

Summary of Consolidated Financial Results for the Three Months Ended June 30, 2019 <Under Japanese GAAP>



August 9, 2019

Company name: Japan Post Holdings Co., Ltd. Stock exchange listing: Tokyo Stock Exchange
 Code number: 6178 URL: <https://www.japanpost.jp/en>
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 Scheduled date of filing interim securities report: August 9, 2019
 Scheduled date of commencing dividend payments: -
 Trading accounts: Unestablished
 Availability of supplementary briefing material on interim financial results: Available
 Schedule of interim financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2019

(April 1, 2019 to June 30, 2019)

(1) Consolidated Results of Operations (% indicates changes from the previous corresponding period.)

| | Ordinary income | | Net ordinary income | | Net income attributable to Japan Post Holdings | |
|----------------------------------|-----------------|-------|---------------------|-------|--|------|
| | Million yen | % | Million yen | % | Million yen | % |
| Three months ended June 30, 2019 | 2,985,144 | (5.5) | 202,238 | (3.8) | 135,072 | 9.3 |
| Three months ended June 30, 2018 | 3,159,148 | (3.4) | 210,181 | (3.7) | 123,540 | 18.2 |

(Note) Comprehensive income: Three months ended June 30, 2019: ¥327,342 million [- %]
 Three months ended June 30, 2018: ¥17,007 million [(88.5) %]

| | Net income per share | Diluted net income per share |
|----------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended June 30, 2019 | 33.41 | - |
| Three months ended June 30, 2018 | 30.56 | - |

(Note 1) The percentage change of comprehensive income from the previous corresponding period is not shown for the three months ended June 30, 2019 because the rate of change exceeded 1,000%.

(Note 2) Because there was no potential common stock, the amount for diluted net income per share is omitted.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio (Note) |
|----------------------|--------------|-------------|---------------------|
| | Million yen | Million yen | % |
| As of June 30, 2019 | 289,541,422 | 15,289,695 | 4.6 |
| As of March 31, 2019 | 286,170,709 | 14,788,654 | 4.6 |

(Reference) Equity: As of June 30, 2019: ¥13,276,640 million

As of March 31, 2019: ¥13,293,508 million

(Note) Equity ratio = [(Net assets – Non-controlling interests) / Total assets] x 100

2. Dividends

| | Annual dividend | | | | |
|--|-----------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2019 | Yen - | Yen 25.00 | Yen - | Yen 25.00 | Yen 50.00 |
| Fiscal year ending March 31, 2020 | - | | | | |
| Fiscal year ending March 31, 2020 (Forecast) | | 25.00 | - | 25.00 | 50.00 |

(Note) Revision of dividends forecast to the latest announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

| | Ordinary income | | Net ordinary income | | Net income attributable to Japan Post Holdings | | Net income per share |
|-----------------------------------|-----------------|-------|---------------------|--------|--|--------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Yen |
| Fiscal year ending March 31, 2020 | 11,880,000 | (7.0) | 710,000 | (14.5) | 420,000 | (12.4) | 103.87 |

(Note) Revision of financial results forecast to the latest announcement: None

* Notes:

(1) Changes in significant subsidiaries during the fiscal period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Adoption of accounting method specific to preparation of interim consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(Note) For details, please refer to [Attachment] "2. Interim Consolidated Financial Statements and Primary Notes

(3) Notes to Interim Consolidated Financial Statements (Changes in Accounting Policies)" on page 7.

(4) Total number of shares issued (common stock)

1) Total number of shares issued at the end of the fiscal period (including treasury stock):

As of June 30, 2019: 4,500,000,000 shares

As of March 31, 2019: 4,500,000,000 shares

2) Total number of treasury stock at the end of the fiscal period:

As of June 30, 2019: 456,771,501 shares

As of March 31, 2019: 456,796,001 shares

3) Average number of shares during the fiscal period:

Three months ended June 30, 2019: 4,043,222,037 shares

Three months ended June 30, 2018: 4,043,178,823 shares

(Note) The total number of treasury stock at the end of the fiscal period includes the shares of the Company held by the management board benefit trust of 632,300 shares and 656,800 shares as of June 30, 2019 and March 31, 2019, respectively. The number of treasury stock excluded from calculation of the average number of shares during the fiscal period includes the shares of the Company held by the management board benefit trust of 638,762 shares and 681,976 shares for the three months ended June 30, 2019 and 2018, respectively.

* This summary of interim consolidated financial results is outside the scope of interim review procedures by Certified Public Accountants or Audit Firm.

* Explanation on appropriate use of financial results forecast and other specific matters

Forecasts and other forward-looking statements presented in this document are based on information available to the Company at present and certain assumptions that the Company has deemed reasonable, and the Company provides no assurance that the forecasts will be achieved or with respect to any other forward-looking statements. The actual future results may vary considerably depending upon various factors, such as interest rate fluctuations, stock price fluctuations, foreign exchange fluctuations, asset value fluctuations, changes in the economic and financial environment, changes in the competitive environment, the occurrence of large-scale disasters, etc. and changes in laws and regulations. The company disclaims any responsibility to update any forward-looking statements contained herein to the extent permitted by law or stock exchange rule.

As it is difficult to reasonably estimate the impact of measures stated in [Attachment] “2. Interim Consolidated Financial Statements and Primary Notes (3) Notes to Interim Consolidated Financial Statements (Additional Information)” on page 7 on the financial results of the Group at this point in time, such impact has not been reflected in the consolidated financial results forecast for the fiscal year ending March 31, 2020. However, such impact may materialize in the financial periods to come depending on the progress in the implementation of these measures.

[Attachment]

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Supplementary Briefing Material:

Materials for Consolidated Financial Results for the Three Months Ended June 30, 2019

1. Qualitative Information on Interim Consolidated Financial Results for the Fiscal Period under Review

(1) Explanation of Results of Operations

Consolidated ordinary income for the three months ended June 30, 2019 amounted to ¥2,985,144 million (down ¥174,003 million year-on-year), of which the postal and domestic logistics business segment accounted for ¥502,336 million (up ¥3,360 million year-on-year); the post office business segment accounted for ¥335,245 million (up ¥3,276 million year-on-year); the international logistics business segment accounted for ¥160,218 million (down ¥8,962 million year-on-year); the banking business segment accounted for ¥463,822 million (down ¥6,678 million year-on-year); and the life insurance business segment accounted for ¥1,818,987 million (down ¥159,700 million year-on-year). Consolidated net ordinary income amounted to ¥202,238 million (down ¥7,943 million year-on-year) as a result of net ordinary income of ¥22,062 million in the postal and domestic logistics business segment (up ¥6,317 million year-on-year); net ordinary income of ¥21,998 million in the post office business segment (up ¥10,897 million year-on-year); net ordinary loss of ¥5,268 million in the international logistics business segment (net ordinary loss of ¥421 million for the same period of the previous fiscal year); net ordinary income of ¥105,715 million in the banking business segment (down ¥946 million year-on-year); and net ordinary income of ¥56,002 million in the life insurance business segment (down ¥19,246 million year-on-year).

As a result of the above, net income attributable to Japan Post Holdings amounted to ¥135,072 million (up ¥11,532 million year-on-year), which comprises consolidated net ordinary income after adjusting for items including extraordinary gains (losses) and provision for reserve for policyholder dividends.

(2) Explanation of Financial Position

1) Assets

Consolidated total assets were ¥289,541,422 million, up ¥3,370,713 million from the end of the previous fiscal year.

Major factors include an increase in cash and due from banks of ¥4,004,614 million and an increase in receivables under resale agreements of ¥1,332,694 million, as well as a decrease in securities of ¥1,456,176 million and a decrease in loans of ¥611,820 million.

2) Liabilities

Consolidated total liabilities were ¥274,251,726 million, up ¥2,869,671 million from the end of the previous fiscal year.

Major factors include an increase in deposits of ¥1,897,045 million and an increase in payables under repurchase agreements of ¥1,187,754 million, as well as a decrease in policy reserves of ¥568,733 million.

3) Net Assets

Consolidated total net assets were ¥15,289,695 million, up ¥501,041 million from the end of the previous fiscal year.

Major factors include an increase in non-controlling interests of ¥517,909 million and an increase in net deferred gains (losses) on hedges of ¥30,113 million, as well as a decrease in capital surplus of ¥49,904 million.

(3) Explanation of Consolidated Financial Results Forecast and Other Future Projections

The consolidated financial results forecast for the fiscal year ending March 31, 2020 remains unchanged from the full year forecast announced on May 15, 2019.

As it is difficult to reasonably estimate the impact of measures stated in [Attachment] “2. Interim Consolidated Financial Statements and Primary Notes (3) Notes to Interim Consolidated Financial Statements (Additional Information)” on page 7 on the financial results of the Group at this point in time, such impact has not been reflected in the consolidated financial results forecast for the fiscal year ending March 31, 2020. However, such impact may materialize in the financial periods to come depending on the progress in the implementation of these measures.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|---|----------------------|---------------------|
| Assets | | |
| Cash and due from banks | 52,244,467 | 56,249,081 |
| Call loans | 550,000 | 400,000 |
| Receivables under resale agreements | 8,368,139 | 9,700,834 |
| Receivables under securities borrowing transactions | 2,792,202 | 2,857,359 |
| Monetary claims bought | 650,638 | 489,097 |
| Trading account securities | 2 | 3 |
| Money held in trust | 6,778,335 | 6,754,511 |
| Securities | 195,647,107 | 194,190,931 |
| Loans | 12,083,499 | 11,471,678 |
| Foreign exchanges | 80,396 | 83,123 |
| Other assets | 2,419,069 | 2,665,852 |
| Tangible fixed assets | 3,155,062 | 3,295,593 |
| Intangible assets | 321,964 | 309,521 |
| Asset for retirement benefits | 50,214 | 50,138 |
| Deferred tax assets | 1,035,930 | 1,029,965 |
| Reserve for possible loan losses | (6,323) | (6,272) |
| Total assets | 286,170,709 | 289,541,422 |

(Millions of yen)

| | As of March 31, 2019 | As of June 30, 2019 |
|--|----------------------|---------------------|
| Liabilities | | |
| Deposits | 179,625,834 | 181,522,880 |
| Payables under repurchase agreements | 11,569,371 | 12,757,126 |
| Policy reserves and others | 67,093,751 | 66,459,054 |
| Reserve for outstanding claims | 519,568 | 482,758 |
| Policy reserves | 65,060,549 | 64,491,815 |
| Reserve for policyholder dividends | 1,513,634 | 1,484,480 |
| Payables under securities lending transactions | 5,896,268 | 6,247,768 |
| Commercial papers | 28,029 | 31,665 |
| Foreign exchanges | 628 | 667 |
| Bonds | 100,000 | 100,000 |
| Other liabilities | 2,755,370 | 2,863,210 |
| Reserve for bonuses | 122,665 | 35,261 |
| Liability for retirement benefits | 2,236,273 | 2,244,080 |
| Reserve for employee stock ownership plan trust | 839 | 399 |
| Reserve for management board benefit trust | 1,033 | 1,053 |
| Reserve for reimbursement of deposits | 88,332 | 85,721 |
| Reserve under the special laws | 897,492 | 881,822 |
| Reserve for price fluctuations | 897,492 | 881,822 |
| Deferred tax liabilities | 966,160 | 1,021,013 |
| Total liabilities | 271,382,054 | 274,251,726 |
| Net assets | | |
| Capital stock | 3,500,000 | 3,500,000 |
| Capital surplus | 4,135,429 | 4,085,525 |
| Retained earnings | 3,799,974 | 3,809,523 |
| Treasury stock | (831,887) | (831,853) |
| Total shareholders' equity | 10,603,516 | 10,563,195 |
| Net unrealized gains (losses) on available-for-sale securities | 2,580,765 | 2,587,041 |
| Net deferred gains (losses) on hedges | (55,415) | (25,301) |
| Foreign currency translation adjustments | (89,350) | (90,134) |
| Accumulated adjustments for retirement benefits | 253,992 | 241,839 |
| Total accumulated other comprehensive income | 2,689,992 | 2,713,444 |
| Non-controlling interests | 1,495,145 | 2,013,055 |
| Total net assets | 14,788,654 | 15,289,695 |
| Total liabilities and net assets | 286,170,709 | 289,541,422 |

(2) Interim Consolidated Statements of Income and Interim Consolidated Statements of Comprehensive Income
Interim Consolidated Statements of Income
Three months ended June 30

(Millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| Ordinary income | 3,159,148 | 2,985,144 |
| Postal business income | 654,878 | 650,844 |
| Banking business income | 470,054 | 463,405 |
| Life insurance business income | 1,978,674 | 1,818,977 |
| Other ordinary income | 55,541 | 51,917 |
| Ordinary expenses | 2,948,966 | 2,782,905 |
| Operating expenses | 2,222,102 | 2,059,517 |
| Personnel expenses | 652,333 | 643,851 |
| Depreciation and amortization | 66,821 | 72,699 |
| Other ordinary expenses | 7,708 | 6,837 |
| Net ordinary income | 210,181 | 202,238 |
| Extraordinary gains | 727 | 23,330 |
| Gains on sales of fixed assets | 686 | 1,219 |
| Reversal of reserve under the special laws | - | 15,669 |
| Reversal of reserve for price fluctuations | - | 15,669 |
| Compensation for transfer | 23 | 150 |
| Gains on transfer of business | - | 6,245 |
| Other extraordinary gains | 16 | 46 |
| Extraordinary losses | 3,920 | 1,804 |
| Losses on sales and disposal of fixed assets | 734 | 333 |
| Losses on impairment of fixed assets | 1,609 | 138 |
| Provision for reserve under the special laws | 267 | - |
| Provision for reserve for price fluctuations | 267 | - |
| Post office refurbishment expenses | 863 | 614 |
| Other extraordinary losses | 446 | 717 |
| Provision for reserve for policyholder dividends | 26,832 | 20,745 |
| Income before income taxes | 180,157 | 203,019 |
| Income taxes current | 65,925 | 65,896 |
| Income taxes deferred | (21,705) | (18,700) |
| Total income taxes | 44,220 | 47,196 |
| Net income | 135,936 | 155,823 |
| Net income attributable to non-controlling interests | 12,396 | 20,750 |
| Net income attributable to Japan Post Holdings | 123,540 | 135,072 |

Interim Consolidated Statements of Comprehensive Income
Three months ended June 30

(Millions of yen)

| | Three months ended June 30, 2018 | Three months ended June 30, 2019 |
|--|-------------------------------------|-------------------------------------|
| Net income | 135,936 | 155,823 |
| Other comprehensive income (loss) | (118,928) | 171,518 |
| Net unrealized gains (losses) on available-for-sale securities | (78,437) | 150,237 |
| Net deferred gains (losses) on hedges | (26,813) | 33,891 |
| Foreign currency translation adjustments | (1,311) | (1,185) |
| Adjustments for retirement benefits | (12,364) | (11,420) |
| Share of other comprehensive loss of affiliates | (1) | (4) |
| Comprehensive income | 17,007 | 327,342 |
| Total comprehensive income attributable to: | | |
| Japan Post Holdings | 16,438 | 271,335 |
| Non-controlling interests | 568 | 56,006 |

(3) Notes to Interim Consolidated Financial Statements
(Notes on Going-Concern Assumption)

None

(Notes to Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policies)

Toll Holdings Limited and its subsidiaries and affiliates

Effective from the three months ended June 30, 2019, "Leases" (IFRS 16, January 13, 2016; hereinafter referred to as "IFRS 16") was applied. Accordingly, lessees are required to, in principle, record assets and liabilities for all leases on the balance sheet. IFRS 16 is applied in accordance with transitional treatments, whereby the cumulative amount of impact resulting from this change in the accounting policy is recorded under retained earnings at the beginning of the three months ended June 30, 2019.

As a result, tangible fixed assets increased ¥176,939 million, other assets decreased ¥113 million, other liabilities increased ¥201,252 million, and retained earnings decreased ¥24,426 million at the beginning of the three months ended June 30, 2019. The effect of this change on profit and loss for the three months ended June 30, 2019 is immaterial.

(Additional Information)

Japan Post Group promotes thoroughgoing customer-first 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, regarding its insurance policies, 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. As a result, Japan Post Insurance decided to investigate all policies of Japan Post Insurance (approximately 30 million policies including cancelled policies in the past 5 years for a total of approximately 20 million policyholders).

Japan Post Insurance will reinstate insurance policies or take other measures in accordance with the intent and circumstances of its customers by specifically investigating whether there were any identifiable types of cases that caused disadvantages to customers not in line with their intentions, namely, the following: cases in which the previous policy was cancelled but the new policy underwriting was declined; 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; cases in which sales personnel could have made more reasonable proposals such as switching riders or decreasing insurance amounts; cases in which the policy coverage and period did not change after rewriting, but the assumed rate of return decreased; and 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).

In addition, at Japan Post Co., Ltd., a consolidated subsidiary, regarding the investigation of insurance policies, its employees will respond to the inquiries from customers who directly contact the post offices by phone or in person.

As it is difficult to estimate the impact of these measures on the consolidated financial results of Japan Post Group at this point in time, such impact has not been reflected on the interim consolidated financial statements for the three months ended June 30, 2019. However, such impact may materialize in the future financial periods depending on the progress in the implementation of these measures.

(Segment Information)

1. Ordinary income and segment profit (loss) of reportable segments

(Millions of yen)

| | Reportable Segments | | | | | | Other business | Total |
|------------------------------------|--|----------------------|----------------------------------|------------------|-------------------------|-----------|----------------|-----------|
| | Postal and domestic logistics business | Post office business | International logistics business | Banking business | Life insurance business | Subtotal | | |
| Ordinary income | | | | | | | | |
| Ordinary income from third parties | 491,329 | 38,172 | 160,175 | 463,405 | 1,818,977 | 2,972,060 | 12,591 | 2,984,652 |
| Intersegment ordinary income | 11,006 | 297,073 | 42 | 417 | 9 | 308,549 | 142,787 | 451,336 |
| Total | 502,336 | 335,245 | 160,218 | 463,822 | 1,818,987 | 3,280,609 | 155,379 | 3,435,989 |
| Segment profit (loss) | 22,062 | 21,998 | (5,268) | 105,715 | 56,002 | 200,512 | 124,159 | 324,671 |

(Notes) 1. Ordinary income is presented instead of net sales which is typical for companies in other industries.

2. "Other business" includes the hotel business and hospital business. Segment profit in "Other business" includes dividend income from subsidiaries and affiliates recorded by the Company in the amount of ¥121,873 million.

2. Reconciliation between total segment profit (loss) of reportable segments and net ordinary income on the interim consolidated statements of income

(Millions of yen)

| Items | Amount |
|--|-----------|
| Total segment profit of reportable segments | 200,512 |
| Segment profit in other business | 124,159 |
| Eliminations of intersegment transactions | (121,864) |
| Adjustments | (568) |
| Net ordinary income on the interim consolidated statements of income | 202,238 |

(Note) "Adjustments" are primarily due to differences in the calculation methods used for segment loss for the international logistics business segment and net ordinary income on the interim consolidated statements of income.