in March.
Development of the framework for promoting comprehensive consulting	April 2020	Implemented	<ul style="list-style-type: none"> Renamed Financial Services Division of post offices as Financial Consulting Division and established a new Financial Consulting Administration Division at each branch Implemented an organizational revision to reform into a customer-first management structure in April 2020 Newly appointed Consulting Advisors, instructors capable of providing instruction on comprehensive consulting, from April 2020, revising the method for instructing the post office employees Renamed the Sales Capabilities Development Institute as the Consultant Training Center, making it report directly to the head office from April 2020

4. Revision of the system of sales targets, etc.

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Setting appropriate sales targets <ul style="list-style-type: none"> Shift from sales targets focused on new sales amounts (flow) to the sales targets focused on the policies in force (stock) Setting sales targets commensurate with the sales capabilities, and revising target allocation method 	March 2020	Implemented	<ul style="list-style-type: none"> In order to regain customer trust as the top priority, sales targets for the frontline employees will not be set for the fiscal year ending March 31, 2021.
Reflecting the perspective of solicitation quality in sales targets, etc.	After resuming normal operations	In preparation	<ul style="list-style-type: none"> After resuming normal operations, reflect the perspective of solicitation quality in the status check and verification by the department in charge
Personnel evaluation and reward	April 2020	Implemented	<ul style="list-style-type: none"> Newly established evaluation items and criteria for solicitation quality in April 2020 for personnel evaluation of counter services personnel and sales personnel*, etc. <p>* Renamed as consultants from April 2020</p>
Measures for policy rewriting (quasi-policy conversion) <ol style="list-style-type: none"> Revision of sales allowance*¹ (half payment to non-payment) Extension of the rewriting qualifying period (From between a period of three months before enrollment in a new policy and six months after the enrollment to between a period of 12 months before enrollment in a new policy and 13 months after the enrollment) <p>*¹ Sales results have been revised to non-recording in August 2019</p>	March 2020	Implemented	<ul style="list-style-type: none"> Implemented revision of sales allowance and expansion of the rewriting qualifying period from April 2020
Incentive measures	April 2020	Implemented	<ul style="list-style-type: none"> As sales targets will not be set for the fiscal year ending 2021, determined not to organize sales personnel commendation in the fiscal year ending 2022 based on results of the fiscal year ending 2021

5. Improvement in the mechanisms for reviewing coverage

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Introduction of a conditional cancellation system*²	January 2020	Implemented	<ul style="list-style-type: none"> Introduced a conditional cancellation system as a system to enable the adjustment of insurance policy content or products from a customer-first point of view
Introduction of a policy conversion system*³	ASAP after October 2020	In preparation	<ul style="list-style-type: none"> Preparing for the system development and obtaining of approval with the aim of introducing a policy conversion system in April 2021 to enable transitions to new policies without the cancellation of existing policies
Developing new products meeting our customers' insurance needs	Continuously consider from April 2020 onward	In preparation	<ul style="list-style-type: none"> Continuously considering the enhancement of product lineup for coverage-based products, which are in high demand from customers and whose market is expanding

*² In order to prevent any disadvantages to customers, the system makes the cancellation of an existing policy effective on the condition that a new policy is validly concluded.

*³ A system that allows customers to transfer to a new policy without cancelling the existing contract.

Status of progress of measures to prevent recurrence

First line (post offices, call centers, service centers, etc.)

II Checks and controls

1. Implement multi-layered checks from policy applications to the conclusion of a policy

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
First line checking functions (Check at post offices) 1) Expansion of the pre-checking function for underwriting 2) Expansion of scope of checking of all cases by post office managers (Check at Japan Post Insurance) 3) Implementation of the verification of customers' intentions by the application call center 4) Expansion of scope of checking of all cases at the time of the underwriting process 5) Implementation of the verification of customer's intentions by the cancellation call center	1), 2), 4) March 2020 3), 5) January 2020	Implemented	[Implemented] For 1), 2), and 4), implemented the expansion of scope* in the revision for the term ended April 2020 * <Pre-checking function for underwriting> Implemented "revision of criteria for multiple policies," etc. <Checking of all cases> Added "existing policies to which policy loans are being provided," etc. • For 3) and 5), implemented in January 2020
System improvements Increasing sophistication of customer information management • Establishing a system framework capable of easily identifying policy enrollment and cancellation histories at the time of solicitation	March 2020 onward	Partially implemented	• Established a framework to confirm past histories, including enrollment of existing policies, at the time of solicitation in the revision for the term ended April 2020. Scheduled to implement a revision that displays a list of existing policy information and cancelled policy information at the time of confirmation activities (pre-checking, etc.) during the solicitation flow in the revision for the term ending October 2020
Review of items listed in the sales activities log	January 2020	Implemented	• Added items required to be recorded by employees to the sales activities log, clarified the entry rules, and strengthened the management function focused on solicitation quality by clarifying items to be confirmed by managers

Second line (head office, etc.)

II Checks and controls

2. Strengthen systems to realize appropriate solicitation management

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Strengthening of insurance solicitation management framework at Japan Post branches	April 2020	Implemented	• Implemented a revision of solicitation quality instruction specialists and organizations related to the structure of Financial Operations Divisions at branches in April 2020, for enhancing the insurance solicitation management framework at branches in order to improve solicitation quality
Verification of the management framework for insurance solicitation quality	Being implemented from November 2019	Partially implemented	• Continuously conducting the verification of the management framework for insurance solicitation quality at all post offices by the employees of the Auditors Office*. However, inspections, etc., have been suspended due to the impact of COVID-19. * Renamed as Inspection Office in April 2020
Review of functions of the Japan Post Insurance head office • Establishing a sales structure based on ensuring solicitation quality by transferring the first-line operations such as the improvement of solicitation flow to sales-related departments • Strengthening investigation systems by concentrating the command function for the investigation operations	April 2020	Implemented	• Implemented the transfer of the first-line operations such as the improvement of solicitation flow to sales-related departments (established Solicitation Quality Improvement Office in the Sales Planning Division) and concentration of inspections and investigations to the Compliance Investigation Office (newly established) in April 2020

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Verification of effectiveness of measures by the second line at the Japan Post Insurance head office • The second line (Solicitation Management Administration Division) conducts verification of the effectiveness of each measure implemented based on the Business Improvement Plan, results of which are reported to various meeting bodies, and provide recommendations for improvements as necessary.	April 2020 onward	Implemented	• Verified the solicitation checking framework from the perspective of prevention and early detection in March 2020, and formulated improvement measures
Review of functions of the Japan Post Insurance branches • Strengthening the structure related to investigating the status of solicitation and proper solicitation	July 2020 onward	In preparation	• In preparation for a revision in October
Enhancing guidance to Area Instructors, review of their roles	July 2020 onward	In preparation	• In consideration based on the status of the review of branch functions

3. Controls through increasing the strictness of criteria for fact-finding and disciplinary action

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
More strict standards to determine incidents and disciplinary actions 1) Conducting fact-finding that does not rely on confession 2) Enhancement of investigation cooperation (self-declaration) system 3) Addition of "suspension of solicitation" and "warning" to disciplinary actions for sales personnel 4) Request Japan Post to clarify managerial responsibility and take disciplinary actions against managers 5) Selection of "employees with questionable solicitation quality" and implementation of "follow-up on sales personnel"	March 2020	Implemented	• Revised related rules in March 2020 and applied them in April • With respect to 5), registered the employees with questionable solicitation quality on the pre-checking function for underwriting starting on April 20, 2020, and implemented follow-up including restriction on preparation of coverage proposal for a certain period and confirmation by managers
Personnel changes and disciplinary actions in relation to the investigations of specified rewriting cases	In stages after the completion of investigation	Scheduled	• In preparation of disciplinary actions against the wrongdoers and related parties in the investigations of specified rewriting cases
System improvements Voice recording and maintaining record of solicitation activities	August 2020 onward	In trial	• Began trial by managers in March, and trial by some of the sales personnel on April 20, 2020 Continuing preparations for the full-scale implementation from August

Third line (Internal Audit Department)

II Checks and controls

4. Strengthen the Internal Audit Department

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Reinforcement of internal controls 1) Reinforcement of involvement of the Audit Committee in the Internal Audit Department • Prior approval of important personnel affairs in the Internal Audit Department 2) Reinforcement of functions of the Audit Committee • In addition to receiving reports on the status of solicitation, etc. and instructing further investigations as needed, provide necessary advice, etc. to executive officers in charge	1) March 2020 2) February 2020 onward	Implemented	• With respect to 1), decided on the revision of related rules in March 2020 • With respect to 2), established a framework in February 2020, in which instructions for investigations can be given to the Internal Audit Department as needed, based on reports from executive officers in charge, and discussions on the actual situation can be held based on the reports on the investigations

Status of progress of measures to prevent recurrence

Oversight by management

III Information sharing and governance

1. Thoroughly implement the PDCA cycle

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Establishment of the Japan Post Insurance call center by the Consumer Center	Implementation in August 2020	Scheduled	<ul style="list-style-type: none"> Established a dedicated call center for Japan Post Insurance manned by Consumer Affairs Expert Consultants to establish an environment in which Japan Post Insurance policyholders can consult with peace of mind Details of consultations are periodically fed back to Japan Post Holdings for utilization in guidance, etc., of Japan Post Insurance.
Establishment of the "Contact Point for Business Consultation for Japan Post Group Employees"	Implemented in February 2020	Implemented	<ul style="list-style-type: none"> Status, etc., of consultations to the "Contact Point for Business Consultation for Japan Post Group Employees" established on February 25, 2020, are summarized and then reported to Group Customer Satisfaction Promotion Liaison Meeting, etc.
Establishment of external point of contact exclusively for financial services	Implemented in March 2020	Implemented	<ul style="list-style-type: none"> Established the "Contact Point for Improper Financial Sales" on March 23, 2020, as an external point of contact for whistleblowing, and began operation
Hearing the voices of our employees 1) Japan Post Insurance suggestion box ・ Promoting efforts for corporate culture reform based on employee opinions through the suggestion box 2) Dialogue with management ・ The management team visits the area headquarters, branches, and service centers to understand opinions of the frontline employees through dialogue.	1) December 2019 2) March 2020	Implemented	<ul style="list-style-type: none"> 1) was launched in December 2019 and a total of over 400 suggestions were made by the end of May. Based on these opinions, considering initiatives including reinforcing the information transmission from the head office, introduction of frontline-oriented personnel system, etc., and establishment of a framework to quickly respond to employee opinions With respect to 2), we started successive visits to each location in late February 2020. (The visits had been suspended given the situation concerning the COVID-19 pandemic, but parts of the dialogues were restarted on May 28, 2020, by using a web communication system.)
Expansion of whistleblowing system	March 2020	Partially implemented	<ul style="list-style-type: none"> Regarding establishment and utilization of the "Contact Point for Improper Financial Sales," dissemination and status of instillation are to be confirmed through compliance training and e-learning. However, due to the impact of COVID-19, part of the said training, etc., has been postponed to the second quarter (July–September).
Sharing information concerning whistleblowing contact points	Implementing since October 2019	Implemented	<ul style="list-style-type: none"> Since October 2019, information concerning the status of utilization of the internal whistleblowing contact point, including the number of reports received by the contact point from each company, has been shared on a monthly basis among the companies at the Group Compliance Committee meetings. Status of usage of the whistleblowing contact points, including the number of whistleblowing reports received in the fiscal year ended March 31, 2020, was summarized and reported to the Group Compliance Committee (April 22, 2020), sharing information among the Group companies.

2. Strengthen governance on companies and the Group

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Reinforcement of internal controls Establishment of "deliberation" in the operation of the Board of Directors ・ In addition to establishing "deliberation," review the scope of matters to be resolved	March 2020	Implemented	<ul style="list-style-type: none"> Revisions to relevant regulations were resolved in March 2020 to establish a new "deliberation" function which will leverage the expertise of Outside Directors from the resolution drafting stage
Decision-making process in relation to important matters 1) Revision to the memorandum regarding the rules on the Group administration 2) Establishment and enhancement of committees and liaison meetings	1) Implemented in April 2020 2) Implemented by December 2019	Implemented	<ul style="list-style-type: none"> 1) Regarding the reexamination of the memorandum regarding the rules on the Group administration, a decision was made on the draft of the revised memorandum (revisions in response to the issue of Japan Post Insurance policies, etc.) by the end of March as scheduled, which took effect on April 1, 2020. 2) Various committees and liaison meetings that have been newly established, including the Group Compliance Committee, will continue to be held, and their status will be reported to the Management Committee, etc.

Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Demonstration of governance function 1) Enhancing functions of the Group Steering Committee 2) Enhancing functions related to sales and operations at Japan Post Holdings	1) Implementing since December 2019 2) Implementing since January 2020	Implemented	<ul style="list-style-type: none"> 1) For the month of March, discussed responses to COVID-19 and business plans for the next fiscal year, etc. Has been adjourned since April 12, 2020, due to the impact of COVID 19 (will continue discussing future management strategies, etc. after the containment of COVID-19) 2) Reported issues and concerns regarding sales and operations of each business subsidiary for the month of March to the Management Committee
Establishment of the Group Compliance Committee	Implementing since October 2019	Implemented	<ul style="list-style-type: none"> Monthly Group Compliance Committee meetings have been held since October 2019 to share information on the status of the improper solicitation incidents discovered by the investigations of Japan Post Insurance policies, as well as major incidents and initiatives related to compliance and risks. Matters reported to the Committee are reported to the Management Committee and the Board of Directors on a monthly basis.
Follow-up on the opinions, etc., made at the Compliance Committee of Japan Post Holdings	Implementing since December 2019	Implemented	<ul style="list-style-type: none"> Matters deliberated at meetings of the Compliance Committee of Japan Post Holdings (held on a quarterly basis) are reported at meetings of the Management Committee and the Board of Directors. The matters deliberated in the third Committee meeting for the fiscal year ended March 31, 2020 (January 24), were reported to the Management Committee (February 14) and the Board of Directors (February 25), and the matters deliberated in the fourth Committee meeting (March 24) were reported to the Management Committee (March 31) and the Board of Directors (April 23), respectively.
Implementation of on-site monitoring at post offices, etc., by Japan Post Holdings	Implementing since January 2020	Implemented	<ul style="list-style-type: none"> On-site monitoring at post offices, etc., was scheduled to be conducted from May 2020, but postponed to July onward due to the impact of COVID-19. Number of sites for monitoring in the fiscal year ending March 31, 2021 (scheduled), is as follows: [Japan Post] Post offices: 40–60 locations Financial consulting divisions: 6–8 locations Regional offices: 6–8 locations [Japan Post Insurance] Branches: 6–8 locations Area headquarters: 6–8 locations From this fiscal year onward, coordinate with business subsidiaries with a view to conducting on-site monitoring in July onward Number of sites for monitoring in July and August (scheduled) is as follows: [Month of July] Post offices: 10 locations Financial consulting divisions: 5 locations Regional offices: 1 location Branches: 1 location Area headquarters: 1 location [Month of August] Post offices: 9 locations Financial consulting divisions: 5 locations Branches: 2 locations
Enhancement of the Group Internal Audit Liaison Committee, etc.	Implementing since November 2019	Implemented	<ul style="list-style-type: none"> Results of the on-site monitoring in the fourth quarter as well as issues and future initiatives of Audit Divisions of each Group company were summarized and reported to the Group Internal Audit Liaison Committee, etc. (March 25, 2020) Status of audits during the first quarter on the Basic Policies for Customer-First Business Operations are scheduled to be reported to the Group Internal Audit Liaison Committee for the month of June.

Status of progress of measures to prevent recurrence

Japan Post Insurance Japan Post Japan Post Holdings

3. Monitor improvement measures and regularly announce the progress

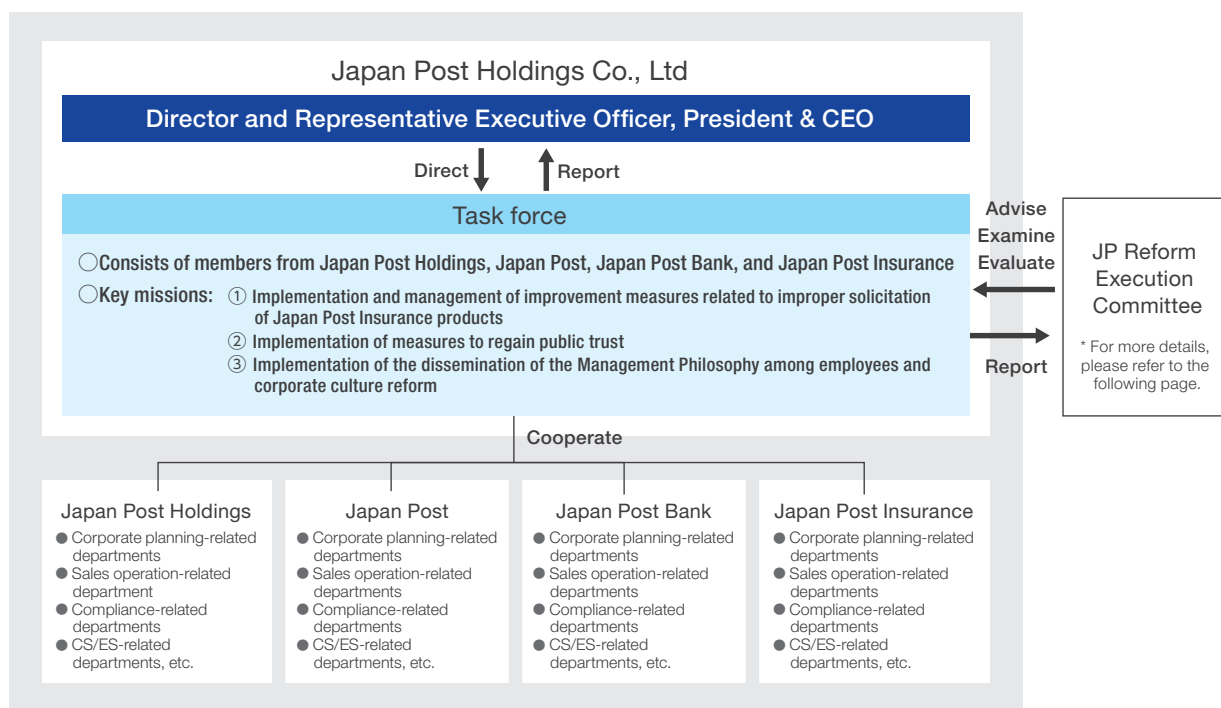
Contents of measures	Implementation deadline	Implementation status	Matters to be reported
Delivery of the message from the top management	At the time of resuming operations	Scheduled	<ul style="list-style-type: none"> Consider the appropriate method of delivering a message in order to deliver the message from the top management to all employees on the importance of "customer-first business operations" at the time of resuming operations
Initiatives for managing the progress of the improvement measures and achieving customer-first business operations	Managing the progress of the improvement measures: Implemented since February Achieving customer-first business operations: Implemented since April	Partially implemented	<ul style="list-style-type: none"> The JP Reform Execution Committee consisting of external experts was set up on April 2, 2020, and the first meeting was held on the same day and the second, on May 27. Departments in charge of each measure explained the progress of the Japan Post Group's improvement measures for verification, and reported on each measure for customer-first business operations at the second meeting.
Initiatives for instilling the Management Philosophy	Implemented since April	Scheduled	<ul style="list-style-type: none"> At the meetings of the Japan Post Group task force members, considered specific measures (including preparation of tools for instilling the Management Philosophy and organizing a forum by the management) while receiving advice from an external consulting company, and reported to the second JP Reform Execution Committee on May 27, 2020

For the latest information, please visit Japan Post Holdings Group's website (<https://www.japanpost.jp/en/>).

(As of May 31, 2020)

■ Establishment of a Japan Post Holdings cross-company task force

In response to the issues associated with the solicitation quality of Japan Post Insurance products, a Group-wide task force was established directly under the President & CEO of Japan Post Holdings in order for each and every member of the management team and employees to share the awareness of transforming ourselves into a company truly trusted by customers and for the entire Group to unite to prevent recurrence, regain public trust and disseminate the Management Philosophy and reform the corporate culture of the Japan Post Holdings Group.



■ Establishment of the JP Reform Execution Committee

In response to the issues related to solicitation quality of Japan Post Insurance products, we established the JP Reform Execution Committee (the “Committee”) on April 2, 2020, based on the belief that it is necessary for us to receive intense examination and evaluation of various measures that we undertake by external experts from a fair and neutral standpoint in order to further reinforce the compliance system and the governance system of the Japan Post Holdings Group, thoroughly reform the corporate culture which has allowed the issues to be prevalent within the Group, ensure prevention of recurrence, and thereby work to regain public trust in the Japan Post Holdings Group.

The Committee members include compliance experts, corporate governance experts, an attorney at law, a person related to a consumers’ association and a person related to the financial field, who have specialized expertise in fields in which improvements are deemed to be necessary for the Japan Post Holdings Group.

Committee meetings were held three times in total by the end of June 2020 (April 2, May 27, and June 18 of 2020) with attendance by presidents of Japan Post Holdings, Japan Post, Japan Post Bank, and Japan Post Insurance.

The Committee examined the status of progress of the business improvement plan and the activities aimed at regaining trust and discussed each of the measures to foster the customer-first business attitude.

The meetings will also be held on a regular basis in the future.

The materials (only available in Japanese), etc., distributed in the Committee meetings are disclosed on Japan Post Holdings’ website.

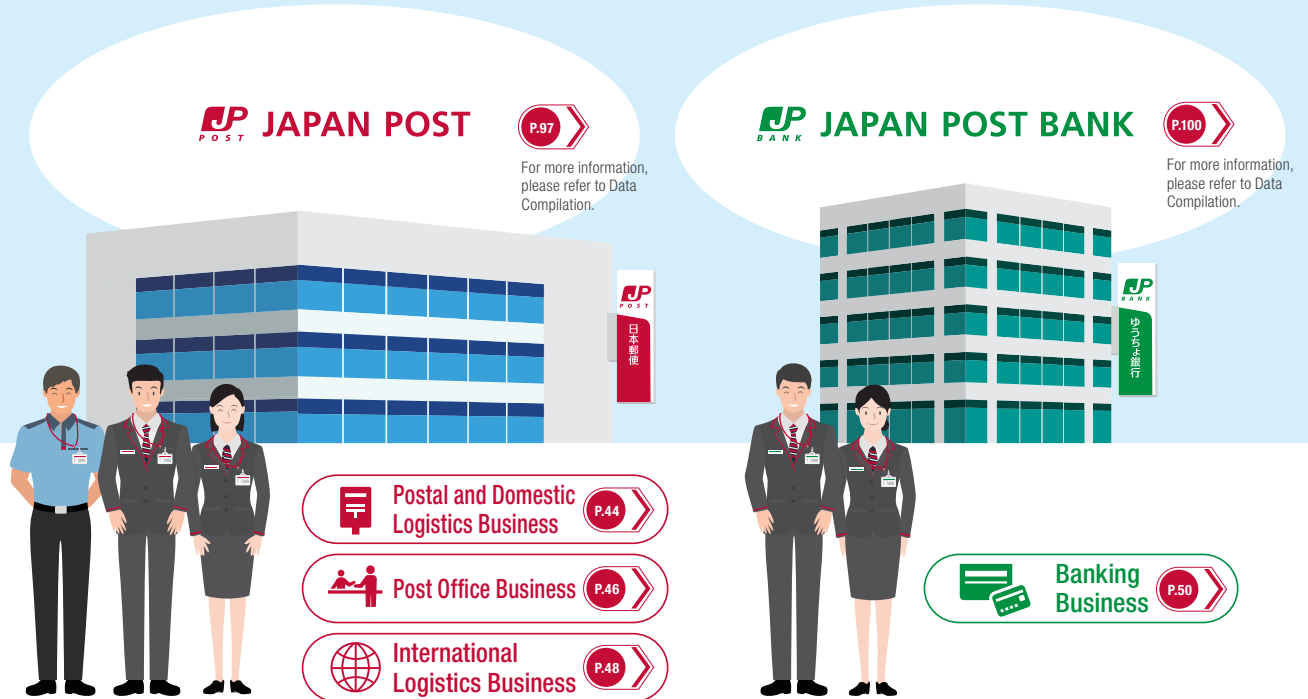
List of JP Reform Execution Committee members

Chairperson	YAMAUCHI Hirotaka	Specially Appointed Professor, Graduate School of Business Administration, Hitotsubashi University
	KAJIKAWA Toru	Chairman, Grant Thornton Taiyo LLC
	NOMURA Shuya	Professor of Law, Chuo Law School
	MASUDA Etsuko	President, Japan Association of Consumer Affairs Specialists
	YOKOTA Tomoyuki	Attorney at law, Seiryō Law Office (Former Justice of the Supreme Court, Former Deputy Prosecutor-General of the Supreme Public Prosecutors Office)



Structure of the Japan Post Group

The Japan Post Group aims to become a “Total Lifestyle Support Group” through its nationwide post office network, by providing a variety of products and services mainly in its three core businesses of postal services, banking, and life insurance. The Group hopes to be engaged in all aspects / an integral part of customers’ lives and will work constantly to help customers and local communities.



Putting our post office network to maximum use to support our community customers

In addition to fairly providing postal services at the lowest possible rates across Japan, Japan Post Co., Ltd. uses its post offices to provide customers nationwide with banking counter operations commissioned from Japan Post Bank Co., Ltd. and insurance counter operations commissioned from Japan Post Insurance Co., Ltd.

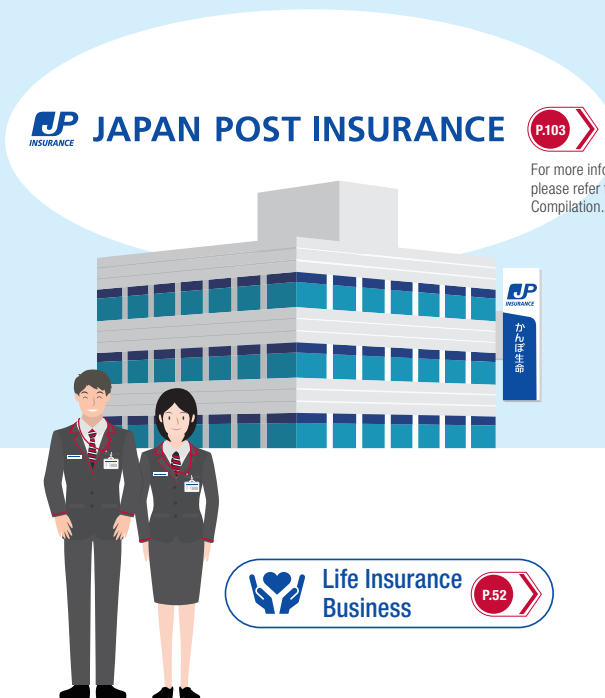
Our network of post offices is an asset shared by the people. We will maintain that asset and leverage it to benefit the public and contribute to local communities. We will also make our post office services more convenient, and work to provide comprehensive support for the lives of customers in our communities.

Supporting our customers’ daily lives through our banking services

Using Japan Post’s nationwide post office network, Japan Post Bank provides comprehensive financial services to a wide range of individual customers.

Our management philosophy is to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.





P.103

For more information, please refer to Data Compilation.

かんぽ生命

Life Insurance Business P.52



Supporting our customers' lives with peace of mind in our life insurance services

Through our post offices and directly managed Japan Post Insurance offices, we deliver the peace of mind that comes with insurance to our customers nationwide.

With “Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being” as its management philosophy, Japan Post Insurance will continue to support and protect the well-being of each and every customer with the power of insurance.



Becoming a “Total Lifestyle Support Group” by constantly helping

customers and local communities

shares in Japan Post Bank and Japan Post Insurance as soon as Japan Post Bank and Japan Post Insurance and the effects, etc., on to the Japanese public. (The Postal Service Privatization Act)

Shareholding ratio Approx. 64%*

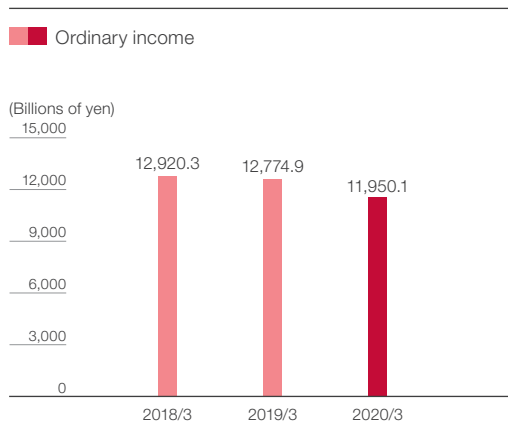
* Shareholding ratio to the voting shares except for treasury shares (as of March 31, 2020)

Financial and Non-Financial Highlights

Financial Information

Ordinary Income

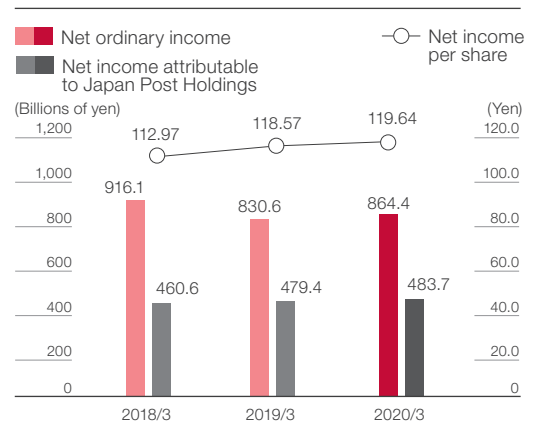
¥11,950.1 billion



Ordinary income in the fiscal year ended March 31, 2020, declined 6.5% from the previous fiscal year, to ¥11,950.1 billion.

Net Ordinary Income /
Net Income Attributable to Japan Post Holdings /
Net Income per Share

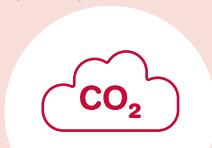
Net ordinary income **¥864.4** billion
Net income attributable to Japan Post Holdings **¥483.7** billion
Net income per share **¥119.64**



Net ordinary income in the fiscal year ended March 31, 2020, increased 4.1% from the previous fiscal year, to ¥864.4 billion, net income attributable to Japan Post Holdings rose 0.9% from the previous fiscal year, to ¥483.7 billion, and net income per share amounted to ¥119.64.

Non-Financial Information

Greenhouse Gas (GHG) Emissions



Total CO₂ emissions

979 kt-CO₂

Basic unit (Facility)

0.058 t-CO₂/m²

Basic unit (Vehicle)

0.000135 t-CO₂/km

Note: Fiscal year ended March 31, 2019



Number of Agreements Regarding Cooperation with Local Communities / Agreement Conclusion Rate



Number of comprehensive partnership agreements (Prefectures) (Agreements)

33

Number of agreements regarding cooperation with local communities (Municipalities) (Agreements) / Agreement conclusion rate (%)

1,690 / 97.1 %

Disaster prevention agreements (Municipalities) (Agreements) / Agreement conclusion rate (%)

1,563 / 89.8 %



Letter-Writing Workshop Programs / Financial Education Classes



Number of schools holding letter-writing workshop programs (Schools)

20,531



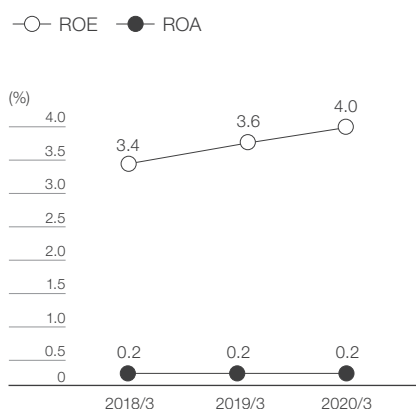
Number of elementary and junior high schools visited for financial education classes (Schools)

67



Return on Equity (ROE)
Return on Assets (ROA)

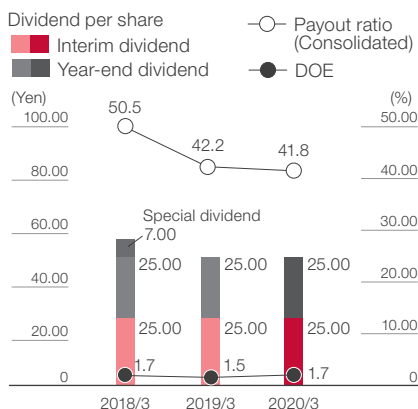
Return on equity (ROE) **4.0%**
Return on assets (ROA) **0.2%**



ROE in the fiscal year ended March 31, 2020, increased 0.4 percentage point from the previous fiscal year, to 4.0%. ROA reached 0.2%.

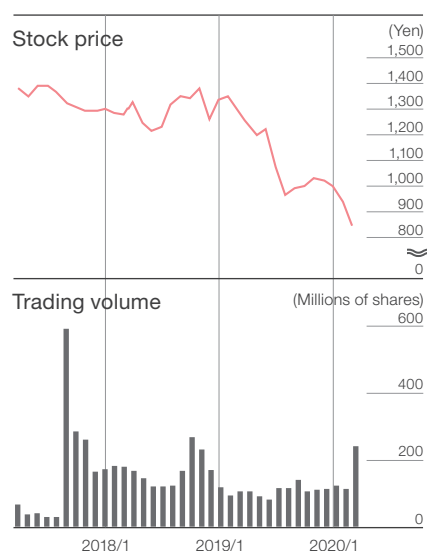
Dividend per Share /
Payout Ratio (Consolidated) /
Dividend on Equity (DOE)

Dividend per share **¥50**
Payout ratio (Consolidated) **41.8%**
Dividend on equity (DOE) **1.7%**



Annual dividend per share in the fiscal year ended March 31, 2020, amounted to ¥50 (includes an interim dividend of ¥25). The payout ratio (consolidated) came to 41.8%. DOE came to 1.7%.

Stock Chart



Overview of Stocks of Japan Post Holdings (As of March 31, 2020)
Securities code: 6178
Business year: April 1 to March 31
Stock exchange listing: Tokyo Stock Exchange
Settlement date: March 31
Annual General Meeting of Shareholders: June (voting rights record date: March 31)
Dividend record date: March 31 for year-end dividends, September 30 for interim dividends (when interim dividends are paid out)
Unit number of shares: 100 shares
Total number of issued shares: 4,500,000,000
Class of shares: Common stock
Total number of shareholders: 625,089

Number of Women in Management Positions / Female Executive Officers



Number of women in management positions (Persons)* / Rate of women in management positions (%)

2,971
8.8%

* As of April 1, 2020

Number of female executive officers (Persons)*

21

* As of April 1, 2020



Average Number of Paid Holidays Taken /
Number of Persons Taking Childcare Leave



Number of persons taking childcare leave (Persons)*¹

4,309²

*¹ Number of persons taking childcare leave in the fiscal year ended March 31, 2020
*² Includes number of persons taking spouse maternity leave



Average number of paid holidays taken (Days)

18.8

* Number of paid holidays taken in the fiscal year ended March 31, 2020



Rating



Japan Credit Rating Agency, Ltd. (JCR)
(Long-Term Issuer Rating)*










AA+
(Stable)

* As of October 17, 2019

History of the Japan Post Group

The Japan Post Group marks its 149th year since modern postal service was established by MAEJIMA Hisoka in 1871.

Today, the Japan Post Group remains close to its customers by offering a variety of products and services mainly through its three core businesses of postal services, banking, and insurance, centered on its post office network.

	1871~2006	2007	
	<p>1885 The Ministry of Communications was established.</p> <p>1949 The Ministry of Posts and Telecommunications was established.</p> <p>2001 The Postal Services Agency was established.</p> <p>2003 Japan Post was established.</p>	<p>2007 The Japan Post Group was established.</p> <p>The Japan Post Group was established following privatization and the subsequent dissolution of Japan Post. With Japan Post Holdings Co., Ltd. serving as a holding company, the Group mainly consisted of Japan Post Service Co., Ltd., Japan Post Network Co., Ltd., Japan Post Bank Co., and Japan Post Insurance Co., Ltd.</p> 	<p>2012 Reorganized into the current four-company structure</p> <p>The Japan Post Group was reorganized from the former five-company structure into the current four-company structure after the merger of Japan Post Service and Japan Post Network into Japan Post Co., Ltd.</p> 
	<p></p> <p>1871 Modern postal service was established.</p>	<p>2010 Launched "Letter Pack" sales</p>	<p>2013 Grand opening of JP Tower (and KITTE commercial facility)</p> 
	<p></p> <p>1875 Postal savings service was established.</p>	<p>2008 Launched "JP BANK CARD"</p>	<p>2009 Online connection to the Zengin Data Communication System (Zengin System) was established.</p> 
<p></p> <p>1916 Postal life insurance service was established.</p>	<p>2008</p> <ul style="list-style-type: none"> Commenced commissioned sales of life insurance products for corporate clients Launched <i>Sono hi kara</i>, a new hospitalization rider 	<p>2014 Launched <i>Hajime no Kampo</i>, an educational endowment insurance</p> 	

After the establishment of the Japan Post Group in 2007 following privatization, the Group has increased its lineup of services that support the daily lives of its customers and local communities.

2020

2015

Listed on the First Section of the Tokyo Stock Exchange

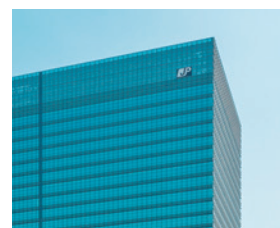
On November 4, 2015, Japan Post Holdings, Japan Post Bank, and Japan Post Insurance were simultaneously listed on the First Section of the Tokyo Stock Exchange. Revenues that Japan Post Holdings will generate from the planned future sales of shares of the other two financial companies will be used to maintain and enhance corporate and stock value of the Japan Post Group.



2018

New companies established to capture additional revenues

Following the establishment of Japan Post Capital Co., Ltd. in November 2017, the Japan Post Group established Japan Post Investment Corporation and Japan Post Real Estate Co., Ltd. The Japan Post Group will continue to seek new sources of revenue through business expansion.



2018

Invested in Aflac Incorporated

Japan Post Holdings, Aflac Incorporated, and Aflac Life Insurance Japan Ltd. concluded the Strategic Alliance Based on Capital Relationship.

2015

Toll Holdings Limited, an Australian logistics company, became a subsidiary.



2017

The Post Office Watch Over Service was started.



2019

Commissioned first in Japan of comprehensive administrative work by local public entity clerical duties (in the village of Yasuoka)

2016

- Invested in the first regional vitalization fund
- Deposit limits raised to ¥13 million
- Began issuance of regional prepaid VISA card, "mijica"

2019

- Deposit limits changed to ¥13 million on ordinary deposits and also on time deposits
- Launched transactions of "Yucho Pay" smartphone settlement service
- Began housing loan agency service for Sony Bank Incorporated

2020

- Began housing loan agency service for Shinsei Bank, Limited
- Launched the "Yucho Bankbook App" services

2015

- Launched *Shin Free Plan* (short-term premium payment), an endowment insurance
- Commenced commissioned sales of life insurance products for corporate clients (general welfare group term insurance, etc.)

2017

Launched *Sono hi kara Plus*, a new medical rider; *Shin Nagaiki Kun Low Cash Value Plan*, a new whole life insurance; and *Choju no Shiawase*, a longevity support insurance

2019

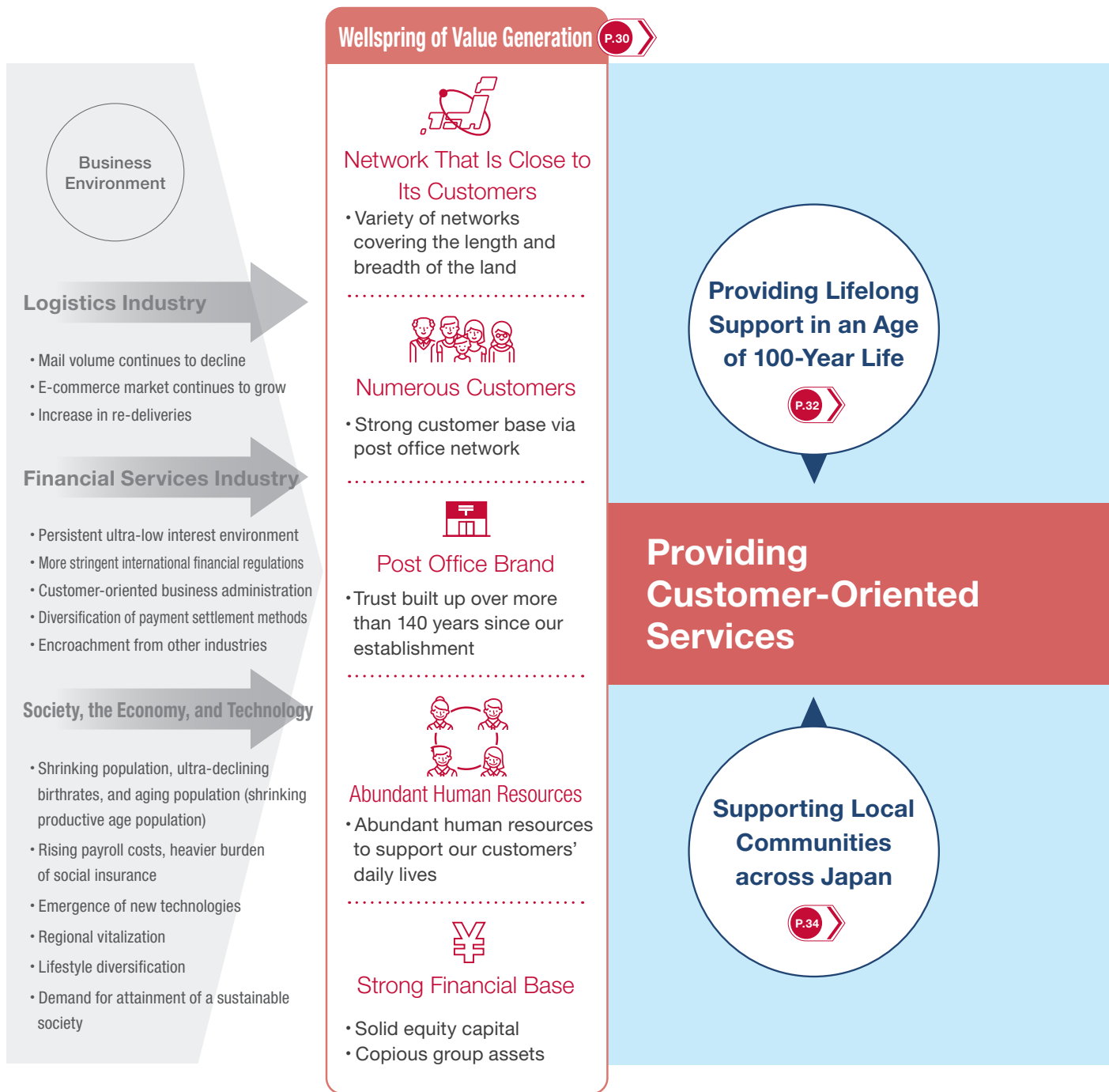
Launched *Kampo ni Omakase*, products with relaxed underwriting criteria; and an advanced medical rider



先進医療特約

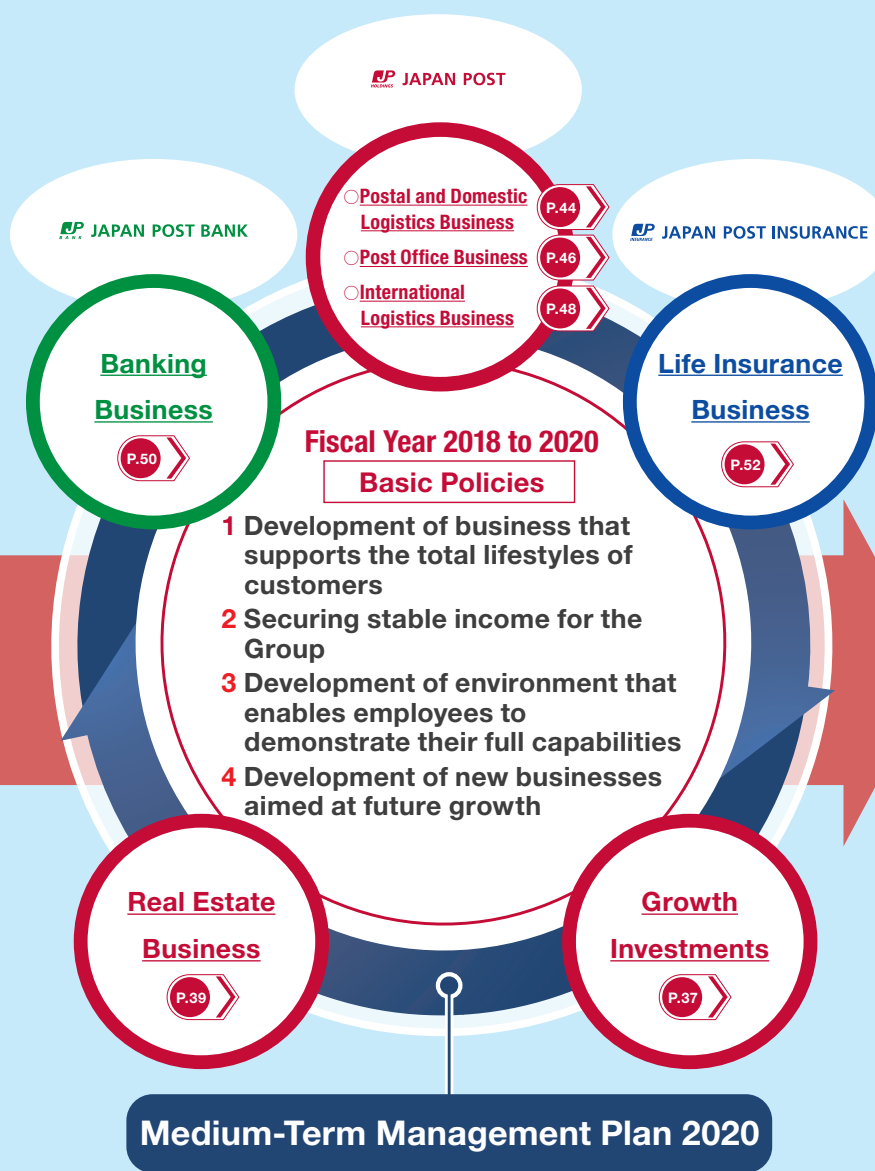
The Japan Post Group's Value Creation Process

The Japan Post Group aims to become a "Total Lifestyle Support Group" while working together as Team JP based on its post office network and ensuring universal services. In doing so, we strive to enhance corporate value by achieving sustainable growth of business, securing stable income, demonstrating public benefits and contributions to local communities, and enhancing shareholder returns.



Medium- to Long-Term Vision

Bring happiness to all people, no matter how old they are or where they live, by providing total lifestyle support services.



Value Created

- Customers**
Providing high-quality, customer-oriented services
SDG 11: Sustainable Cities and Communities
- Local Communities**
Contributing to community development and vitality
SDG 3: Good Health and Well-being, SDG 4: Quality Education, SDG 11: Sustainable Cities and Communities
- Employees**
Providing a motivating workplace
SDG 8: Decent Work and Economic Growth
- Shareholders**
Generous shareholder return
SDG 16: Peace, Justice and Strong Institutions
- The Environment**
Creating a sustainable society
SDG 13: Climate Action, SDG 15: Life on Land

Stable Provision of Universal Services

Corporate Governance / Compliance

P.70

Strengths of the Japan Post Group

The Japan Post Group has remained close beside customers and local communities and walked side by side with them in their daily lives, mainly through its truly nationwide network of post offices.

We will continue to hone our five strengths, namely Network, Customer Base, Post Office Brand, Employees, and Financial Base, and provide services that bring convenience to customers' daily lives.

Strength
1

Network

We have operational bases throughout Japan and provide services while staying close beside our customers.



Number of post offices nationwide

24,341



Number of postboxes nationwide

179,129



Number of ATMs nationwide

32,005



Number of countries with international logistics bases

Approx. 50

Number of ordinary deposit accounts

Approx. 120 million

Number of Japan Post Insurance customers*

Approx. 24.68 million

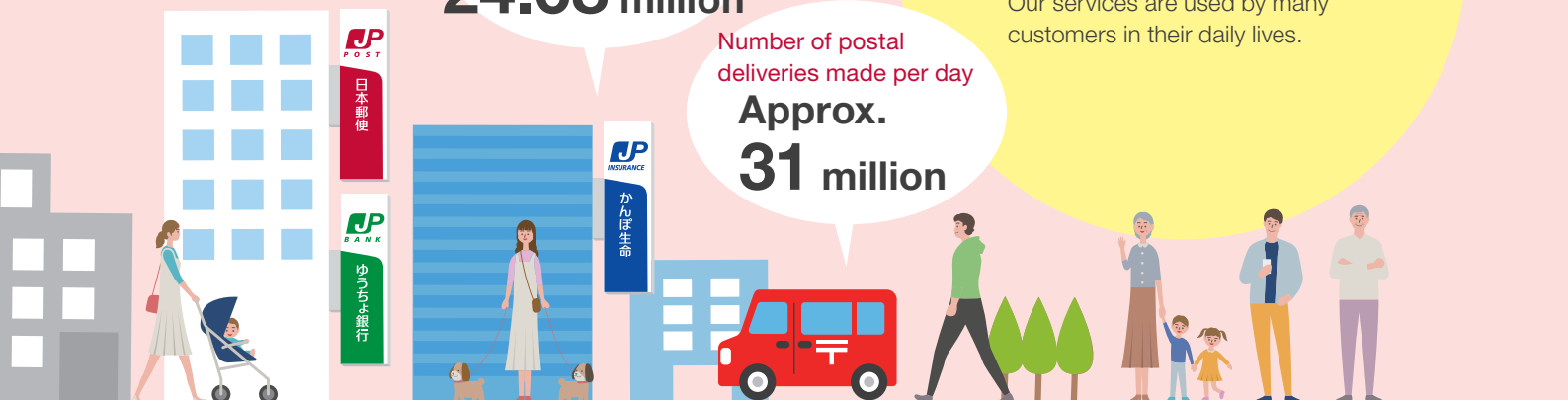
Number of postal deliveries made per day

Approx. 31 million

Strength
2

Customer Base

Our services are used by many customers in their daily lives.



* The number of customers is the sum of policyholders and insured persons (including individual insurance and individual annuities as well as Postal Life Insurance reinsured by Japan Post Insurance).

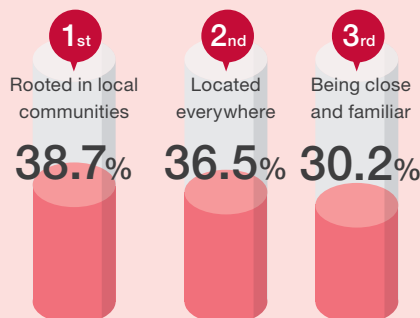
Strength
3

Post Office Brand

We have dedicated ourselves to meeting customers' needs since our founding and fostered the post office brand.



▶ Top 3 customers' perceived images of post offices

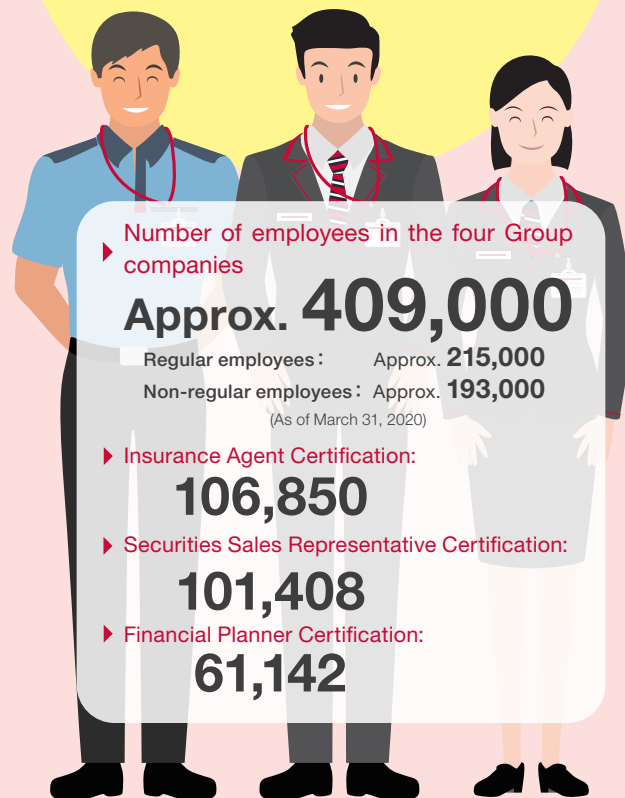


(Q: Please mark all images that you have for post offices.)
(Multiple choice survey conducted from January 23 to 29, 2020)

Strength
4

Employees

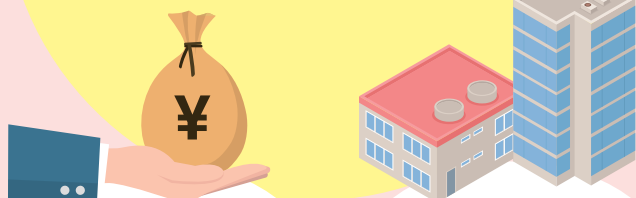
Many employees with professional qualifications provide services that support customers' daily lives.



Strength
5

Financial Base

The Group possesses solid equity capital and owns assets, including land and buildings, across Japan.



Equity capital
Approx. ¥13.3 trillion

Real estate held by the Group
Approx. ¥2.7 trillion

Value Created by the Japan Post Group

Value Created **1**

Providing Lifelong Support in an Age of 100-Year Life



The Japan Post Group supports customers to realize safe, secure, comfortable, and affluent lives and lifestyles by providing services needed by all people in all age groups.

To respond to an aging society, lower birthrate, and population decline as well as changes in society toward an age of 100-year life, we are deploying unique and diverse post offices, products, and services, which are matched to customers' needs.

We are working to provide highly convenient delivery services in response to changes in lifestyles and society, including the expansion of the e-commerce market and an increase in double-income and single-person households.

Improving Yu-Pack service to increase convenience in sending and receiving parcels



Yu-Pack Plus

Providing Highly Convenient Delivery Services

Providing Comprehensive Financial Services

Providing Lifelong Support

Providing New Services That Bring Security and Convenience to Daily Lives

Providing "new convenience" to our customers



We are promoting the provision of services that bring security and convenience to the daily life of each customer while responding to more diverse lifestyles and wider use of Internet of Things (IoT) technology.

Opening post offices tailored to our customers' lifestyles



Our Current Value Creation Efforts

Providing Highly Convenient Delivery Services

Improving Yu-Pack service to increase convenience in sending and receiving parcels

- Launch of “e-Receiving Assist” that informs of initial deliveries via email or the LINE app, and enables customers to change delivery dates and times
- Providing new delivery service “Yu-Packet Plus” for the “Mercari” flea market app
- In 2019, we implemented a monitoring campaign to try out the service of leaving parcels in designated areas as part of our undertakings for proliferation and expansion of that approach to delivery. The campaign provided delivery bags free of charge.



Monitoring campaign to try out the service of leaving parcels in designated areas

Providing Comprehensive Financial Services

Opening and operating unique and diverse post offices

- Rollout of various types of post offices, such as those with adjoining convenience stores, and those located within shopping centers or government offices
- Setting various open hours (weekends included) for service counters, depending on post office location

Enhancing the lineup of financial products and promoting comprehensive consulting services

- Post office counters that offer a comprehensive range of financial products and services, such as savings, insurance, and asset management according to the needs and the stage of life of each customer
- Enhanced services for future asset-building for our customers by starting to handle “installment-type NISA (Nippon Individual Savings Account),” launching iDeCo (individual-type defined contribution plan) face-to-face consultation services, and deploying post offices that handle the sale of investment trusts and post offices that make investment trust referrals
- Commissioned sales not only of Japan Post Insurance but other life and non-life insurers’ insurance

Providing New Services That Bring Security and Convenience to Daily Lives

Enhancing cashless services

- Launched transactions of “Yucho Pay” smartphone settlement service, which partners with other “Pay” participating banks to provide the “Ginko Pay Multi-bank payment function,” enabling reciprocal use between mutual users and partners
- Payment of postage and other charges with credit cards, electric money, or QR code* payment accepted at 66 post offices nationwide (as of March 2020) * QR code is a registered trademark of DENSO WAVE INCORPORATED.

Providing the Post Office Watch Over Service

- Watch Over Service: Post office staff make regular welfare checks and report to designated persons
- In addition to the Watch Over Visiting Service, Japan Post also offers a Watch Over Phone Service and On-Call Service to meet various needs.



Post Office Watch Over Service

Supporting Local Communities across Japan



The Japan Post Group seeks coexistence with local communities by providing services that help resolve their issues while leveraging its operational bases nationwide.



Promoting global logistics operations

To maintain local communities not just in large cities but across Japan and help them achieve sustainable growth, we are carrying out initiatives to support people's daily lives in local communities.

For the development and growth of regional economies across Japan, we are offering services needed for corporate business activities and undertaking initiatives to vitalize each local community.

Providing Services to Support Regional Industries

Providing Services to Support Local Communities

Supporting Local Communities

Providing Services to Support Funds Flow

Maintaining community financial infrastructure through collaboration with various financial institutions



To flow back the important funds of our customers to local communities and contribute to the development and growth of regional economies across Japan, we are promoting collaboration with regional financial institutions and local governments.

Use of post offices as communication points to promote the allure of local communities



Our Current Value Creation Efforts

Providing Services to Support Regional Industries

Promoting comprehensive logistics business in Japan and overseas

- Providing international logistics services through Australia's Toll Holdings Limited, which has branches in approximately 50 countries
- Rolling out B-to-B business in Japan mainly focused on contract logistics through JP TOLL LOGISTICS Co., Ltd., a joint venture between Japan Post Co., Ltd. and Toll Holdings



Engaging in the real estate business (leasing of offices, commercial facilities, residences, nursery schools, and facilities for the elderly)

- Developing the "JP noie" series of Tokyo-focused rental housing, along with nursery schools and facilities for the elderly



November 2019
JP noie Ebisu Nishi
(with adjoining shared offices)



January 2020
JP noie Nerima Asahigaoka
(with adjoining nursery school)



March 2020
Guranda Tokiwadai Nibankan fee-based
long-term care facility

Providing Services to Support Local Communities

Providing various services through collaboration agreements with local governments

- Comprehensive partnership agreements concluded with 33 prefectures (as of March 31, 2020).
Note: Japan Post is eligible.
- Japan Post has agreements with 1,690 cities, wards, towns, and villages for "community watch activities," "providing information about road damage," and "providing information about illegal dumping." These activities involve post office workers reporting on unusual activity or circumstances discovered in the course of their duties. We also have disaster prevention agreements with 1,563 cities, wards, towns, and villages.
- Japan Post holds fairs at post offices, KITTE, and other facilities to sell local specialties for the revitalization of regional economies and issues framed stamps featuring local tourist and landmark spots.
- Fifty-seven post offices throughout Japan have kiosk terminals (multifunctional copy machines) and provide services for customers to directly acquire various formal documents issued by local governments.

Expanding our ATM network throughout Japan

- Installing ATMs at and relocating ATMs to highly convenient locations to expand our ATM network
- With an eye to the increase in the number of tourists visiting Japan, we have been installing compact ATMs with 16-language compatibility in convenience stores and at airports.
- Accepting and handling of procedural work for the Nanto Bank and installation of a Nanto Bank ATM at the Kurotaki Post Office (March 2020)

Providing Services to Support Funds Flow

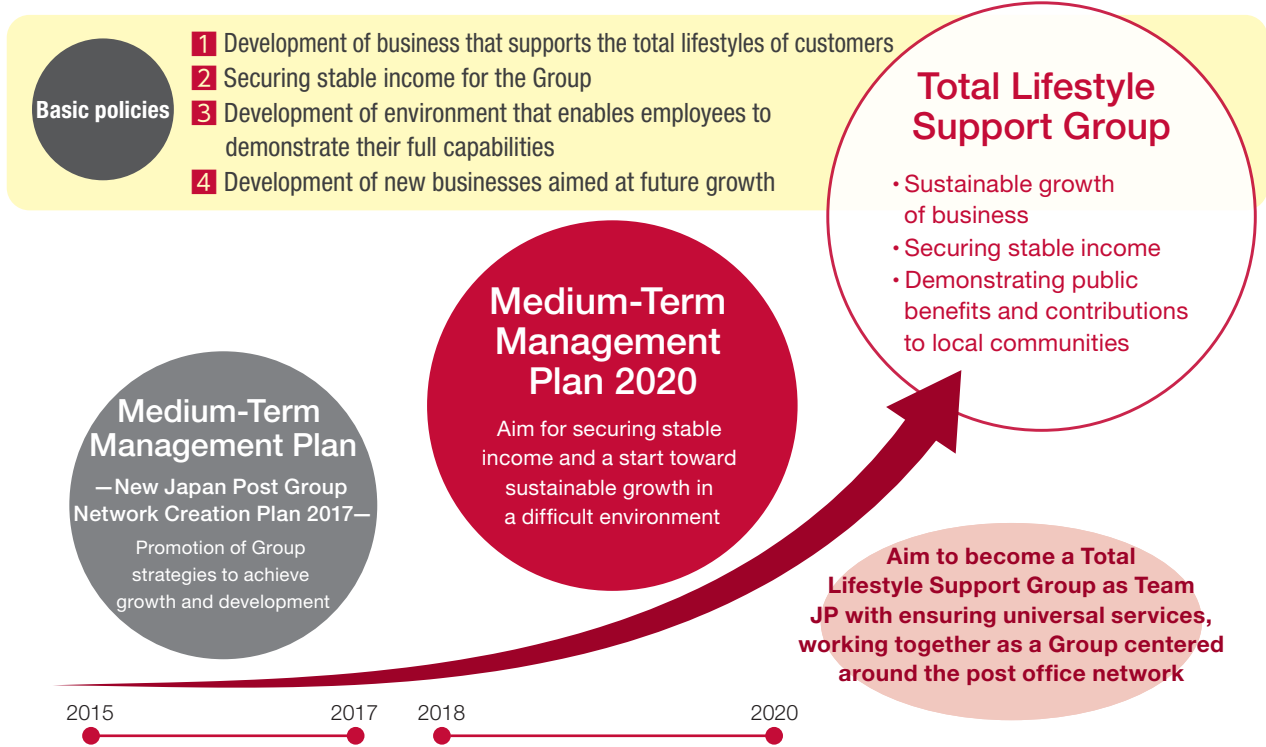
Promoting participation in regional vitalization funds

- In line with our efforts to direct the important funds of our customers to regional communities, we have been working with regional financial institutions to actively promote participation in regional vitalization funds.
- Participation in 28 funds mainly focused on supporting business succession, entrepreneurship, and growth (as of March 2020)

Overview and Progress of Medium-Term Management Plan 2020

Overview of Medium-Term Management Plan 2020 (2018–2020)

Aim for securing stable income and a start toward sustainable growth in a difficult environment.



Numerical targets for 2021/3 and dividend policy

Results for 2020/3

Group consolidated

Earnings per share of at least **100 yen***

Dividends per share of at least **50 yen**

(Implementation of stable dividends)

* Assuming the current number of issued shares (excluding treasury stock), net income attributable to Japan Post Holdings of approximately 405 billion yen

Earnings per share **119.64 yen**

Dividends per share **50 yen**

Japan Post Co., Ltd.

- Consolidated net operating income 90 billion yen
 - Postal and domestic logistics business 40 billion yen
 - Post office business 30 billion yen
 - International logistics business 20 billion yen
- Consolidated net income 65 billion yen

- Number of Yu-Pack handled Approx. +200 million (compared to FY2018/3)

- Consolidated net operating income 179.0 billion yen
 - Postal and domestic logistics business 147.5 billion yen
 - Post office business 44.5 billion yen
 - International logistics business (8.6 billion yen)
- Consolidated net income 87.1 billion yen

- Number of Yu-Pack handled Approx. 970 million (+30 million)

Investment Plan for the Period Covered by the Medium-Term Management Plan (2018–2020)

Under the Medium-Term Management Plan, we plan to promote infrastructure improvements to increase customer satisfaction, sales capabilities and operational efficiencies, which will ultimately strengthen our management foundations. Our plan includes investment in: post office and other construction work in the postal and domestic logistics business and the post office business; real estate development in the post office business; building of a new accounting system in the international logistics business; purchase of ATMs in the banking business; and building of a next-generation open system in the life insurance business.

Business segment	Details	Amount (Total for 2018–2020)	Effect
Postal and domestic logistics (180 billion yen)	Post office and other construction work	78 billion yen	Improving service environment
	Postal system renewal and upgrading	30 billion yen	Periodic postal system renewal and upgrading
Post office (270 billion yen)	Real estate development	180 billion yen	Expansion of real estate revenue
	Post office and other construction work	60 billion yen	Improving service environment
International logistics (150 billion yen)	Renewal of ship	15 billion yen	Achieving stable business operation
	Building of a new accounting system	12 billion yen	IT infrastructure renewal and upgrading
Banking (130 billion yen)	Development of a total information system	30 billion yen	Improving customer convenience and operation efficiency and securing stable business operation
	Renewal of auto cashier	22 billion yen	Strengthening internal controls on cash management
	Reconstruction of an Operation Support Center	20 billion yen	Reconstructing of buildings that have become too old or too narrow
	Purchase of ATMs	19 billion yen	Improving customer convenience and secure stable business operation
Life insurance (150 billion yen)	Building of a next-generation open system	49 billion yen	Improving a system infrastructure for utilization of ICT
	Development of core systems	41 billion yen	Improving customer convenience through the provision of new products and services, and operation efficiency
	Introduction of new mobile devices for sales	12 billion yen	Improving customer convenience and operation efficiency
Others (120 billion yen)	Building of a data center	34 billion yen	Strengthening management foundations
	Next generation PNET	30 billion yen	Strengthening management foundations

Notes: 1. The table shows our investment plan as of May 15, 2018 when Medium-Term Management Plan 2020 was announced.
2. The table does not include growth investments, such as capital partnerships and M&As.

Numerical targets for 2021/3 and dividend policy

Results for 2020/3

Japan Post Bank Co., Ltd.

- Consolidated net ordinary income 390 billion yen
- Consolidated net income 280 billion yen
(Reference) Earnings per share: 74 yen
- Secure capital adequacy ratio of about 10%
(After consideration of strengthening of financial regulations)
- Investment trusts balance about +1.7 trillion yen*
- Secure dividends per share of 50 yen
(Implementation of stable dividends)

* The cumulative total of "sales amount – cancellation amount" for three years (not market price basis)

- Consolidated net ordinary income 379.1 billion yen
- Consolidated net income 273.4 billion yen
- Capital adequacy ratio 15.55%
(non-consolidated, domestic standard)
- Net assets of investment trusts +15.8 billion yen
- Dividends per share 50 yen

Japan Post Insurance Co., Ltd.

- Earnings per share 155 yen
(Reference) Consolidated net income: 93 billion yen
- Aim to increase dividends per share to 76 yen while ensuring the soundness of management

* We recognize that we are presently facing difficulties to achieve the target for annualized premiums for policies in force for the fiscal year ending March 31, 2021 (approximately ¥4.9 trillion).

- Earnings per share 267.40 yen
- Dividends per share 76 yen

Note: The numerical targets for 2021/3 and dividend policy are as of May 15, 2018, when Medium-Term Management Plan 2020 was announced. Interest rates, foreign exchange rates, and stock prices, which are the premise of each numerical target, are set based on the situation at the end of December 2017.

Shareholder Return Policy

Japan Post Holdings Co., Ltd. considers returning profits to shareholders to be an important management measure and sets out its basic policy to continuously provide stable return to shareholders in accordance with the results of operations.

With regard to dividends from retained earnings, the Company aims to provide stable returns to shareholders while maintaining required internal reserves and paying attention to capital efficiency. Accordingly, the Company intends to sustain stable dividends per share. Given the current adversity of the business environment, mainly due to the impact of COVID-19, the Company will determine dividends for the fiscal year ending March 31, 2021, in light of the Company's profit level and the amount available for distribution.

The decision-making body concerning dividends from retained earnings is set to be the Board of Directors as per the provisions of the Articles of Incorporation in order to ensure flexible management operations. In addition, it is stipulated that dividends from retained earnings are to be paid with March 31 and September 30 of each year as record dates.

The full-year dividend for the fiscal year under review was 50 yen per share for common stock (including the 25 yen per share interim dividend), based on a comprehensive determination of earnings and other matters.

The dividend for the fiscal year ending March 31, 2021, has been left undecided, as the outlook for the business environment in which the Japan Post Group operates remains unclear at present due to the impact of COVID-19 pandemic, and the Company's results may change significantly depending on future developments. The Company will consider the payment of a year-end dividend while closely monitoring results going forward.

In the past, the Company has paid dividends from retained earnings biannually, as an interim dividend and year-end dividend, but in view of the uncertainty surrounding the future business environment, and the present situation regarding the amount available for distribution, the Company will pay no interim dividend and only a year-end dividend for the fiscal year ending March 31, 2021.

Internal reserves will be utilized mainly for investments to capture growth opportunities and capital policies with awareness on capital efficiency, aiming at enhancement of corporate value.

In accordance with Article 11 of the Act on Japan Post Holdings Co., Ltd., payment of dividends from retained earnings or other appropriation of retained earnings (excluding disposition of loss) of the Company shall not be effective without approval of the Minister for Internal Affairs and Communications.

Dividends from retained earnings with record dates belonging to the fiscal year ended March 31, 2020, are as follows.

Resolution date	Total dividends (¥ million)	Dividend per share
November 14, 2019, Board of Directors' resolution	101,096	25.00 yen
May 15, 2020, Board of Directors' resolution	101,096	25.00 yen

Real Estate Business Development—Accelerate Growth in Real Estate Earnings

The Japan Post Group Medium-Term Management Plan 2020 targets operating income in the overall Group's real estate business of ¥33 billion for the fiscal year ending March 31, 2021, but it achieved ¥35 billion in the fiscal year ended March 31, 2020.

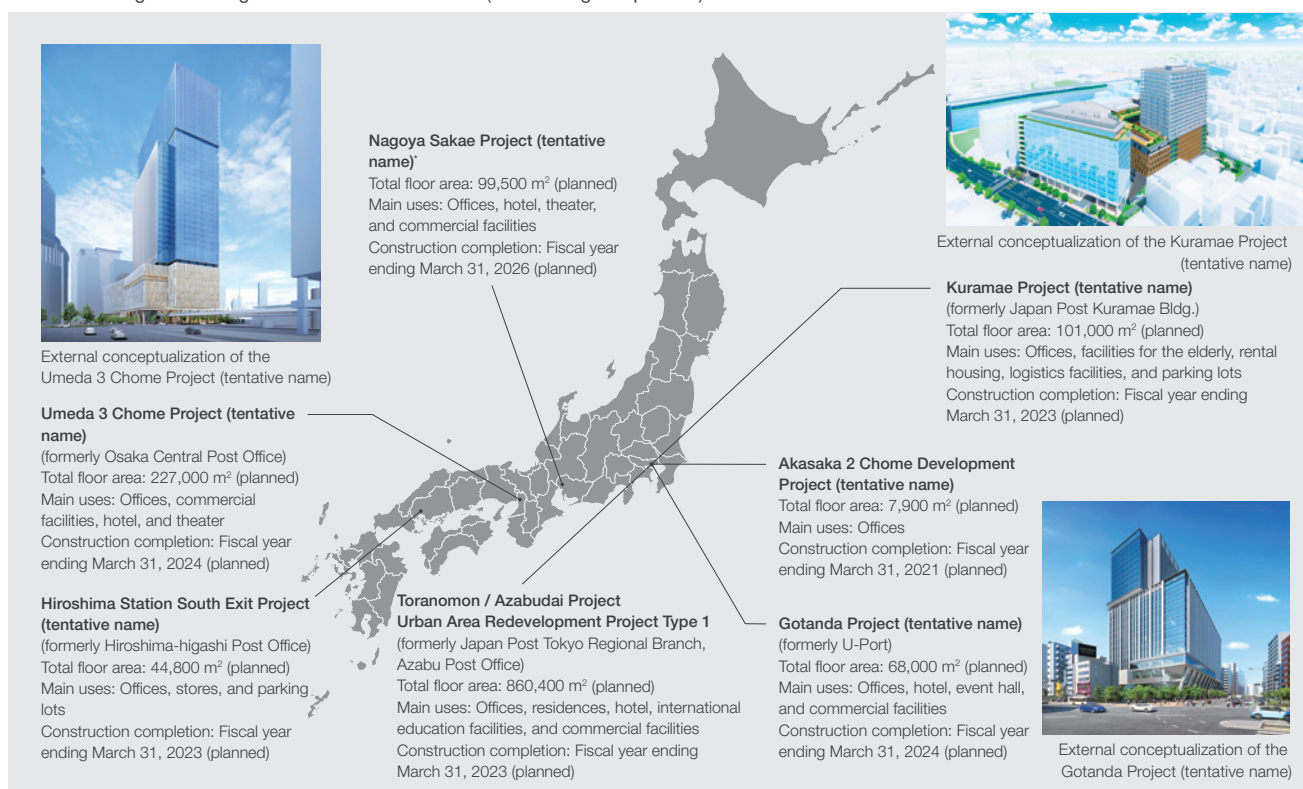
In the fiscal year ended March 31, 2020, several properties were completed, including rental housing, facilities for the elderly, and nursery schools. The Company also made preparations for construction starts on new properties including the "Umeda 3 Chome Project (tentative name)," "Hiroshima Station South Exit Project (tentative name)," "Kuramae Project (tentative name)," "Gotanda Project (tentative name)," and the non-Group property "Akasaka 2 Chome Development Project (tentative name)."

The Company also manages rent and administration of the Hotel Mielparque.

With the establishment of Japan Post Real Estate Co., Ltd. in 2018, we are engaging in joint development projects with other companies and acquiring profit-making properties, as well as accelerating development utilizing former sites of post offices and Company housing. Going forward, we will continue to pursue a variety of initiatives in the real estate business, with the aim of growing it into the fourth earnings pillar that will support the Group's management base.

However, the COVID-19 pandemic has had an enormous impact on the global economy and the economy of Japan as well, which could also lead to a setback in the real estate market. The spread of the virus is also likely to cause reductions in tenant rent and delayed completion of projects currently under development. Hence, in running our real estate business, we will continue to monitor activity and impacts on the market, and implement all necessary measures in a timely manner.

Forthcoming undertakings in the real estate business (forthcoming completions)



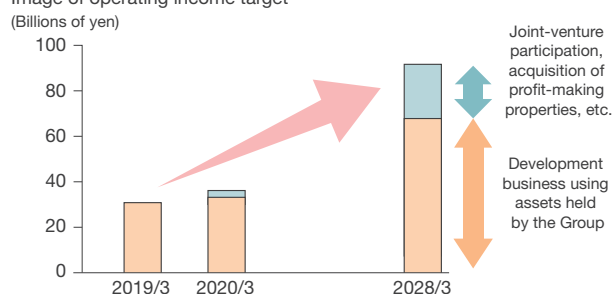
Securing new sources of revenue

In the fiscal year ended March 31, 2020, as part of its tie-up with Hulic Co., Ltd., the Company acquired profit-making properties, such as the "Akasaka 2 Chome Development Project (tentative name)."

We also joined the joint venture in charge of the "Nagoya Sakae Project (tentative name)" (participation through the corporate consortium headed by Mitsubishi Estate Co., Ltd.).*

We will continue to work to select blue-chip non-Group projects and cultivate revenue sources.

Image of operating income target**



* As of July 1, 2020, the Company is designated a project candidate.

** The graph for 2028/3 represents the targets and policies as of May 15, 2018, when Medium-Term Management Plan 2020 was announced.

Adaptation to digitalization and other changes in the business environment

To adapt to the changes in the socioeconomic environment, the Japan Post Group will work to transition to a robust business structure combining both real and digital components. It is realized through further pursuing digitalization, along with increasing the value of the real networks of post offices as a point of contact with customers and pickup-delivery systems.

Undertakings by Japan Post

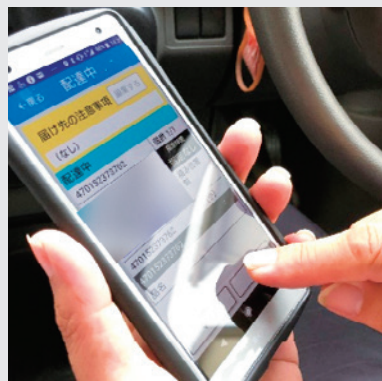
In addition to expansion in the traditional e-commerce market, growth in mail-order sales has occasioned prominent growth in the parcel market. Japan Post aims to capture this growing market by leveraging its superior edge in small parcel delivery, which is its forte, partnering with e-commerce sites to spread and expand its service of leaving parcels in designated areas, and looking into revising operations using cutting-edge technology, such as AI-powered automatic routing systems and delivery robots.

Capitalizing on the growing parcel market

- **Leverage our superior edge in small parcel delivery**
- **Penetration and expansion of the service of leaving parcels in designated areas**
- **Feasibility studies on revising operations using cutting-edge technology, such as AI-powered automatic routing systems and delivery robots**



Delivery robot



Example of operating an AI-driven delivery services support system

Undertakings by Japan Post Bank

Japan Post Bank will work to provide “new convenience” that can be used anywhere and anytime, through the use of new technologies such as Fintech (intersection of the financial services and technology sectors) in addition to enhancing and expanding financial channels for the convenience of customers.

We are also working to enhance customer service by reallocating management resources from transaction services (routine services at bank counters, etc.) to consulting services by digitizing these services and improving the efficiency of operations using digital technologies.

Service enhancement and operational efficiency through digitalization

- **Expanding payment settlement services with the release of “Yucho Pay,” “the Yucho Bankbook App,” and other smartphone app services**
- **Improving the quality of customer service and operational efficiency through the use of digital technologies, such as the introduction of artificial intelligence (AI) in call centers**

Undertakings by Japan Post Insurance

The COVID-19 pandemic has made it more important to provide non-face-to-face customer interaction. We are looking into the further use of digital technologies to upgrade our environment to provide insurance services without restrictions on time or location. These services include existing non-face-to-face digital contact such as customers’ “My Page,” where they can confirm the details of their policies, and conduct procedures such as change of registered address and telephone number.

The COVID-19 pandemic

Greater importance of non-face-to-face customer contact

- **My Page and other tools to enable non-face-to-face service**

Expansion of existing digital contact points

Top Messages from Each Company

JAPAN POST



KINUGAWA Kazuhide

President & CEO
(Representative Executive Officer)
Japan Post Co., Ltd.

We will stand close beside our communities, uphold our social mission of operating post offices that co-exist with and support local communities, and pursue customer-oriented business operations.

On December 27, 2019, Japan Post Co., Ltd. received administrative dispositions from the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan, on account of improper solicitation of Japan Post Insurance products. We seriously reflect on our responsibility for this incident and sincerely apologize for the trouble we have caused to our customers and many other stakeholders.

We accept the seriousness of these administrative dispositions, and we have formulated a business improvement plan addressing the structural factors contributing to the improper solicitation, which we submitted to Minister for Internal Affairs and Communications and the Financial Services Agency of Japan on January 31, 2020. In the fiscal year ending March 31, 2021, we will treat the implementation of that plan as the top priority of our business, and our entire management and workforce will unite in efforts to prevent any recurrence of such an incident.

In addition, the social environment surrounding the Company is undergoing

JAPAN POST BANK



IKEDA Norito

Director, President and
Representative Executive Officer
Japan Post Bank Co., Ltd.

We will provide high-quality, customer-oriented financial services, and evolve into a company that creates long-term value.

Throughout the more than 140 years since the establishment of postal savings, Japan Post Bank has been working alongside communities throughout Japan to create history and build trust with the aim of developing both Japanese society and the nation's economy. Even after privatization, we have been working to fulfill our mission under the management philosophy of "the most accessible and trustworthy bank in Japan," guided by the needs and expectations of our customers.

Despite this background, an internal rule violation was discovered in the investment trust sales business. We deeply apologize to our customers and all our stakeholders for the great inconvenience and concern this caused.

As measures to prevent a recurrence, we are working to strengthen the instilling of internal rules through training and other means, improving and upgrading our customer-oriented sales tools, strengthening our compliance and audit systems, and reviewing sales targets. In addition, to continuously implement customer-oriented service improvements, we established the Service Improvement Committee, made up of relevant officers, as a special committee directly under the Executive Committee, with myself as chairperson. To work toward achieving appropriate governance for the Japan Post Group as a whole, we are collaborating with Japan Post Holdings Co., Ltd. to devise ways to strengthen the Group's

JAPAN POST INSURANCE



SENDA Tetsuya

Director and President, CEO,
Representative Executive Officer
Japan Post Insurance Co., Ltd.

We will work to ensure customer-first business operations with top priority on regaining the trust of our customers.

We sincerely apologize to all of our customers and other stakeholders for the substantial concern caused by the inappropriate insurance solicitation for our products.

We have taken seriously the comments and criticisms about sales targets that were not sufficiently achievable or reasonable, insufficient awareness of compliance and customer protection, weak solicitation management systems and a lack of risk sensitivity, and have submitted to the Financial Services Agency a business improvement plan that covers the core concrete measures to prevent improper solicitation. Under that plan, we will work to ensure that such an incident never occurs again.

In terms of the initiatives of our business improvement plan, while it is extremely

rapid change, such as the decline in the amount of mail, persistently ultra-low interest rates, as well as technological innovation and more diverse methods of payment settlements. To respond accurately to these changes, we will strengthen our business foundation and work to achieve sustainable growth.

In the post office business segment, we will firmly execute our business improvement plan, and pursue truly customer-oriented sales activities, while augmenting our staff's financial services expertise by promoting training and certification. In so doing, we will lay the groundwork for our transformation to a comprehensive consulting service that provides products and services tailored to our customers' needs.

In the postal and domestic logistics business segment, the small parcel courier services market is growing with the expansion in e-commerce markets, and by incorporating the latest technologies and improving our services for more user-friendly sending and receiving, we will work to build competitive operations and expand earnings in the parcel sector.

In the international logistics business segment, we will pursue undertakings to improve the business performance at subsidiary Toll Holdings Limited and work to strengthen sales to its customers mainly in Asia.

When it comes to achieving sustainable growth, our foremost

advantage is our 24,000-strong post office network. It is our biggest asset, providing a valuable point of contact with our customers. To enhance the value of this network, we will run unique and versatile post offices suited to the needs of their communities, and we will do so through means including collaboration with other companies and other public entities.

In addition, with the COVID-19 pandemic taking a heavy toll on society, we have engaged in a number of undertakings, handling mails related to special cash payments, delivery of masks to all households nationwide, and handling applications for Temporary Loan Emergency Funds on behalf of the government's Welfare Loan System. Going forward, we will continue to serve as a crucial infrastructure for the livelihood of the people. We will remain mindful of our social mission and continue to exert maximum effort in postal collection and delivery and service counter operations.

We will also work to foster a workplace culture that encourages open communication and we will stand by our communities as a "Total Lifestyle Support" company. We will uphold our social mission of operating post offices that coexist with and support local communities, and pursue customer-oriented business operations. In so doing, we will work to make post offices the pride and preference of our customers and communities once again. It is my humble hope that we may continue to enjoy your gracious support and encouragement.

governance system. Taking responsibility, we the management team intend all the more to continue promoting and implementing customer-oriented business operations.

We will then once again return to the goal stated in our Medium-Term Management Plan—to have more people say "JP Bank, of course"—and provide safe, convenient, and peace of mind products and services. We will humbly strive to restore everyone's trust in us, and would like to ask for your continued support.

In the fiscal year ended March 31, 2020, Japan Post Bank firmly pursued the three key strategies adopted in the Medium-Term Management Plan.

First, to meet the needs of customers for asset formation, we continued to increase the number of asset management consultants and conducted training programs while strengthening consulting sales. In addition, in May 2019 the Bank, Japan Post Holdings, Daiwa Securities Group Inc., and Daiwa Securities Co. Ltd. agreed to consider a new collaboration in the area of asset formation. The Bank also has started mortgage brokerage services provided by Sony Bank Incorporated and Shinsei Bank, Limited to address mortgage needs. Furthermore, we launched services that included "Yucho Pay," a payment settlement service accessible by QR code*; "the Yucho Bankbook App," which allows customers using our general account to check their current balance as well as deposit and withdrawal details at any time using a smartphone; and "Yucho Biz Direct", an internet banking service

geared toward corporate customers. We will strive to provide "new convenience" by utilizing digital technologies and other initiatives.

In terms of asset management, we promoted internationally diversified investments under appropriate risk management to secure stable revenues. Although the market environment had undergone significant change due to the spread of COVID-19 infections, in March 2020, after having confirmed the impact on the Bank, we discussed investment policies and risk management systems and responded appropriately.

We have participated in regional vitalization funds since 2016 and have expanded participation to 28 funds as of the end of March 2020. The Bank intends to continue to circulate important customer funds to regional communities, to further deepen cooperation with regional financial institutions, including in the sharing of ATM networks and back-office work and also contribute to the regions from a range of perspectives.

We will continue to make every effort to live up to the expectations of our stakeholders and generate sustainable economic value and corporate value. I humbly ask for your generous support and patronage.

* QR code is a registered trademark of DENSO WAVE INCORPORATED.

important to prevent improper solicitation by putting the check function to work, we must additionally reform the underlying culture, including employee awareness and our corporate culture, in addition to such function.

I hope to take this moment to go back to the origins of our management philosophy to "Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being." To that end, we will reconsider all aspects of our operations and communication, as well as other elements, and work to reform our corporate culture.

The COVID-19 pandemic is having a significant impact on Japanese society. We would like to extend our deepest sympathies and condolences to those who have been affected by this pandemic.

Japan Post Insurance places the highest priority on a swift response in line with its social mission as an insurance company. In addition to implementing special measures such that include omission of some

necessary documents and other emergency measures, extension of the grace period for premium payments and reduction or exemption of interest rates applicable to policy loans excluding premium loans. We have decided to pay out additional insurance benefits in the event of death due to COVID-19 on top of the death benefit (the "double payment of insurance benefits").

While our top priority is to restore the trust of our customers, we view the fiscal year ending March 31, 2021 as the year in which we will formulate our future revitalization plan and our next Medium-Term Management Plan. We will disclose information and operate transparently with regard to these efforts to enhance essential corporate value.

I would like to ask for your continued encouragement and support for Japan Post Insurance as the entire company works together to rebuild as one.

Efforts to establish competitive operations and expand earnings in the field of parcel delivery



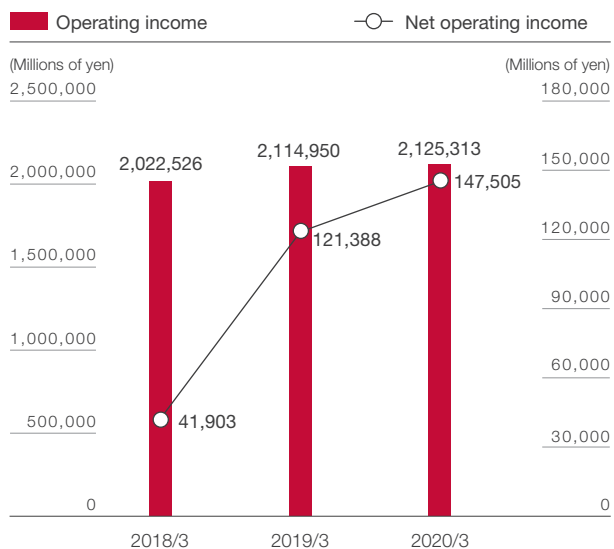
Business Overview

In addition to providing postal services at the fairest possible rates across Japan, Japan Post Co., Ltd. is commissioned by the Japanese government to sell documentary stamps and issues donation-added New Year's postcards. Japan Post provides Yu-Pack, Yu-Mail and other parcel delivery services as well as logistics services from the design, proposal, and formation to operation of an optimal logistics strategy for customers in order to meet diverse customer needs in line with growth in the e-commerce market.

Financial Results for the Fiscal Year Ended March 31, 2020

In the postal and domestic logistics business for the fiscal year ended March 31, 2020, ordinary income amounted to ¥2,128,187 million (up ¥8,854 million year-on-year) and net ordinary income amounted to ¥149,185 million (up ¥24,728 million year-on-year). In addition, operating income amounted to ¥2,125,313 million (up ¥10,362 million year-on-year) and net operating income amounted to ¥147,505 million (up ¥26,116 million year-on-year) in the postal and domestic logistics business of Japan Post for the fiscal year ended March 31, 2020. The increases were partly due to a rise in income in the parcel field, particularly Yu-Packet, as well as other factors such as the effects of nationwide local elections and the House of Councilors elections, and a temporary rise in the volume of mail sent, related to the increase in consumption tax on premium gift certificates, etc.

Operating income / Net operating income



Strengths, challenges, and future policy in the postal and domestic logistics business

Strengths

- Transport network with nationwide coverage capable to deliver to 31 million locations daily
- Efficient delivery of small parcels through the use of motorcycles
- Consistently providing high-quality delivery service to our customers

Challenges

- Continued decline in the volume of mail due primarily to proliferation of the Internet
- Increase in parcel re-delivery, difficulty in securing labor and rising labor unit costs, etc.
- Escalating competition in the parcel delivery sector, such as major online retailers expanding their own logistics

Future policy

- Grow earnings in the parcel business
- Establish competitive operations systems
- Leverage cutting-edge technologies to enhance productivity and future convenience
- Optimize business operations

Forthcoming undertakings

▶ Establish competitive operations systems

With the proliferation of the Internet and the resulting decline in mail, expansion in the e-commerce market has revealed a growing market for small parcel delivery. To adapt to this environment, we will intensify our efforts to control costs by appropriately allocating staff commensurate with handling volume. We will also revise our operations systems and ultimately optimize and streamline duties.

In addition, in the longer-term view, we will undertake deeper studies for digital transformation, dramatically streamline operations, and aim to provide high-value-added, high-quality, and highly efficient delivery service to prevail over the escalating competition in the parcel business. Specific measures will be to streamline the process of delivery operations include taking recipient data obtained when parcels are picked up and our delivery ledger data, and use AI engines for automatic routing of optimal delivery routes.

▶ Expand revenue in the parcel business

Double-income and single-person households are on the rise, and these lifestyle changes have led to an increase in re-deliveries. In response, we will continue to provide highly user-friendly sending and receiving delivery services through measures such as proliferation and expansion of our service of leaving parcels in designated areas and expansion of our e-Receiving Assistance service.

We will also expand logistics solutions in response to high volumes of parcel handling. We will enhance solutions-based sales operations to answer our customers' needs and issues, and we will also fortify our foundation by building more sales warehouses and other facilities.

▶ Use of cutting-edge technologies to enhance productivity and future convenience

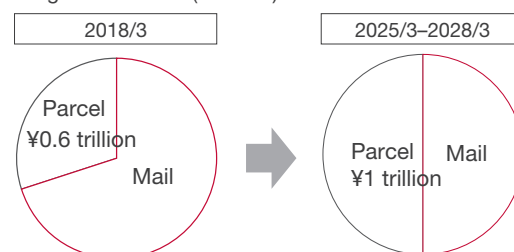
We will put telematics and AI to practical use to streamline delivery operations, such as revision of delivery zones and routes as well as parcel routing.

We will also implement testing and trial runs of cutting-edge technology such as robotics, drones, and delivery robots for practical application in the future.

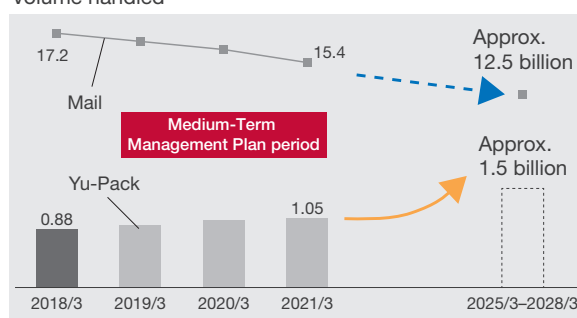
▶ Optimize business operations

We will firmly implement undertakings such as revising the flow of operations, and put an optimal business operations framework in place to prevent the reoccurrence of incidents that erode customer trust, such as abandonment and concealment of mail or improper handling of revenue stamps.

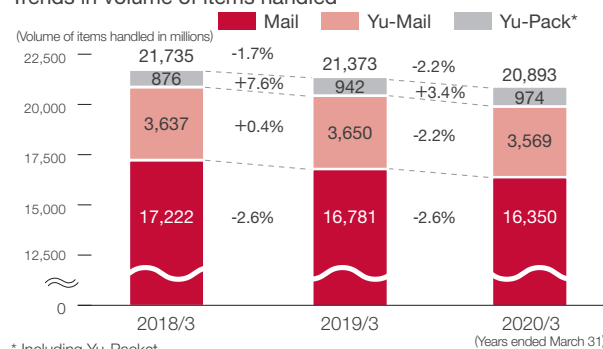
Image of business (revenue) ratio *



Volume handled*



Trends in volume of items handled



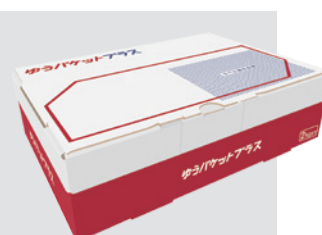
* Including Yu-Packet

Topic

Implementing "customer-oriented services"

Services to make sending and receiving Yu-Pack mail more convenient

We have so far implemented services to make receiving Yu-Pack mail convenient, such as enhanced delivery plan notifications using LINE or email. In addition, in the fiscal year ended March 31, 2020, we launched services to make sending Yu-Pack mail more convenient, such as "Yu-Packet Plus," a new delivery service for the Mercari flea market app, and "Smari Box," a service at Lawson convenience stores that enables customers to send items sold over flea market apps without using the checkout counter.



* The graph for 2025/3-2028/3 represents the targets and policies as of May 15, 2018, when Medium-Term Management Plan 2020 was announced.

Post Office Business Segment

We focus on regaining customer trust to ensure that we conduct customer-oriented business operations.



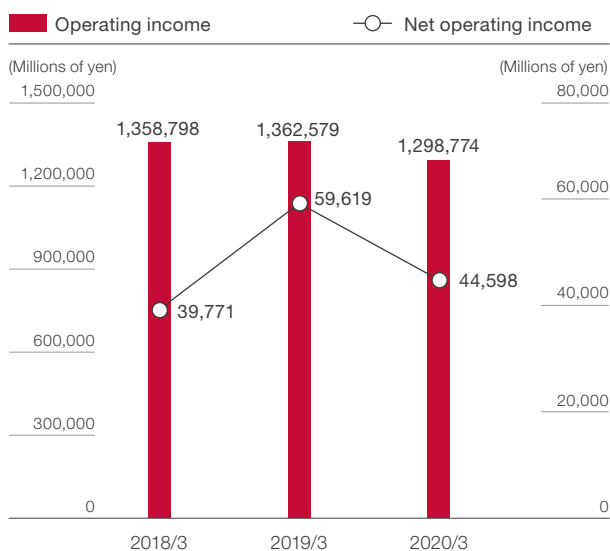
Business Overview

In the post office business, in addition to counter operations related to postal and logistics business, we provide banking counter operations commissioned from Japan Post Bank Co., Ltd. and insurance counter operations commissioned from Japan Post Insurance Co., Ltd. as well as merchandise business, real estate business, and affiliated financial services at post offices nationwide, which serve as sales hubs for providing services to customers.

Financial Results for the Fiscal Year Ended March 31, 2020

In the post office business for the fiscal year ended March 31, 2020, insurance commissions fell due to refraining from sales proposal activities of Japan Post Insurance products and partial suspension of operations in line with the administrative dispositions, and income declined in the merchandising business due to the contraction of certain businesses. As a result, ordinary income amounted to ¥1,298,930 million (down ¥63,827 million year-on-year) and net ordinary income amounted to ¥45,086 million (down ¥14,753 million year-on-year). In addition, operating income amounted to ¥1,298,774 million (down ¥63,805 million year-on-year) and net operating income amounted to ¥44,598 million (down ¥15,020 million year-on-year) in the post office business of Japan Post for the fiscal year ended March 31, 2020.

Operating income / Net operating income



Strengths, challenges, and future policy in the post office business

Strengths	<ul style="list-style-type: none"> A post office network of over 24,000 locations throughout Japan Provision of diverse products and services inside and outside the Group
Challenges	<ul style="list-style-type: none"> Regain the trust of our customers regarding the issue of solicitation quality of Japan Post Insurance products Decrease in handling volume due to population decline and the switch to digital channels Enhance the value of our post office network
Future policy	<ul style="list-style-type: none"> Firmly execute our business improvement plan to regain the trust of our customers Provide comprehensive consulting services to meet the diverse needs of our customers Operate unique and diverse post offices in accordance with regional needs

Forthcoming undertakings

► Firmly execute our business improvement plan to regain the trust of our customers

On January 31, 2020, we placed top priority on executing the business improvement plan we submitted to the Minister of Internal Affairs and Communications and the Financial Services Agency. All our officers and employees will unite to ensure that such an incident never happens again.

We will undertake initiatives to eliminate customer disadvantage in collaboration with Group companies, and work to regain our customers' trust.

► Provide comprehensive consulting services to meet the diverse needs of our customers

We will firmly implement measures to regain our customers' trust and pursue truly customer-oriented sales activities.

What's more, as part of our undertakings for sustainable growth, we will assemble a framework for providing comprehensive consulting services to recommend post office products and services in sync with the needs of our customers. Specifically, we will upgrade our groundwork by strengthening human resources cultivation through training tailored to knowledge and skill levels as well as specialized training for managers, in addition to which we will augment our knowledge of financial services by implementing systems for obtaining official certifications.

► Operate unique and diverse post offices in accordance with regional needs

We will elevate the value of our post office network by rolling out services in collaboration with other companies and other public entities, opening financial consulting-type branches, expanding measures to promote regional vitalization, and otherwise running diversified post offices tailored to community needs.

In addition, we will continue to provide our Watch Over Service to provide enhanced convenience for local customers and contribute to safe and secure living.



Post office within The Outlets Hiroshima



Saidaiji Tomisaki Post Office

Topic

Implementing customer-oriented services

Regional public entities' administrative services handled at post offices

To provide more convenience to our community customers, 3,968 of our post offices nationwide issue official public documents and sell trash disposal tickets on behalf of local governments. In addition, two of our post offices have been commissioned to handle overall services including national pension-related services (as of March 31, 2020).

Through these undertakings, we will deepen our collaboration with local governments, maintain and upgrade our post office network, and strive to do more to help the customers in our communities.



泰皇村
行政事務取扱局

This post office handles administrative services for the Village of Yasuoka. The Onda Post Office in Yasuoka Village, Nagano Prefecture, is the first post office in Japan to handle comprehensive administrative services on behalf of the local government.

International Logistics Business Segment

We will work to improve the business performance of Toll Holdings Limited and will provide one-stop solutions through comprehensive logistics business domestically and internationally, by implementing Toll Holdings' growth strategy and expanding domestic contract logistics through JP Toll Logistics Co., Ltd.



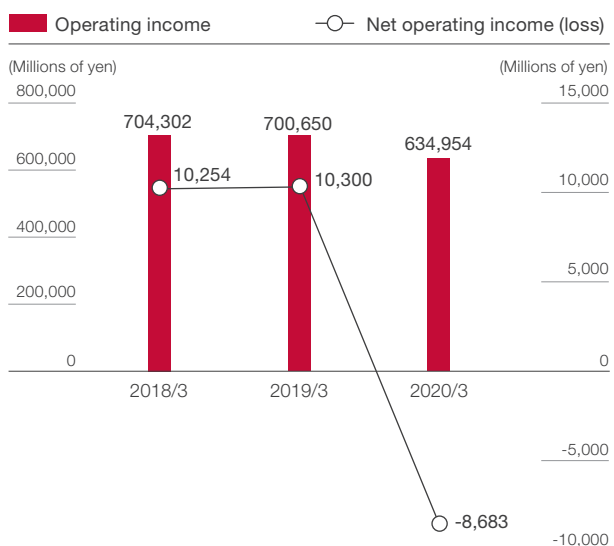
Business Overview

Toll Holdings and the companies under its umbrella provide road, rail, ship, and air transportation services in Australia and New Zealand; a full line of international freight forwarding services, chiefly to exports from Asia; and other logistics services to sectors of natural resources industry and governmental operations as a 3PL provider in the Asia-Pacific region including transport and warehousing services.

Financial Results for the Fiscal Year Ended March 31, 2020

In the international logistics business, fixed costs such as personnel expenses weighed on results, in addition to the effects of the foreign exchange rate, and ordinary income amounted to ¥635,194 million (down ¥66,062 million year-on-year), net ordinary loss amounted to ¥21,447 million (net ordinary income of ¥5,094 million in the previous fiscal year), operating income in the international logistics business of Japan Post Co., Ltd. amounted to ¥634,954 million (down ¥65,695 million year-on-year) and net operating loss (EBIT) in the international logistics business of Japan Post amounted to ¥8,683 million (net operating income of ¥10,300 million in the previous fiscal year) for the fiscal year ended March 31, 2020.

Operating income / Net operating income (loss)



Strengths, challenges, and future policy in the international logistics business

Strengths	<ul style="list-style-type: none"> International logistics hubs in approximately 50 countries “Toll City” that features cutting-edge logistics technologies, such as precision temperature control and smart logistics control systems and cargo vessels, and other equipment
Challenges	<ul style="list-style-type: none"> Toll Holdings' growth strategy Toll Holdings' business performance improvement Exercise of the synergy between Japan Post and Toll Holdings
Future policy	<ul style="list-style-type: none"> Carry out Toll Holdings' growth strategy Thoroughly implement efforts to improve the business performance of Toll Holdings Strengthen the synergy between Japan Post and Toll Holdings, and expansion of revenue

Forthcoming undertakings

▶ Toll Holdings' growth strategy

Toll Holdings aims to establish solid market positions by focusing on the industries where it has an edge, namely retail, energy, and industrials. In addition to deployment in Toll Holdings' home regions of Australia and Singapore, Toll Holdings will allocate more sales staff and take other measures to strengthen sales in growing Asian markets. Furthermore, as part of the synergies with Japan Post, Toll Holdings will undertake sales pitches to Japanese companies by utilizing Toll Holdings' Japan Desk (its Japanese corporate sales team).



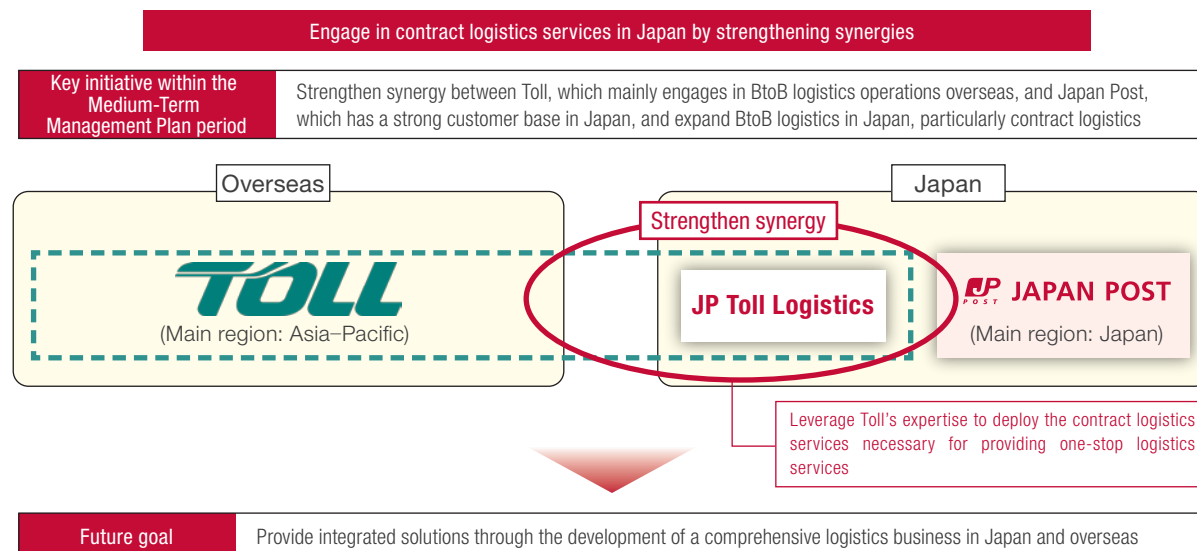
The logistics facilities in Singapore's "Toll City"

▶ Thoroughly implement efforts to improve the business performance of Toll Holdings

Under the new management that took charge in January 2020, Toll Holdings will implement rigorous measures to improve its business performance, such as slimming down its organization and frameworks, reducing payroll and other costs, liquidating unprofitable businesses and selling non-core assets, and streamlining by consolidating sites in the Express business.

▶ Strengthen synergy between Japan Post and Toll Holdings and expand revenue

We will work to provide seamless solutions by enhancing the synergy between Toll Holdings which offers BtoB logistics services overseas and Japan Post Co., Ltd. which has a strong customer base in Japan and by rolling out BtoB logistics services, especially contract logistics services. Specifically, we will provide one-stop logistics services by offering contract logistics services through JP Toll Logistics Co., Ltd., which was founded on October 1, 2018, with Toll's know-how.



Banking Business Segment

Japan Post Bank Co.,Ltd. seeks to enhance corporate value by promoting the provision of high-quality, customer-oriented financial services, diversification and sophistication of investment management, and funds flow to regional communities.



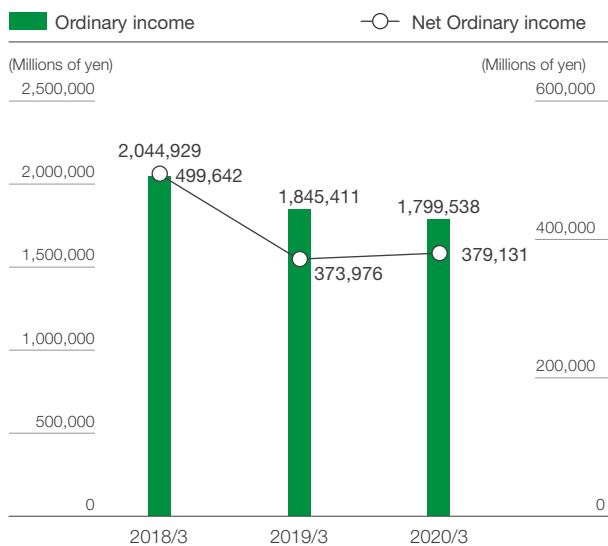
Business Overview

Under the Banking Act, Japan Post Bank and its subsidiaries engage in the deposits, securities investment, remittances, and credit card businesses as well as counter sales of Japanese Government Bonds (JGBs), investment trusts, and insurance products.

Financial Results for the Fiscal Year Ended March 31, 2020

In the banking business for the fiscal year ended March 31, 2020, the deposits balance of Japan Post Bank as of March 31, 2020 totaled ¥183,004,733 million (up ¥2,005,599 million year-on-year). In an extremely adverse business environment, from factors such as the continuation of a low interest rate environment and deterioration of the market environment due to the spread of COVID-19, ordinary income amounted to ¥1,799,538 million (down ¥45,872 million year-on-year), while net ordinary income was ¥379,131 million (up ¥5,155 million year-on-year).

Ordinary income / Net Ordinary income



Note: The graphs show ordinary income and net ordinary income of the banking business segment of the Japan Post Group.

Strengths, challenges, and future policy in the banking business

Strengths	<ul style="list-style-type: none"> • High recognition, branding power, and creditworthiness • Sense of security and trust from individual customers • Largest customer base nationwide among other Japanese banks
Challenges	<ul style="list-style-type: none"> • Diversification of and changes in customer needs • Declining net interest income affected by persistent ultra-low yen interest rates
Future policy	<ul style="list-style-type: none"> • Provision of high-quality, customer-oriented financial services • Diversification and sophistication of investment management • Funds flow to regional communities, and others

Forthcoming undertakings

► Provision of high-quality, customer-oriented financial services

In order to meet the needs of customers and help them build their assets, we have worked to upgrade our consulting services according to the life plans of customers.

Specifically, we focused on human resource development by continuing to increase the number of financial consultants and enhancing guidance, training, and support for activities of financial consultants. In addition, the Bank, Japan Post Holdings, Daiwa Securities Group, and Daiwa Securities reached an agreement in May 2019 to consider a new collaboration in the area of asset formation to support medium- to long-term asset formation that meets the lifestyle needs of individual customers.

We will continue to work to provide peace of mind to meet the needs of each and every one of our customers.

► Diversification and sophistication of investment management

Amid persistent low yen interest rates and increasing uncertainty about the global economy, we promoted internationally diversified investments based on appropriate risk management in order to ensure stable profits. In addition to accumulating risk assets centered on foreign securities while considering the credit quality, we also selectively made investments in private equity funds (funds that invest in unlisted companies, etc., with anticipation for growth) and real estate funds, which are designated as a strategic investment area in consideration of changes in the market environment. Our balance of risk assets, which had stood at ¥81.9 trillion as of March 31, 2019, increased to ¥84.8 trillion as of March 31, 2020. This included a balance of strategic investments of ¥3.3 trillion.

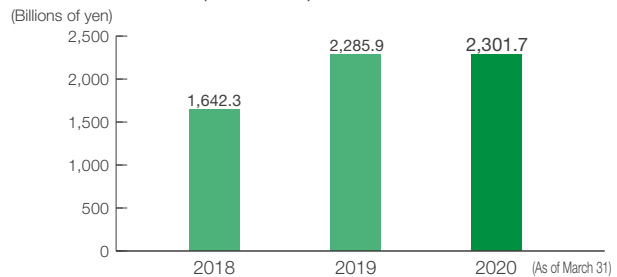
Going forward, we will configure an investment framework from a long-term perspective and work to secure sustainable profits.

► Funds flow to regional communities, and others

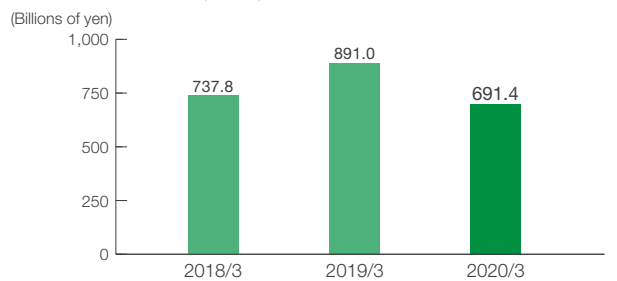
In line with our efforts to direct the important funds of our customers to regional communities, we have been working with regional financial institutions since the fiscal year ended March 31, 2017, to actively promote participation in regional vitalization funds. In the fiscal year ended March 31, 2020, we invested in 10 funds aimed at supporting business succession, entrepreneurship, and growth, and as of March 31, 2020 we participate in 28 such funds. We will also look into providing financial support to companies throughout Japan affected by the COVID-19 pandemic.

We will reinforce our collaboration with regional financial institutions by encouraging the use of our ATM network and by sharing administrative work with regional financial institutions.

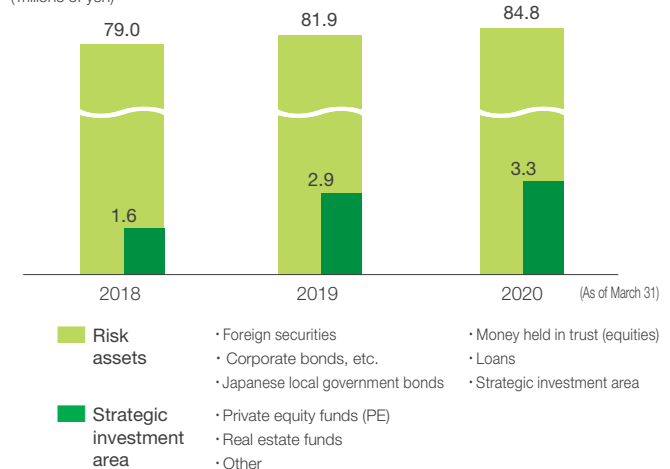
Investment trusts (Net assets)



Investment trusts (Sales)



(Trillions of yen)



Topic

Implementing customer-oriented services

Improving business efficiency through the use of artificial intelligence (AI)

In October 2020, we will begin phasing in an AI system at our call centers as a means of improving the efficiency and quality of telephone consultations. Moreover, we will analyze customer voices for use in improving our products, services, and business procedures.

Our Administration Service Centers (an organization that responds to business inquiries from directly operated branches and post offices, and that provides business and marketing support related to post offices), are in charge of supporting post offices and will also leverage AI and other digital technologies going forward to improve operational efficiency.

JAPAN POST INSURANCE Life Insurance Business Segment

Basing on “reliability” and “trustworthiness,” Japan Post Insurance Co., Ltd. endeavors to enhance corporate value by pursuing customer-first business operations, achieving sustainable growth, and maintaining sound business operations.



Business Overview

Licensed and approved under the Insurance Business Act, Japan Post Insurance engages in the underwriting of life insurance and asset management business, including securities investment and loans.

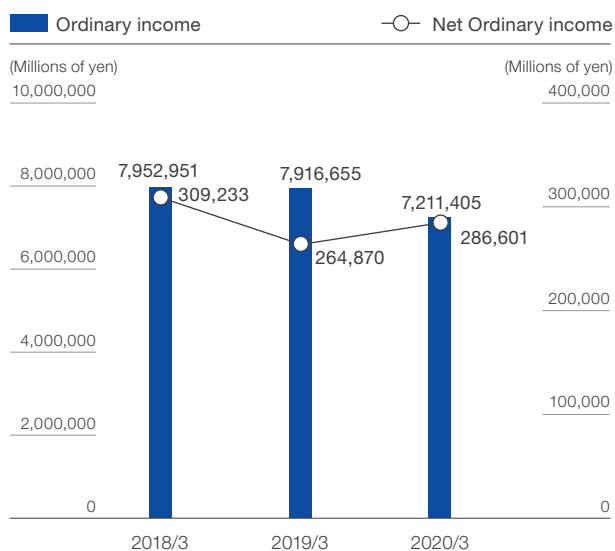
In addition to our own products, directly managed Japan Post Insurance offices also handle other life insurance companies’ products on commission, largely to corporate customers. We have also entered into an operations consignment agreement with Japan Post Co., Ltd. to solicit our insurance products through its post offices.

Financial Results for the Fiscal Year Ended March 31, 2020

In the life insurance business for the fiscal year ended March 31, 2020, despite a decrease in the number of policies in force and an increase in expenses due to the policy investigation, operating expenses for sales and underwriting decreased as a result of decreased new policies sales, while a positive spread in investments increased. Ordinary income amounted to ¥7,211,405 million (down ¥705,250 million year-on-year), while net ordinary income amounted to ¥286,601 million (up ¥21,731 million year-on-year).

Note: We recognize that the increase in net ordinary income was not the result of favorable progress in our initial management plan, but rather a temporary upswing in profits, which has been materially impacted by the decrease in expenses for sales and underwriting as a result of refraining from sales activities and other factors.

Ordinary income / Net Ordinary income



Notes: The graphs show ordinary income and net ordinary income of the life insurance business segment of the Japan Post Group.

Strengths, challenges, and future policy in the life insurance business

Strengths	<ul style="list-style-type: none"> Extremely large customer base Procedures available at post offices nationwide Products with easy procedures and smaller coverage amounts
Challenges	<ul style="list-style-type: none"> Establish an appropriate sales promotion scheme Create a healthy corporate culture Establish an appropriate solicitation quality control scheme Drastically strengthen governance
Future policy	<ul style="list-style-type: none"> Fulfill our social mission and functions as a life insurance company Regain the trust of customers Ensure customer-first business operations Improve corporate value

Forthcoming undertakings

► Initiatives to support customers during this emergency

The COVID-19 pandemic has been a dominant issue worldwide. Given this state of emergency, we will continue to fulfill our social mission and functions as a life insurance company.

In order to fulfill our social mission and functions, with due consideration for the safety and health of our employees, we will secure sound management to carry out our important tasks that need to be continued, such as investigations of insurance policies, premium payments, and appropriate asset management.

Initiatives to support customers	<ul style="list-style-type: none"> • Payment of additional insurance benefits in the event of death due to COVID-19 on top of the death benefit (the “double payment of insurance benefits”) • Reducing or exempting interest rates applicable to policy loans excluding premium loans <p style="text-align: right;">Etc.</p>
Initiatives to fulfill our social mission and functions	<ul style="list-style-type: none"> • Carrying out investigations of insurance policies to confirm policy coverage and compensate customers for disadvantage experienced such as policy reinstatement • Proper and reliable premium payments to customers, notably those affected by COVID-19 <p style="text-align: right;">Etc.</p>

► Steady execution of policy investigations and follow-up activities

Continuing from the fiscal year ended March 31, 2020, the Japan Post Group will unite to conduct rigorous policy investigations to regain customers’ trust, with further focus on collaboration with Japan Post Co., Ltd.

In addition, we will couple these efforts with follow-up activities such as home visits to regain customer’ trust and to confirm policy coverage. We will also smoothly transition these initiatives into continuing measures, and make them the foundation of our recovery of customer’ trust.

► Implementation and instilling of improvement measures based on the business improvement plan

We will firmly implement a series of improvement measures based on the business improvement plan, and carry out rigorous PDCA cycles so as to ascertain and enhance our verification of the progress of improvement.

Through these initiatives, we will implement customer-first business operations to thoroughly eradicate solicitation quality issues, and restructure our business base to improve corporate value.

► Restructuring of business base and improvement of corporate value

Naturally, we will place top priority on regaining the trust of customers and other stakeholders as quickly as possible and allocate all necessary resources to that end, but we will also take all possible measures to improve our corporate value.

(Asset management / ERM / business efficiency / business model reconfiguration / human resources development & workstyle reform / and countermeasures against money laundering and crime)

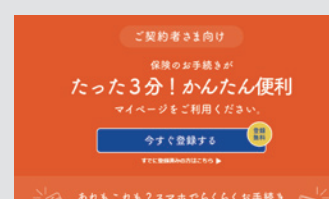
In addition, in light of the increasing use of non-face-to-face services, we intend to make further use of digital technologies to improve the environment in which our insurance services including various claim procedures can be provided without any restrictions on time or location place.

Topic Implementation of customer-first service

Simple, easy-to-understand claim procedures, anywhere, anytime

To further enhance customer convenience, we introduced the My Page web service in April 2019 that enables policyholders to confirm policy coverage, change their address and/or phone number, and issue Certificate of Premium Payment, from a familiar environment such as a home PC or smartphone without restrictions on time or location.

In addition to expanding the claim procedures available on My Page, we will continue to diversify the various claim procedure methods through the use of digital technology and promote services that aim to offer “simple, easy-to-understand claim procedures, anywhere, anytime.”



Other Business Segment

Hospital Business

Japan Post Holdings Co., Ltd. operates three Teishin Hospitals in Japan. Teishin Hospitals are open for not only Group employees and their families but also for use by any member of the public. They contribute to the health of community residents by providing healthcare services and medical checkups.

Teishin Hospitals regularly post useful information about medicine and health on their websites, as well as hold public courses and seminars on diseases for community residents. In medical checkups as well, Teishin Hospitals leverage the benefits of onsite hospital checkups to implement early detection and early treatment.



Tokyo Teishin Hospital



Kyoto Teishin Hospital



Hiroshima Teishin Hospital

Hotel Business

Japan Post Holdings Co., Ltd. owns 35 Kanpo no Yado inns (including two that are temporarily closed) and other facilities across Japan. Open to all guests, Kanpo no Yado are traditional Japanese-style inns that are generally located in tourist destinations and feature natural hot springs and serve fine local cuisine. We also operate Rafre Saitama, which is a modern hotel located near Saitama Shintoshin Station; and Kanpo no Sato Shobara located in the great outdoors where guests can enjoy tennis and other sports. In addition, we also operate U-Port Recreation Center in Setagayaku, Tokyo, featuring tennis courts, a heated indoor swimming pool, and other sports facilities.

We are taking measures to make our guests' stays at Kanpo no Yado inns even more comfortable, such as by installing Wi-Fi at all locations, offering interpretation devices for foreign tourists, and renovating guest rooms to make them even more attractive. We are also working to streamline operations by revising duties to cut costs.



Kanpo no Yado inn Atami (Main Building)



Rafre Saitama

Support for the Olympic and Paralympic Games Tokyo 2020

We contribute to excitement across Japan by transmitting the enthusiasm for the Tokyo 2020.



東京2020オフィシャルパートナー(郵便)

Japan Post Co., Ltd. is an official partner (postal services) of the Olympic and Paralympic Games Tokyo 2020.

Support for the Tokyo 2020 Olympic Torch Relay

As a supporting partner, we are contributing to the excitement of the torch relay through our postal business, utilizing our nationwide network of post offices.



Torches for the Tokyo 2020 Olympic Torch Relay are now on display at post offices and other locations.

Sponsorship of the competition

JAPAN POST HOLDINGS

Supporting the 3x3 Basketball Japan National Team



We are promoting 3x3 basketball all over Japan under the slogan "We're here for you, so we can do it."

JAPAN POST HOLDINGS

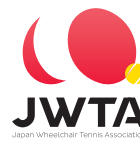
Supporting the Japan GoalBall Association



By proactively supporting the work done by the Japan Goalball Association, we contribute to the proliferation and growth of physically challenged persons' athletics.

JAPAN POST INSURANCE

Supporting the Japan Wheelchair Tennis Association



As the top partner of the Japan Wheelchair Tennis Association, we support the popularization and development of wheelchair tennis and work to build a diverse society.

Activities of the Women's Athletics Team

The Japan Post Group Women's Athletics Team was founded in April 2014 because the road relay races (ekiden), in which runners are connected by a sash, are very much like how our postal services connect people by mail, and employees feel a sense of unity when supporting the athletes.

The athletes belong to Japan Post Group companies. The Japan Post Women's Athletics Team has competed in the All Japan Industrial Teams Women's Ekiden (nicknamed "Queens' Ekiden" in Miyagi) for five years straight since 2015. The team took first place for the first time in 2016 (the 36th annual championship) and three years later, in 2019, it won first place for a second time.

Team member SUZUKI Ayuko also competed in the September 2019 Marathon Grand Championship (MGC), which was held as the 2020 Olympic Japan national team selection tournament. She placed second and was tentatively selected to represent Japan in the 2020 Olympics women's marathon.

Major results in fiscal year ended March 31, 2020

Activity / Competition	Result	Athlete	Record
39th All Japan Industrial Teams Women's Ekiden (Queens' Ekiden in Miyagi)	1st	Leg 1: HIRONAKA Ririka* Leg 2: SUGATA Miyaka** Leg 3: SUZUKI Ayuko** Leg 4: TAKAHASHI Asuka Leg 5: OHNISHI Hikari Leg 6: UTSUNOMIYA Eri	2:15:10
Marathon Grand Championship (MGC)	2nd	SUZUKI Ayuko	2:29:02
103rd Japan National Championships Women's 10000m	1st	NABESHIMA Rina	31:44:02
	2nd	SUZUKI Ayuko	31:46:25
103rd Japan National Championships Women's 5000m	2nd	NABESHIMA Rina	15:23:46
	3rd	HIRONAKA Ririka	15:26:58
Japan Industrial Track & Field Association Women's Long Distance Trials Women's 5000m	1st (First place team)	HIRONAKA Ririka	15:05:40***



Japan National Championships (HIRONAKA Ririka (left), NABESHIMA Rina (right))



"Queens' Ekiden" (team members and Coach TAKAHASHI Masahiko)

* Most valuable player & stage prize, new stage record (21 minutes, 32 seconds)

** MIR (Most Impression Runner) prize

*** 5th best time ever in Japan, new U20 record in Japan, faster record for Tokyo Olympics participation standard

Toward the Realization of a Sustainable Society

Japan Post Group's Sustainability Management

The trend of prioritizing the correlation between economic activities and sustainability is growing in prominence around the world and continues to gather momentum, evidenced in particular by adoption of the United Nations Sustainable Development Goals (SDGs) in September 2015, adoption of the Paris Agreement at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), and establishment of the Task Force on Climate-related Financial Disclosures (TCFD) by the Financial Stability Board (FSB) in December 2015.

Based on this trend in the global community, the Japan Post Group will further promote management from the social perspective that we have taken since our foundation in 1871.

Through our nationwide network of 24,000 post offices, we will steadily fulfill our role in social infrastructure through the stable provision of postal, banking and insurance services that support the foundations of our lives to all regions without exception. We will also face up to the changing challenges and needs of the times and create and share value through products and services that resolve these issues. This is the philosophy of the Japan Post Group's sustainability management.

■ Sustainable Development Goals (SDGs)



■ Japan Post Group's SDGs Book

Our SDGs Book provides details on the relationship between the Japan Post Group and the sustainability of society, the importance of working to realize the SDGs through our Group's business activities, and case examples of our actions.







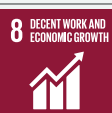



For details, we refer you to our website
[\(https://www.japanpost.jp/csr/sdgs/\)](https://www.japanpost.jp/csr/sdgs/)

Realization of the SDGs

The SDGs are a collection of global goals adopted by the United Nations in September 2015 to bring an end to poverty and give the world a sustainable future. The 17 goals are defined in a list of 169 targets aimed at resolving global challenges by 2030.

The Japan Post Group has selected CSR Priority Issues (Materiality) in the three fields of local communities, the earth, and people and the key themes of the Japan Post Group CSR Basic Policy, and is undertaking activities that are linked to each of the SDGs. In order to ensure harmony between our management strategy and our SDGs-related activities, we implement the “provision of universal services” and “fair business practices” as part of Medium-Term Management Plan 2020 announced in May 2018. We also incorporate the SDGs into the framework of our management strategy and through our Group-wide business activities aim to contribute to the achievement of the SDGs and become a company trusted by society.

Priority Issue	Future vision	Measures	Fiscal year ending March 31, 2021 targets
① Provision of Universal Services	 <p>Provide products and services necessary for every stage of life based on a post office network that is essential to the infrastructure of society and prioritizes the livelihood of customers</p>	Maintenance of post office network and provision of universal services	Provision of universal services through a seamless post office network
(Together with Local Communities) ② Promoting Healthy Living ③ Nurturing the Next Generations ④ Development with Local Communities	   <p>Create a secure and prosperous society where everyone can live a safe and healthy life, and a sustainable society that will lead us into the future</p>	<ul style="list-style-type: none"> Expansion of Watch Over Service Promotion of Radio Exercise Promotion of Kampo Platinum Life Service Promotion of letter-writing Financial education (on-site lessons at elementary and other schools, and Japan Post Bank Piggy Bank Design Contest for Children) Partnerships with local municipal organizations 	Continued promotion of Watch Over Service and other services
(Together with the Earth) ⑤ Reducing Greenhouse Gas Emissions ⑥ Effective Use of Resources and Reduction of Waste	  <p>Actively contribute to society through corporate activities that take into consideration climate change and global warming</p>	<ul style="list-style-type: none"> Regeneration of regional communities through the development of green areas Support for environmental conservation activities through expanded use of non-passbook general accounts Implementation of donations based on online provision of contract guidelines and policy conditions 	Reduction of CO ₂ emissions by 120,000 tons (11.4%) compared with the fiscal year ended March 31, 2017
(Together with People) ⑦ Development of Human Resources ⑧ Workstyle Reform	 <p>Create an environment where each and every employee is motivated to actively demonstrate their full capabilities</p>	<ul style="list-style-type: none"> Training in accordance with career paths (training by level, frontline leader training, etc.) Group joint training (for transferees, newly appointed executives, etc.) Promotion of active participation of female employees (promotion to higher positions including management, etc.) Promotion of employment of people with disabilities Acceleration of understanding of gender diversity (LGBT) Promotion of child and family care leave Workstyle reform (reduction of working hours, etc.) Promotion of employee physical and mental health maintenance and improvement 	<ul style="list-style-type: none"> Target percentage of women in management Japan Post Co., Ltd.: 10% or more Japan Post Bank Co., Ltd.: 14% or more Japan Post Insurance Co., Ltd.: 14% or more Japan Post Holdings Co., Ltd.: 11% or more Employment rate of persons with disabilities: achieve and maintain 2.5% of the Group target
⑨ Fair Business Practices	 <p>Require transparent management, comply with regulations, and contribute to the development of society and the local community</p>	<ul style="list-style-type: none"> Thorough Group-wide compliance Elimination of relationships with antisocial forces 	<ul style="list-style-type: none"> Zero internal criminal activity Continued elimination of relationships with antisocial forces

Initiatives through Business Activities

Japan Post Group CSR Basic Policy

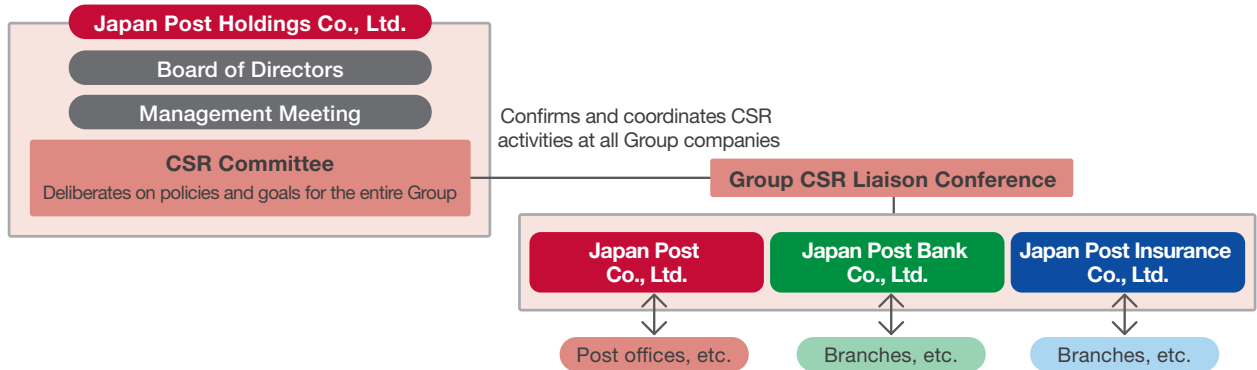
The Japan Post Group will achieve sustainable growth as a company and contribute to the creation of a sustainable society and future with the aim of being a “Total Lifestyle Support Group” that is of service to customers and local communities.

We will contribute to realizing a safe, secure, and prosperous society by maintaining fair, transparent, and sound management, while also faithfully fulfilling our role as a key infrastructure of local communities through our post office network and employees.

We will work as a group to address each of the following issues through all of our business activities, beginning with universal services in our postal, banking, and insurance businesses.



Promotional Approach to CSR



Response to ESG Challenges

The Japan Post Group, recognizing the importance of management that takes into account environmental, social and governance (ESG) issues from a long-term perspective in order to ensure sustainable growth and create corporate value over the medium and long term, established the ESG Office within the Corporate Planning Department at Japan Post Holdings in April 2019.

Together with Local Communities



We shall strive for sustainable coexistence with local communities by understanding their issues and demands and communicating with stakeholders to provide the best services.

Participating in Regional Vitalization Funds



Impact on society

Vitalization of local economy and alliances with regional financial institutions

Japan Post Bank Co., Ltd. has actively encouraged participation in regional vitalization funds since fiscal 2016 to cycle important customer capital throughout all of Japan by way of alliances with regional financial institutions. (See pages 35 and 51.)

Supporting Healthy and Fulfilling Lifestyles



Impact on society

Promotion of health among customers, etc.

Popularization and promotion of Radio Exercise

To help improve people's health throughout Japan, Japan Post Insurance Co., Ltd. is working to popularize and promote Radio Exercise in cooperation with NHK (Japan Broadcasting Corporation) and the NPO Japan Radio-Taiso Federation.

● Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")

As one of our major Radio Exercise events, Japan Post Insurance holds the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* every year, aiming to get 10 million people around the country to participate together in Radio Exercise through TV and radio channels.

● Radio Exercise and *Minna no Taiso* Tour

Japan Post Insurance conducts an annual Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Summer Tour during the 43-day school summer vacation period from July 20 to August 31, visiting venues around Japan (including the day for the Festival of 10 Million People's Radio Exercise and *Minna no Taiso* ("Exercise for Everyone")).

In addition, Japan Post Insurance runs a Radio Exercise and *Minna no Taiso* ("Exercise for Everyone") Special Tour every year from April to the end of October, stopping at venues across the country mainly on Sundays and public holidays.

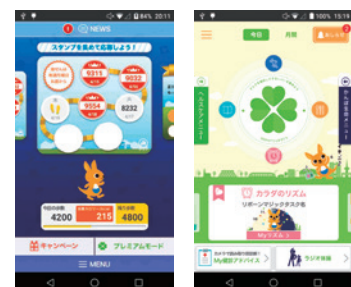


58th Festival of 10 Million People's Radio Exercise and *Minna no Taiso* (Held in Setagaya Ward, Tokyo, on July 28, 2019)

Provision of the *Sukoyakanpo* health support app

In line with the advent of a super-aging society, the role expected of the life insurance business is shifting from the provision of conventional services, that is, insurance payment in cases such as hospitalization due to illness or injury, to the provision of services for prevention of illness and injury, and for promoting and maintaining health.

To fulfill such a role, Japan Post Insurance is vigorously supporting healthy and affluent lifestyles, and as a measure for such support, it has launched the *Sukoyakanpo* health support app that helps people pursue health with ease. The app is available free of charge, and it features the Standard menu for everyone from January 2019, and the Premium menu mainly for policyholders from April 2019.



Together with Local Communities

Toward a Society in Which the Elderly Can Live with Peace of Mind



Impact on society

Creation of a society in which the elderly can live with peace of mind

The Post Office Watch Over Service

Japan Post Co., Ltd. values the connection between local communities and post offices, and with the aim of growing together, provides the Watch Over Service at 20,000 post offices nationwide.

Impact on society

Initiatives to provide services that the elderly can use with peace of mind

Kampo Platinum Life Service

Japan Post Insurance Co., Ltd. is conducting a companywide initiative called “Kampo Platinum Life Service” to win the favor of its growing number of elderly customers by offering age-friendly services based on a sense of security and trust that has been enabled by improving contacts with all customers from the perspective of our elderly customers.



Free training sessions for the elderly (on tablets, etc.)



Encouraging employees to acquire qualifications
E.g.: Carefitter training

Initiatives to Increase Logistics Efficiency Using Next-Generation Mobility



Impact on society

Vitalization of the local economy, contribution to innovation and alleviation of labor shortage

Trial of last mile delivery by delivery robots and drones

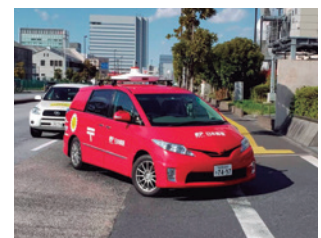
In light of a labor shortage, Japan Post is undertaking initiatives that use new technology such as drones, delivery robots, and automated driving to provide stable and sustainable postal and logistics services.

Although there are still many challenges to overcome, including technical issues and the development of a legal system, we plan to continue with these initiatives. As such, we will continue to implement measures for practical application.

November 2018	<ul style="list-style-type: none"> Started transports between post offices using small unmanned drones <p>Japan Post started parcel transports using a small unmanned drone without an operator watching the airborne device or an assistant who monitors its movements for the first time in Japan from a post office in the city of Minamisoma in Fukushima Prefecture to the town of Namie (about 9km).</p>
January 2019	<ul style="list-style-type: none"> Demonstration test to realize application of delivery robots in the logistics field <p>A demonstration test using a delivery robot was conducted in the city of Minamisoma and the town of Namie to test the possibility of delivery robots for the last one mile of logistics. An automobile school and public housing for disaster victims were used for the test as they closely resemble the actual road environment and delivery environment.</p>
March 2019	<ul style="list-style-type: none"> Demonstration test for self-driving transport cars <p>Japan Post has conducted a test for a self-driving transport car assuming the transport of mail between the Tokyo International Post Office and Shin Tokyo Post Office. A further test was conducted that was unmanned on the premises of the Shin Tokyo Post Office.</p>
March 2020	<ul style="list-style-type: none"> Implementation of last-mile one delivery trial runs using delivery robots and drones <p>We conducted trial runs on internal document delivery at the Japan Post head office (in Tokyo) using delivery robots that went from floor to floor in conjunction with the elevators. We also conducted trial runs using drones to deliver to homes in mountainous areas by our Okutama Post Office in Okutama Town, Tokyo.</p>



Drone

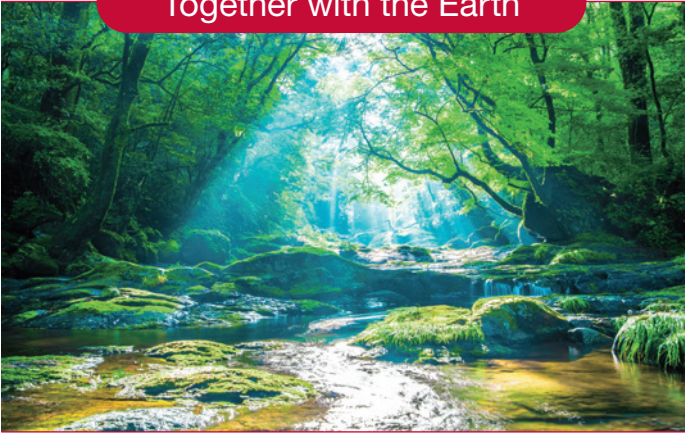


Self-driving car



Delivery robot

Together with the Earth



We shall strive to undertake business operations adapted to the impact of climate change and actively promote business and environmental conservation activities with consideration toward reducing our burden on the environment.

Initiatives to Address Climate Change JAPAN POST HOLDINGS JAPAN POST BANK JAPAN POST INSURANCE

Declaration of support for TCFD

Japan Post Holdings, Japan Post Bank, and Japan Post Insurance have declared their support to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which were established by the Financial Stability Board (FSB).

The Japan Post Group has declared in the Japan Post Group CSR Basic Policy that we will “strive to undertake business operations adapted to the impact of climate change and actively promote business and environmental conservation activities with consideration toward reducing our burden on the environment.” In addition, under the Japan Post Group Medium-term Management Plan 2020, the Group upholds a policy to reduce greenhouse gas emissions as one of our initiatives targeted at achieving the United Nations Sustainable Development Goals (SDGs), and also works to contribute to the creation of a sustainable society through such means as investment in green bonds.

In addition to the above, the Japan Post Group will strive for increased information disclosure by deepening analysis on the impact of climate change on the business of each Japan Post Group company based on the TCFD recommendations.

Japan Post Group Environmental Statistics

 JAPAN POST GROUP

The Japan Post Group is working to reduce greenhouse gases emitted by its businesses*1 to realize a sustainable society taking climate change and global warming into consideration.

In view of domestic and international trends, the Japan Post Group will continuously promote initiatives to reduce greenhouse gas emissions and has set its greenhouse gas reduction goal for the fiscal year ending March 31, 2031, as well as intermediate benchmarks*2 up to the fiscal year ending March 31, 2021, to achieve this goal.

*1 Greenhouse gases emitted by the Japan Post Group’s businesses refer to CO₂.

*2 In light of the reduction achievements through the fiscal year ended March 31, 2019, we revised our interim benchmarks for March 31, 2021 (December 2019).

Greenhouse gas emission reductions by the Japan Post Group

Fiscal year ended March 31, 2017 (Base Year)

Intermediate Benchmark

Fiscal year ending March 31, 2021
Reduction of 120,000 t-CO₂ (11.4% reduction)

Group Goal

Fiscal year ending March 31, 2031
Reduction of 169,000 t-CO₂ (16% reduction)*

* This corresponds to the greenhouse gas reduction goals in Japan’s “Plan for Global Warming Countermeasures” (26% reduction compared with the fiscal year ended March 31, 2014) based on the Paris Agreement.

Greenhouse gas emissions

	Total emissions volumes (t-CO ₂)	Basic unit (facility) (t-CO ₂ /m ²)	Basic unit (vehicle) (t-CO ₂ /km)
Fiscal Year ended March 31, 2017	1,054,255.7	0.065	0.000134
Fiscal Year ended March 31, 2018	1,048,735.2	0.063	0.000129
Fiscal Year ended March 31, 2019	979,240.1*	0.058	0.000135

Note: We revised our data collection methods from emissions for FY2018.

Together with the Earth

Initiatives to Reduce Environmental Load in Logistics



Impact on society

Alleviation of climate change and global warming

Japan Post Co., Ltd. is working to reduce environmental load in logistics through such efforts as introducing electric vehicles (EVs) and reducing re-deliveries.

Expanded introduction of EVs

Japan Post has made the decision to replace 1,500 gasoline-powered light vehicles and 2,200 motorcycles used to deliver parcels and mail over short distances mainly in the Tokyo metropolitan area with EVs by March 31, 2021.



EV-related initiatives

FY2008	Japan Post proceeded with preparations toward full-scale introduction of EVs, conducting demonstration tests of EVs to verify benefits and issues in terms of the environment and business from various perspectives and asking automakers for cooperation in development.
FY2013	Japan Post introduced EVs on a trial basis and conducted tests on the effect on the environment as well as practicality and efficiency. It switched 10 automobiles over to EVs.
FY2014	Japan Post switched 62 automobiles over to EVs.
FY2017	Japan Post started examining collaboration with Honda Motor Co., Ltd. on demonstration testing for environmentally responsible electric motorcycles for postal deliveries.
FY2019	Japan Post switched 400 automobiles over to EVs and 200 motorcycles over to electric motorcycles.
FY2020	Japan Post plans to switch 1,100 automobiles over to EVs and 2,000 motorcycles over to electric motorcycles.

Initiatives to reduce re-deliveries

Under the “send and receive with greater ease” concept, Japan Post is making efforts to improve Yu-Pack service and reduce CO₂ emissions generated through re-deliveries while enhancing customer convenience.

In 2019, we expanded our email notification service and designated location delivery service (which enables customers to receive parcels in places such as in front of their doorsteps and delivery boxes) for customers using their Yubin ID. We are also working to expand receipt channels, such as adding “HAKO POST” mail receiving lockers in collaboration with other companies.



“HAKO POST”



Service for leaving parcel in designated areas

Improvement of Yu-Pack service

Expansion of delivery notice emails	Japan Post expanded its mail notification service to customers who use a Yubin ID. Information on the destination provided to Japan Post by the shipper is matched with the information on record for a customer who has attained a Yubin ID, and an email is sent to the recipient with notification of scheduled delivery or stating that they were not at home when the package was delivered.
Expansion of services where delivery location can be designated	Customers who have received mail with notification of scheduled delivery of a Yu-Pack sent by the shipper or stating that they were not at home when the Yu-Pack was delivered can have it sent to a designated location. [Possible pickup locations] • In front of door • Delivery box • Mailbox • Meter box • Storeroom • Carport
Other initiatives	In collaboration with Yper Inc., we distributed free “OKIPPA” delivery bags to 10,000 households chosen by raffle. With this, we reduced re-deliveries for OKIPPA customers by approximately 60 percent. Also, in collaboration with Amazon Japan Goudou Kaisha, we conducted trial runs on promoting the service for leaving a parcel in a designated area in the City of Hatsuoka, Hiroshima Prefecture, for customers making purchases on Amazon.

Impact on society

Reduction in paper consumption and workstyle reform

Reducing paper with paperless bank accounts

As of March 6, 2016, Japan Post Bank Co., Ltd. has been offering its “Yucho Direct+ (Plus)” bank accounts that do not require a bankbook.

The paperless Yucho Direct+ (Plus) account is a service that does not issue a bankbook but rather utilizes a cash card for cash deposits and withdrawals, and a website for checking account details.

In addition to this service, Japan Post Bank offers convenient services that reduce paper usage, such as online service for viewing transfer receipt / payment notification. We also work to share the results of the various measures we take so that we can reduce the burden on the environment. Operating under the slogan, “Yucho Eco-Communication,” we donate to, and support the activities of, non-profits and other organizations across Japan that work with local residents to protect the environment and contribute to society.

Contributing to environmental conservation through the online provision of Contract Guidelines and Policy Conditions

In addition to conventional brochures, Japan Post Insurance Co., Ltd. also provides its Contract Guidelines and Policy Conditions in PDF format on the Company’s website. Japan Post Insurance has reduced the amount of paper used by providing online access to Contract Guidelines and Policy Conditions to customers who request this option at the time of enrollment. Furthermore, Japan Post Insurance also supports initiatives such as making donations to forestation activities in order to revitalize forests and increase greenery.

In July 2019, Japan Post Insurance donated a total of ¥34.0 million to 34 environmental groups working on forestation.

Eliminating paper

The Japan Post Group has been endeavoring to eliminate the use of paper since before it relocated its head office building. The transfer provided an excellent opportunity to further strengthen this initiative by installing monitors in meeting spaces and conference rooms, which is helping to realize paperless meetings, even management meetings. Improving the office not only eliminates paper but also prompts employees to rethink their working style.



Paper materials were reduced by installing permanent monitors in the conference room



A meeting space used to further communication

Head Office Building Acquires Gold-Level LEED-CI Certification (2009 Version)

Japan Post Holdings Co., Ltd. acquired Gold-level LEED-CI certification, an international standard in grading systems for the environmental performance of buildings, when the head office was shifted to the Otemachi Place West Tower.

The honor recognized the construction of an office space with world-class environmental performance, the largest of its kind in Japan among office tenants that have acquired the LEED certification.

Together with People



We shall respect the human rights of all people involved in the business activities of the Group and aim to ensure a safe and friendly working environment and build a fulfilling workplace where individual employees can exercise independence and creativity.

■ Formulation of Japan Post Group Human Rights Policy



Impact on society Respect for human rights and alleviation of discrimination

The Japan Post Group recognizes that the respect for human rights of all people involved in our business activities is indispensable to the achievement of a sustainable society.

Accordingly, in April 2019 the Group established the Japan Post Group Human Rights Policy in accordance with international principles such as the United Nations Guiding Principles on Business and Human Rights. The Japan Post Group is dedicated to promoting human rights initiatives across the Group.

■ Initiatives Related to Preventing Discrimination and Respecting Human Rights



Impact on society Respect of human rights and alleviation of discrimination

The Japan Post Group Charter of Corporate Conduct states that we shall aim for sustainable coexistence by placing importance on maintaining dialogues with diverse stakeholders, as well as respect human rights and provide safe and pleasant workplaces.

As part of efforts to put these ideals into practice, we strive to bring enlightenment on human rights, give training to managers that draw on cases of harassment and distribute a booklet on such matters. We have also set up counters inside and outside the company for consultation on harassment and take consultations anonymously to protect the privacy of the consulter.

■ Promoting Diversity Management



Impact on society Creation of organizational innovation through the use of diverse ideas and the generation of employment opportunities for persons with disabilities
 Response to the aging society and enhancement of employee motivation

Promotion of the active participation of women

The Japan Post Group is implementing various initiatives to ensure that female employees can fully demonstrate their individuality and capabilities and to establish a pleasant workplace environment that continues to be motivating.

We have set the following targets for the percentage of women in management in our Group companies and are pushing ahead with initiatives that include training to raise awareness among women, support of women's career development, and workstyle reform to reduce long work hours.

Target percentage of women in management (up to April 1, 2021)

Japan Post Co., Ltd.	Japan Post Bank Co., Ltd.	Japan Post Insurance Co., Ltd.	Japan Post Holdings Co., Ltd.
10% or more	14% or more	14% or more	11% or more

Advocacy of the “Declaration on Action” by a group of male leaders who will create “A Society in which Women Shine”

Based on an agreement with the tenets of the “Declaration on Action” by a group of male leaders who will create “A Society in which Women Shine” advocated by the Gender Equality Bureau Cabinet Office, the presidents of each Japan Post Group company are proactively promoting the active roles of women who shine. These efforts are in line with the three initiatives set forth under the Declaration, namely “taking actions and sending messages ourselves,” “disrupting the status quo,” and “developing networking.”



Employment of persons with disabilities

Cognizant of the fact that providing suitable employment opportunities to persons with disabilities is our social responsibility as a corporation, we are working proactively to promote such employment. As of March 2020, the employment rate of persons with disabilities was 2.35%, exceeding the legally mandated mark of 2.2%. These persons are engaged in a variety of roles in different places of work.

Empowerment of the elderly

The Japan Post Group will raise the retirement age to 65 starting with employees who turn 60 in the fiscal year ending March 31, 2021 as the working population decreases due to Japan’s aging population and dwindling birthrate and to coincide with the arrival of a society in which the elderly are increasingly taking on active roles. The Group plans to create an environment in which elderly employees can play an active part.

■ Creating a Motivating Workplace

 JAPAN POST GROUP

Impact on society

Enhancement of motivation and quality of life

Proper management of work hours

Besides engaging in proper management of work hours in their places of business, Group companies are conducting various initiatives to reduce overtime work through streamlining of business and workplace culture reform.

Initiatives in health management

We believe that a healthy body and mind are vital for each individual employee to take full advantage of his or her skills and work energetically. Therefore, the Group companies are working together with employees to implement health maintenance and promotion measures. These measures include “reducing long work hours,” “health guidance toward prevention of lifestyle diseases,” and “mental healthcare” in order to realize the “health and happiness of employees and their families” and to “contribute to society through further productivity improvements.”

In addition, each of our Group companies carries out stress checks not only at workplaces where checks are required (those with 50 or more employees), but at all workplaces, including those with fewer than 50 employees. These stress checks are used for early detection of mental health problems and improvement of work environments.

Support measures for child care, nursing care, and illness

Regarding child / nursing care, the Japan Post Group has established a support system exceeding the regulations set out by law and is implementing various support measures so that both male and female employees can continue working during times they are needed at home, including from pregnancy to childbirth, for child care and for nursing family members.

We are also taking steps to ensure a good work–life balance that include enhancing sick leave and introducing other leave programs so that employees can devote themselves to getting better with peace of mind in the event of illness, as well as establishing a leave system for infertility treatment.

Together with People

■ Development of Human Resources

Developing human resources who fulfill their expected roles

Each Group company carries out employee development to nurture human resources to fulfill their expected roles according to their respective career paths. This includes on-the-job training (OJT), in which instruction and education are given through work in actual workplaces, and off-the-job training (Off-JT), in which employees acquire the necessary knowledge and skills by participating in training and seminars away from their workplaces (position-based training including stratified training when employees are promoted, as well as training for frontline leaders and training to enhance specific skills such as sales capabilities). Collectively, these companies assist with employee “self-development,” including support of qualification acquisition.

Furthermore, Group companies implement training to enhance management skills, particularly for head office staff, as part of efforts to cultivate human resources who can fulfill their expected roles.

Developing human resources who contribute to improving the Group’s corporate value

We actively promote personnel exchanges within the Group for integrated operation of the Group’s businesses and for optimal assignment of personnel for the Group as a whole.

Also, with the aim of making the Group more competitive, we are conducting training at the Postal College to contribute to fostering a sense of Group unity and deploying synergies. In addition to training for newly appointed executives, we provide joint group training for executives and employees in Group companies that includes all employees hired for career-track positions and those transferred from the front line to career-track positions at the head office.

Comments from an Executive in Charge of Personnel



SHIMA Toshitaka

Managing Executive Officer
Japan Post Holdings Co., Ltd.

Over the years, the Japan Post Group has provided products and services that accommodate diverse lifestyles by way of the integrated offering of its three core businesses of postal services, banking, and insurance through post offices. I believe it is important for each employee of the Group to work together to generate synergies that will drive further growth.

Based on this philosophy, the Japan Post Group is striving to promote a unified organization. Efforts include actively promoting personnel exchanges within the Group for integrated operation of the Group’s business and for optimal assignment of personnel for the Group as a whole. Also, we are fostering a sense of Group unity through such means as conducting joint training for executives and employees in Group companies.

It is essential to create an environment in which each employee can work in good health and with vitality since employees are the foundation underpinning business activities for postal operations highly dependent on human power. We are currently undertaking measures relating to workstyle reform in order to fully draw out the capabilities of employees. These include reducing overtime; providing strong support for child care, nursing care, and illness; promoting diversity management; adopting age 65 as the retirement age; and improving the employment conditions for fixed-term employees.

In particular, we are promoting health management in a joint effort between employees and the company to maintain and improve health. Also, with the aim of realizing a workplace that encourages a positive work-life balance, we are expanding and enhancing our support systems for child care, nursing care, and illness. By doing so, we hope to prevent the outflow of exceptional human resources with extensive experience.

We believe that improving the compensation of our fixed-term employees, who are essential to the Group’s business operations and are an important asset, will contribute to the growth and development of the Group. This comes amid demands for improved conditions for non-regular workers, which has become an issue pervading society on the whole. Therefore, we are implementing a variety of compensation measures in keeping with the equal pay for equal work aspect of the Act on “Part-Time/ Fixed-Term Employment Act.”

We will continue striving to drive growth and development in the Japan Post Group through initiatives to create a motivating workplace, which include establishing an environment in which all employees can maximize their potential and work with positivity, and supporting the development of human resources.

ESG Investment

■ ESG Investment Policy

 JAPAN POST BANK  JAPAN POST INSURANCE

Japan Post Bank Co., Ltd. formulates and discloses an ESG investment policy as an institutional investor responsible for advancing globally diverse investment.

For details on Japan Post Bank's ESG investment policy, please refer to the Company's website.

https://www.jp-bank.japanpost.jp/en/aboutus/company/en_abt_cmp_esg.html

As an institutional investor managing assets over the long term, Japan Post Insurance Co., Ltd. manages assets in accordance with its ESG investment policy.

For details on Japan Post Insurance's ESG investment policy, please refer to the Company's website.

https://www.jp-life.japanpost.jp/english/aboutus/csr/en_abt_csr_esg.html

■ ESG Investment

 JAPAN POST INSURANCE

From the perspective of fulfilling its social responsibilities to all stakeholders, Japan Post Insurance Co., Ltd. is promoting initiatives to solve ESG issues facing society, and actively taking on challenges toward the sustainable growth of corporate value and social development.

In asset management, Japan Post Insurance considers various factors of ESG in making investment decisions, in order to realize a sustainable society, improve investment results, and reduce risks in the long term.

● Integration of ESG factors into the investment process

Initiatives in internal domestic equity investments

Japan Post Insurance manages the following two domestic equity funds in consideration of ESG factors.

- Fund investing in high-dividend companies whose corporate value is expected to increase over the medium- to long-term, based on comprehensive evaluation of companies' initiatives on ESG issues and financial information
- Fund investing in companies that view ESG issues as a growth opportunity, based on evaluation of "contribution to performance" and "growth potential" of companies' technological capabilities and business base which contribute to the achievement of SDGs and resolution of issues related to them, while taking financial information into consideration

Initiatives in internal bond investments, etc.

Japan Post Insurance invests in ESG themed bonds. Japan Post Insurance selects themes that can widely contribute to the achievement of SDGs and the resolution of issues related to them, and invests in projects beneficial to the resolution of ESG issues.

- Investment in solar power generation projects (project finance)
- Investment in a Climate Awareness Bond
- Investment in sustainability bonds in response to the COVID-19

Initiatives in externally managed assets

In its external manager selection, appointment, and monitoring processes, Japan Post Insurance reviews their ESG initiatives.

● Stewardship activities

Japan Post Insurance strives to build strong relationships with investee companies, and encourages them to increase disclosure not only of financial information but also non-financial information, including ESG factors. Japan Post Insurance also monitors their initiatives concerning environmental (E), social (S), and governance (G) issues in order to review their status, and conducts constructive engagement with investee companies.

For details on Japan Post Insurance's stewardship activities, please refer to the Company's website.

https://www.jp-life.japanpost.jp/aboutus/csr/responsible_investment/stewardship/ (in Japanese)

● Initiatives as a signatory to the Principles for Responsible Investment (PRI)

Japan Post Insurance signed the PRI in October 2017 to promote ESG investment and to contribute to the realization of a sustainable society. In accordance with the PRI, Japan Post Insurance is fulfilling its social responsibility as an institutional investor and will report its initiatives in its RI Transparency Report, which will be made available on the PRI website.

Signatory of:



Measures Taken by the Japan Post Group to Prevent the Spread of COVID-19

Our hearts go out to all those who have been affected by the COVID-19 outbreak.

We also wish to express our deepest gratitude and respect for the healthcare and medical professionals and all those fighting on the front lines to contain the virus. In response to this pandemic, the Japan Post Group has launched the Head Office-Group Joint Countermeasures Headquarters, composed of members from each of our Group companies. We have formulated measures to prevent the spread of infection for securing the safety of our customers and employees. We have also taken measures to protect the public, such as distributing masks at the behest of the Japanese government.

We have also taken steps to help maintain social stability. We have assembled an operational framework to enable us to continue to provide the services our customers need, as well as invested in support for measures to combat the spread of COVID-19.

We will go on to serve as a safety net for the people by continuing to protect our customers and employees while we address the needs of the public and fulfill our fiduciary duty to our communities and our customers as an essential part of local social infrastructure.

▶ Measures to prevent the spread of COVID-19 and protect our customers and employees

- Shortened business hours for certain post offices and Japan Post Bank branches, and installed plastic barriers
- Parcels left in designated areas and other methods of delivery without face-to-face interaction, and implementation of a system of previous-day reservations for re-delivery or pickup
- Revision of Group company employee work shifts, especially post office staff handling postal and logistics operations
- Websites, newspaper advertisements, and branch posters to seek our customers' understanding and cooperation
- Closure of all lodging facilities (Kanpo no Yado inns) in Prefectures under Specific Cautions while the state of emergency declaration is in effect



Cloth masks delivered to the Setagaya post office



Bagging cloth masks at the Takada post office



Cloth masks being delivered by the Shinoro post office

▶ Support for the public / undertakings as a responsible institutional investor

Japan Post Group

- Donations to prevent of the spread of COVID-19 (¥100 million)
- Service continuity for, in principle, all post offices and Japan Post Bank branches and ATMs

Japan Post
Co., Ltd.

- Distribution of masks at the request of the government
- Delivery of application forms for special COVID-19 relief subsidies
- Acceptance of applications for prefectural social welfare council Temporary Loan Emergency Funds at post office counters emergency small amount funds

Japan Post Bank
Co., Ltd.

- Continuity of important operations such as cash deposits, withdrawals and settlements, which are necessary for customers' daily lives
- Smooth handling of the special fixed-benefit payment
- Possible provision of capital support to companies across Japan that are affected by COVID-19

Japan Post Insurance
Co., Ltd.

- Undertakings to support customers affected by COVID-19
 - Emergency treatment such as extending the grace period for premium payments, reducing or exempting interest rates applicable to policy loans excluding premium loans (rate of 0% applied during the loan period), and the omission of some necessary documents
 - Payment of additional insurance benefits in the event of death due to COVID-19 on top of the death benefit (the "double payment of insurance benefits")
 - Videos related to Radio Exercise are available on YouTube for those forced to stay home due to the voluntary restraint on outings, to help them get exercise and improve their health
- Purchase of bonds issued by international organizations in response to the COVID-19
 - Sustainable Development Bond issued by Inter-American Development Bank (IDB)
 - Sustainability Awareness Bond issued by European Investment Bank (EIB)

Japan Post Group Corporate Governance

Basic Views

Japan Post Holdings Co., Ltd. shall develop the corporate governance structure of the Japan Post Group based on the following concepts, with a view to ensuring sustainable growth of the Japan Post Group and creating corporate value over the medium to long term.

1. Japan Post Holdings shall continue to create new convenience for customers and pursue the provision of high-quality services, while generating consistent value by providing universal services of the Japan Post Group's three core businesses through the Japan Post Group's post office network.
2. Fully recognizing its fiduciary responsibility to its shareholders, Japan Post Holdings shall give consideration to appropriately secure rights and equal treatment of shareholders.
3. Japan Post Holdings shall place emphasis on dialogue with all stakeholders including customers and shareholders with an aim to ensure appropriate collaboration and sustainable coexistence. To this end, Japan Post Holdings shall strive to secure management transparency and commit to appropriate disclosure and provision of information.
4. Japan Post Holdings shall carry out swift and decisive decision-making and business execution under the effective supervision of the Board of Directors, in order to promptly cope with changes in the social and economic environment and meet the expectations of all stakeholders.

These basic views on corporate governance and our corporate governance framework are set forth in our "Japan Post Holdings' Basic Policy on Corporate Governance."

Note: For more information, please visit to the following website. <https://www.japanpost.jp/en/group/governance/>

Japan Post Holdings will continue to enhance internal controls and strive to enhance corporate governance of the Japan Post Group from this perspective.

Group Operation and Management Structure

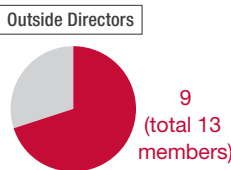
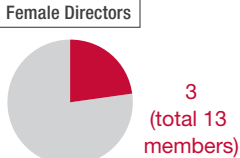

Japan Post Holdings has concluded agreements on the Japan Post Group's operation and management (herein the "Japan Post Group Management Agreements") with and between Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. on the Japan Post Group's common philosophy, policies, and other basic matters concerning group management, thereby setting up a system to facilitate mutual collaboration and cooperation as well as exerting synergistic effects among the Japan Post Group companies.

In addition, Japan Post is required to give prior approval or report on matters which must be done in order to conduct Group operations in a smooth and appropriate manner, as well as matters which require management based on laws and regulations. The two financial subsidiaries (Japan Post Bank and Japan Post Insurance) are required to give prior consultation or reports for the purpose of securing the independence of the two finance corporations, and the Group is promoting consolidated management as a Group and working to ensure appropriate governance.

Moreover, in accordance with the Japan Post Group Management Agreements, the Group Steering Committee was established to discuss and share a common understanding of important matters concerning group management among the management of the Japan Post Group companies for the purpose of promoting effective and efficient operation of the Japan Post Group.

Characteristics of the Board of Directors

(As of July 1, 2020)

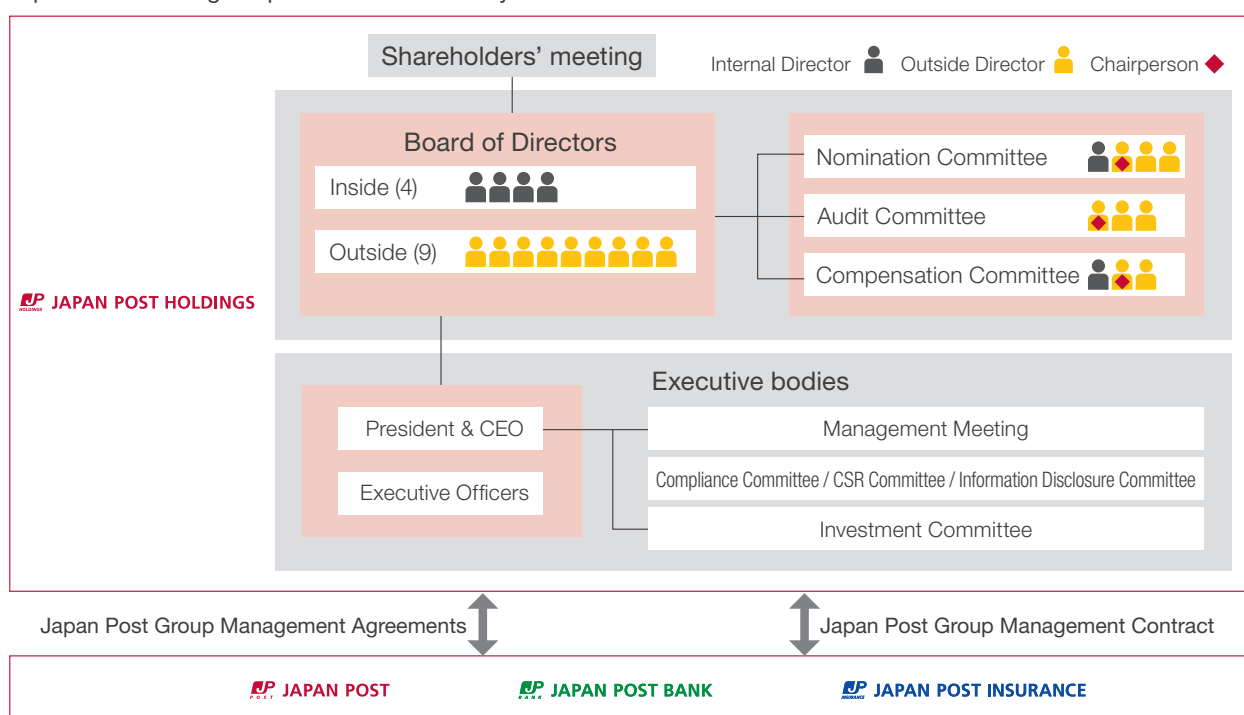
Characteristic (1)	Characteristic (2)	Characteristic (3)	Characteristic (4)
Company with nomination committee, etc.	The majority of the Board are outside directors	Putting diversity into practice	Implementation of Board of Directors' effectiveness evaluation
Since becoming a listed company in November 2015, Japan Post Holdings has maintained a system as a company with nomination committee, etc. The nomination, compensation, and audit committees have at least three members each, the majority of which are independent officers.	The Board of Directors consists of 13 directors (up to 20 as defined in the Articles of Incorporation), of which the majority nine directors are independent outside directors. 	The Board of Directors consists of diverse directors, who have a wealth of knowledge, experience, and insight.  	Every year, the Board of Directors confirms the opinions of each director regarding the Board of Directors' meetings, then analyzes and evaluates the effectiveness of the Board of Directors overall, and discloses an overview of the results, using them to improve operation of the Board of Directors.

Overview of Committees

Japan Post Holdings has adopted a “company with nomination committee, etc.” structure.

	Role and structure (As of July 1, 2020)	Operation Status (Fiscal year ended March 31, 2020)	Meetings in the fiscal year ended March 31, 2020 (average attendance rate)
Board of Directors	The Board of Directors, comprised of 13 Directors (including nine Outside Directors), determines matters such as the basic management policy required by relevant laws and regulations, as well as the matters relating to the important execution of duties, and supervises the execution of duties by Directors and Executive Officers.	In the fiscal year ended March 31, 2020, the Board of Directors discussed the Group governance system in light of issues related to the solicitation quality of Japan Post Insurance products and received reports concerning Group performance, important issues of the Group, risk management, and the state of compliance and internal audits.	17 times (99%)
Nomination Committee	The Nomination Committee, comprised of four Directors (including three Outside Directors), submits proposals to the General Meeting of Shareholders concerning the election and dismissal of Directors. In accordance with the provisions of the Act on Japan Post Holdings Co., Ltd., resolutions for the election and dismissal of Directors of the Japan Post Holdings shall not become effective without the approval of the Minister for Internal Affairs and Communications.	During the fiscal year ended March 31, 2020, we decided on candidates for the Board of Directors. We also deliberated on candidates to succeed the retiring president. In addition, we deliberated and decided on revision to the “Standards for Designating Independent Directors of Japan Post Holdings”	4 times (100%)
Compensation Committee	The Compensation Committee, comprised of three Directors (including two Outside Directors) establishes the policy for determining the amount of compensation for each Director and Executive Officer, and determines the amount for individual officers on the basis of this policy.	In the fiscal year ended March 31, 2020, the Compensation Committee decided on individual compensation for Directors and Executive Officers, and we deliberated on expanding the scope of disclosure regarding Directors' compensation. In addition, in light of issues related to the solicitation quality of Japan Post Insurance products, we deliberated and decided on items including the amount of reduction to the basic compensation for Directors and Executive Officers.	8 times (100%)
Audit Committee	The Audit Committee consists of three Directors (including three Outside Directors), who audit the execution of duties by Directors and Executive Officers, audit establishment and operation status of the internal control system, audit the validity of methods and results of auditing of financial statements by accounting auditors, and make audit reports. They also decide on the content of proposals submitted at the general shareholders' meetings regarding the election, dismissal and non-reappointment of accounting auditors.	In the fiscal year ended March 31, 2020, our audit plan designated four priority audit items: (1) The establishment and operation of the internal control system, (2) implementation of growth strategies and accurate investments, (3) appropriate business administration, and (4) workstyle reform, human resources cultivation, and diversity management. During the fiscal year ended March 31, 2020, the Audit Committee audited these items as main screening items to see whether appropriate undertakings are being made on these issues. A concern that came to light in the fiscal year ended March 31, 2020, were issues related to the solicitation quality of Japan Post Insurance products, for which we received administrative dispositions from the supervisory authorities. The Audit Committee sought explanations and obtained reports from the management of Japan Post Holdings, Japan Post Insurance, and Japan Post, and requested auditing by the Internal Audit Department. The Audit Committee then had the Audit Committee members of Japan Post Insurance and the Audit and Supervisory Board members of Japan Post exchange information. The Special Investigation Committee, consisting only of disinterested external experts, was jointly established by Japan Post Holdings, Japan Post, and Japan Post Insurance to thoroughly explicate this incident. The Audit Committee requested information and then reviewed a report on the investigation from the committee. It also audited the content of, and progress on, our business improvement plan. Furthermore, the Audit Committee made regular reports on these auditing activities to the Board of Directors, and worked to share information with directors outside the Audit Committee. They also stated their opinions to the Board of Directors and executive bodies as necessary. In light of these auditing activities, the Audit Committee has submitted an audit report for the fiscal year ended March 31, 2020, but will continue to monitor the state of progress on our business improvement plan pertaining to the solicitation quality as well as thoroughgoing customer-first business operations.	28 times (99%)

Japan Post Holding Corporate Governance System



Note: The number of members on the Board of Directors shall be an appropriate number of no more than 20, as stipulated in the Articles of Incorporation, and, in principle, the majority shall be composed of independent officers.

■ Evaluation of Effectiveness of the Board of Directors

Method of Evaluation

On December 27, 2019, Japan Post Holdings, Japan Post, and Japan Post Insurance received administrative dispositions pertaining to issues related to the solicitation quality of Japan Post Insurance products from the Minister for Internal Affairs and Communications and the Financial Services Agency of Japan on the basis of legislation including the Insurance Business Act. The Minister for Internal Affairs and Communications ordered Japan Post Holdings to establish a governance system for the Japan Post Group, while the Financial Services Agency ordered us to establish a Group governance system for the implementation of effective integration and coordination functions as an insurance holding company.

We took a different approach to the evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2020. Traditionally, we would be beginning with the Directors' self-evaluations. This year, however, we first considered the points raised by the supervisory authorities and the Special Investigation Committee regarding the issues related to the solicitation quality of Japan Post Insurance products, based upon which the Directors deliberated on approaches to Group governance, in the process of which we evaluated the effectiveness of the Board of Directors and considered improvement measures.

Overview of Evaluation Results

The incident in question threatens to damage our overall Group enterprise value. When this kind of scandal occurs, we need to respond as a united group in order to prevent a recurrence. That said, Japan Post Holdings has listed subsidiaries, and it stands to reason that normally it would be appropriate to run decentralized group administration that respects the autonomy and independence of the two listed companies (Japan Post Bank and Japan Post Insurance, while in abnormal times, such as the scandal in question, it would be appropriate to implement centralized group administration led by Japan Post Holdings).

The execution of this kind of Group administration is premised on the need for the Board of Directors of Japan Post Holdings to have timely access to crucial subsidiary information that could have a serious impact on business operations.

Therefore, to make the Board of Directors a more effective force for Group administration, we reclarified that the kind of information that could have a serious impact on overall Group operations will be reported by our subsidiaries in a timely manner and promptly reported to the Board of Directors, and we thoroughly instilled this policy into our subsidiaries (with our March 1, 2020, revision to our Fundamental Policy for Establishment of Internal Control System).

As we carry out the disposition of stock in our two listed companies, we see the need to continue to discuss approaches to Group governance going forward. Therefore, we will continue to incorporate external experts' views into in-depth discussions among the Board of Directors, and further enhance the effectiveness of our holding company's Board of Directors.

■ Independence Criteria of Outside Directors

All nine Outside Directors have been designated as independent executives having been deemed as meeting the "Standards for Designating Independent Directors of Japan Post Holdings Co. Ltd." defined by Japan Post Holdings and being Outside Directors who have no risk of conflicts of interest with general shareholders, as defined by the Tokyo Stock Exchange.

Standards for Designating Independent Directors of Japan Post Holdings Co., Ltd.

Japan Post Holdings Co., Ltd. shall designate independent officers as defined by the Tokyo Stock Exchange from among Outside Directors who do not fall under any of the following categories.

1. Anyone who has been an executive of the Japan Post Group in the past
2. Anyone for whom the Japan Post Group is a major business partner, or an executive thereof
3. Anyone who is a major business partner of the Japan Post Group, or an executive thereof
4. Member, partner, or employee of the independent auditor of the Japan Post Group
5. Consultants, accounting experts, or legal experts who receive or have received large payments of money or property from the Japan Post Group, other than executive compensation (if the party who obtains the property is a corporation, a union, or other such organization, this includes anyone who belongs to that organization now or who has belonged to that organization in the past)
6. Major shareholders of Japan Post Holdings (if that party is a legal entity (excluding the Japanese Government), then anyone who is an executive of that legal entity)

7. Executive (or other) of companies in which Japan Post Holdings is a major shareholder
8. Major creditor of the Japan Post Group or an Executive (or other) thereof
9. The spouse or relatives within second degree of kinship of the following parties (excluding unimportant ones.)
 - (1) Anyone listed in parts 1 to 8 above
 - (2) Executives of subsidiaries of Japan Post Holdings
10. Executives of other companies in which an executive of the Japan Post Group is appointed as an outside director
11. Anyone who has received a large amount of donations from the Group (if the party who receives the donation is a corporation, a union, or other such organization, this includes anyone who is an executive of that organization)

Note: Please visit the following website for details.
https://www.japanpost.jp/group/governance/pdf/02_08.pdf
 (in Japanese only)

■ Training of Directors & Support System for Outside Directors

Training of Directors

Japan Post Holdings provides opportunities for Directors to deepen their understanding and acquire necessary knowledge about such things as the Japan Post Group's businesses, issues to be addressed, and management strategies by implementing measures such as tours of the Japan Post Group's facilities, so that Directors may properly fulfill the roles and responsibilities expected of them.

Support System for Outside Directors

Japan Post Holdings has developed an operation system for Outside Directors with consideration for the coordination of a flexible annual schedule, accurate provision of information as necessary, adequate advance explanation of proposal contents, and securing of time for preliminary consideration and question-asking by the Board of Directors to ensure smooth and effective operation of the Board and improve the effectiveness of supervision by Outside Directors. In addition, Japan Post Holdings has established the Office of the Board of Directors to streamline the deliberation and reporting processes of the Board of Directors and check on the progress of resolutions made by the Board, as well as to support management and ensure communication and coordination with Outside Directors to conduct Board of Directors' meetings effectively and efficiently.

Policy on Appointment of Directors

Scale and Composition of Candidates for Directors

The Nomination Committee nominates diverse director candidates with different types of expertise and experience while taking into consideration the balance of the Board of Directors as a whole. The number of director candidates shall be an appropriate number of no more than 20, as defined in the Articles of Incorporation, and as a rule the majority shall be composed of independent outside director candidates.

Internal Directors

The Nomination Committee nominates people who meet the following conditions as Internal Director candidates of Japan Post Holdings Co., Ltd.

- (1) Has expertise in the business of Japan Post Holdings
- (2) Has superior ability in management judgment and management execution
- (3) Has superior ability in leadership, determination, foresight, and planning
- (4) Has an appropriate personality and insight as a Director
- (5) Has no health problems when performing duties as an Internal Director

Outside Directors

The Nomination Committee nominates people who meet the following conditions as Outside Director candidates of Japan Post Holdings.

- (1) Has knowledge of a specialized field, such as management, accounting, finance, law, administration, society and culture, etc., and has achieved appropriate results in these specialized fields
- (2) Has an appropriate personality and insight as a Director
- (3) Has no health or operational problems when performing duties as an Outside Director

The reasons for nominating Outside Directors are as follows

Name	Reason for nomination
MIMURA Akio	MIMURA Akio has served as Representative Director, President, and Chairman of Nippon Steel & Sumitomo Metal Corporation (now Nippon Steel Corporation). He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
ISHIHARA Kunio	ISHIHARA Kunio has served as Director, President and Chairman of Tokio Marine & Nichido Fire Insurance Co., Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
Charles Ditmars Lake II	Charles Ditmars Lake II has served as Chairman and Representative Director of Aflac Life Insurance Japan Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
HIRONO Michiko	HIRONO Michiko has served as President of 21 Lady Co., Ltd. She has been involved in the management of corporations for many years, so she is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.
OKAMOTO Tsuyoshi	OKAMOTO Tsuyoshi has served as Representative Director, President and Chairman of Tokyo Gas Co., Ltd. He has been involved in the management of corporations for many years, so he is expected to fulfill management oversight and check functions based on his experience and insight as an expert in management cultivated over the course of his career.
KOEZUKA Miharu	KOEZUKA Miharu has served as Representative Director and Senior Managing Director of Takashimaya Company, Limited. She has been involved in the management of corporations for many years, so she is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.
AKIYAMA Sakie	AKIYAMA Sakie has been involved in the management of corporations for many years as President of Saki Corporation. She is expected to fulfill management oversight and check functions based on her experience and insight as an expert in management cultivated over the course of her career.
KAIAMI Makoto	KAIAMI Makoto has served as President of the Tokyo District Court and has many years of experience in the legal profession. He is thus expected to fulfill management oversight and check functions of the Company based on his extensive experience and insight as a legal expert cultivated over the course of his career. He has not been involved in corporate management other than as an Outside Director, but we consider him to be a suitable candidate to perform the duties of Outside Director of the Company for the reasons stated above.
SATAKE Akira	SATAKE Akira has served as Director and Executive Vice President of Sumitomo Precision Products Co., Ltd., and has many years of experience in management and finance. He is thus expected to fulfill management oversight and check functions of the Company based on his deep and extensive knowledge of finance and accounting, cultivated over the course of his career.

■ Compensation System for Directors and Executive Officers

With regard to compensation of the Directors and Executive Officers of Japan Post Holdings Co., Ltd., the Compensation Committee has set a “Policy to Determine Content of Compensation for Individual Directors and Executive Officers,” and the amount of compensation is determined in accordance with this policy.

Compensation System

1. When serving concurrently as a Director and Executive Officer, compensation shall be paid as an executive officer.
2. Directors of Japan Post Holdings shall be paid a fixed amount of compensation according to their duty, based on the scope and size of their responsibility for management.
3. Executive Officers of Japan Post Holdings shall be paid basic compensation according to their duty (fixed amount compensation) and performance-based stock compensation, as a mechanism that functions as a sound incentive to promote sustainable growth.

In addition, Directors or Executive Officers of Japan Post Holdings who simultaneously serve as a Director, Auditor, Executive, or Executive Officer of a Japan Post Group company shall be paid compensation by the company where that Director or Executive Officer mainly executes business.

Indicators of performance-based compensation, the reason for selecting those indicators, and the method for deciding the amount of performance-based compensation

With regard to performance-based stock compensation, the Compensation Committee multiplies basic points based on the duties of an Executive Officer and individual evaluation points based on the execution of their responsibilities with a coefficient that changes based on company performance each fiscal year (achievement status of management plans, etc.) in order to calculate points.

Individual evaluations are made by individually evaluating the results and status of initiatives in the business that Executive Officer is responsible for.

With regard to indicators related to company performance, in order to enable comprehensive judgment of the degree of achievement of management, the Compensation Committee has set indicators from multiple different categories, using “consolidated net income attributable to Japan Post Holdings” as a profitability indicator, “consolidated ordinary income ratio” as an efficiency indicator and “dividend per share” as a shareholder return indicator that are suitable for the business format and content of Japan Post Holdings

Indicators related to company performance	Goal	Performance in the fiscal year ended March 31, 2020
Consolidated net income attributable to Japan Post Holdings	At least ¥420,000 million	¥483,733 million
Consolidated ordinary income ratio	At least 5.976%	7.234%
Dividend per share	At least ¥50	¥50

Note: As shown above, all performance metrics regarding corporate earnings for the fiscal year in question were achieved, when it comes to calculating points related to stock compensation for executive officers, in light of the issue of the solicitation quality of Japan Post Insurance products, we subtracted a certain percentage from the points calculated based on basic points determined based on roles and responsibilities and evaluation points determined based on individual evaluations.

There is no policy for determining the payment ratio of performance-based compensation and other forms of compensation.

Total amount of compensation for each executive category, total amount by type of compensation and number of Executive Officers

Classification	Total amount of compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)		Number of persons
		Fixed compensation	Performance-based stock compensation	
Directors (excluding Outside Directors)	27	27	—	3
Executive Officers	683	622	61	29
Outside Directors	72	72	—	11

- Notes 1. No compensation as a director is paid to those who concurrently serve as a Director and Executive Officer.
2. Three Directors serve concurrently as Directors and Executive Officers of major consolidated subsidiaries, but they have not been paid compensation as Directors of Japan Post Holdings for the period that they belonged to a major consolidated subsidiary and only executed business of a major consolidated subsidiary. The total amount of compensation received by those three Directors from major consolidated subsidiaries is ¥106 million.
3. Ten Executive Officers serve concurrently as Directors or Executive Officers of major consolidated subsidiaries, eight of whom have not been paid as Executive Officers of Japan Post Holdings for the period in which they belonged to a major consolidated subsidiary and executed business of a major consolidated subsidiary. The total amount of compensation received by those eight Directors from major consolidated subsidiaries is ¥210 million.
4. Performance-based stock compensation shows the amount recorded as expenses in the current fiscal year.
5. There are no retirement benefits or bonuses for Directors.

Policy Equity

Holding Policy for Policy Equity

1. Japan Post Holdings Co., Ltd. shall be able to acquire and hold shares of listed companies that are judged to contribute to the medium- to long-term improvement of the corporate value of the Japan Post Group for reasons other than net investment, such as strengthening business alliances (hereinafter referred to as "policy equity").
2. Every year, the Board of Directors shall verify the aim and rationality of holding policy equity that is held by Japan Post Holdings, taking into account medium-to-long-term economic rationality and future prospects, and disclose the content of this verification.
3. With regard to the exercise of voting rights on policy equity, Japan Post Holdings shall decide how to vote on proposals having individually examined whether each proposal conforms to Japan Post Holdings' holding policy, and whether it can be expected to help ensure the efficient and sound management of the company in question, and improve its corporate value.

Methods of verifying the rationality of holding policy equity and results of verification by the Board of Directors

When verifying the policy equity held by Japan Post Holdings, every year the Board of Directors verifies the aim and rationality of holding policy equity that is held by Japan Post Holdings, taking into account medium- to long-term economic rationality and the future prospects, and discloses the content of this verification.

As a result of the Board of Directors conducting a review as described above in April 2020, it was confirmed to be appropriate to continue holding one brand of policy equity held by Japan Post Holdings.

Primary Legal Regulations

In conducting its business, the Japan Post Group is subject to various legal regulations such as those described below.

(1) Regulations based on the Postal Act and other laws

Under the Postal Act, Japan Post Co., Ltd., our consolidated subsidiary, has exclusive rights to conduct postal business in Japan. As such, it is subject to regulations specific to a business unlike that of other companies, such as the authorization system for business consignment and changes to postal agreements, the uniform nationwide fee system, fee limits on standard-size mail, and the notification system for postage fees (including the authorization system for third-class and fourth-class mail).

(2) Regulations based on the Banking Act and the Insurance Business Act

The financial businesses of the Japan Post Group are subject to financial business regulations that are typically applied to such businesses, such as the Banking Act and the Insurance Business Act.

(a) Regulations pertaining to Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd., and Japan Post Holdings Co., Ltd. as a financial services holding company

The two financial subsidiaries are subject to supervision by the Financial Services Agency, based on the Banking Act and the Insurance Business Act. In particular, they are subject to broad oversight by the Commissioner of the Financial Services Agency, who is appointed by the Prime Minister, which includes revocation of their licenses if they violate any laws or regulations, as well as suspension of their business and conducting of on-site inspections when deemed necessary for the purpose of assuring sound and proper business operations. As a bank holding company and insurance holding company, Japan Post Holdings is also subject to financial services business regulation, including supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act.

The two financial subsidiaries are not permitted to conduct business other than as set forth by the laws based on, respectively, the Banking Act and the Insurance Business Act and other related business regulations. In terms of the capital adequacy ratio, which is the standard for achieving an adequate level of equity capital, Japan Post Bank is required to maintain a ratio of at least 4.0% (Japanese standard). Japan

Post Insurance is required to maintain a solvency margin ratio of at least 200% as an indicator of whether it has a "payment reserve" that enables it to cope with risks that occur beyond normal expectations, such as catastrophic disasters or the massive collapse of stock prices.

As a bank holding company and insurance holding company, Japan Post Holdings is also subject to supervision by the Financial Services Agency based on the Banking Act and the Insurance Business Act, and required to maintain a consolidated capital adequacy ratio of at least 4.0% (Japanese standard) and a solvency margin ratio of at least 200%. Furthermore, it is obligated to maintain a system for protecting the interests of customers and submitting business reports to regulatory authorities every business year.

As of March 31, 2020, Japan Post Bank has a consolidated capital adequacy ratio of 15.58%, Japan Post Insurance has a consolidated solvency margin ratio of 1,070.9%, and the Japan Post Group has a consolidated capital adequacy ratio of 17.66% and a consolidated solvency margin ratio of 554.2%, all of which have maintained high levels compared to the ratios regulated by law.

(b) Regulations pertaining to Japan Post

Based on the Banking Act and the Insurance Business Act, Japan Post is subject to supervision by the Financial Services Agency with regard to the post office business of the Japan Post Group as a banking agency and affiliated bank of Japan Post Bank and as an insurance solicitor and affiliated insurance company of Japan Post Insurance. As a banking agency, Japan Post is not permitted to conduct business other than as set forth by law and is subject to such regulations as the obligation for separate management, the obligation to explain banking agency services it engages in to customers, and the prohibition of certain activities such as making definitive claims, without approval from the Prime Minister. Also, as an insurance solicitor, it is subject to such regulations as the obligation to provide explanations for customers and the prohibition of certain activities such as providing false explanations.

(c) Licensing required by law

The Japan Post Group has been licensed or authorized primarily as described in the table below.

License	Related law	Company	Expiration date	Reasons for cancellation, etc.
Bank Holding Company Authorization	Article 52-17, Paragraph 1 of the Banking Act	Japan Post Holdings Co., Ltd.	None	Article 52-34, Paragraph 1 of the Banking Act
Insurance Holding Company Authorization	Article 271-18, Paragraph 1 of the Insurance Business Act	Japan Post Holdings Co., Ltd.	None	Article 271-30, Paragraph 1 of the Insurance Business Act
Bank Agency Authorization	Article 52-36, Paragraph 1 of the Banking Act	Japan Post Co., Ltd.	None	Article 52-56, Paragraph 1 of the Banking Act
Life Insurance Solicitor Registration	Article 276 of the Insurance Business Act	Japan Post Co., Ltd.	None	Article 307, Paragraph 1 of the Insurance Business Act
Banking Business License	Article 4, Paragraph 1 of the Banking Act	Japan Post Bank Co., Ltd.	None	Article 26, Paragraph 1; Article 27; Article 28 of the Banking Act
Insurance Business License	Article 3, Paragraph 4 of the Insurance Business Act	Japan Post Insurance Co., Ltd.	None	Article 132, Paragraph 1; Article 133; Article 134 of the Insurance Business Act

(3) Regulations specifically applicable to the Japan Post Group

Based on the Postal Service Privatization Act and other laws, Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. are obligated to provide postal services so that payment of simple savings, remittances, services for settlement of debts and credits, and services for easy-to-use life insurance are available to customers at post offices in an integrated format and in a manner that is easy to use by customers. They are also obligated by law to maintain the post office network to ensure fair use across all of Japan well into the future (provision of services through the post office network based on these obligations referred to hereinafter as "universal services"). In the September 28, 2015, report on "Securing universal services of the postal business and the proper means for revitalizing the post and correspondence market" by the Telecommunications Council, it states that in the short term, "Japan Post Holdings Co., Ltd. and Japan Post Co., Ltd. are required to maintain the current scope and level of services by their own management efforts," and, "In addition, it is necessary for the national government to examine measures that will serve as incentives for securing universal services." The report continues, stating that in the medium to long term, "Considering changes in the environment of the postal business or in the scope and level of service expected by the people and users in response, it is necessary to continuously examine measures for securing universal services and how the cost burden is borne."

Although the Telecommunications Council estimates the cost of universal services to the postal business, it is an estimate made independently by the Council and not produced by the Japan Post Group.

Also, Japan Post Holdings and Japan Post are required to receive authorization from the Minister for Internal Affairs and Communications to engage in new businesses, solicit shares, elect or dismiss directors (Japan Post Holdings only), formulate business plans, amend articles of incorporation, conduct mergers or split or dissolve companies based on the Act on Japan Post Holdings and Act on Japan Post, respectively, (however, only notification of new businesses to the Minister for Internal Affairs and Communications is required for Japan Post). Furthermore, the two financial institutions, in addition to regulations based on the Banking Act and the Insurance Business Act, are required to receive authorization from the Prime Minister and the Minister for Internal Affairs and Communications based on the Postal Service Privatization Act to engage in new businesses, hold subsidiaries of financial institutions (Japan Post Bank) and particular subsidiaries (Japan Post Insurance), conduct mergers, split companies, or transfer and receive businesses in order to ensure equal competitive conditions with other companies engaged in similar business. Japan Post Bank may not in itself have banks as subsidiaries and neither may Japan Post Insurance have insurance companies as subsidiaries. In addition, the two financial institutions are subject to regulations different from other companies in the same industry, such as deposit limit regulations in the banking business and subscription limit regulations in the life insurance business. (These regulations pertaining to the two financial subsidiaries are hereinafter referred to as "the additional statutory operational regulations under the Postal Service Privatization Act.")

In addition, the Group faces certain restrictions on expansion of its scope of operations, including the rollout of new businesses. Under the Postal Service Privatization Act, the two financial subsidiaries are required to receive authorization from the Prime Minister and the Minister for Internal Affairs and Communications to engage in new businesses to obtain new earnings opportunities. In the event that they fail to receive that authorization or that it takes time to do so, the Group may not be able to launch new products or provide new services as planned in terms of timing or content.

(Reference) Maximum deposit amounts in Japan Post Bank

Under the Postal Service Privatization Act, Japan Post Bank restricts the amount of deposits that can be accepted from a single depositor, except for transfer savings equivalent to checking deposits. (Article 107 of the Postal Service Privatization Act, Article 2 of the Postal Service Privatization Act Enforcement Ordinance)

A. Regular savings... ¥13 million

B. Fixed savings (Fixed amount savings and fixed term savings. Includes postal savings deposited before postal service privatization (taken over by the Organization for Postal Savings, Postal Life Insurance and Post Office Network) but excludes C.)... ¥13 million

C. Property fixed amount savings, property pension fixed amount savings, property housing fixed amount savings... ¥5.5 million in total

(Reference) Enrollment limit at Japan Post Insurance

Insurance policies for Japan Post Insurance have limits defined by the Postal Service Privatization Act and related laws regarding the amount of insurance that an insured person can be enrolled for (insurance limit amount). (Article 137 of the Postal Service Privatization Act, Articles 6, 7, and 8 of the Postal Service Privatization Act Enforcement Ordinance)

If the insured person has subscribed to a postal life insurance policy since before postal service privatization, then the enrollment limit is the difference of the policy amount of their postal life insurance policy subtracted from the following amounts.

A. Enrollment limit of the basic policy insurance amount

i. When the insured person is 15 years old or younger: ¥7 million

ii. When the insured person is 16 years old or older: ¥10 million (the insurance amount of special endowment insurance for insured persons who are 55 years old or older, in combination with regular fixed term insurance, is ¥8 million)

However, if the insured person is age 20 to 54, this limit can be up to ¥20 million under certain conditions (such as when there is an insurance policy that has passed 4 or more years since enrolling). The limit for specific endowment insurance is ¥5 million regardless of age.

B. Enrollment limit amount for pension (excluding nursing care pension)

¥900,000 annually (amount of basic pension in the first year) (Excluding the amount for the insured person who is the spouse in marital pension insurance, as well as marital insurance with marital pension insurance.)

C. Enrollment limit of rider coverage

i. Security for having a disease or injury, or the state of a person caused by having a disease, death caused directly by having an injury, or similar such states... ¥10 million in total

ii. Security for treatment of the issues listed above... ¥10 million

Note: In addition to the special measures under the Postal Service Privatization Act, we have set the following enrollment limits on Japan Post Insurance riders. Rider insurance premiums shall not exceed the premiums on the basic policy to which those riders are attached. However, with regard to the insurance amount of the underwriting-based relief non-divided general medical rider which was launched for sale in April 2019, when the enrollment age of the basic policy to which the rider is added is within the range of enrollment ages which can enroll in 5-fold or 2-fold type policies, the limit is 5 times or 2 times the insurance amount of the basic policy. The insurance amount of advanced medical treatment rider can exceed the insurance amount of the basic policy to which the rider is added, and is uniformly set at ¥3 million.

D. Enrollment limit of total paid-in premiums

Property savings insurance and property housing insurance... ¥5.5 million in total (In addition, there is a limitation on the total paid-in premium according to relevant laws and regulations regarding property-type insurance.)

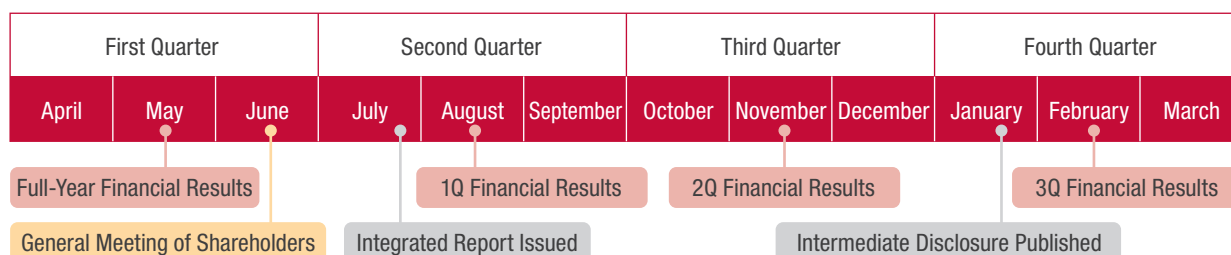
(4) World Trade Organization (WTO): Government procurement rules

As successors of government-owned companies, Japan Post Holdings, Japan Post, and the two financial institutions are required to comply with procedures set forth by international agreements when procuring items subject to government procurement agreements and other international agreements.

Dialogue with Shareholders

The Japan Post Group will work to disclose information accurately and fairly to all shareholders and investors and engage in constructive dialogue in order to achieve sustainable growth and improve medium- to long-term corporate value. The management team will share requests received through this dialogue and use them to improve management.

IR Annual Schedule



Activities in the fiscal year ended March 31, 2020

15th Annual General Meeting of Shareholders	Date: June 17, 2020 Attendees: 259
Briefing Sessions for Individual Investors for Fiscal Year Ended March 31, 2020	Meetings Held: 3 Participants: Approximately 150
Financial Results Briefings & Small Meetings for Fiscal Year Ended March 31, 2020 (for Institutional Investors & Analysts)	Meetings Held: 6
Dialogue with Institutional Investors & Analysts (Fiscal Year Ended March 31, 2020)	Meetings Held: Approximately 150 (Including about 80 individual interviews with overseas investors)
Participation in IR Conferences in Japan and Abroad (Fiscal Year Ended March 31, 2020)	Meetings Held: 1



15th Annual General Meeting of Shareholders
(June 17, 2020)



For the Fiscal Year Ended March 31, 2020
Results Briefing (May 15, 2020)

Appropriate Information Disclosure

The Company shall make disclosures through such means as the Electronic Disclosure for Investors' Network (EDINET), the Timely Disclosure network (TDnet), and the Company's website, as required based on the Financial Instruments and Exchange Act, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc. Other information other than the above shall be disclosed through the Company's website and other means.

〈Total Shareholder Return (Based on March 31, 2016)〉

	Japan Post Holdings (including dividends)	TOPIX (including dividends)
March 31, 2017	-3.7%	14.7%
March 31, 2018	-7.6%	32.9%
March 31, 2019	-3.3%	26.2%
March 31, 2020	-29.9%	14.2%

Note: Since we listed on the Tokyo Stock Exchange First Section on November 4, 2015, which falls in our 11th fiscal year, total shareholder return is calculated based on our share price and the stock index (TOPIX, including dividends) for the final date of our 11th fiscal year.

Directors



MASUDA Hiroya

Director and Representative Executive Officer, President & CEO
Member of the Nomination Committee
Member of the Compensation Committee
Number of shares held: —shares

Significant Concurrent Positions

Director of Japan Post Co., Ltd.; Director of Japan Post Bank Co., Ltd.; Director of Japan Post Insurance Co., Ltd.; Visiting Professor of Graduate School of Public Policy at the University of Tokyo.

Career Summary

April 1977 Joined the Ministry of Construction July 1994 Director for Construction Disputes Settlement of Construction Industry Division of Ministry of Construction, Economic Affairs Bureau April 1995 Governor of Iwate Prefecture August 2007 Minister for Internal Affairs and Communications, Minister for State for Special Missions of Cabinet Office April 2009 Advisor of Nomura Research Institute, Ltd.; Visiting Professor of Graduate School of Public Policy at the University of Tokyo (to present) January 2020 Representative Executive Officer, President & CEO of the Company (to present) June 2020 Director and Representative Executive Officer, President & CEO of the Company (to present); Director of Japan Post Co., Ltd. (present); Director of Japan Post Bank Co., Ltd. (to present); Director of Japan Post Insurance Co., Ltd. (present)



IKEDA Norito

Director
Number of shares held: 1,700 shares
Number of years as director: 4 years
Attendance at Board of Directors' meetings: 17/17 times (100%)

Significant Concurrent Positions

Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.; Outside Director of FANCL CORPORATION

Career Summary

June 1996 Director of The Bank of Yokohama, Ltd. April 2001 Representative Director of The Bank of Yokohama, Ltd. June 2003 Director of The Bank of Yokohama, Ltd.; Representative Director and Chairman of Yokohama Capital Co., Ltd. December 2003 President of The Ashikaga Bank, Ltd. (Representative Director) June 2004 President of The Ashikaga Bank, Ltd. (Chief Executive Officer) September 2008 Special Advisor to A.T. Kearney February 2012 President and Representative Director of the Organization to Support Revitalization of Businesses Affected by the Great East Japan Earthquake April 2016 President and Representative Executive Officer of Japan Post Bank Co., Ltd. June 2016 Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd. (present); Director of the Company (present)



KINUGAWA Kazuhiko

Director
Number of shares held: 12,500 shares

Significant Concurrent Positions

President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.

Career Summary

April 1980 Joined the Ministry of Posts & Telecommunications October 2007 Executive Officer and Senior General Manager of Human Resources Department of Japan Post Insurance Co., Ltd. October 2010 Managing Executive Officer and Senior General Manager of Human Resources Department of Japan Post Insurance Co., Ltd. April 2011 Managing Executive Officer of Post Insurance Co., Ltd. February 2013 Managing Executive Officer and Senior General Manager of Human Resources Department of Japan Post Insurance Co., Ltd. July 2013 Managing Executive Officer of Post Insurance Co., Ltd. July 2014 Senior Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2016 Senior Managing Executive Officer of the Company (to Jan. 2020) December 2019 Director of Japan Post Co., Ltd. January 2020 President & CEO (Representative Executive Officer) of Japan Post Co., Ltd. (present) June 2020 Director of the Company (present)



SENDA Tetsuya

Director
Number of shares held: 5,200 shares

Significant Concurrent Positions

Director and President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.

Career Summary

April 1984 Joined the Ministry of Posts & Telecommunications July 2011 Executive Officer and Senior General Manager of Corporate Planning Department of Japan Post Insurance Co., Ltd. June 2013 Managing Executive Officer of the Company (to Jun. 2016) July 2013 Managing Executive Officer of Japan Post Insurance Co., Ltd. June 2016 Senior Managing Executive Officer of Japan Post Insurance Co., Ltd. November 2017 Senior Managing Executive Officer of the Company April 2019 Representative Executive Officer and Executive Vice President of Japan Post Insurance Co., Ltd. (to Jan. 2020) August 2019 Managing Executive Officer of the Company (to present) January 2020 President, CEO Representative Executive Officer of Japan Post Insurance Co., Ltd. (present) June 2020 Director and President, CEO, Representative Executive Officer; Director of the Company



MIMURA Akio

Outside Director
Chairperson of the Nomination Committee
Number of shares held: —shares
Number of years as director: 7 years
Attendance at Board of Directors' meetings: 17/17 times (100%)
Attendance at Nomination Committee meetings: 4/4 times (100%)

Significant Concurrent Positions

Honorary Company Fellow and Honorary Chairman of NIPPON STEEL CORPORATION; Chairman of the Japan Chamber of Commerce and Industry; Chairman of the Tokyo Chamber of Commerce and Industry; Outside Director of Development Bank of Japan Inc.; Outside Director of INCJ (Innovation Network Corporation of Japan), Ltd.; Outside Director of Tokio Marine Holdings, Inc.; Outside Director of Nisshin Seifun Group Inc.

Career Summary

June 1993 Director of Nippon Steel Corporation (currently NIPPON STEEL CORPORATION) April 1997 Managing Director of NSC April 2000 Representative Director and Executive Vice President of NSC April 2003 Representative Director and President of NSC April 2008 Representative Director and Chairman of NSC October 2012 Director and Senior Advisor to the Board of NSC June 2013 Director of the Company (present); Senior Advisor to the Board of Nippon Steel & Sumitomo Metal Corporation November 2013 Senior Advisor to the Board and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (present) June 2018 Honorary Company Fellow and Honorary Chairman of Nippon Steel & Sumitomo Metal Corporation (currently NIPPON STEEL CORPORATION) April 2019 Honorary Company Fellow and Honorary Chairman of NIPPON STEEL CORPORATION (to present)



ISHIHARA Kunio

Outside Director
Member of the Nomination Committee
Member of the Compensation Committee
Number of shares held: 8,400 shares
Number of years as director: 5 years
Attendance at Board of Directors' meetings: 17/17 times (100%)
Attendance at Nomination Committee meetings: 4/4 times (100%)
Attendance at Compensation Committee meetings: 2/2 times (100%)

Significant Concurrent Positions

Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; Outside Audit & Supervisory Board Member of Tokyu Corporation; Outside Director and Audit and Supervisory Committee Member of NIKON CORPORATION, Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.

Career Summary

June 1995 Director of Tokio Marine and Fire Insurance Co., Ltd. (TMFI) June 1998 Managing Director of TMFI June 2000 Senior Managing Director of TMFI June 2001 Director and President of TMFI April 2002 Director and President of Millea Holdings, Inc. October 2004 Director and President of Tokio Marine & Nichido Fire Insurance Co., Ltd. June 2007 Director and Chairman of the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.; Director and Chairman of the Board of Millea Holdings, Inc. July 2008 Director and Chairman of the Board of Tokio Marine Holdings, Inc. June 2013 Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd. (present) June 2015 Director of the Company (present)



Charles Ditmars Lake II

Outside Director
Number of shares held: —shares
Number of years as outside director: 4 years
Attendance at Board of Directors' meetings: 17/17 times (100%)

Significant Concurrent Positions

Chairman and Representative Director of Aflac Life Insurance Japan Ltd.; President and Member of the Board of Directors of Aflac International Incorporated; Outside Director of Tokyo Electron Ltd.

Career Summary

August 1992 Director for Japan Affairs, Office of the U.S. Trade Representative July 1993 Director for Japan Affairs and Special Counsel to the Deputy U.S. Trade Representative January 1995 Attorney at Dewey Ballantine LLP June 1999 Vice President and Counsel of Japan Branch, American Family Life Assurance Company of Columbus (Aflac Japan) July 2001 Deputy President of Aflac Japan January 2003 President and Representative of Aflac Japan April 2005 Vice Chairman and Representative of Aflac Japan July 2008 Chairman and Representative of Aflac Japan January 2014 President and Member of the Board of Directors of Aflac International Incorporated (present) June 2016 Director of the Company (present) April 2018 Chairman and Representative Director of Aflac Life Insurance Japan Ltd. (present)



HIRONO Michiko (FUJII Michiko)

Outside Director
Number of shares held: 3,400 shares
Number of years as outside director: 4 years
Attendance at Board of Directors' meetings: 17/17 times (100%)

Significant Concurrent Positions

None

Career Summary

May 1997 Managing Director of PokkaCreate Co., Ltd. July 1998 Senior Vice-President of K.K. MVC July 1998 Vice President of Tully's Coffee Japan Co., Ltd. March 2000 Founded 21 Lady Co., Ltd., President (present) June 2002 Representative Director and President of HIROTA Co., Ltd. March 2010 Representative Director and President of Illumea Japan Co., Ltd. November 2011 Representative Director, Chairman and President of HIROTA Co. Ltd. June 2014 Outside Director of Japan Post Co., Ltd. June 2016 Director of the Company (present)



OKAMOTO Tsuyoshi

Outside Director
Member of the Nomination Committee
Chairperson of the Compensation Committee
Number of shares held: 1,700 shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 16/17 times (94.1%)
Attendance at Nomination Committee meeting: 1/1 times (100%)
Attendance at Compensation Committee meetings: 8/8 times (100%)

Significant Concurrent Positions

Senior Corporate Advisor to Tokyo Gas Co., Ltd.; Outside Director of Asahi Kasei Corp.; Outside Director of Mitsubishi Estate Co., Ltd.

Career Summary

June 2002 Executive Officer of Tokyo Gas Co., Ltd. April 2004 Senior Executive Officer of Tokyo Gas Co., Ltd. June 2004 Director, Senior Executive Officer of Tokyo Gas Co., Ltd. April 2007 Representative Director, Executive Vice President of Tokyo Gas Co., Ltd. April 2010 Representative Director, President of Tokyo Gas Co., Ltd. April 2014 Director, Chairman of Tokyo Gas Co., Ltd. June 2016 Outside Director of Japan Post Bank Co., Ltd. April 2018 Director, Senior Corporate Advisor to Tokyo Gas Co., Ltd. June 2018 Director of the Company (present) July 2018 Senior Corporate Advisor to Tokyo Gas Co., Ltd. (present)



KOEZUKA Miharu

Outside Director
Member of the Audit Committee
Number of shares held: 1,500 shares
Number of years as director: 2 years
Attendance at Board of Directors' meetings: 16/17 times (94.1%)
Attendance at Audit Committee meetings: 26/28 times (92.9%)

Significant Concurrent Positions

Counselor to Takashimaya Company Limited; Director of Okayama Takashimaya Co., Ltd.; Outside Director of Nankai Electric Railway Co., Ltd.; Outside Director of the Board of Nippon Paint Holdings Co., Ltd.

Career Summary

May 2007 Executive Officer of Takashimaya Company, Limited March 2009 Senior Executive Officer of Takashimaya Company, Limited February 2010 President (Representative Director) of Okayama Takashimaya Co., Ltd. May 2013 Director of Takashimaya Company, Limited September 2013 Senior Managing Director (Representative Director) of Takashimaya Company, Limited; Director of Okayama Takashimaya Co., Ltd. March 2016 Director of Takashimaya Company, Limited May 2016 Advisor to Takashimaya Company, Limited October 2016 Representative Director and President of Dear Mayuko Co., Ltd. March 2018 Advisor to Dear Mayuko Co., Ltd. June 2018 Director of the Company (present) March 2020 Counselor of Takashimaya Company, Limited (to present)



AKIYAMA Sakie

Outside Director
Number of shares held: —shares
Number of years as director: 1 year
Attendance at Board of Directors' meetings: 14/14 times (100%)
Attendance at Audit Committee meetings: 23/23 times (100%)

Significant Concurrent Positions

Founder (Advisor) of Saki Corporation; Outside Director of Sony Corporation; Outside Director of ORIX Corporation; Outside Director of Mitsubishi Corporation

Career Summary

April 1994 Found Saki Corporation, Representative Director and President September 2018 Founder (Advisor) of Saki Corporation (present) June 2019 Director of the Company (present)



KAIAMI Makoto

Outside Director
Member of the Audit Committee
Number of shares held: —shares

Significant Concurrent Positions

Attorney; Outside Audit & Supervisory Board Member of SEIREN, Co., Ltd.; Outside Director of Tokyū Fudosan Holdings Corporation

Career Summary

April 1978 Appointed as a judge April 2000 Division-head Judge of Tokyo District Court July 2007 Associate Vice-Minister of Justice in charge of Litigation Affairs, Minister's Secretariat, Ministry of Justice July 2009 Judge of Tokyo High Court December 2009 President of Wakayama District / Family Court January 2011 President of Nagano District / Family Court November 2012 Division-head Judge of Tokyo High Court July 2014 President of Tokyo Family Court June 2015 President of Tokyo District Court February 2017 Registered as Attorney (present) September 2018 Joined Otemachi Law Office (present) June 2020 Director of the Company (present)



SATAKE Akira

Outside Director
Chairperson of the Audit Committee
Number of shares held: —shares

Significant Concurrent Positions

None

Career Summary

April 1979 Joined SUMITOMO CORPORATION April 2011 Executive Officer and General Manager of Planning & Administration Dept., Mineral Resources, Energy, Chemical & Electronics Business Unit of SUMITOMO CORPORATION April 2013 Managing Executive Officer, General Manager of Finance Dept. of SUMITOMO CORPORATION April 2016 Senior Managing Executive Officer of SUMITOMO CORPORATION June 2017 Director and Senior Managing Executive Officer of Sumitomo Precision Products Co., Ltd. June 2018 Director and Executive Vice President of Sumitomo Precision Products Co., Ltd. April 2019 Adviser of SUMITOMO CORPORATION June 2019 Outside Director of Japan Post Insurance Co., Ltd. June 2020 Director of the Company (present)

Interview with Outside Director



Outside Director

ISHIHARA Kunio

Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Outside Audit & Supervisory Board Member of Tokyu Corporation
Outside Director and Audit and Supervisory Committee Member of NIKON CORPORATION
Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.

Reflecting on issues related to the inappropriate solicitation of Japan Post Insurance products

The recent incident regarding the rewriting of Japan Post Insurance policies have caused disadvantages to many of our customers and caused great trouble and concern to our shareholders and other stakeholders.

To get to the bottom of this incident, we are carrying out precise and in-depth analyses through the Special Investigation Committee as well as each of our Group companies, so I would like to take this opportunity to discuss the main issues I see as an external director of the holding company. The administrative dispositions on Japan Post Holdings at the end of 2019 raised issues with the Company's governance as a group. The Minister for Internal Affairs and Communications called for the establishment of a governance system for the Japan Post Group, and the Financial Services Agency of Japan called for the establishment of a system of group governance for the implementation of effective integration and coordination functions as an insurance holding company. Taking these points seriously, the Company's Board of Directors has held ongoing deliberations including fundamental topics such as what the role of a holding company should be.

Since the business companies of the Japan Post Group include listed corporations, their respective responsibilities and actions are apt to take priority, and it is my opinion that united Group efforts to prevent incidents up till now have not necessarily been sufficient.

When it comes to complicated incidents like this latest one that have a wide variety of causes, or scandals that threaten to damage the entire Group's enterprise value, I am now painfully aware of the need to implement governance and compliance functions as a group, and for the Group to unite in efforts to solve the problem and prevent its recurrence.

Another critical problem that has been raised is that the mechanisms we had to absorb, organize, and analyze onsite information and expose and clarify the problem did not function properly, and consequently management was not fully cognizant of the scale and seriousness of the problem. To consistently implement proper governance as a group, it is also extremely important to take measures to strengthen Group company liaison committees and internal reporting functions and to enhance the sharing of information pertaining to sales and operations. I also intend to keep a keen eye on whether the holding company's Board of Directors is collecting the necessary information from all perspectives, holding discussions based on that information, and translating that into specific actions for improvement at each Group company.

The role of the Board of Directors

Japan Post Holdings has adopted a structure of a company with nomination committee, etc., under which business execution is essentially handled by Executive Officers including the President & CEO. The main function of the Board of Directors is supervision, and as such its main role is to conduct risk-based deliberations as well as to deliberate on Group management strategies and enterprise value enhancement. Currently, the majority of the Board of Directors are external directors, each with diverse backgrounds, including business managers, lawyers, foreigners, and women. The atmosphere on the Board is also conducive to external directors freely stating their opinions, and each session produces lively discussion.

At the same time, to respond appropriately to problems such as the issues related to the inappropriate solicitation of Japan Post Insurance products that has roiled the Group, it is crucial to promote effective action by properly sharing information with the potential to heavily impact the running of our business, and for Directors to put their

respective knowledge to use by vigorously counseling the Executive Officers, even if it includes things they may not want to hear. Particularly in this time of great change, what may be considered “common sense” within the Company may in fact be nonsensical or behind the times to the world at large. I aim to see our Outside Directors voice their opinions frankly, and I hope the Executive Officers will put those opinions to effective use.

The world is right now facing a wave of immense change. The impact of the COVID-19 pandemic as well as seemingly wrought irreversible changes on our lives and economy. As we are forced to adapt to changes in business structure and new challenges, another crucial role of the Board of Directors is to make sometimes risky decisions, and prompt the Executive Officers to take sustained measures to elevate enterprise value. Going forward, I aim to continue to exchange opinions with the Executive Officers and other Directors and work together to raise the enterprise value of the Japan Post Group.

Expectations of the Japan Post Group

Since its start of operations in 1871, the postal business has been one of the most important parts of Japan’s infrastructure, and it has contributed to affluent lives for the people and the building of local society by providing postal, banking, and life insurance services. Today, with people staying at home and restrictions on travel to prevent the spread of COVID-19, I believe post offices have received newfound recognition of their status as indispensable infrastructure for community life.

With Japan facing an increasingly graying and shrinking population, expectations are greater than ever for the role of the post office as a base within the community. The Japan Post Group will be expected to leverage its available resources and new technologies, collaborate with local businesses, governments, and various other partners to fulfill the role of “universal services” for the new era. It will also be essential to secure and cultivate the human resources and innovate the corporate culture to support those new undertakings.

In financial services as well, it will be increasing necessary to augment our consulting functions to provide services to meet our customers’ needs. As we

enter the age of 100-year life, we will need to provide even more close-knit services for all people’s lives and livelihoods as a Total Lifestyle Support Group. To that end, we will need a mechanism to instill in our employees the philosophy of achieving customer-oriented sales and to put that philosophy into practice.

Since we are still in the process of privatizing, the fact is that the Japan Post Group is subject to a number of constraints. It is nevertheless of prime importance that all of our employees have a shared understanding of what our customers throughout Japan want and expect of the Japan Post Group and what the goals of the Japan Post Group are. I also believe that management as well must work in earnest to see that each and every employee on the front lines is able to describe these concepts in their own words.

Japan Post Group Risk Management

Japan Post Holdings Co., Ltd., as the holding company of the Japan Post Group, recognizes that properly managing risk within the Group is one of management's highest priorities and has formulated a basic policy concerning Group risk management. Based on the shared understanding of this policy among the Group companies, Japan Post Holdings establishes a risk management system for the entire Group. In addition, considering issues related to the solicitation quality of Japan Post Insurance products, we are also enhancing cooperation among the Group companies through countermeasures such as establishing a Group Operational Risk Management Committee.

Japan Post Holdings is committed to preventing the transfer of risk from one Group company to another. Japan Post Holdings is also committed to assuring that the Group's financial companies such as Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. continue to strengthen their risk management systems as independent financial institutions and implement autonomous risk management.

Note: For details on the "Report on Issues Related to the Solicitation Quality of Japan Post Insurance Products," please see pages 10 to 21.

Group Risk Management Framework

As a basic policy concerning Group risk management, the Japan Post Group has laid down basic principles of risk management and fundamental matters that should be observed by Group companies in implementing risk management, including categories of risks that should be managed by each company. The Japan Post Group performs Group risk management based on this policy.

Directors and Executive Officers of Group companies recognize the importance of risk management and are responsible for notifying employees of risk management policy as well as working to develop and properly operate risk management systems.

In addition, Japan Post Holdings has a Risk Management Department for the purpose of monitoring risk for the entire Japan Post Group. The Risk Management Department receives reports from and has discussions with Group companies on matters related to their risk management, thereby setting up a system to properly identify and monitor risk for the Group as a whole.

In light of issues related to the solicitation quality of Japan Post Insurance products, we are also enhancing coordination between Group companies through measures such as establishing a Group Operational Risk Management Liaison Committee.

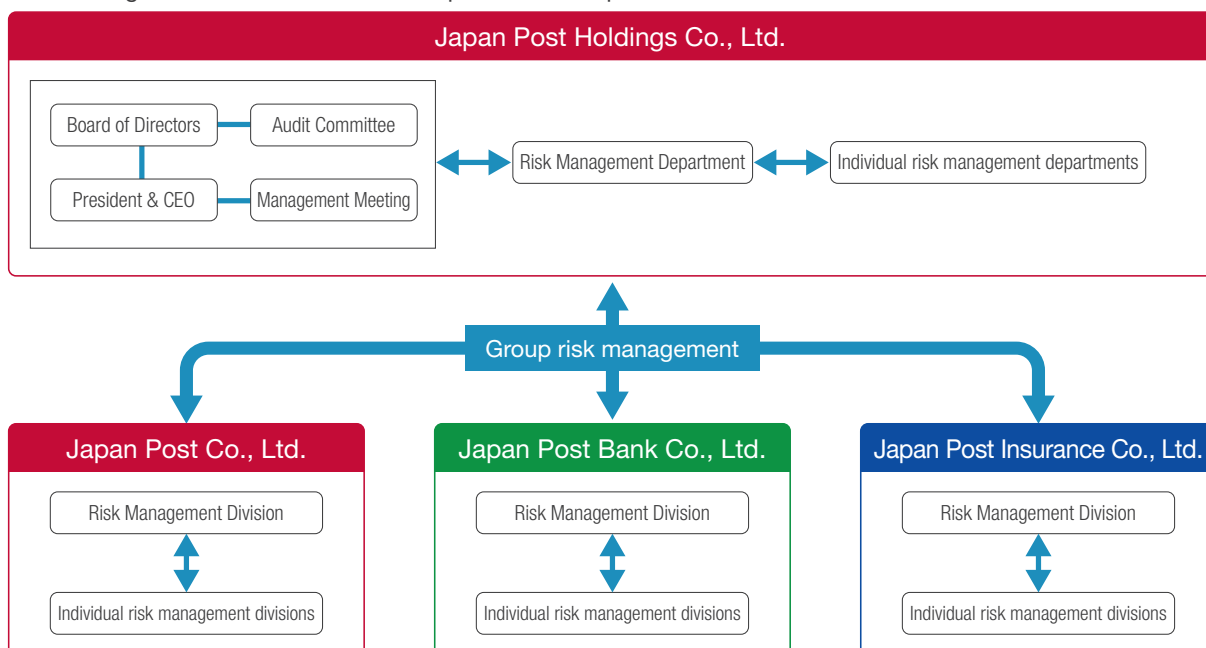
The Executive Officer in charge of risk management periodically submits Group company risk management reports to the Board of Directors and the Management Meeting. The Management Meeting also discusses the Group's risk management policies and risk management systems. In addition, the Board of Directors appropriately supervises Executive Officers who execute business.

The Japan Post Group pays particular attention to preventing any conflicts of interest when determining the authority and responsibility of organizations, executives, and employees who engage in risk management and has a system in place that ensures appropriate checks and balances among these parties.

Japan Post Bank and Japan Post Insurance are exposed to market risk, credit risk, and other types of risk that are unique to the provision of financial services. Each Group company identifies risks to be quantified and then uses VaR (value at risk, a measure of the maximum expected loss that could occur due to events with a certain probability) and other methods to objectively and appropriately measure these risks in a uniform manner.

Japan Post Holdings manages risk by confirming that the amount of risk measured at each of these two companies is suitable in relation to each Group company's equity capital.

Risk Management Framework for the Japan Post Group



Japan Post Holdings also checks the implementation status of stress tests conducted by Group companies to ascertain risks that cannot be determined through normal risk measurement, and reports this to the Board of Directors and the Management Meeting. In addition, Japan Post Holdings and the Japan Post Group follow internal and external financial regulations that include the Basel Capital Accord to carry out management corresponding to the capital adequacy ratio and solvency margin ratio, as well as respond or make disclosures as necessary, such as by submitting reports in response to demands from regulatory authorities.

Operational risk is managed for the business activities of Japan Post, Japan Post Bank, and Japan Post Insurance. Operational risk management is monitored on a regular basis to properly supervise this risk. In addition, actions are taken to enable Group companies to work more closely together to prevent the recurrence of problems and strengthen risk management.

Japan Post Group Risk Management System

Managing risk at Japan Post Group companies is recognized as one of management's highest priorities. After specifying risks associated with each business activity, each Group company has established a management system in accordance with the characteristics of each risk based on the basic policy for Group risk management and manages those risks autonomously. A department responsible for managing risk has been set up in each Group company and a system for checks and balances has been created together with the individual risk management departments.

Risk Categories and Definitions

Risk category	Definition
Insurance underwriting risk	The risk of losses arising due to change in economic conditions or insurance accident occurrence ratios as opposed to the projections made at the time when insurance premiums were set.
Credit risk	The risk of losses arising from the decline or elimination of the value of assets (including off-balance-sheet assets) due to deterioration in the financial condition of an entity to which credit is provided.
Market risk	The risk of loss resulting from changes in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates, and stock prices and the risk of losses resulting from changes in earnings generated from assets and liabilities. There are three material market risks as follows:
1) Interest rate risk	The risk of losses resulting from changes in interest rates. As a result of a mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof, the company may suffer a loss or a decline in profit due to changes in interest rates.
2) Price volatility risk	The risk of declines in the value of assets due to changes in the prices of securities and other financial instruments.
3) Foreign exchange risk	The risk of losses resulting from the difference between assumed and actual foreign exchange rates in the case where the company has a long position or short position on a net basis with regard to its assets and liabilities denominated in foreign currencies.
Asset investment risk	The risk of losses arising from fluctuations in the values of assets or liabilities held (including off-balance-sheet items). Asset investment risk consists of the following credit, market, and real estate investment risks.
1) Credit risk	Same as credit risk above
2) Market risk	Same as market risk above
3) Real estate investment risk	The risk of losses due to decline in profitability of real estate caused by the changes of rental rates, or due to decrease in the value of real estate itself caused by factors such as changes in market conditions.

Risk category	Definition
Liquidity risk	1) Funding-liquidity risk: The risk of losses because a company finds it difficult to secure the necessary funds or is forced to obtain funds at far higher interest rates or the company must unavoidably trade at remarkably lower prices than usual under normal conditions because of a worsening financial condition. 2) Market-liquidity risk: The risk of losses arising due to an inability to conduct market transactions or the need to conduct transactions at far more unfavorable prices because of market turmoil.
Operational risk	The risk of losses resulting from inadequate operation processes, inadequate activities by officers and employees, and inadequate systems or from external events. There are three categories of operational risk that apply to the entire Group: (1) administrative risk, (2) IT system risk, and (3) information assets risk.
1) Administrative risk	The risk of losses resulting from the neglect by officers and employees to conduct administrative work properly, accidents caused by them, and violation of laws conducted by them in the course of the administrative work process.
2) IT system risk	The risk of losses because of a breakdown or malfunctioning of computer systems or other computer system inadequacies, or because of improper use of computer systems.
3) Information assets risk	The risk of losses arising from the loss, falsification, inappropriate use, or external leakage of information due to IT system damage or inappropriate processing.

Japan Post Group Compliance Framework

The Japan Post Group recognizes compliance as one of its highest management priorities and conducts rigorous compliance activities. Notably, in light of issues related to the solicitation quality of Japan Post Insurance products, we established a Group Compliance Committee and took other steps to enhance our Group compliance functions. At the same time, as one of our highest management priorities, we are further promoting and managing initiatives for preventing the recurrence of misconduct such as the inappropriate receipt of fees and the abandonment and concealment of mail and for the implementation of measures against money laundering and financing of terrorism, etc.

All Group companies work to build an effective compliance framework giving due consideration to the public characteristics of the business.

Note: For details on the "Report on Issues Related to Solicitation Quality of Japan Post Insurance Products," please see pages 10 to 21.

Japan Post Group Compliance Framework

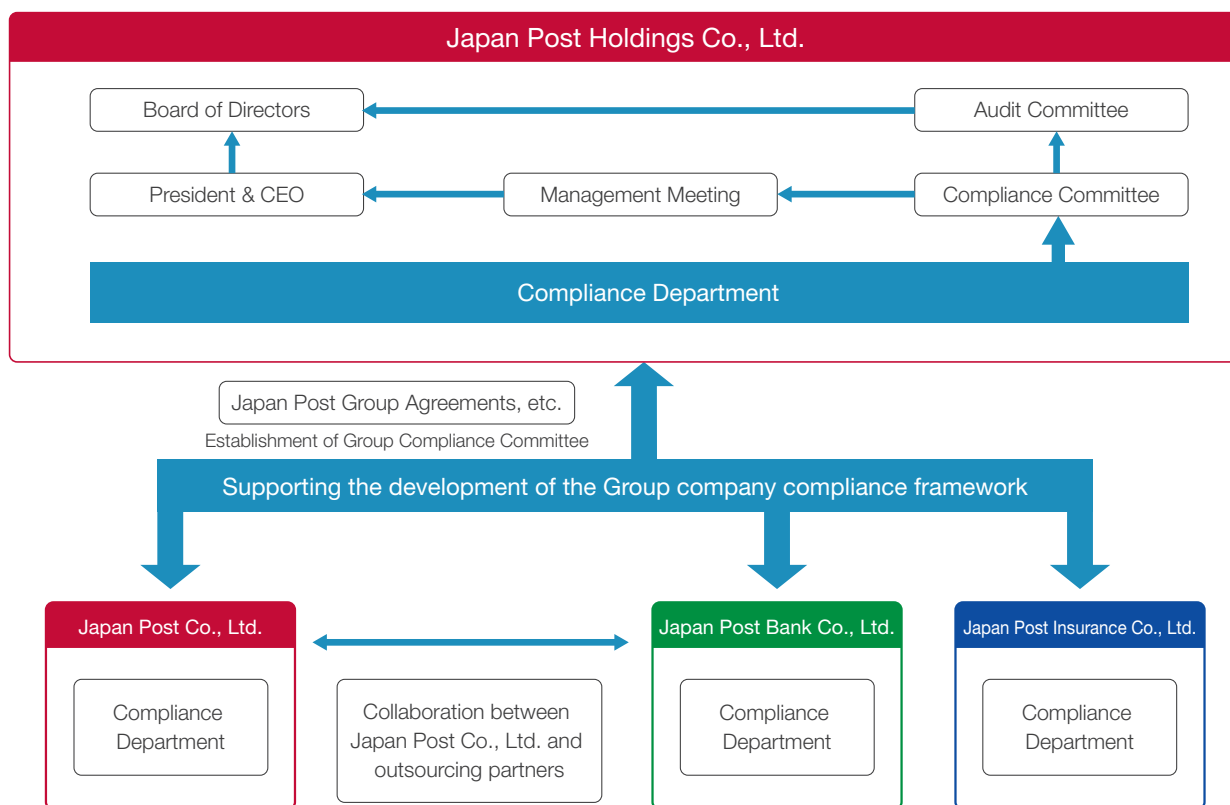
The Japan Post Group employs a common compliance framework. Each Group company establishes a Compliance Department to conduct integrated management of compliance-related matters.

In addition, each Group company has a Compliance Committee that provides advice to its Management Meeting to review the compliance policy, framework, specific activities, and associated issues. The director in charge of compliance then reports important matters discussed by the Compliance Committee to the Management Meeting and the Board of Directors.

A Compliance Department has been set up and placed under the control of a director in charge of compliance to propose measures to promote compliance and manage the progress of each measure.

One of our Groupwide undertakings is to work to maintain and improve the compliance functions of our overall Group by establishing a Group Compliance Committee, and sharing information on conducting coordination through regular meetings of the Committee.

Japan Post Group Compliance Framework



■ Group Company Compliance Framework

Japan Post Group companies have built a compliance framework as outlined below and use various measures to promote compliance so that the compliance framework can function effectively.

1. Japan Post Group Compliance Framework

● Line of responsibility for compliance activities

Each Group company has a Compliance Department that is independent from departments related to business execution in order to promote compliance activities throughout the company. This and other departments have a compliance officer who is responsible for executing specific compliance activities. In addition, compliance managers have been appointed at all head office departments, regional offices, post offices, and branch offices in order to establish a line of reporting for compliance activities.

● Response to compliance violations

In the event of the discovery of any compliance violations or facts that raise suspicion of compliance violations at any Group company, including corruption such as giving or taking bribes or giving or taking inappropriate gifts or entertainment, we shall investigate and clarify the relevant facts and causes of the violations, and implement measures to prevent their recurrence.

● Internal reporting system

To quickly deal with compliance violations and prevent them from spreading while maintaining a structure to resolve issues at the earliest stage, each Group company has established compliance hotlines for employees and others at the Compliance Department of each company and at a designated external law firm.

By operating this internal reporting system, we are working to protect internal reporters thoroughly and develop an environment that facilitates internal reporting, such as by prohibiting disadvantageous handling of internal reporters and accepting anonymous reports.

In addition, in light of issues related to the solicitation quality of Japan Post Insurance products, we have established a new external compliance hotline dedicated to financial sales issues.

2. Promotion of Compliance

● Establishment of compliance program

Each fiscal year, a compliance program is established to provide a plan for specific actions involving compliance. Progress is then checked on a regular basis.

● Activities related to compliance items

At Group companies, specific compliance items have been selected, including anti-corruption such as giving or taking bribes and giving or taking inappropriate gifts and entertainment, and departments have been assigned to take responsibility for individual compliance items in order to promote compliance in a focused manner. The Compliance Department oversees the compliance promotion activities undertaken by these units and conducts integrated management of compliance related issues across the board.

● Preparation and distribution of compliance manual

A compliance manual is prepared to serve as a practical guide to promote compliance. The manual explains the compliance framework, matters concerning areas of compliance and other subjects. All executives and employees also receive a compliance handbook that summarizes the manual and is used in training programs and other activities to raise awareness among executives and employees of the importance of compliance.

● Implementation of compliance-related training

Each Group company conducts a variety of training activities for compliance items using group training, DVDs, e-learning, etc., in order to promote a better understanding of legal matters and other areas, and to raise awareness of compliance.

3. Measures against Money Laundering and Financing of Terrorism

In light of the mounting international calls to help prevent money laundering and terrorism financing, we have formulated a “Group policy on measures against money laundering and financing of terrorism” and otherwise designated such countermeasures as a priority issue. We are working to enhance united Group efforts, and otherwise undertaking to combat money laundering and the financing of terrorism based on a risk-based approach in accordance with each Group company’s unique business attributes.

Japan Post Group Internal Audit System

The Japan Post Group has established an effective internal audit system at each Group company in order to ensure sound administration and proper operations aimed at building customer trust. Notably, in light of the recent issues related to the solicitation quality of Japan Post Insurance products, we are implementing onsite monitoring of post offices and other facilities by Japan Post Holdings and working to enhance the Group internal auditing liaison committee.

Note: For details on the "Report on Issues Related to Solicitation Quality of Japan Post Insurance Products," please see pages 10 to 21.

Japan Post Group Internal Audit System Framework

The Japan Post Group sets forth the fundamental matters necessary to create an internal audit system framework in the Japan Post Group agreements.

Based on these agreements, each Group company develops an effective internal audit system framework befitting the nature of its business and the type and degree of risk.

The Internal Audit Department of Japan Post Holdings Co., Ltd. evaluates and examines the audit regulations, audit plans, and internal audit systems of and provides guidance and advice to Japan Post Co., Ltd., Japan Post Bank Co., Ltd., and Japan Post Insurance Co., Ltd. from the perspective of enhancing the internal audit system framework of the entire Group.

This Internal Audit Department also makes recommendations for improvements and directly undertakes audits when required.

Internal Audit System at Group Companies

1. Overview

Each Group company has an Internal Audit Department independent from the business-executing departments which conducts internal audits from an independent and objective standpoint. These departments examine the internal management system, such as ascertaining the state of the execution of management activities and whether mutual supervision is functioning.

2. Implementation of Effective Internal Audits

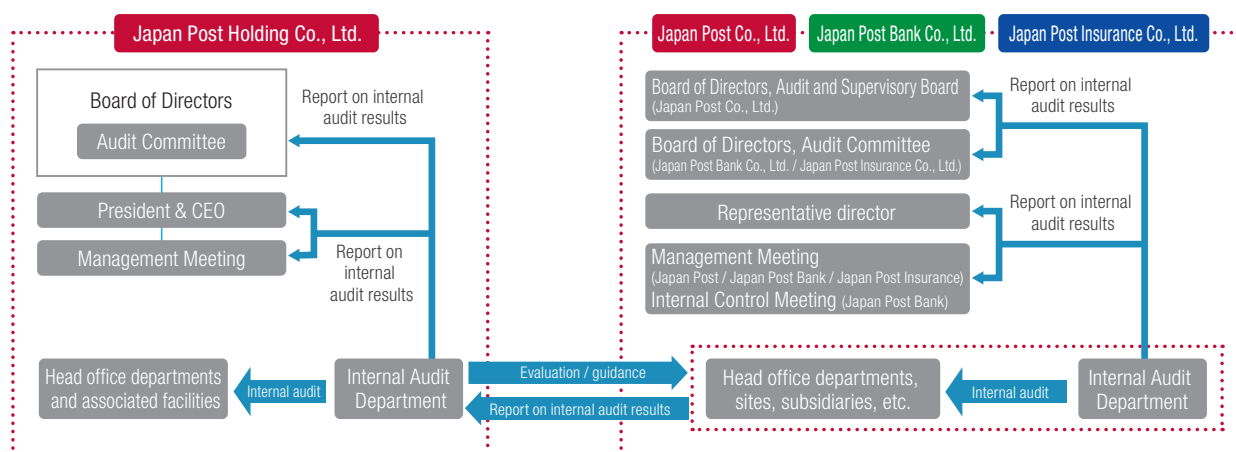
In implementing internal audits, the Internal Audit Department undertakes audits in accordance with IIA's (The Institute of Internal Auditors) *International Standards for the Professional Practice of Internal Auditing (Standards)*. This includes conducting risk-based internal audits, in which audit frequency and audit items are determined by evaluating specific types and extent of risks in the branches and departments or operations within the scope of the internal audit.

In addition, efforts are made to ensure efficient and effective internal audits through off-site monitoring that includes routinely attending various meetings and gathering relevant internally managed materials, as well as obtaining insights from audit firms and specialists through seminars and other occasions both internally and externally to improve the quality of audits.

3. Reporting on Results of Internal Audits and Making Improvements

The Internal Audit Department of each Group company reports on internal audit results to the business-executing departments as well as to the Board of Directors, representative director, Audit Committee, and Board of Corporate Auditors.

Moreover, each Internal Audit Department works to improve operations at their respective companies. To this end, progress reports of improvement requests indicated in audit reports are periodically made to the representative director.



Japan Post Group IT Governance

The innovation and spread of information technology is a factor which greatly affects our corporate value, and we recognize it as a major management risk. The Japan Post Group has established a highly effective IT governance system in order to respond appropriately to such an environment.

Group IT Governance System

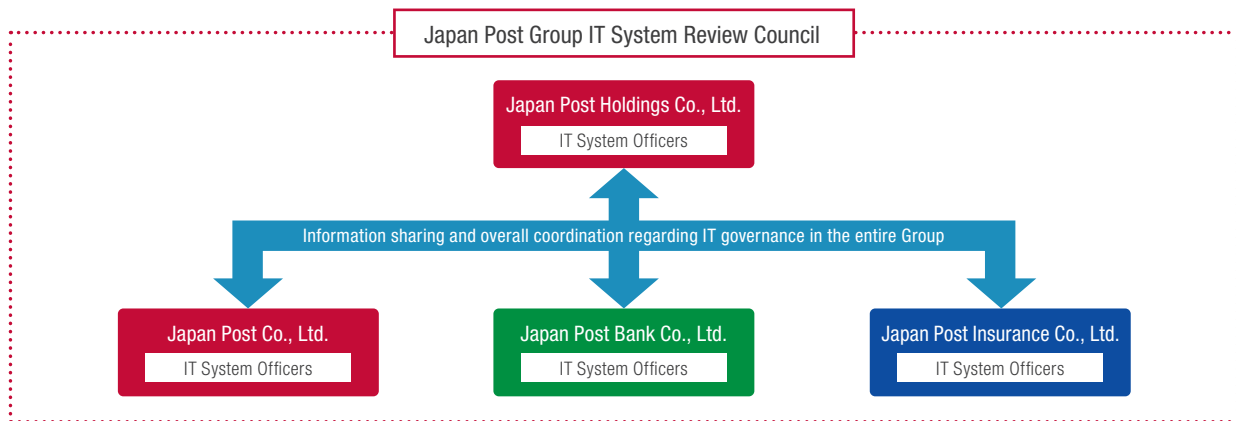
In the Japan Post Group Agreements, the Japan Post Group defines the basic matters for establishing and developing an IT governance system. Based on these agreements, Group companies minimize risk arising from improving productivity through the development and execution of an IT strategy, streamlining management and using IT, and realize IT governance necessary to maximize corporate value by ensuring the soundness of Group management.

Implementing Effective IT Governance

The Japan Post Group has set up a Japan Post Group Information System Review Council with members including the CIO of each Group company, with the purpose of IT sharing and overall coordination related to IT governance in the entire Group. Effective IT governance is implemented based mainly on the agenda items and report items on the right.

- Examine policies and measures related to IT governance in the entire Japan Post Group
- Study the direction, confirm impact, and adjust the development schedule of major IT system development
- Status of IT governance activities of the entire Group and four Group companies
- Reporting and sharing information on the operation status of major IT systems
- Other matters deemed necessary by members of the Review Council

Organizational chart of IT governance in the Japan Post Group



IT Strategy to Support Group Management

The Japan Post Group has stated the following three IT strategies in order to respond to changes in the business environment including customer needs, as well as promote business innovation using IT.

1. Promote IT to support new business development for future growth
 - Respond to the changing needs of society and customers by providing products and services that totally support their lives
2. Promote workstyle reform and productivity improvement
 - Actively adopt the latest technology in order to develop an IT environment where employees can fully demonstrate their own abilities
 - Train IT human resources who are familiar with business and technology, and can support the next generation of systems
3. Reinforce our management base in order to support sustainable growth
 - Reduce IT costs for the Group by concentrating Group IT infrastructure in stages
 - Strengthen cyber security and provide reliable IT services

Cyber Security Measures

In response to the constantly increasing advancement and sophistication of cyber attacks, the Japan Post Group has recognized the threat of cyber attacks as a serious risk, and has developed a system to deal with cyber attacks.

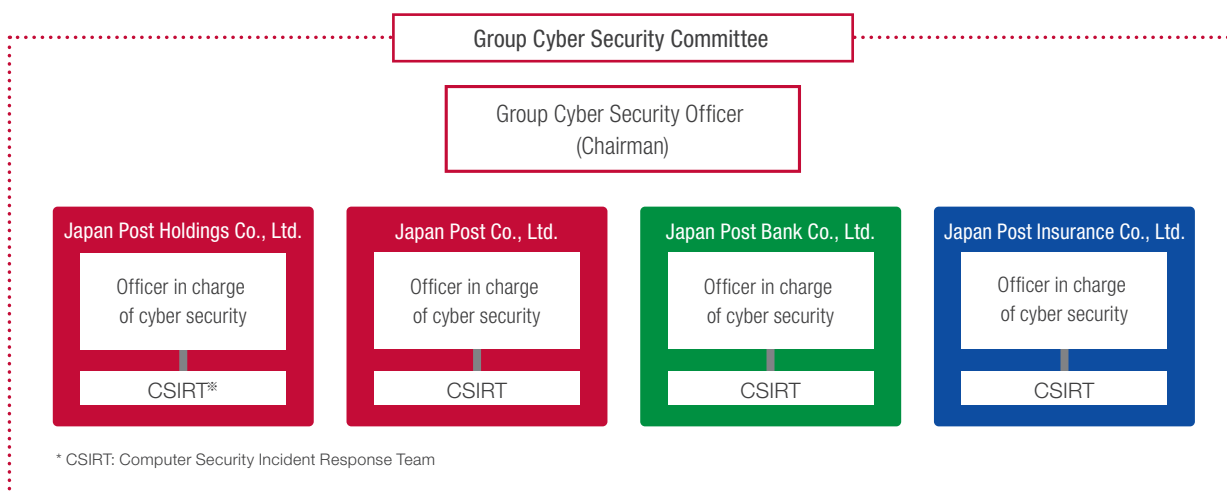
We are working to safeguard and manage important information from damage such as information leaks and loss caused by cyber attacks.

Group Cyber Security System

Under governance of the holding company Japan Post Holdings Co., Ltd., we have developed a cyber security management system for the Japan Post Group.

We have established a Group Cyber Security Committee consisting of executives in charge of cyber security from the four main Group companies of the Japan Post Group. This committee develops Group cyber security strategy, and works to track and evaluate the status of cyber security measures in Group companies.

In our system, executives in charge of cyber security at Japan Post Holdings oversee Group governance related to cyber security. They regularly report on the status of cyber security efforts to management.



Efforts for Cyber Security Measures by Japan Post Holdings

Defense in depth	In order to reduce the risk of malware attacks from outside the company and unauthorized transfer of information from inside the company, we have introduced multiple detection and defense mechanisms against unauthorized access and unauthorized programs, and are implementing multi-level countermeasures (defense in depth). The effectiveness of defense is regularly evaluated by a third party.
Incident response system	We have developed an incident response system centered on CSIRT, so that when a cyber attack occurs, we can quickly find the cause and minimize the damage, and at the same time report it to management quickly. We are conducting response training for security incidents on a regular basis, and checking whether our incident response system is functioning effectively, while also working to improve the incident response capabilities of CSIRT staff and other employees.
Education / Training	We conduct cyber security education and training for executives and employees, and are working to improve security awareness among executives and employees.
External collaboration	We collaborate with external organizations such as JPCERT / CC, the Nippon CSIRT Association and the Tokyo Metropolitan Police Department in order to share attack information and countermeasure trends, and strive to respond quickly to increasingly sophisticated cyber attacks.

Initiatives for Transportation Safety

Basic Approach to Transportation Safety

Top management at Japan Post Co., Ltd. views the assurance of health and safety as fundamental to business management, so we are working together to realize a safe environment where employees can work with peace of mind.

We have set four basic policies regarding health and safety, namely “maintenance, reform, and improvement of health and safety management,” “compliance with laws and company regulations,” “strengthening of measures to ensure health and safety during collection and distribution, sales activities, and other work done at post offices,” and “educating all employees on ensuring health and safety, while evaluating and improving on the results.”

Initiatives for Transportation Safety

Safety education for employees who drive vehicles

We are raising hazard awareness by implementing hazard prediction training (SKYT), which teaches drivers to visualize latent hazards by viewing photos of intersections and roads they will use daily prior to departing from post offices.

Depending on the vehicle driven, we provide training for staff of two-wheeled vehicles, in which they must drive in a straight line on top of a board with a constant width to enable drivers to gain a sense of balance matching their payloads. For four-wheeled vehicles, we provide training, in which staff must drive between and stop within two lines the width of the vehicle to give staff a feel for the vehicle.

On a regular basis, employee instructors also accompany two-wheeled vehicles from behind or ride along in the passenger seat of four-wheeled vehicles to confirm the state of vehicle driving and provide guidance. Moreover, four-wheeled vehicles are equipped with drive recorders that have accelerometers, and instruction is provided to prevent accidents by using data obtained during driving.



Daily training

Safe driving instructors

Japan Post stations safe driving instructors who are responsible for teaching safe driving techniques at post offices that conduct delivery and collection work. We hold the “Safe Driving Contest” in which instructors compete in advanced driving skills, knowledge, and leadership for two-wheeled and four-wheeled vehicles. (In the fiscal year ended March 31, 2020, 61 instructors participated in the four-wheeled vehicle contest. The motorcycle contest was cancelled due to the COVID-19 pandemic.)



An instructor conducts a pre-service inspection of a vehicle (checking tires, etc.) during a Safe Driving Contest.

Transportation safety record

Goal	Number of serious accidents: 0
Actual	For the fiscal year ended March 31, 2018: 2 (1 fatal accident, 1 vehicle failure) For the fiscal year ended March 31, 2019: 1 (1 health-caused accident) For the fiscal year ended March 31, 2020: 0

Data Compilation INDEX

1. Outline of Japan Post Holdings Co., Ltd.		6. Japan Post Group Companies —Consolidated Financial Data	
1. Company Outline	92	CONSOLIDATED BALANCE SHEETS	108
2. Information on Shares	92	CONSOLIDATED STATEMENTS OF INCOME.....	110
3. Number of Employees	92	CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME.....	110
4. List of Directors, Executive Officers, and Management Committees.....	93	CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	111
5. Organization Chart.....	94	CONSOLIDATED STATEMENTS OF CASH FLOWS.....	114
6. Principal Subsidiaries and Affiliates of Japan Post Holdings Co., Ltd.	95	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	116
2. Outline of Japan Post Co., Ltd.		Capital Adequacy	155
1. Company Outline	97	Qualitative Disclosure.....	157
2. Management Philosophy	97	Quantitative Disclosure.....	160
3. Information on Shares	97	Compensation, etc., Subject to Disclosure.....	169
4. Number of Employees	97	Consolidated Solvency Margin Ratio (Japan Post Group).....	171
5. List of Directors, Audit and Supervisory Board Members, and Executive Officers.....	98	Non-consolidated Solvency Margin Ratio (Japan Post Insurance Co., Ltd.).....	172
6. Organization Chart.....	99	7. Japan Post Group Privacy Policy	
3. Outline of Japan Post Bank Co., Ltd.		1. Japan Post Group Privacy Policy.....	173
1. Company Outline	100	2. Sharing of Personal Data among Japan Post Group Companies.....	174
2. Management Philosophy	100	8. Japan Post Group's Approach to Procurement Activity	
3. Information on Shares	100	Japan Post Group's Approach to Procurement Activity	174
4. Number of Employees	100	9. Japan Post Group Conflicts of Interest Management Policy	
5. List of Directors, Executive Officers, and Management Committees.....	101	Japan Post Group Conflicts of Interest Management Policy	175
6. Organization Chart.....	102	10. Declaration by Top Management Regarding the Elimination of Relationships with Antisocial Forces	
4. Outline of Japan Post Insurance Co., Ltd.		Declaration by Top Management regarding the Elimination of Relationships with Antisocial Forces...	175
1. Company Outline	103	11. Japan Post Group Information Security Declaration	
2. Management Philosophy and Management Policy...	103	Japan Post Group Information Security Declaration.....	176
3. Information on Stocks	103	12. Japan Post Group Executive Declaration on Cyber Security	
4. Number of Employees	103	Japan Post Group Executive Declaration on Cyber Security	176
5. List of Directors, Executive Officers, and Management Committees.....	104	13. Disclosure Policy	
6. Organization Chart.....	105	Disclosure Policy	177
5. Transition of Significant Management Indicators, etc.			
Japan Post Group (Consolidated).....	106		
Japan Post Holdings (Non-consolidated)	106		
Japan Post (Consolidated).....	106		
Postal and domestic logistics business segment (Consolidated)	107		
Post office business segment (Consolidated)	107		
International logistics business segment (Consolidated).....	107		
Japan Post Bank (Consolidated).....	107		
Japan Post Insurance (Consolidated)	107		

① Company Outline

Company name (in Japanese):	Nippon Yusei Kabushiki Kaisha
Company name:	JAPAN POST HOLDINGS Co., Ltd.
Head office location:	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8791, Japan
Telephone:	03-3477-0111 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	January 23, 2006
Legal basis:	Established under the Japan Post Holdings Co., Ltd. Act (Law No. 98 of October 21, 2005)
Lines of business:	Strategy formulation of Group management

② Information on Shares

(As of March 31, 2020)

1. Number of Shares

Total number of authorized shares	18,000,000,000
Total number of issued shares	4,500,000,000
Total number of shareholders	625,089

2. Major Shareholders

	Capital contribution to the company	
	Number of shares held	Shareholding ratio
Minister of Finance	2,559,524,700	63.29
The Master Trust Bank of Japan, Ltd. (Trust Account)	110,550,000	2.73
Japan Post Holdings Employee Shareholding Association	68,417,800	1.69
Japan Trustee Services Bank, Ltd. (Trust Account)	65,736,600	1.62
STATE STREET BANK WEST CLIENT - TREATY 505234	37,593,729	0.92
Japan Trustee Services Bank, Ltd. (Trust Account 5)	31,900,000	0.78
Japan Trustee Services Bank, Ltd. (Trust Account 9)	30,066,900	0.74
SMBC Nikko Securities Inc.	24,264,800	0.60
JP MORGAN CHASE BANK 385151	23,119,848	0.57
JAPAN SECURITIES FINANCE CO., LTD.	22,128,200	0.54

Note 1: Japan Post Holdings holds 456,139,201 shares of treasury stock, which are not included in the above list of major shareholders.

Note 2: The shareholding ratio is calculated by deducting treasury stock from the total number of issued shares.

3. Matters Concerning Stock Acquisition Rights

None.

③ Number of Employees

2,031 (as of March 31, 2020)

* The number of employees excludes employees assigned to other companies by Japan Post Holdings but includes employees assigned to Japan Post Holdings by other companies. The figure does not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

④ List of Directors, Executive Officers, and Management Committees

(As of July 1, 2020)

1. Directors

Director and Representative Executive Officer, President & CEO	MASUDA Hiroya (Concurrently holds the positions of Director of Japan Post Co., Ltd., Director of Japan Post Bank Co., Ltd., and Director of Japan Post Insurance Co., Ltd.)
Director	IKEDA Norito (Concurrently holds the position of Director, President and Representative Executive Officer of Japan Post Bank Co., Ltd.)
Director	KINUGAWA Kazuhide (Concurrently holds the position of President & CEO (Representative Executive Officer) of Japan Post Co., Ltd.)
Director	SENDA Tetsuya (Concurrently holds the position of Director and President, CEO, Representative Executive Officer of Japan Post Insurance Co., Ltd.)
Director (Outside)	MIMURA Akio (Concurrently holds the position of Honorary Chairman of NIPPON STEEL CORPORATION)
Director (Outside)	ISHIHARA Kunio (Concurrently holds the position of Senior Advisor to the Board of Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Director (Outside)	Charles Ditmars Lake II (Concurrently holds the position of Chairman and Representative Director of Aflac Life Insurance Japan Ltd.)
Director (Outside)	HIRONO Michiko
Director (Outside)	OKAMOTO Tsuyoshi (Concurrently holds the position of Senior Corporate Advisor to Tokyo Gas Co., Ltd.)
Director (Outside)	KOEZUKA Miharu (Concurrently holds the position of Counselor to Takashimaya Company Limited)
Director (Outside)	AKIYAMA Sakie (Concurrently holds the position of Founder (Advisor) of Saki Corporation)
Director (Outside)	KAIAMI Makoto (Attorney)
Director (Outside)	SATAKE Akira

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Directors)

Representative Executive Officer, Executive Vice President	KOMATSU Toshihide	Managing Executive Officer	YONEZAWA Tomohiro
Representative Executive Officer, Executive Vice President	IWASAKI Yoshifumi	Managing Executive Officer	ISAYAMA Chikashi
Senior Managing Executive Officer	TANIGAKI Kunio	Managing Executive Officer	TANAKA Susumu
Senior Managing Executive Officer	INASAWA Toru	Executive Officer	ICHIKURA Noboru
Senior Managing Executive Officer	IIZUKA Atsushi	Executive Officer	SAKURAI Makoto
Senior Managing Executive Officer	KAWAMOTO Hiroaki	Executive Officer	SHOMURA Tsutomu
Managing Executive Officer	FUKUMOTO Kenji	Executive Officer	IZUMI Mamiko
Managing Executive Officer	OKU Kimihiko	Executive Officer	OTAKA Kozo
Managing Executive Officer	OGATA Kenji	Executive Officer	TSURUDA Nobuo
Managing Executive Officer	FURUSATO Hiroyuki	Executive Officer	KAZAMATSURI Makoto
Managing Executive Officer	SHIMA Toshitaka	Executive Officer	MEGURO Kenji
Managing Executive Officer	KINOSHITA Noriko	Executive Officer	ASAI Tomonori
Managing Executive Officer	KOZUKA Kenichi	Executive Officer	YOKOYAMA Akihiko
Managing Executive Officer	HAYASHI Toshiyuki	Executive Officer	KAWANO Youichi
			ASAMI Kanako

3. Nomination Committee

MIMURA Akio (Chair)
ISHIHARA Kunio
OKAMOTO Tsuyoshi
MASUDA Hiroya

4. Audit Committee

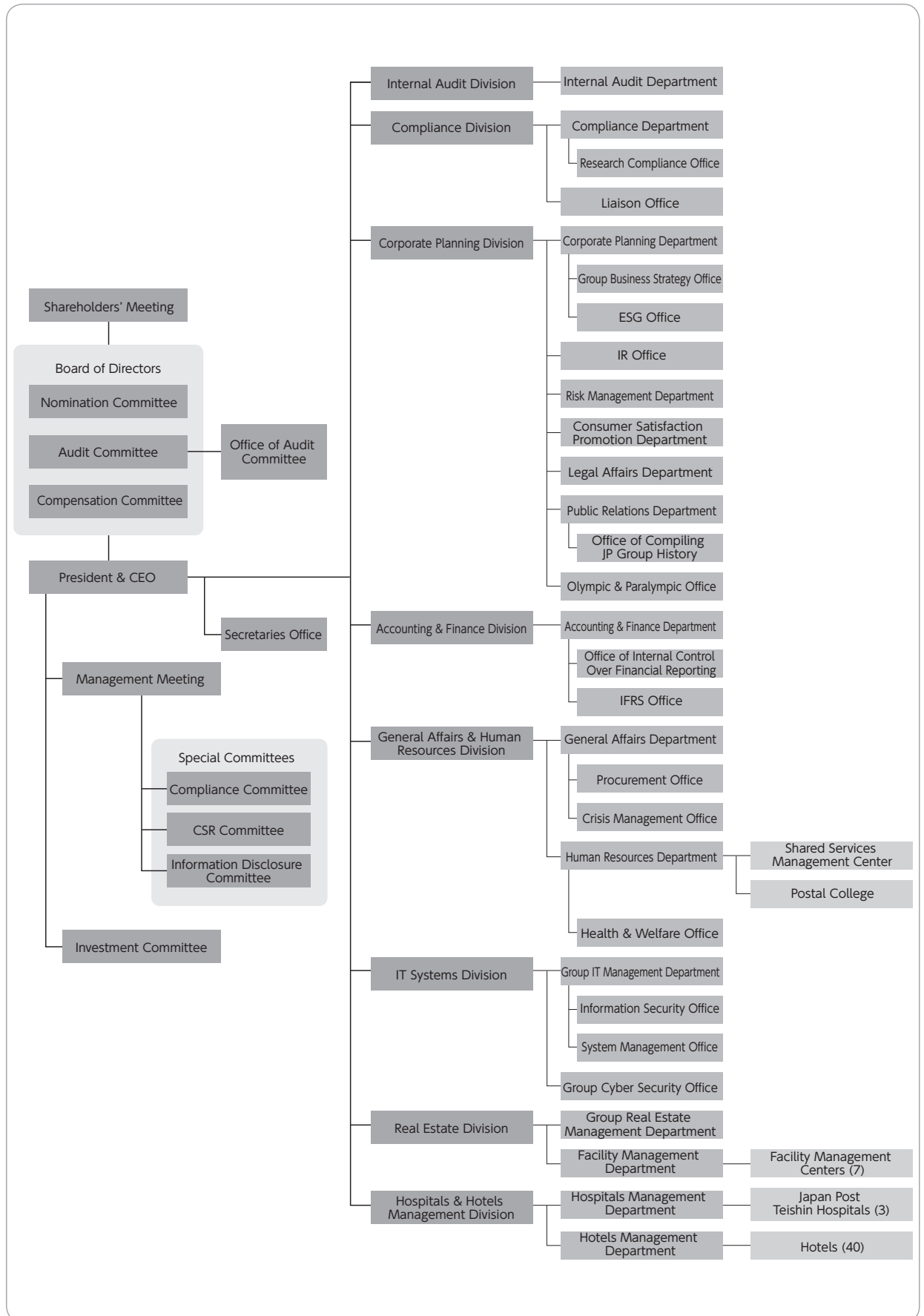
SATAKE Akira (Chair)
KOEZUKA Miharu
KAIAMI Makoto

5. Compensation Committee

OKAMOTO Tsuyoshi (Chair)
ISHIHARA Kunio
MASUDA Hiroya

5 Organization Chart

(As of April 1, 2020)



⑥ Principal Subsidiaries and Affiliates of Japan Post Holdings Co., Ltd.

(As of March 31, 2020)

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	JAPAN POST Co., Ltd.	Chiyoda-ku, Tokyo	¥400,000	Postal and domestic logistics business, post office business	October 1, 2007	100.0%
	Japan Post Transport Co., Ltd.	Minato-ku, Tokyo	¥18,250	Postal and domestic logistics business (truck cargo transportation)	November 30, 2007	100.0% (100.0%)
	JAPAN POST MAINTENANCE Co., Ltd.	Koto-ku, Tokyo	¥50	Postal and domestic logistics business (automobile maintenance and machinery maintenance business, product sales business, vehicle maintenance and management business)	March 31, 1991	100.0% (100.0%)
	JP Biz Mail Co., Ltd.	Adachi-ku, Tokyo	¥100	Postal and domestic logistics business (preparation and posting of postal items)	February 1, 2006	58.5% (58.5%)
	JP Media Direct Co., Ltd.	Minato-ku, Tokyo	¥300	Postal and domestic logistics business (planning, development, and sales of direct mail and contracted shipment of merchandise)	February 29, 2008	51.0% (51.0%)
	Tokyo Beiyu Co., Ltd.	Meguro-ku, Tokyo	¥22	Postal and domestic logistics business (petroleum sales business)	March 10, 1949	79.8% (79.8%)
	Japan Post Trading Service Co., Ltd.	Koto-ku, Tokyo	¥100	Post office business (merchandise business, contracting business for merchandise operations)	September 11, 2007	100.0% (100.0%)
	Japan Post Building Management Co., Ltd.	Chiyoda-ku, Tokyo	¥150	Post office business (property management for commercial buildings)	April 1, 2011	100.0% (100.0%)
	Japan Post Communications Co., Ltd.	Minato-ku, Tokyo	¥350	Post office business (operations related to posting advertisements in post offices)	August 8, 2014	100.0% (100.0%)
	JAPAN POST OFFICE SUPPORT Co., Ltd.	Minato-ku, Tokyo	¥100	Post office business (merchandise sales, facilities management, and contracting business)	March 16, 1971	100.0% (100.0%)
	JP GENERAL INSURANCE AGENCY Co., Ltd.	Chiyoda-ku, Tokyo	¥20	Post office business (non-life insurance and automobile liability insurance agency business)	August 7, 1950	70.0% (70.0%)
	YY Gift Co., Ltd.	Nishi-ku, Yokohama-shi, Kanagawa	¥20	Post office business (sales of catalog products, mail-order business, agency business for sales of alcohol)	April 23, 1996	51.0% (51.0%)
	JP TOKYO TOKUSENKAI Co., Ltd.	Taito-ku, Tokyo	¥30	Post office business (sales of catalog products, mail-order business)	March 2, 2015	51.0% (51.0%)
	Toll Holdings Limited	Melbourne, Australia	AUD2,978	International logistics business (forwarding business, 3PL business, express business)	June 20, 1986	100.0% (100.0%)
	JP TOLL LOGISTICS, Co., Ltd.	Chiyoda-ku, Tokyo	¥100	International logistics business (Forwarding business, 3PL business)	September 16, 2009	100.0% (100.0%)
	TOLL EXPRESS JAPAN CO., LTD.	Ibaraki-shi, Osaka	¥10	International logistics business (express business)	January 29, 2002	100.0% (100.0%)
	JAPAN POST BANK Co., Ltd.	Chiyoda-ku, Tokyo	¥3,500,000	Banking business	September 1, 2006	89.0%
	SDP Center Co., Ltd.	Chuo-ku, Tokyo	¥2,000	Banking business (agency operations for personal loans, etc.)	May 28, 1980	100.0% (100.0%)
	Japan Post Investment Corporation	Chiyoda-ku, Tokyo	¥750	Banking business (securities investment management business)	February 9, 2018	75.0% (75.0%) [25.0%]
	JAPAN POST INSURANCE Co., Ltd.	Chiyoda-ku, Tokyo	¥500,000	Life insurance business	September 1, 2006	64.5%
	JAPAN POST INSURANCE SYSTEM SOLUTIONS Co., Ltd.	Shinagawa-ku, Tokyo	¥500	Life insurance businesses (commissioning of design, development, maintenance and operation of information systems)	March 8, 1985	100.0% (100.0%)
	JAPAN POST STAFF Co., Ltd.	Minato-ku, Tokyo	¥640	Other businesses (temporary staffing service, contracted business)	July 3, 2007	100.0%
YUSEI CHALLENGED CO., Ltd.	Setagaya-ku, Tokyo	¥5	Other businesses (office cleaning)	November 20, 2007	100.0%	
Japan Post Hotel Service Co., Ltd.	Chuo-ku, Saitama-shi, Saitama	¥39	Other businesses (contracted hotel management)	December 25, 1996	100.0%	

Affiliation	Company name	Location	Issued capital (Millions)	Main business	Date of establishment	Percentage ownership of voting rights
Consolidated subsidiaries	Japan Post Information Technology Co., Ltd.	Shinjuku-ku, Tokyo	¥3,150	Other businesses (communication network maintenance and management)	January 30, 1987	100.0%
	Japan Post Capital Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (investment business, consulting business for management and financial matters)	November 1, 2017	100.0%
	Japan Post Real Estate Co., Ltd.	Chiyoda-ku, Tokyo	¥1,500	Other businesses (ownership, leasing and management business of real estate, development business of residential and commercial land, etc.)	April 2, 2018	100.0%
	System Trust Laboratory Co., Ltd.	Shinagawa-ku, Tokyo	¥99	Other businesses (consulting, planning and development business for business systems and basic technologies)	August 1, 1989	100.0% (100.0%)
	JP TWOWAY CONTACT Co., Ltd.	Nishi-ku, Osaka-shi, Osaka	¥182	Other businesses (telemarketing services)	April 18, 1988	82.9% (82.9%)
	and 231 other companies					
Affiliated companies accounted for under the equity method	SAISON ASSET MANAGEMENT Co., Ltd.	Toshima-ku, Tokyo	¥1,000	Post office business (type II financial instruments business operation and investment trust management business, others)	June 12, 2006	40.0% (40.0%)
	JA FOODS OITA CO., LTD.	Kitsuki-shi, Oita	¥493	Post office business (processing and sales of agricultural products, fruits, and vegetables)	December 2, 1991	20.0% (20.0%)
	RINGBELL Co., Ltd.	Chuo-ku, Tokyo	¥354	Post office business (planning, production and sales of gift catalogs, others)	July 3, 1987	20.0% (20.0%)
	JP Asset Management Co., Ltd.	Chuo-ku, Tokyo	¥500	Banking business (type II financial instruments business operation and investment management business)	August 18, 2015	50.0% (50.0%)
	ATM Japan Business Service, Ltd.	Minato-ku, Tokyo	¥100	Banking business (ATM cash loading and collection as well as ATM management)	August 30, 2012	35.0% (35.0%)
	and 12 other companies					

Note 1: In the Main business column, besides the segment names, a summary of the businesses carried out by the concerned companies is included within the parentheses.

Note 2: Among the affiliated companies listed above, Japan Post, Japan Post Bank, Japan Post Insurance, and Japan Post Information Technology correspond to specified subsidiary.

Note 3: Among the affiliated companies listed above, Japan Post Bank and Japan Post Insurance submit securities reports.

Note 4: The figures in parentheses in the column showing percentage ownership of voting rights indicate the percentage of indirect ownership (within parentheses) through subsidiaries. The figures in brackets indicate "Those parties deemed to exercise voting rights for the same details as their own intentions because of the close relationships between themselves and investments, personnel, capital, technologies, business transactions, etc." or "Those parties that agree to exercise voting rights for the same details as their own intentions" (outside the parentheses).

Note 5: Among the affiliated companies listed above, the ordinary income (excluding intercompany ordinary income of consolidated companies) of Japan Post, Japan Post Bank, and Japan Post Insurance exceeded 10% of consolidated ordinary income. Information on principal profits and losses of Japan Post is detailed below. Information on Japan Post Bank and Japan Post Insurance is omitted because these companies submit securities reports.

Name	Principal information on profits and losses (Millions of yen)				
	Operating income	Ordinary income	Net income	Net assets	Total assets
Japan Post	¥ 3,094,375	¥ 188,424	¥ 73,312	¥ 678,100	¥ 4,541,168

Note 6: SDP Center Co., Ltd. changed its trade name to JAPAN POST BANK Loan Center Co., Ltd. as of April 1, 2020.

① Company Outline

Company name (in Japanese):	Nippon Yubin Kabushiki Kaisha
Company name:	JAPAN POST Co., Ltd.
Head office location:	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8792, Japan
Telephone:	03-3477-0111 (Japan Post Group main number)
Paid-in capital:	¥400 billion
Date of establishment:	October 1, 2007
Legal basis:	Established under the Japan Post Co., Ltd. Act (Law No. 100 of October 21, 2005)
Lines of business:	Postal operations; banking counter operations; insurance counter operations; sales of documentary stamps; operations consigned by local government entities; bank and life and non-life insurance agency services other than those mentioned previously; domestic distribution and delivery business and international cargo transport and agency services for air cargo business; logistics business; real estate business; and merchandise sales

② Management Philosophy

Management Philosophy

"Japan Post Co., Ltd. will fully utilize its resources that include its post office and delivery networks covering every corner of the country to provide safe, reliable and fast services tailored to the needs of each community while contributing to the realization of a society with an abundance of human contact by supporting people's lifestyles throughout their entire lives."

- We will provide the basic postal services of postal, banking and insurance services extensively across the country into the future.
- We will take on the challenge of providing innovative services that respond accurately to changes in society and enrich people's lives.
- We will fulfill our responsibilities as a corporate citizen by establishing corporate governance systems and strictly implementing compliance.
- Each and every employee will continue to grow to ensure we are appreciated by our customers and trusted and respected by local communities.

③ Information on Shares

(As of March 31, 2020)

1. Number of Shares

Total shares issued	10,000,000
---------------------	------------

2. Shareholder

Japan Post Holdings Co., Ltd.	Condition of holdings	
	Shares owned	Percentage of total issued
	10,000,000	100%

④ Number of Employees

193,257* (as of March 31, 2020)

* The number of employees excludes employees assigned to other companies by Japan Post but includes employees assigned to Japan Post by other companies. The figure does not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

5 List of Directors, Audit and Supervisory Board Members, and Executive Officers

(As of July 1, 2020)

1. Directors

President & CEO (Representative Executive Officer).....	KINUGAWA Kazuhide	(Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Senior Executive Vice President (Representative Director).....	YONEZAWA Tomohiro	(Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Executive Vice President (Director)	ISAYAMA Chikashi	(Concurrently holds the position of Managing Executive Officers of Japan Post Holdings Co., Ltd.)
Director	MASUDA Hiroya	(Concurrently holds the position of Director and President, CEO Representative Executive Officer of Japan Post Holdings Co., Ltd.)
Director (Outside)	TANAKA Risa	(Concurrently holds the position of President of The Graduate School of Project Design and Director of Media and Information of Sendenkaigi Co., Ltd.)
Director (Outside)	SASAKI Kaori	(Concurrently holds the position of President and CEO of ewoman, Inc.)
Director (Outside)	SUWA Takako	(Concurrently holds the position of Representative Director of Daiya Seiki Co. Ltd.)
Director (Outside)	TAKABE Toyohiko	(Formerly held the position of Representative Director and President of Nippon Telegraph and Telephone East Corporation)
Director (Outside)	NOKINA Akira	(Concurrently holds the position of Representative Director and Chairman of North Pacific Securities Co., Ltd.)
Director (Outside)	MATSUDA Yozo	(Concurrently holds the position of President and Representative Director of CHUOKORON-SHINSHA, INC.)

2. Audit and Supervisory Board Members

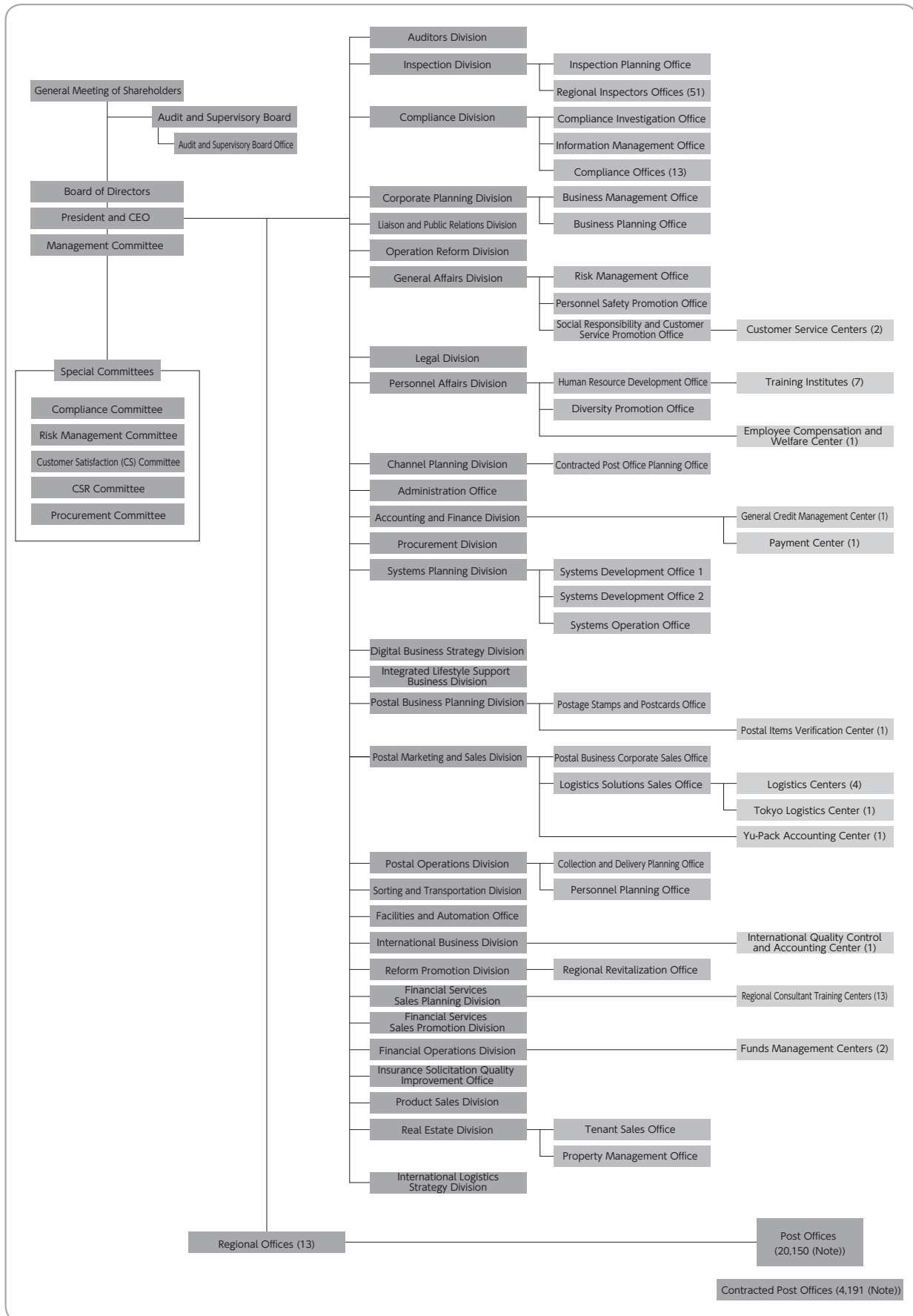
YAMAMOTO Mitsuyuki
TAKANO Toshiyuki
SHIDEHARA Hiroshi
OGURO Masayasu

3. Executive Officers

First Executive Officer	ONO Taneki	Executive Officer	ARAWAKA Hitoshi
First Executive Officer	SUZUKI Yoshinori	Executive Officer	METOKI Masahiko
First Executive Officer	HIGUCHI Yoshiyuki	Executive Officer	FUCHIE Atsushi
Senior Executive Officer	TATEBAYASHI Satoru	Executive Officer	ASAMI Kanako
Senior Executive Officer	WAKASA Norio	(Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	
Senior Executive Officer	HIGASHIKOZONO Satoshi	Executive Officer	KAMIOZAKI Koji
Senior Executive Officer	SANO Kimikazu	Executive Officer	YAMAZAKI Katsuyo
Senior Executive Officer	KANEKO Michio	Executive Officer	NISHIGUCHI Akihito
Senior Executive Officer	NEGISHI Kazuyuki	Executive Officer	YASUDA Hiroaki
Senior Executive Officer	YAMAZAKI Masaaki	Executive Officer	TAKAHASHI Yasuhiro
		Executive Officer	HASEGAWA Atsushi
		Executive Officer	KOIKE Shinya
		Executive Officer	OGAWA Masato
		Executive Officer	DENISHI Shinji
		Executive Officer	NAKAI Katsunori
		Executive Officer	NAMIKI Tsukasa
		Executive Officer	URASE Takayuki
		Executive Officer	ISOHATA Akihiko
		Executive Officer	SAKATA Hiroshi
		Executive Officer	TANAKA Yutaka
		Executive Officer	MITOMA Norimasa
		Executive Officer	YOKOYAMA Akihiko
		(Concurrently holds the position of Executive Officer of Japan Post Holdings Co., Ltd.)	

6 Organization Chart

(As of April 1, 2020)



Note: The number of directly managed post offices and contracted post offices is as of March 31, 2020.

① Company Outline

Company name (in Japanese):	Kabushiki Kaisha Yucho Ginko
Company name:	JAPAN POST BANK Co., Ltd.
Head office location:	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8793, Japan
Telephone:	03-3477-0111 (Japan Post Group main number)
Paid-in capital:	¥3,500 billion
Date of establishment:	September 1, 2006 (On October 1, 2007, the name was changed from Yucho Co., Ltd. to Japan Post Bank Co., Ltd.)
Line of business:	Banking
Financial institution code number:	9900

② Management Philosophy

Management Philosophy

Japan Post Bank aims to become “the most accessible and trustworthy bank in Japan,” guided by the needs and expectations of our customers.

Trust:	We comply with laws, regulations, and other standards of behavior and value trusted relationships with customers, markets, shareholders, and employees and consistently serve as a responsible corporate citizen.
Innovation:	We work sincerely to improve our management and business operations in response to requests from customers and changes in the business environment.
Efficiency:	We pursue improvements in speed and efficiency of our management and business operations in order to provide customer-oriented financial instruments and services.
Expertise:	We continually strive to strengthen our expertise for the aim of services meeting the expectations of our customers.

③ Information on Shares

(As of March 31, 2020)

1. Number of Shares

Total shares issued	4,500,000,000
---------------------	---------------

2. Major Shareholders

		Shares owned (thousand)	Shareholding ratio (%)
1	Japan Post Holdings Co., Ltd.	3,337,032	88.99
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	33,597	0.89
3	Japan Trustee Services Bank, Ltd. (Trust Account)	18,066	0.48
4	STATE STREET BANK WEST CLIENT - TREATY 505234	13,428	0.35
5	Japan Trustee Services Bank, Ltd. (Trust Account 9)	11,710	0.31
6	Japan Trustee Services Bank, Ltd. (Trust Account 5)	11,384	0.30
7	Japan Post Bank Employee Shareholding Association	9,237	0.24
8	STATE STREET BANK AND TRUST COMPANY 505103	6,094	0.16
9	Japan Trustee Services Bank, Ltd. (Trust Account 1)	5,823	0.15
10	Japan Trustee Services Bank, Ltd. (Trust Account 2)	5,279	0.14

Note 1: Japan Post Bank holds 750,524 thousand shares (the ratio of the number of shares held against the total number of shares issued is 16.67%) of treasury stock, which are not included in the above list of major shareholders. The treasury stock does not include the Bank's shares held by the stock benefit trust (682 thousand shares).

Note 2: The shares owned are figures with a fraction less than 1,000 shares rounded off.

Note 3: The shareholding ratio has been calculated excluding treasury stock (750,524 thousand shares) and rounded down to the second decimal place.

④ Number of Employees

12,477* (as of March 31, 2020)

* The number of employees excludes employees assigned to other companies by Japan Post Bank but includes employees assigned to Japan Post Bank by other companies. The figure does not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

5 List of Directors, Executive Officers, and Management Committees

(As of July 1, 2020)

1. Directors

President and Representative Executive Officer.....	IKEDA Norito	(Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Representative Executive Vice President.....	TANAKA Susumu	(Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	MASUDA Hiroya	(Concurrently holds the position of Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)
Director	ONODERA Atsuko	
Outside Director	AKASHI Nobuko	(Concurrently holds the position of Board chairman of a non-profit organization, Japan Manners & Protocol Association)
Outside Director	IKEDA Katsuaki	(Formerly held the position of Corporate Auditor of MS&AD Insurance Group Holdings, Inc.)
Outside Director	CHUBACHI Ryoji	(Concurrently holds the position of Grand Emeritus Advisor, National Institute of Advanced Industrial Science and Technology)
Outside Director	TAKEUCHI Keisuke	(Formerly held the position of Principal Corporate Advisor of JGC HOLDINGS CORPORATION)
Outside Director	KAIWA Makoto	(Concurrently holds the position of Representative Director & Chairman of the Board of Tohoku Electric Power Co., Inc.)
Outside Director	AIHARA Risa	(Concurrently holds the position of Representative Director and President of Ai-LAND Co., Ltd.)
Outside Director	KAWAMURA Hiroshi	(Professor, Faculty of Law, Doshisha University)
Outside Director	YAMAMOTO Kenzo	(Concurrently holds the position of Representative of Office KY Initiative)

2. Executive Officers (Excludes persons with concurrent posts in the above 1. Directors)

Executive Vice President	HAGINO Yoshinori	Executive Officer	MAKINO Yoko
Senior Managing Executive Officer	MURASHIMA Masahiro	Executive Officer	AMAHA Kunihiko
Senior Managing Executive Officer	YANO Harumi	Executive Officer	OGATA Satoru
Senior Managing Executive Officer	KASAMA Takayuki	Executive Officer	ONO Toshiharu
Managing Executive Officer	NISHIMORI Masahiro	Executive Officer	NAGURA Shinobu
Managing Executive Officer	TAMAKI Masato	Executive Officer	YAMADA Ryotaro
Managing Executive Officer	KOTOUDA Minoru	Executive Officer	TSUKIOKA Haruchika
Managing Executive Officer	YAZAKI Toshiyuki	Executive Officer	NAKAO Hideki
Managing Executive Officer	TANAKA Takayuki	Executive Officer	KISHI Etsuko
Managing Executive Officer	SHINMURA Makoto	Executive Officer	IIMURA Koji
Managing Executive Officer	SAKURAI Shigeyuki	Executive Officer	TOUMA Masaya
Managing Executive Officer	FUKUOKA Nobuhiro		

3. Nomination Committee

Chairman	KAIWA Makoto
Member	CHUBACHI Ryoji
Member	TAKEUCHI Keisuke
Member	IKEDA Norito
Member	MASUDA Hiroya

4. Audit Committee

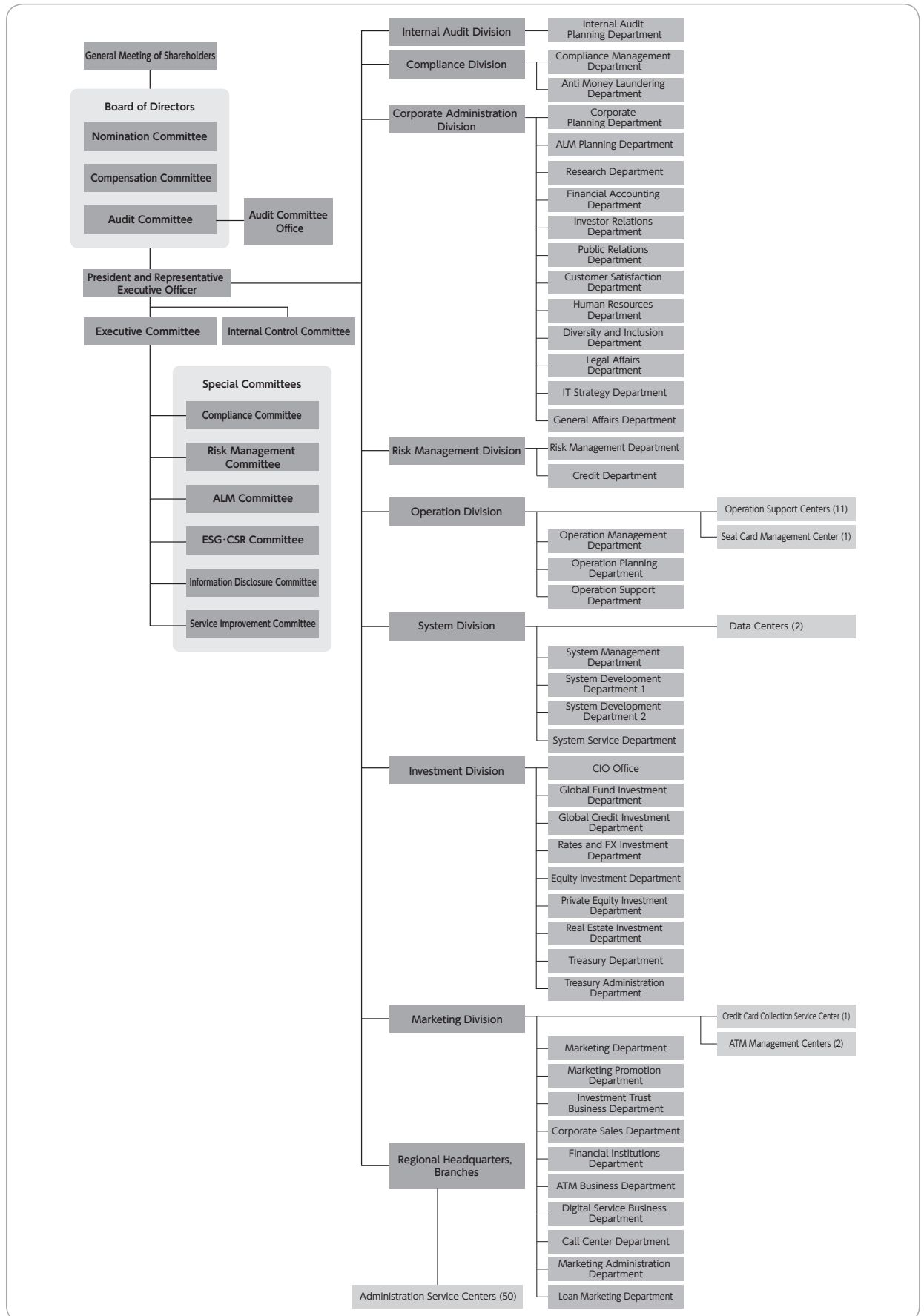
Chairman	IKEDA Katsuaki
Member	ONODERA Atsuko
Member	AKASHI Nobuko
Member	KAWAMURA Hiroshi
Member	YAMAMOTO Kenzo

5. Compensation Committee

Chairman	CHUBACHI Ryoji
Member	IKEDA Katsuaki
Member	TAKEUCHI Keisuke
Member	MASUDA Hiroya

6 Organization Chart

(As of July 1, 2020)



① Company Outline

Company name (in Japanese):	Kabushiki Kaisha Kanpo Seimei Hoken
Company name:	JAPAN POST INSURANCE Co., Ltd.
Head office location:	3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8794, Japan
Telephone:	03-3477-0111 (Japan Post Group main number)
Paid-in capital:	¥500 billion
Date of establishment:	September 1, 2006 (The name of the company was changed from Kampo Co., Ltd. to Japan Post Insurance Co., Ltd., on October 1, 2007.)
Line of business:	Life insurance

② Management Philosophy and Management Policy

Management Philosophy

Be a trustful partner for people, always being close at hand and endeavoring to protect their well-being.

Management Policy

We aim to become the No.1 Japanese insurance company selected by customers.

1. We are always close to people's lives, offering easy-to-understand products and high-quality services.
2. We always ensure that employees who have contact with our customers make full use of their strengths to offer better customer services.
3. We create a working environment in which all employees can develop their talents and work with energy and vitality.
4. We practice sound management based on strong corporate governance, constantly creating new value to achieve sustainable growth.
5. We actively contribute to health promotion, environmental protection, and the development of local communities and society as a whole.
6. We work to communicate closely with all stakeholders.

③ Information on Stocks

(As of March 31, 2020)

1. Number of Stocks

Issued stocks	562,600,000
---------------	-------------

2. Major Shareholders

	Number of shares held and percentage of shares held	
	Number of shares held	Percentage of shares held
Japan Post Holdings Co., Ltd.	362,732,400	64.48%
Japan Trustee Services Bank, Ltd. (Trust Account)	8,273,200	1.47%
THE BANK OF NEW YORK - JASDECTREATY ACCOUNT	4,982,113	0.89%
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,042,800	0.72%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,436,800	0.61%
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	3,351,000	0.60%
STATE STREET BANK WEST CLIENT - TREATY 505234	3,227,300	0.57%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	3,112,760	0.55%
STATE STREET BANK AND TRUST COMPANY 505001	3,060,900	0.54%
JP MORGAN CHASE BANK 385151	2,918,527	0.52%

Note: Percentage of shares held is calculated excluding treasury stock (11,100 shares) and rounded to two decimal places.
Treasury stock does not include the 166,900 shares of the Company's stock held in the Board Benefit Trust (BBT).

④ Number of Employees

7,638* (as of March 31, 2020)

* The number of employees excludes employees assigned to other companies by Japan Post Insurance but includes employees assigned to Japan Post Insurance by other companies. The figure does not include part-time employees (including the indefinite-term employees (associates) based on the indefinite-term employment conversion system).

5 List of Directors, Executive Officers, and Management Committees

(As of July 1, 2020)

1. Directors

Director and President, CEO, Representative Executive Officer	SENDA Tetsuya (Concurrently holds the position of Director of Japan Post Holdings Co., Ltd.)
Director and Deputy President, Representative Executive Officer	ICHIKURA Noboru (Concurrently holds the position of Managing Executive Officer of Japan Post Holdings Co., Ltd.)
Director	HORIGANE Masaaki
Director	MASUDA Hiroya (Concurrently holds the position of Director and Representative Executive Officer, President & CEO of Japan Post Holdings Co., Ltd.)
Outside Director	SUZUKI Masako (Concurrently holds the position of Senior Advisor of Pasona Group Inc.)
Outside Director	SAITO Tamotsu (Concurrently holds the position of Senior Counselor of IHI Corporation)
Outside Director	YAMADA Meyumi (Concurrently holds the position of Director of istyle Inc.)
Outside Director	HARADA Kazuyuki (Concurrently holds the position of President & Representative Director of Keikyu Corporation)
Outside Director	YAMAZAKI Hisashi (Attorney-at-law)

2. Executive Officers (Excludes persons holding concurrent posts in addition to the above. 1. Directors)

Senior Managing Executive Officer	HIRONAKA Yasuaki	Executive Officer	SAKAMOTO Hidekazu
Senior Managing Executive Officer	NARA Tomoaki	Executive Officer	YOKOYAMA Masamichi
Managing Executive Officer	TACHIBANA Atsushi	Executive Officer	IIDA Takashi
Managing Executive Officer	KATO Nobuyasu	Executive Officer	FUJII Shinsuke
Managing Executive Officer	UCHIKOBA Nobuatsu	Executive Officer	SAITO Hajime
Managing Executive Officer	SUZUKAWA Yasumi	Executive Officer	MIYAMOTO Susumu
Managing Executive Officer	MIYANISHI Yoshiki	Executive Officer	MURO Takashi
Managing Executive Officer	MATSUDA Michiko	Executive Officer	HARUNA Takayuki
Managing Executive Officer	ONOKI Kieko	Executive Officer	KUME Takeshi
Managing Executive Officer	KOIE Junko	Executive Officer	IMAIZUMI Michinori
Managing Executive Officer	TANAKA Motonori	Executive Officer	TAGUCHI Yoshihiro
Managing Executive Officer	ONISHI Toru	Executive Officer	MAETANI Isao
Managing Executive Officer	FUJIMORI Norihiro	Executive Officer	KUROSAKI Yoshiyuki

3. Nomination Committee

Chairman	HARADA Kazuyuki
Member	SENDA Tetsuya
Member	MASUDA Hiroya
Member	SAITO Tamotsu
Member	YAMADA Meyumi

4. Audit Committee

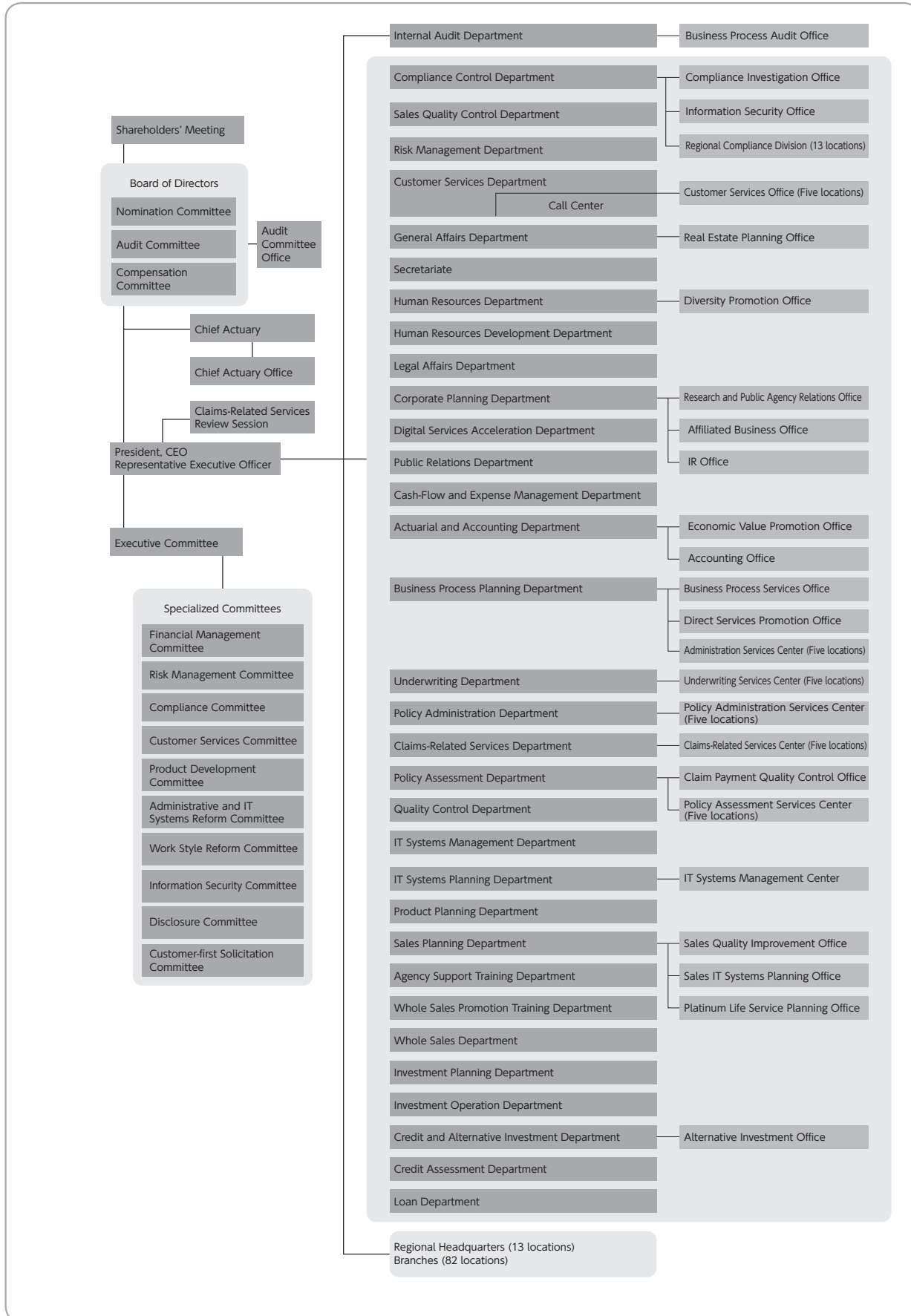
Chairman	SAITO Tamotsu
Member	HORIGANE Masaaki
Member	SUZUKI Masako
Member	YAMADA Meyumi
Member	YAMAZAKI Hisashi

5. Compensation Committee

Chairman	SUZUKI Masako
Member	MASUDA Hiroya
Member	HARADA Kazuyuki

6 Organization Chart

(As of April 1, 2020)



Enhancing Corporate Value

Value Creation Strategy

Sustainability

Corporate Governance

Data Compilation

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.

6. Japan Post Group Companies — Consolidated Financial Data

Data Compilation

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED MARCH 31, 2020 AND 2019

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

- 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.
 - Effective date
Effective from the beginning of the fiscal year ending March 31, 2022.
 - 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)
 - 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.
 - 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)
 - 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.
 - 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	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:

- The interest rates above are calculated using the weighted-average method based on the interest rate and balance at the fiscal year-end date.
- 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.
- "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."
- 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	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:

- The above bonds are subordinated bonds with the special provisions that subordinate the fulfillment of obligations on the bonds to all other debt obligations.
- No collateral was provided for the above bonds.
- 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:

- 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.
- 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:

- 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.
- 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:

- 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.
- 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:

- 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.
- 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:

- 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.
- 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:

- General reserve for possible loan losses corresponding to loans has been deducted.
- 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

- 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.
- 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.
- Monetary claims bought
Pricing offered by the broker and other third parties serves as fair value.
- Trading account securities
The purchase price of the Bank of Japan serves as fair value.
- 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."
- 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."
- 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	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	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	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:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value is calculated using discounted present value and other methods.
- 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	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	Type of derivative	Major hedged item	2019		
			Contract amount	Contract amount due after 1 year	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	Type of derivative	Major hedged item	2020		
			Contract amount	Contract amount due after 1 year	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:

- In principle, these derivatives are accounted for using deferred hedge accounting.
- Fair value is calculated using discounted present value and other methods.
- 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" (ASB) Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASB) 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						Other ²	Total
	Postal and domestic logistics	Post office	International logistics	Banking	Life insurance	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

Enhancing Corporate Value

Value Creation Strategy

Sustainability

Corporate Governance

Data Compilation

(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:

- Income is presented instead of net sales which is typical for companies in other industries.
- 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:

- Income is presented instead of net sales which is typical for companies in other industries.
- "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							Other	Total
	Reportable segment								
	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



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 Δ EVE (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 Δ NII (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 (Δ EVE and Δ NII) 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. Δ NII is the simple sum of Δ NII measured for each currency.
- For aggregating multiple currencies, the Δ EVE 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 Δ EVE 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 (of which secured with loan guarantees)	16,588	16,848
(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%.

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)

Gains / Losses	2020 (From April 1, 2019 to March 31, 2020)	2019 (From April 1, 2018 to March 31, 2019)
		¥ 6,275
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		(A)	(B)	(C)	(D)
Item number		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.

① Japan Post Group Privacy Policy

The Japan Post Group (“the Group”) is dedicated to providing services that can achieve a high degree of customer satisfaction. Properly protecting and the treatment of personal information is vital to accomplishing this goal. Accordingly, the Group has established the following fundamental policy (hereinafter referred to as “the Privacy Policy”) for protecting personal information.

(1) Compliance with laws and regulations

When handling personal information, the Group complies with all laws and regulations associated with protecting personal information, national government policies and the provisions of the Privacy Policy (“laws, regulations, etc.,” hereafter).

(2) Purpose of using personal information

The Group specifies the purpose of using personal information and does not use this information beyond the scope necessary for achieving this purpose.

The purposes for which Group companies use personal information are listed in the privacy policies on each company’s website and where applicable.

(3) Acquisition of personal information

The Group acquires personal information using methods that are legal and proper.

(4) Security measures for management of personal information

The Group uses an appropriate security management system to prevent leaks, losses or alterations of personal information. In addition, the Group properly supervises persons engaged in the business of handling personal information, outsourcing parties and others.

(5) Provision of personal information to third parties

Except in cases where required by laws and regulations, the Group does not supply personal information to third parties without the prior consent of each individual.

In cases where two or more Group companies share the same personal information, this sharing is performed only after providing prior notice or public announcements of items required by law.

Irrespective of the above, specific personal information shall not be provided to third parties or shared jointly except when prescribed by laws or ordinances.

(6) Procedures for requesting disclosure of personal data

The Group responds in a sincere manner in cases where there are requests for the notification of the purpose of use or for the disclosure, correction or termination of use of retained personal data as prescribed by laws, regulations, etc.

The disclosure request procedures for each company can be found on their respective websites and where applicable.

(7) Points of contact for inquiries

Requests regarding retained personal data set forth in the preceding section and inquiries and requests regarding treatment of personal information can be made to designated points of contact.

(8) Continuous improvements

The Group constantly reviews and improves its management and handling methods for the protection of personal information in response to advances in information technology and shifts in social demands.

② Sharing of Personal Data among Japan Post Group Companies

Japan Post Group companies consist of Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd., Japan Post Insurance Co., Ltd. and several other subsidiaries and affiliated companies.

Each Japan Post Group company uses its respective specialized skills to provide high-quality services. The objective is to achieve even greater customer satisfaction.

To accomplish this goal, the Japan Post Group wishes to share customers' personal data solely to the degree required and within the scope explained below. This data is used to conduct business activities performed directly by Group companies or through outsourcing parties.

The Group asks for customers' understanding and pledges that strict information management will be used during the shared use of personal data.

(1) Personal data items for shared use

Shared use covers names, birth dates, addresses, telephone numbers and other contact information, family members, occupations and data concerning business transactions with the Group. However, this excludes information about materials sent or delivered by postal mail or any sensitive information.

(2) Scope of parties involved in shared use

Shared use is limited to the Japan Post Group. However, this applies only to companies included in the consolidated financial statements, including equity-method affiliates, of Japan Post Holdings, as prescribed by laws, regulations, etc., and is limited to the following companies:

Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd.

(3) Purpose of use

- 1) Distribution of information about services and research and development involving services
- 2) Decisions involving the provision of services
- 3) For the proper management of Group business operations primarily for the purpose of monitoring and managing risks

(4) Name of party with responsibility for managing personal data

Japan Post Holdings Co., Ltd.

8. Japan Post Group's Approach to Procurement Activity

The Japan Post Group conducts its procurement activity according to the following concept.

Japan Post Group's Approach to Procurement Activity

1. Open, fair and appropriate procurement

- The Group opens the door widely to suppliers and offers fair entry opportunities.
- The Group selects suppliers based on a comprehensive and appropriate evaluation of quality, price, delivery period, technology, business condition and other factors.

2. Compliance with laws, regulations and social standards

- The Group complies with all applicable laws, regulations and social standards and carries out procurement activity in good faith.
- In its procurement activity, the Group forms no relationship with antisocial forces that pose a threat to the order and safety of civil society.

3. Environmental considerations

- The Group carries out procurement activity in consideration of global and local environmental preservation and the effective use of resources.

4. Building trusting relationships

- Through good communication with suppliers, the Group builds strong trust and strives for mutual prosperity.
- The Group appropriately manages information about suppliers that it obtains through its procurement activity.

5. Request to suppliers (Compliance with the UN Global Compact)

- The Group supports the Ten Principles of the UN Global Compact regarding the four areas of human rights, labor, the environment and anti-corruption and promotes CSR procurement activity. The Group expects its suppliers to understand the above and asks for their proactive cooperation.

The Ten Principles of the UN Global Compact

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

9. Japan Post Group Conflicts of Interest Management Policy

Data Compilation

The Japan Post Group (“the Group”) conducts business activities fairly based on laws, ordinances and internal regulations so that the interests of customers are not unduly impaired due to transactions that may give rise to a conflict of interest.

1. The following representative examples of companies in the Japan Post Group (“Group companies”) fall within the scope of the Conflicts of Interest Management Policy.

- Japan Post Bank Co., Ltd.
- Japan Post Insurance Co., Ltd.
- Japan Post Co., Ltd.

2. The Group will manage conflicts of interest for the transactions stipulated below.

- (1) Transactions that may unduly impair the interests of customers among the following transactions:
- Transaction with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction with a party that has conflicting interests or is competing with a customer that has an interest in one of the Group companies based on an agreement
 - Transaction that makes wrongful use of information gained from a customer with an interest in one of the Group companies based on an agreement
- (2) Any transaction aside from the aforementioned that may unduly impair the interests of the customer due to a conflict of interest

3. The Group will select one or a combination of the following methods and other measures to manage transactions with a conflict of interest:

- (1) Separate the business unit conducting the target transaction and the business unit conducting the secondary transaction with the customer
- (2) Amend the terms and conditions or method of the target transaction or the secondary transaction with the customer
- (3) Discontinue the target transaction or the secondary transaction with the customer
- (4) Properly disclose to the customer that the target transaction may unduly impair his or her interests

4. The Group will establish a department that handles conflicts of interest independent from business departments that will specify target transactions and properly manage conflicts of interest. In addition, the Group will educate and train executives and employees so that they comply with laws, ordinances and internal regulations set down regarding the management of conflicts of interest.

5. The Group will continuously review its management stance regarding conflicts of interest and strive to make improvements.

10. Declaration by Top Management Regarding the Elimination of Relationships with Antisocial Forces

Data Compilation

To eliminate any relationships with antisocial forces and prevent damage to the organization, the Japan Post Group has made the following declaration in line with the Fundamental Policy for Establishment of Internal Control Systems.

1. Organizational response

In firm recognition of its social responsibility and to strengthen management based on compliance, the Japan Post Group, as an organization in its entirety, will ensure that any relationships with antisocial forces are eliminated.

2. Complete elimination of relationships, including transactions

The Japan Post Group will have no relationships whatsoever with antisocial forces, including transactions.

3. Legal measures and prohibition of secret negotiations

The Japan Post Group will strongly refuse any unjustified demands by antisocial forces and

will take legal measures, either via a civil court or a criminal court, or both. The Japan Post Group will never negotiate in secrecy with antisocial forces, even if their unjustified demands are to conceal matters related to any misconduct of the Group's own activities or that of its staff.

4. Cooperation with outside experts

The Japan Post Group will establish close relationships with outside experts in preparation for any unjustified demands by antisocial forces in order to ensure the safety of its staff against such demands.

5. Prohibiting financing for antisocial forces

The Japan Post Group will never engage in financing for antisocial forces.

11. Japan Post Group Information Security Declaration

Data Compilation

Services provided by Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. as the Japan Post Group are used by a large number of customers. We believe that information about these customers must be strictly managed, and the services used by customers must be absolutely safe.

We understand that information security is essential for

customers to use our services with confidence. Our activities reflect this awareness of the importance of information security. We place priority on the following items in order to manage information about customers safely and to protect this information from leaks and alterations resulting from unauthorized access and from disruptions in services caused by accidents, natural disasters and other events.

1. Japan Post Holdings Co., Ltd., Japan Post Co., Ltd., Japan Post Bank Co., Ltd. and Japan Post Insurance Co., Ltd. will establish information security policies and follow the policies for the purpose of conducting information security activities.
2. We will conduct a continuous information security training program for the purpose of maintaining a strong awareness among employees of the importance of information security and reinforcing that awareness.
3. We will conduct continuous inspections of information security activities and make revisions and improvements whenever needed for the purpose of maintaining and enhancing the effectiveness of information security activities.

12. Japan Post Group Executive Declaration on Cyber Security

Data Compilation

Recognizing cyber security measures as a critical issue in its corporate management, the Japan Post Group (*) has developed the "Japan Post Group Executive Declaration on Cyber Security" (hereinafter the "Declaration").

In adherence to the Declaration, the Group will be committed to further driving cyber security measures, with the management taking the initiative, and to delivering services in a secure and safe fashion, in defense against increasingly serious and sophisticated cyber attacks.

(*) Japan Post Group refers to JAPAN POST HOLDINGS Co., Ltd., JAPAN POST Co., Ltd., JAPAN POST BANK Co., Ltd. and JAPAN POST INSURANCE Co., Ltd.

1. Recognition as an Executive Issue

Recognizing the importance of cyber security, the Japan Post Group will position risks related to cyber attacks and other such threats as a critical issue in its corporate management and the management will take the initiative in driving the measures to address those risks.

2. Development of Measures and Representation of Commitment

Only after reviewing the functions of our cyber security measures (identification, defense, detection, response and recovery) according to changes in the surroundings, the Group will develop business continuity plans (BCPs) with the aim of ensuring quick recovery from the event of any cyber security risk materializing.

The management will take the leading role in making its commitment clear to internal and external stakeholders, as well as in making efforts to disclose what risks are recognized and what action is taken to address them by, for example, voluntarily stating them in various types of reports.

3. Establishment of a Control Structure

The Group will establish an organization engaged to work under normal circumstances in preparation for cyber attacks as well as to take action in the event of emergency and thereby conduct a range of activities relevant to cyber attacks, including monitoring, inspection, collecting and analyzing information, and responding to and recovering from incidents, and will also perform regular exercises and training sessions in an attempt to develop more sophisticated cyber security readiness.

For the purpose of cyber security enhancement, each class of the Group's personnel, from executives to managers and employees, will be provided with necessary education.

The Group will pursue security measures that encompass its business associates, including contractors.

4. Continuous Delivery of Systems and Services with User Peace-of-Mind

In order to maintain its cyber security measures and make them better, the Group will continually perform inspections and work on improvements.

5. Coordination with External Organizations

The Group will have timely and appropriate coordination with related ministries and governmental agencies, such as the Ministry of Internal Affairs and Communications, the Financial Services Agency, the National Center of Incident Readiness and Strategy for Cybersecurity, the Information-Technology Promotion Agency and the police, and will also make proactive efforts in the exchange of information through JPCERT/CC and other relevant channels, thereby contributing to raising the levels of cyber security measures of the entire society.

Fundamental policy

The Japan Post Group has stipulated in its Charter of Corporate Conduct to “fulfill our responsibility to explain our operations by conducting highly transparent business operations and disclosing information in a fair manner” to earn the trust of customers. To achieve sustainable growth and medium- to long-term improvement in our enterprise value, Japan Post Holdings Co., Ltd. (the “Company”) shall disclose information in a fair and accurate manner to its shareholders, investors, and other stakeholders. In addition, the management shall make efforts to actively communicate with them and share among its own staff the requests, expectations, and so on obtained through this communication.

Standards for information disclosure

The Company shall comply with the Financial Instruments and Exchange Act of Japan, other applicable laws and regulations and the securities listing regulations stipulated by the Tokyo Stock Exchange, manage important information about the Company and its subsidiaries, and swiftly disclose it in a timely manner.

Moreover, the Company shall not only disclose information in accordance with the aforementioned laws and regulations and other relevant rules and regulations, but it shall also strive to voluntarily disclose information that will contribute to the deepening of understanding of the Company and its subsidiaries at occasions such as investor information meetings.

Establishment of internal systems

The Company shall strive to establish and reinforce its internal systems by appointing the executive officer in charge of the Corporate Planning Division to be responsible for establishing the internal system

for our IR activities, so that each division works together in an organic manner to ensure appropriate information disclosure. Furthermore, the Company has established the Disclosure Committee for discussions about information disclosure.

Method of disclosing information

The Company shall make disclosure as required based on the Financial Instruments and Exchange Act of Japan, other related laws and regulations, securities listing regulations of the Tokyo Stock Exchange, etc., through prescribed means including the Electronic Disclosure for Investors' NETWORK (EDINET), which is operated by the Financial Services Agency, the Timely Disclosure network (TDnet), which is operated by the Tokyo Stock Exchange, and through the Company's website.

Disclosure of information through methods other than the above shall be made through the Company's website and other means.

Future outlook

Information disclosed of the Company might include forward-looking statements. Such statements have been prepared in accordance with judgments made by the management based on the information available to the Company at the time of disclosure and on certain assumptions that the Company believes to be reasonable in making its predictions of the future, thereby containing various risks, as well as some degree of indeterminacy and uncertainty. Accordingly, actual figures and financial results may differ from the forward-looking statements included in the disclosed information depending on future business operation as well as changes in economic and other circumstances.

JAPAN POST GROUP

Annual Report 2020

(April 1, 2019–March 31, 2020)

Published October 2020

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